BUMIARMADA

ANNUAL REPORT 2018

2018 AT A GLANCE (as at 31 of December 2018)

Revenue
(RM)
2.42bil
(2017: RM2.40bil)

Total Assets
(RM)
15.54bil
(2017: RM18.84bil)

Net Loss
(RM)
2.32bil
(Net Profit 2017: RM376.41mil)

Market Capitalisation
(RM)
0.91bil
(2017: RM4.49bil)

FPSO Uptime
(%)
97.17%
(2017: ≥99%)

Total Equity
(RM)
3.37bil
(2017: RM5.52bil)

Firm Order Book
(RM)
20.20bil
(2017: RM22.25bil)

Share Price Performance
(% Year-on-year)
-79.74%
(2017: 26.44%)

Lost Time Injury
(per 1 mil man-hours)
0.56
(2017: 0.45)

INSIDE THIS REPORT

WE STAY RESILIENT BY KEEPING TO OUR 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.

S U R E

SAFE

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

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

UNITED

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

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

RESPONSIBLE

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

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

EXCELLENT

We are driven by our ambition to continuously improve.

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

ABOUT THIS REPORT

Welcome to Bumi Armada's 2018 Annual Report. As you read through the following pages, you will find a comprehensive review of our Group's performance, challenges and opportunities during the financial year 2018.

SCOPE AND BOUNDARIES

This report covers the governance, the strategy, the financial performance and the prospects of the Group. Split into 6 sections, Sections 1-2 provide a narrative of our business whilst Sections 3-6 provide all the information believed to be relevant to our stakeholders, including the consolidated annual financial statements.

GUIDELINES

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

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

ENQUIRY

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

On behalf of the board:

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ

LEON ANDRE HARLAND

WHERE WE OPERATE

as at 31 December 2018

FLOATING PRODUCTION & OPERATIONS

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

Bumi Armada currently operates the following facilities:

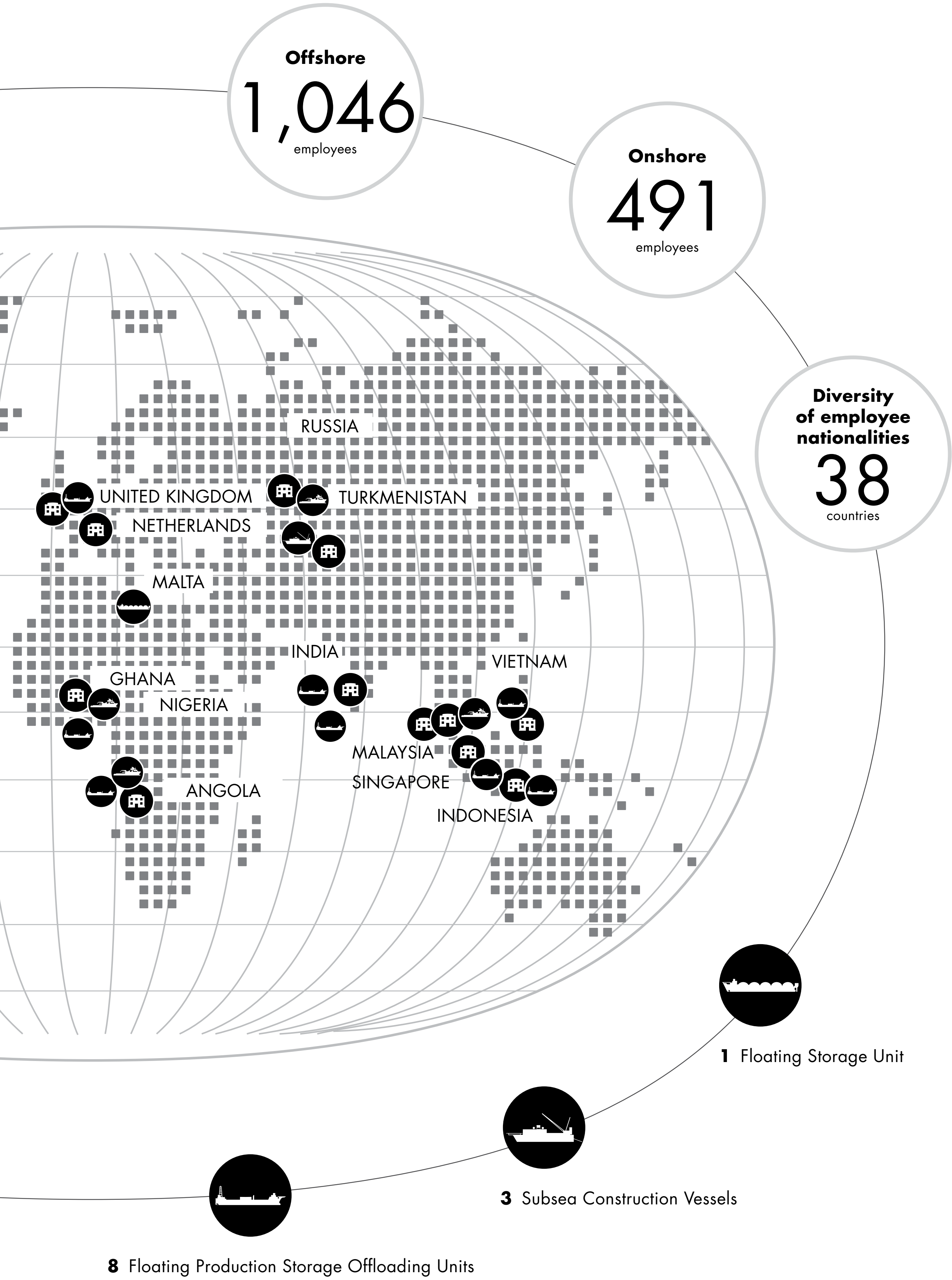
- 5 wholly owned FPSOs.
- 3 jointly owned FPSOs.
- 1 Liquefied Natural Gas ("LNG") Floating Storage Unit ("FSU").

OFFSHORE MARINE SERVICES

The OMS business runs a fleet of 47 vessels, comprising 44 OSVs and 3 SC vessels. The OSVs currently operate in South East Asia, West Africa, Latin America and 3 ice-class vessels operate in the Russian sector of the Caspian Sea. The SC vessels operate in the Caspian Sea and Indonesia, where we execute 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.

WHERE WE OPERATE
as at 31 December 2018



GROUP CORPORATE STRUCTURE

as at 31 December 2018

BUMIARMADA

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

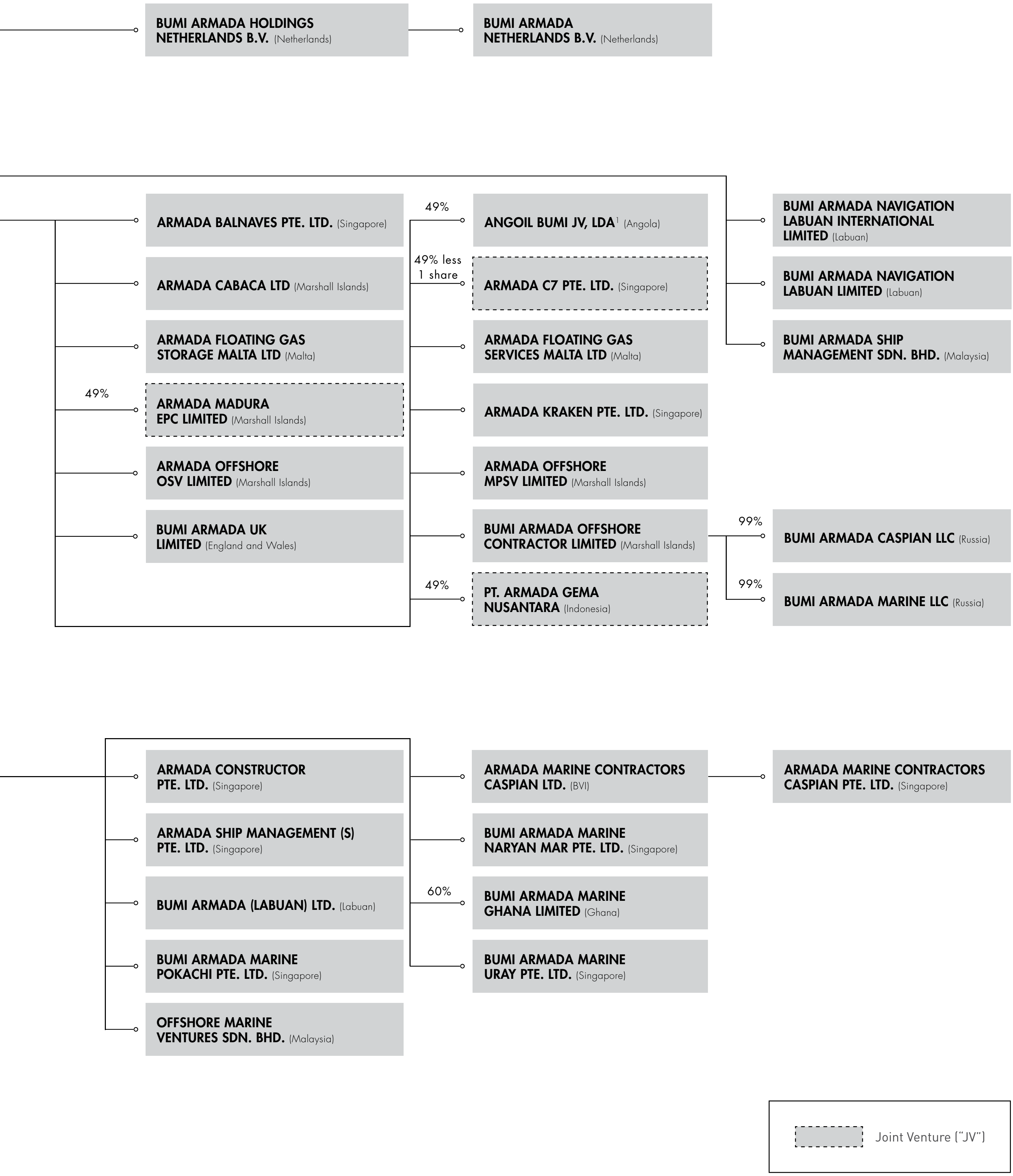
Notes:

[1] Notwithstanding the BAB 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.

* All 100% owned unless stated otherwise.

The full list of Bumi Armada Group of Companies are stated on pages 154 to 163 and 164 to 165 of the Notes to the Financial Statements.

GROUP CORPORATE STRUCTURE
as at 31 December 2018



CORPORATE INFORMATION

BOARD OF DIRECTORS

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

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

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

Chan Chee Beng
Non-Independent Non-Executive Director

Maureen Toh Siew Guat
Non-Independent Non-Executive Director

Gary Neal Christenson*
Executive Director

Leon Andre Harland*
Executive Director/
Chief Executive Officer

AUDIT COMMITTEE

VU Kumar (Chairperson)
Alexandra Schaapveld
Maureen Toh Siew Guat

REMUNERATION COMMITTEE

Alexandra Schaapveld (Chairperson)
Maureen Toh Siew Guat
VU Kumar

NOMINATION & CORPORATE GOVERNANCE COMMITTEE

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

RISK MANAGEMENT COMMITTEE

VU Kumar (Chairperson)
Maureen Toh Siew Guat

COMPANY SECRETARIES

Noreen Melini binti Muzamli
(LS 0008290)
Noor Hamiza binti Abd Hamid
(MAICSA 7051227)

REGISTERED ADDRESS/HEAD OFFICE

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

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia
Tel : +603 7849 0777
Fax : +603 7841 8151/8152/8100

AUDITORS

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

STOCK EXCHANGE LISTING

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

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

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.
* Leon Andre Harland's contract of employment as the Chief Executive Officer ("CEO") ends on 15 May 2019. Gary Neal Christenson will be appointed as the CEO on 16 May 2019.

01

ORGANISATION CHART

as at 31 December 2018

BOARD OF DIRECTORS

- Risk (Indirect to Board - Risk Management Committee)
- Internal Audit (Direct to Board - Audit Committee)

EXECUTIVE DIRECTOR/ CHIEF EXECUTIVE OFFICER

Leon Andre Harland

COSEC
(Direct to Board)

CHIEF HUMAN RESOURCES OFFICER

Soorya Themudu

- HR Centre of Excellence
- HR Business Partners
- Shared Services
- Admin

GENERAL COUNSEL

Karen Lawrie

- Legal
- Contracts
- Insurance
- Compliance

CHIEF FINANCIAL OFFICER

Luke Targett

- Corporate Treasury
- Cash Management
- Financial Reporting
- Investor Relations, Communications & Sustainability
- Tax
- Information Services & Technology
- Project & Corporate Finance
- Joint Venture Management

HEAD OF HSSEQ

Leong Wei Kit

- Health
- Safety
- Security
- Environment
- Quality

HEAD OF OFFSHORE MARINE SERVICES

Megat Zariman bin Abdul Rahim

- OSV
- Subsea Construction

HEAD OF FPO TECHNOLOGY

Claude Verhoeven

- Project Management
- Engineering
- Supply Chain Management

COMMERCIAL

Leon Andre Harland (Interim)

- Sales & Business Development
- Proposal

SVP FLOATING, PRODUCTION & OPERATIONS

James Ellis

- Operations
- Fleet Asset Integrity
- HSSEQ & Regulatory Compliance

CEO

Direct Reports to CEO (Management Team)

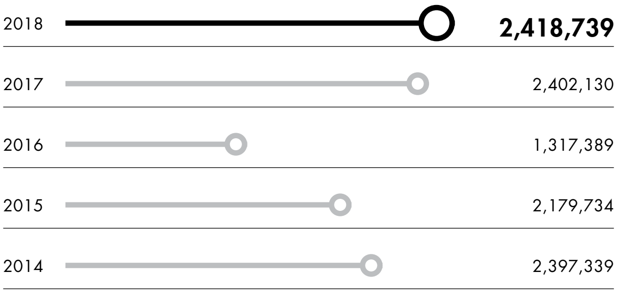
Dual Reporting/ Functional Reporting

Direct Reporting

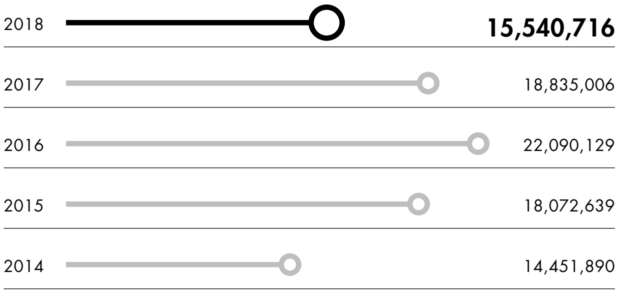
FIVE-YEAR FINANCIAL PERFORMANCE

as at 31 December 2018

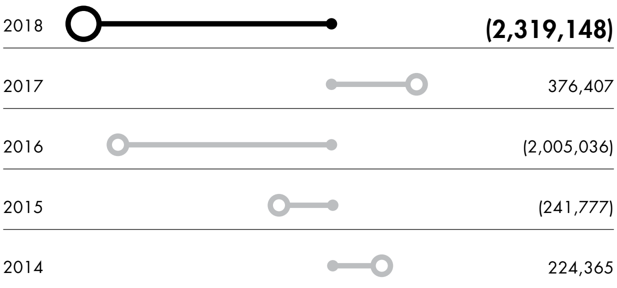
REVENUE
(RM'000)



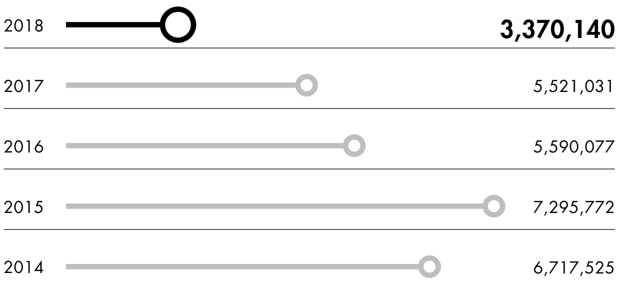
TOTAL ASSETS
(RM'000)



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



TOTAL EQUITY
(RM'000)



Financial Performance (RM'000)	**2014**	**2015**	**2016**	**2017**	**2018**
Revenue	2,397,339	2,179,734	1,317,389	2,402,130	**2,418,739**
Profit/(Loss) for the financial year	224,365	(241,777)	(2,005,036)	376,407	**(2,319,148)**
Profit/(Loss) attributable to the Owners of the Company	218,690	(234,566)	(1,967,651)	352,247	**(2,302,769)**
Total assets	14,451,890	18,072,639	22,090,129	18,835,006	**15,540,716**
Total equity	6,717,525	7,295,772	5,590,077	5,521,031	**3,370,140**

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

01

SHARE PERFORMANCE

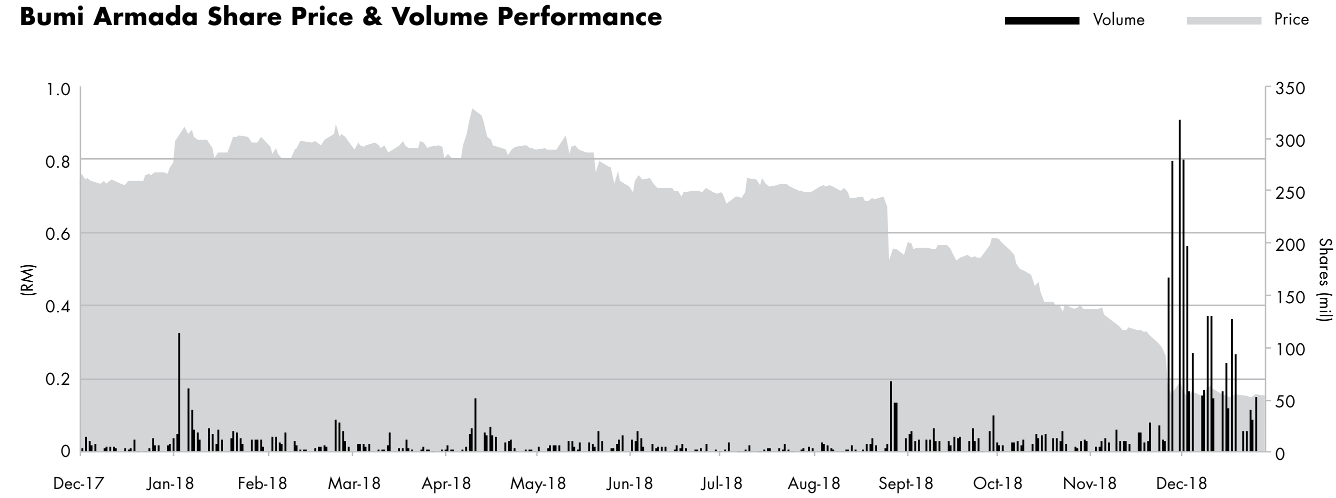
MALAYSIAN STOCK MARKET AND BUMI ARMADA

The Malaysian stock market represented by the benchmark FBM KLCI Index (FBM KLCI) had a strong start in 2018 and pushed the stock market to an all-time high of 1,895.18 points in the first quarter. This was driven by stronger year on year earnings reports, rallies in commodity prices and sturdy foreign investment in the lead up to the Malaysian elections.

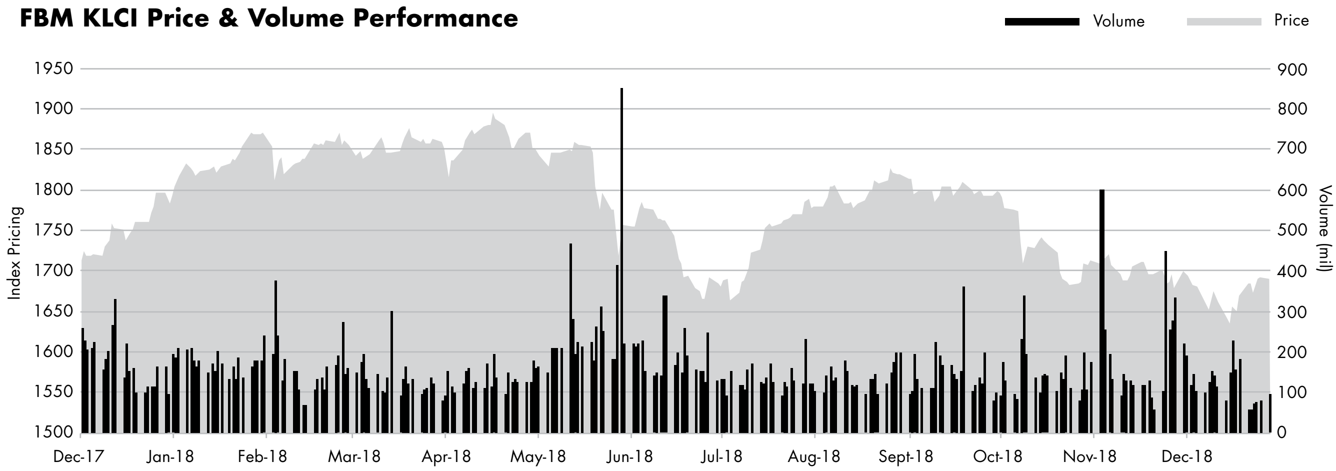
However, this all changed post elections with uncertainties for the Malaysian economy with the historic change of government, major global policy and political shifts and increased global trade tensions. Additionally, supply disruptions in the mining and agriculture sectors as well as decreased commodity exports adversely affected Malaysia's economic performance. As a result, the FBM KLCI ended the year at a low of 1,690.58 points, losing up to 5.9% of its gains from the start of the year and it was the worst performance the index has had in over ten years.

For Bumi Armada, the share price started the year positively, on the back of a strong financial performance delivered in 2017's full year results. The share price climbed to a high of 94 sen in April before reacting negatively to the impairments taken against Armada Kraken FPSO in the second quarter of 2018. Further impairments made in the third and fourth quarters of the year, due primarily to the OSV segment and Armada Kraken FPSO respectively, as well as uncertainties around corporate debt refinancing, resulted in a continued decline, with the share price ending 2018 at 15.5 sen, a decrease of 79.74% against the 76.5 sen at the end of 2017.

Bumi Armada Share Price & Volume Performance



FBM KLCI Price & Volume Performance



CHAIRMAN'S STATEMENT

Dear Shareholders,

Before going into the review of 2018, I would like to start by welcoming Gary Christenson, who joined the Board of Directors of the Company ("Board") in May 2018 as an Independent Non-Executive Director and who will now be taking over as the Chief Executive Officer ("CEO"), in May 2019. I also welcome Luke Targett who joined us in November 2018 as the Chief Financial Officer ("CFO") and Karen Lawrie, our new General Counsel.

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

THE GLOBAL ECONOMY

Global economic growth was suppressed in 2018 due to the trade war between China and the USA, lower than expected growth from key emerging economies, signs of impending interest rate increases and continuing geo-political tensions. The signs in the first quarter of 2019 are that many of these factors will continue to dampen global growth, for at least the first half of the year.

Real GDP Growth (% change)

Source: IMF

OIL PRICES

Brent oil prices went through something of a rollercoaster ride in 2018. Oil prices started the year in the mid-USD60 per barrel level before falling to USD60 per barrel in mid-February. Prices then quickly strengthened to USD80 per barrel in May before retracing to USD70 per barrel in mid-August, which was followed by a move to high-USD80 per barrel in October. Concerns of a slowing global economy however, raised concerns about the underlying demand for oil in the medium term, causing oil prices to retract, ending 2018 in the mid- to low-USD50 per barrel levels.

Brent Oil (USD/Barrel)

Source: Bloomberg

THE GROUP IN 2018

OVERALL PERFORMANCE

2018 was a volatile year financially for the Group. In the first quarter the Group delivered profits, before large impairments were taken for the FPO and OMS businesses in the remaining quarters, particularly on Armada Kraken.

However, whilst the impairments taken against the Kraken were significant, we feel they were necessary, and we are working towards stabilising the crude production and availability level of the vessel. The OSV impairment was taken due to the decline in vessel utilisation and day rates, which have been seriously impacted by industry oversupply.

The Group also had to address the challenge of maturing corporate debt, which was primarily borrowed for the expansion of the OMS business, before the oil prices and the market turned negative in 2014. This was settled with the refinancing of the corporate debt, which was announced to Bursa Securities on 24 April 2019.

In light of the ongoing difficult financial situation, it was necessary to continue to reduce headcount in certain areas and close non-essential offices as part of our continuing cost reduction programme.

FLOATING PRODUCTION & OPERATIONS

Overall, 2018 was a positive year for the FPO business. The Armada TGT 1 FPSO in Vietnam completed her seven-year firm charter period in August and secured a six-year and three-month contract extension. Our LNG FSU in Malta, Armada LNG Mediterrana, had a good year of operations and we also saw positive contributions from our joint venture FPSO units in India, the Armada Sterling and Armada Sterling II, as well as the Karapan Armada Sterling III in Indonesia. We also completed the final acceptances of the Armada Olombendo FPSO in Angola and the Armada Kraken FPSO in the UK North Sea. Whilst the Armada Olombendo is performing strongly, unfortunately, the Armada Kraken continues to experience some issues (highlighted in the Management Discussion & Analysis ("MD&A") section) and we are doing all that we can to rectify the situation as soon as possible.

OFFSHORE MARINE SERVICES

In the OMS business, the OSV segment remained extremely difficult in 2018. Low vessel demand was reflected in our lower OSV fleet utilisation levels of 41% during the year, and charter rates continued to be soft. In view of continued weakness in this segment, the Group has disposed of two vessels in 2018 as part of its asset monetisation plans. Moving forward, the Group aims to dispose of more idle vessels.

In the SC sub-segment, we concluded our work under our long-term contract for PETRONAS in Turkmenistan, as well as wrapped up the work scope in the Russian sector for Lukoil in 2018. In 2019, the SC segment is bidding on new projects in the Caspian Sea for both the Armada Installer and Constructor vessels. We are still awaiting a decision from the potential clients.

SAFETY

In Bumi Armada, we recognise safety as one of our business priorities and this is reflected in our shared values. The Group has setup controls in place based on industrial standards to mitigate the identified risks in our operations. Despite our efforts in 2018, the Group recorded three Lost Time Injury ("LTI") cases across its businesses. In the FPO business, there was a Lost Workday case recorded due to a slip and trip incident, and there were two LTIs recorded in the OMS business. In the first, a crew member was injured during anchor handling activities; and in the second, a third-party contractor was injured during extreme weather conditions, resulting in the collapse of the jetty where our vessel was moored. Thankfully, the crew members have recovered. The Group is committed to learning from these cases and to further improve our processes and controls to prevent recurrence.

OUTLOOK

Oil prices in early 2019 have rebounded slightly but are at risk of falling due to continued weakness in the global economic outlook and tense geopolitical relations. The current view is that these market conditions are unlikely to change in the near term. The knock-on impact of this to the offshore Oil & Gas ("O&G") sector is that 2019 is likely to be another year of selective capital expenditure. So far there has not been a significant increase in activity in the FPSO space; whilst OSV has seen some improvement in utilisation, the sector remains volatile.

On a positive note for the Group, most of our income is derived from our FPO business which is operating long-term contracts, so our revenues in 2019, are predicted to be relatively stable.

We have also completed the refinancing of our corporate debt, which allows the Group to focus on operations and continuing structural improvements going forward.

KEY TARGETS FOR 2019

For 2019, the Group will continue to focus on the following areas:

- Ensure the safety of all employees, partners and assets;
- Improve operational performance on Armada Kraken;
- Improve the balance sheet and increase cash flows;
- Optimise cost; and
- Monetise assets that are unlikely to contribute positively in the short-to-medium-term.

IN CONCLUSION

Whilst it has been a difficult year, cost reductions and refinancing of the corporate debt will all serve to strengthen the Company moving forward.

We need to ensure that all our assets operate safely and as efficiently as possible and maximise their contribution to the Group, and that each business unit can perform on its own.

It is clear what needs to be done in 2019. Under the leadership of our new CEO, Gary Christenson, we will focus on improving the operational performance on Armada Kraken, optimise value from the OSV segment and further improve our balance sheet. By doing so, we will position ourselves for growth in the future.

I would like to take this opportunity to thank Leon Harland for his contributions during his three-year tenure as the CEO, Pierre Savy (former Acting CFO) and Mimi Tahsin (former General Counsel), and I wish them all the very best for the future. I would also like to thank all shareholders, partners and other stakeholders of Bumi Armada for their support during the year.

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

MANAGEMENT DISCUSSION & ANALYSIS

Dear Shareholders,

In this report, I shall provide an overview of the strategy, operations and financial performance of the Group in 2018. I will highlight the areas that both positively and negatively impacted us, as well as the steps the Management has taken to address the risks and other challenges that were faced during the year under review.

LEON HARLAND
Executive Director/Chief Executive Officer

THE O&G SECTOR

At the beginning of 2018, firmer Brent oil prices buoyed expectations for oil companies to increase their activities during the year and for budgets to be increased for 2019. However, global trade tensions, geo-political risks as well as slower growth in global emerging markets, raised concerns about energy demand in the medium-term. As a result, a number of offshore O&G activities were stalled or delayed further.

This meant that there has been limited decisions by clients in the projects that we are pursuing in the FPO business. In the OMS business, any chances of a recovery in OSV demand was further delayed, while decisions on new work for the SC sub-segment were deferred.

OBJECTIVES & STRATEGIES

The main objectives of the Group remain tied to the vision "To be the preferred provider of offshore production and support services to our clients" and to our core values of "Safe, United, Responsible and Excellent - SURE".

We remain one of the top FPO players in the industry and one of the main OMS operators in both South-East Asia and the Caspian Sea. The main objectives of the Group moving forward is to continue to be recognised as a top offshore O&G services provider, to grow the FPO business, to optimise OMS assets, and monetise unutilised vessels.

SAFETY

Front-line Safety

During the year, the Group had three safety incidents at our front-line operations that resulted in injuries. Thankfully, the crew members involved have recovered. One of these incidents occurred on our FPO, while the other two occurred on our OSVs. All these incidents have been fully investigated and appropriate improvements in our processes have been introduced to avoid any recurrence.

Across both the FPO and OMS businesses, there have been sustained safety activities during the year, all with the predominant aim to reinforce proactive safety awareness throughout all of the Group's operations.

Positive Recognition
Throughout 2018, the Group received the following safety awards and milestones.

FPO Safety Milestones in 2018

Armada TGT I

- Achieved 7 Years of operations without a LTI on 18 July 2018.
- Received the Clients 2018 Safety Excellence Award.

Armada Sterling

- Achieved 5 Years of operations without a LTI on 22 April 2018.
- 2,000 Days without a LTI on 13 October 2018.

Armada Sterling II

- Achieved 3 Years of operations without a LTI on 11 March 2018.

Armada LNG Mediterrana

- Achieved 1 Year of operations without a LTI on 16 January 2018.
- Safely completed 8 Ship-to-Ship ("STS") transfers.

Armada Olombendo

- Achieved 1st year of operations without a LTI on 8 February 2018.

Karapan Armada Sterling III

- Achieved 1 Year of operation without a LTI on 26 July 2018.

Armada Perdana

- Achieved 5 Years of operations without a LTI on 6 May 2018.
- 2,000 Days without a LTI on 27 October 2018.

OMS Safety Milestones in 2018

- ExxonMobil Exploration and Production Malaysia Inc. ("EMEPMI")'s 2017 Chairman's Safety Award - Recognition Award.
- 2017 Marine Safety and Operational Excellence by Repsol on 3 May 2018.
- Shell Malaysia's 1000 Zero Day Goal.
- 2nd Runner up in Shell Malaysia's SMEP Marine League Table.
- EMEPMI Gold Award for our HSE and operational excellence in 2018.
- Armada Installer achieved 5 Years of operation without a LTI in July 2018 from Lukoil.

OVERVIEW OF BUSINESS & OPERATIONS

FPO BUSINESS

During 2018, we completed the final acceptances for our two largest units, Armada Olombendo in Angola, and Armada Kraken in the North Sea. Our other operating units in Vietnam and Malta plus those under our joint ventures in India and Indonesia, continued to perform well. The Armada TGT 1's strong performance in Vietnam resulted in the client extending its contract by six years and three months in August. This will see the unit on charter until November 2024.

The overall performance of the FPO business was negatively impacted in 2018 by two main issues:

1

The on-going shut-in of the Armada Perdana FPSO in Nigeria. The client was declared bankrupt in the US courts in Texas in 2018 and we are now working with the other aggrieved parties to try and recover as much proceeds from the sale of crude on-board the vessel, as well as extract ourselves and our vessel from the current situation.

2

The on-going technical challenges around the Armada Kraken FPSO, which have negatively impacted the unit's up-time availability.

All the other FPO units have performed well during 2018, recognised by a long-term contract extension for Armada TGT 1, annual safety milestones for LTI-free operations over the year, as well as more recently, recognition by the British Safety Council ("BSC") Awards for the Armada LNG Mediterrana in Malta, the Armada Olombendo FPSO in Angola and the joint venture Karapan Armada Sterling III FPSO in Indonesia. Even the Armada Perdana FPSO in Nigeria secured a BSC award, which highlights our team's commitment to continue safe, professional and efficient operations, even under difficult conditions.

Unutilised FPO Assets

During 2018, as part of the Group's asset monetisation plan, we disposed of the Armada Ulysses, a tanker we held as a conversion unit as we pursued new projects. We continue to assess options for the disposal of Armada Claire and Armada Perdana.

Litigation Against Woodside

After nearly three years of document review and case preparation, the litigation case between our wholly-owned subsidiary Armada Balnaves Pte Ltd ("ABPL") against Woodside Energy Julimar Pty Ltd ("Woodside") has commenced in the Supreme Court of Western Australia in February 2019. We do not expect a quick resolution of the dispute but hope to see some positive developments by late 2019.

OMS BUSINESS

OSV Sub-Segment

In 2018 our OSV sub-segment faced many challenges. The lack of new exploration by oil companies on the back of fluctuating oil prices resulted in fleet utilisation falling to 41%, as compared to approximately 50% in 2017, and charter rates remained extremely competitive. As a proactive measure the business segment was re-organised with a focus on cost optimisation and the re-assessment of vessels utilisation. As a result, a number of vessels were put on cold lay-up in 2018.

We did nevertheless manage to secure some new contracts towards the end of 2018 and into 2019, and predominately with large international oil companies. Whilst most of the charters were for less than six months, the business segment did secure two longer-term contracts - one in Malaysian waters with Sarawak Shell (2+1 Years for the Armada Tuah 303) and the other for Eni in Congo (3+2 Years for the Armada Hibiscus).

These are on top of our long-term charter contracts that we have for the Ice Class Vessels in the Caspian Sea with Lukoil as well as with Shell Malaysia for Armada Tuah 300, the first diesel electric vessel in Malaysia.

As part of the on-going fleet rationalisation exercise, we managed to dispose of a number of vessels. Most of these assets that were marked for disposal were assets that have been laid up for more than 2 years and would have been costly to reactivate. As a result of this exercise, we achieved commercial arrangements to sell 6 OSVs of which 2 were actually handed over in 2018. For 2019, we are continuing to sell and hand over more vessels.

SC Sub-Segment

In 2018, the SC's vessels in the Caspian Sea (the Armada Installer and the Armada Constructor) completed works as planned in Turkmenistan for PETRONAS Turkmenistan, as well as in Russia for Lukoil on the Filanovsky field. The business segment has also managed to close out the Lukoil contract with some positive variation orders as well as to conclude the outstanding contractual billings with PETRONAS Turkmenistan. Following the closure of these projects, the business segment has subsequently scaled down its resources to minimise costs as much as possible. The organisation is now lean and resourced primarily with the core engineering and business development people to prepare for bids.

New bids were submitted for work in 2019, as well as longer-term work for 2020 and beyond. 2019 will be the year for tendering and business development. We have identified a total combined contract value of RM3 billion of work that we are bidding for in the Caspian area for project execution between 2019 to 2025. With the unique business value that our 2 vessels, Armada Installer and Armada Constructor have to offer, we expect that our operations in the Caspian will secure work in the near future.

The Armada KP1 in Indonesia continued to pick-up pipe-line and installation work over the course of 2018 and into 2019. The efforts that the business segment had put into getting the vessel imported and reflagged in Indonesia proved to be valuable. Armada KP1 also has unique advantages that will make her very attractive among clients in Indonesia.

2018 FINANCIAL RESULTS

The Group registered revenue of RM2.4 billion in 2018 which was similar to the revenue in 2017. There was a change in the make up of the revenue however, with FPO accounting for 70.0% of Group revenue in 2018 versus 59.7% in 2017. Conversely, the OMS revenue contribution to the Group declined from 40.3% in 2017 to 30.0% in 2018.

The main reason for the higher revenue from the FPO business was that Armada Kraken and the Armada Olombendo FPSOs had their first full year of operations and earnings in 2018. In the OMS business, the SC sub-segment had lower revenue in 2018 compared to 2017, as the SC sub-segment contributions were boosted by the additional work scope under the supplemental agreement with Lukoil in 2017.

Despite the stable revenue in 2018, the profitability of the Group was negatively affected by impairments over the course of the year. Of the total impairments of RM2.2 billion, RM1.6 billion was due to underperformance and low up-time availability of the Armada Kraken FPSO, while impairments at the OSV segment accounted for RM586.5 million.

Information on Impairments in 2018		
Q2 2018	**Q3 2018**	**Q4 2018**
The impairment was mainly taken against Armada Kraken FPSO based on the amendment agreement number 2 ("AA2") with EnQuest Heather Limited, EnQuest ENS Limited and Nautical Petroleum Limited.	The impairment was taken against certain OSVs, due to the decline in vessel utilisation and day rates.	The impairment was mainly taken against Armada Kraken FPSO due to the lower than expected levels of production during Q4.

The Group's financial performance was also affected by net allowance for impairment losses, higher financing costs due to the cessation of capitalisation of borrowing costs related to the completion of certain FPO projects, as well as costs related to restructuring and reorganisation.

The Group reported a net loss attributed to owners of RM2.3 billion for 2018, compared to a net profit of RM352.2 million in 2017. If the RM2.2 billion of impairments and net allowances for impairment losses of RM276.4 million were excluded, the Group would have registered a net profit to shareholders of RM216.5 million in 2018.

KEY RISKS AND TARGETS GOING FORWARD

There are a handful of key areas for the Group to focus on in 2019 which are also the key risks to the organisation.

The Group has recently completed its refinancing of the corporate debt, split into two tranches and repayable over the next two and five years respectively. Following this, the Group must continue to focus on maximising its revenue while continuing to manage its operational costs as well as finding additional value via asset monetisation strategies.

This means that we will monetise our OMS assets together with idle FPSOs to aid in reducing our costs and repayment of our debt facilities. Every vessel that is not generating cash, is a cost to either maintain or cold-stack.

Finally, there will be an ongoing focus to ensure safe and efficient operations on all our assets. We do have strong performances throughout our fleet which are recognised by various client awards throughout the year. However, the Armada Kraken FPSO is the only unit where we have not consistently reached the maximum potential, as demonstrated by the low availability levels of the unit. As a result, this underperformance is having a significant negative impact on the Group. Needless to say that we have been putting maximum efforts to improve the performance of the Armada Kraken FPSO and we expect to see the results of these efforts come through gradually in to 2019.

We have established dedicated teams pursue these targets and the progress is being closely monitored.

THANKS AND APPRECIATION

As you may be aware, I have decided for private reasons to not extend my contract beyond the three-year term. Even though I wish to see for myself that the above-mentioned targets are indeed being closed over the course of 2019, I do leave the Group with the full confidence that this will be achieved thanks to the dedication and drive of the various talented people within Bumi Armada.

I would like to thank the shareholders for their trust in having me lead the Group over the past three years. My special thanks to the Board Chairman, Tunku Ali, and the other directors for their guidance and insight. To Gary Christenson, I wish you all the best in leading Bumi Armada into an inspiring future. Finally, I would like to thank everyone at the Group for their support, friendship and enjoyable times over the last three years, and I remind everyone to be "SURE" in everything you do.

LEON HARLAND
Executive Director/
Chief Executive Officer

SUSTAINABILITY STATEMENT

Introduction

Welcome to the Group's Sustainability Statement for 2018. This report will update the reader on the key areas with regards to Bumi Armada's approach to safety, society and the environment, that the Group monitors and reports on. It also covers the key Corporate Social Responsibility ("CSR") initiatives undertaken by the Group, as part of our commitment to maintain a sustainable environment in the regions in which we operate.

OPERATING IN A HIGHLY REGULATED INDUSTRY

Bumi Armada is the owner and operator of various vessels, that cover the offshore Oil and Gas ("O&G") services life cycle. The industry is highly regulated with requirements for annual independent audits to be conducted for all of our operations in order to be in compliance to in-country laws and industrial standards where HSSEQ is a key focus. The scope of such "License-to-Operate" requirements span from the condition of our assets to our operating procedures, both offshore and at our onshore work sites.

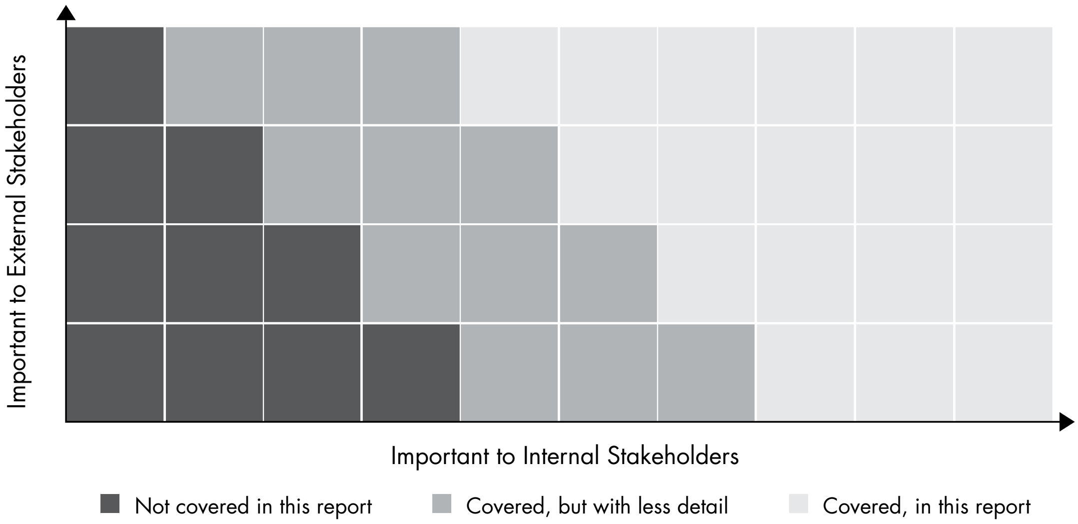
For this reason, failure to meet the various regulatory and certification requirements can be punitive, including the disqualification or "black-listing" of the asset and/or operations. Our aim is to operate within, or better than, the necessary "License-to-Operate" requirements. This includes in-country laws, regulations and compliance requirements set by our clients, including meeting the relevant ISO requirements.

02

BAB remains a component member of the FTSE4Good Index.

Full Certification List	
STANDARDS & QUALITY CERTIFICATIONS	
• ISO 9001: 2015 (“Quality Management System”)	• International Ship and Port Facility Security (“ISPS”)
• ISO 14001: 2015 (“Environmental Management System”)	• Safety Management System (“SMS”)
• OHSAS 18001: 2007 (“Occupational Health and Safety Management System”)	• Mobile Offshore Drilling Unit Code (”MODU”)
• International Safety Management (“ISM”)	

The critical areas that drive the Group’s ability to operate in the offshore O&G sector are also the key areas that make up our top materiality issues, within the Group Materiality Matrix.



The Critical Material Issues referred to in the Group Materiality Matrix can be found within the Material Issues table below.

MATERIAL ISSUES

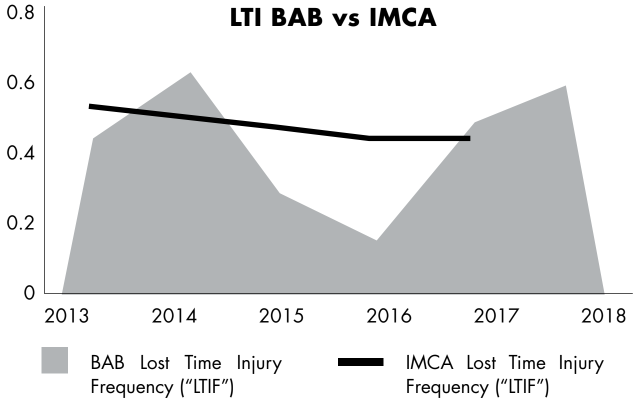
Critical Material Issues	Addressed by:
Safety	Health, Safety, Security, Environment and Quality (“HSSEQ”)
Ethical Operations	Statement of Risk Management and Internal Control
Environmental Impact	Environment Management
Business Performance	Management Discussion & Analysis
People	People
Operational Compliance	Operational Compliance

HEALTH, SAFETY, SECURITY, ENVIRONMENT AND QUALITY

As the Group operates on a daily basis in offshore locations, we are subject to risks, especially in the areas of HSSEQ, that need to be managed and mitigated. In this environment, we continuously instil a Safety Culture behaviour and mindset that adheres to zero tolerance for unsafe acts, unsafe conditions, as well as non-compliance to HSSEQ procedures. Our Corporate HSSEQ department acts as the governing body that monitors the compliance of the Group, against both internal, contractual and international standards.

In 2018, we introduced the HSSEQ Management Team Committee in order to strengthen HSSEQ governance across the Group, along with performance standards and other controls. The committee is chaired by our CEO and includes key Management Team members with the authority to influence HSSEQ related decisions and actions across the Group.

Under the HSSEQ requirements, the Group is required to report its performances and establish a HSSEQ Strategy and Plan for continuous improvement and mitigation of its HSSEQ risks to As Low As Reasonably Practicable ("ALARP"). To ensure we are aligned with the progression of international standards, we continue to be an active member of the International Maritime Organisation ("IMO") and International Marine Contractors Association ("IMCA"), and leverage on international practices and industrial lessons learnt for ongoing improvement initiatives.



The Group also evaluates its practices related to the health and well-being of our employees through regular audits on the relevant applicable procedures, including travel vaccination, ergonomics, lighting, noise and hygiene conditions at work. This includes a review of appointed medical centres, health management procedures, including health risk assessment, pre-travel vaccination and monitoring epidemiological situations in-country and overseas. Particular attention is given to the prevention of non-communicable diseases and promotion of general health.

Corporate Policies

Governance policies are in place to ensure we live up to the HSSEQ standards set for the organisation. These include, amongst others:

- Asset Integrity Management Policy
- Corporate Major Accident Prevention Policy ("CMAPP")
- Drug and Alcohol Policy
- Heath, Safety & Environmental Protection Policy
- Policy on the Wearing of Personal Protective Equipment
- Security Policy
- Stop Work Policy
- Smoking Policy
- Quality Management Policy

Certification by Recognised Bodies

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

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

The ISO certifications reflect our commitment to ensure we maintain high quality assets and services in the following areas:

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

Personal Safety

In 2018, we continued to drive HSSEQ initiatives to instill positive behavior and mindset among our employees with the aim to enhance our HSE Culture. These included:

- Company-wide safety stand down for reflection of lessons learns from the Piper Alpha incident;
- Monthly FPO HSE video sharing;
- FPO LTI-Free Recognition Awards;
- OMS HSSEQ Leadership Performance Awards; and
- OMS Supplier HSE Recognition Awards.

Coupled with commitments from our Leadership Team on conducting management visits to site, we observed improvements in proactive reporting of Safety Observation Frequencies and Near Miss Reporting Frequencies.

Regretfully, in 2018, we recorded two LTI cases in OMS, where a crew member was injured during an anchor handling activity; and a third-party contractor was injured during extreme weather condition resulting in the collapse of the jetty where our vessel was moored. For FPO, a Lost Workday case involving a slip and trip incident was recorded. We are committed to learn from these cases and further strengthen our controls to prevent recurrence.

SUSTAINABILITY STATEMENT

Year	2014	2015	2016	2017	2018
Leading Indicators (per 200,000 manhours)					
Safety Observation Frequency	720.8	902.2	598.8	686.0	**812.2**
Near Miss Reporting Frequency	1.7	1.7	1.2	3.6	**3.7**
Management Visit Ratio	5.8	4.8	8.3	3.0	**3.5**
Lagging Indicators (per 1 million manhours)					
Lost Time Injury Frequency	0.7	0.3	0.1	0.5	**0.6**
Total Recordable Injury Frequency	1.6	2.3	0.7	1.1	**0.9**
First Aid Case Frequency	2.8	2.8	1.5	1.8	**1.9**

Process Safety

In line with industrial standards, we measure and report Process Safety Event ("PSE") with Tier 1 as most significant. In 2018, we have recorded five Tier 1 PSEs and two Tier 2 PSEs. Based on our key findings, we continue to work closely with our asset integrity team to prevent reoccurrence across our fleet.

Security

In accordance to the Company policy, security risks to our personnel are being managed through a diligent process of onsite Security Risk Assessments ("SRA"). Through this process, identified risks are subsequently mitigated with the implementation of bespoke procedures and robust physical controls.

Based on our risk assessments, or as required by local laws, our security controls are further enhanced through the engagement and support provided by local security companies and/or, Government Security Forces, in our operational environments which have been rated as "High Risk".

The success of this approach has seen the organisation completing operations securely throughout 2018.

ENVIRONMENTAL MANAGEMENT

As an organisation that operates in the offshore energy sector across 10 countries globally, we are committed to reducing the impact of our business on the environment. This includes compliance with the requirements set by the IMO on marine pollution.

This objective aims to prevent and minimise the pollution from ships – both incident related or from normal operations. Our focus areas includes the reduction of greenhouse gas ("GHG") emissions across our operations.

Spill Management

In 2018, we committed to achieve "Zero Oil Spill to the Sea". We have recorded two cases of spills released to sea by our FPSO fleet that was less than one barrel. The Group will continue to strive for its goal of "Zero Oil Spill to the Sea" with continuous improvements from lessons learnt.

Greenhouse Gas Reduction

In line with our long term ambition, we are committed to reducing the carbon footprint of our offshore operations, as well as onshore worksite. In 2018, we observed an increase in GHG emissions as compared to 2017, which were due to the growth of our operating fleet. To drive continuous improvement, we have focused on reducing our GHG emissions by improving our operational control.

	2014	2015	2016	2017	2018
Environment					
Spill (Contained onboard)	5.0	5.0	6.0	10.0	**12.0**
Spills Released to Sea (Number)*	4.0	0.0	0.0	0.0	**2.0**
Greenhouse Gas Emissions (GHGs)					
Scope 1 ('000 tonnes CO_2 equivalent)	540.0	540.0	497.0	484.0	**595.8**
Scope 2 ('000 tonnes CO_2 equivalent)	1.0	0.9	0.7	0.7	**0.6**
Bunker Fuel Consumption (Million litres)	139.0	96.0	67.0	58.0	**41.6**
Electricity Consumption (MWh)	1489.0	1425.0	1016.0	1101.0	**902.6**
Water Consumption - Vessels (thousand m^3)	142.0	126.0	114.0	133.0	**119.3**

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

Environmental Awareness Campaign

We seek to maintain a strong belief in protecting the environment while operating in a responsible manner. In 2018, Bumi Armada launched a series of initiatives during our "Environment Week Campaign" across our organisation. The campaign included industrial training by Institute of Marine Engineers, Science and Technology on "Marine Pollution Preparedness and Response" and a series of internal initiatives to elevate environmental knowledge and awareness amongst our employees.

PEOPLE

The Group remains committed to providing an environment for our employees to develop and excel. While the Group works across multiple countries, we look to employ local talent as this provides local knowledge and capability, which is critical in countries where local content requirements are required.

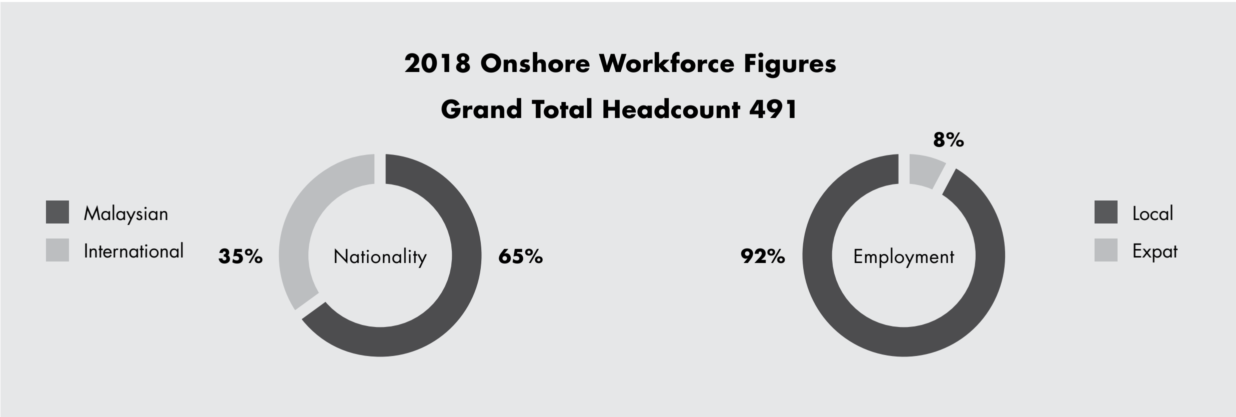
Code of Business Conduct and Ethics

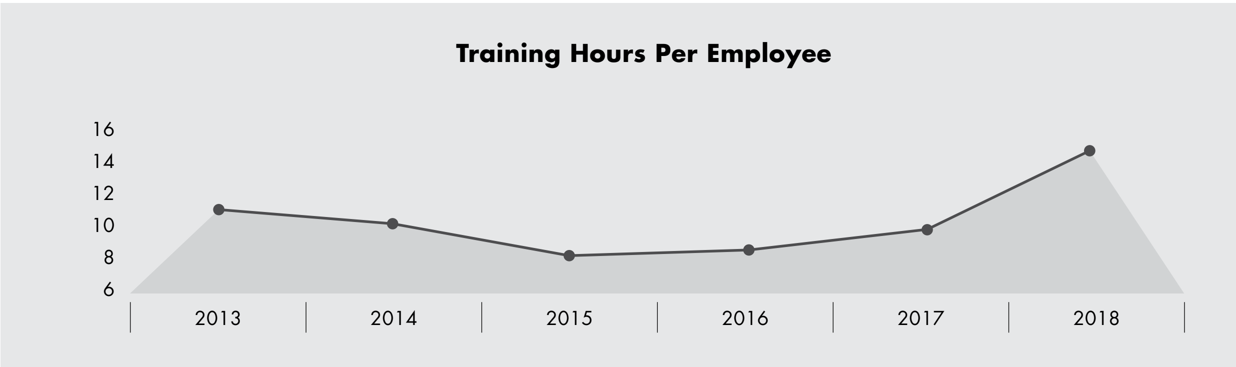
The Group's Code of Business Conduct and Ethics ("the Code") outlines professional and behavioural standards that all employees are expected to adhere to. It covers legal compliance, integrity in business dealings, illegal payments, gifts and entertainment. The Group has a policy of zero tolerance for any corrupt practices. All employees are required to acknowledge their compliance with the Code which highlights amongst others, child labour and minimum wages.

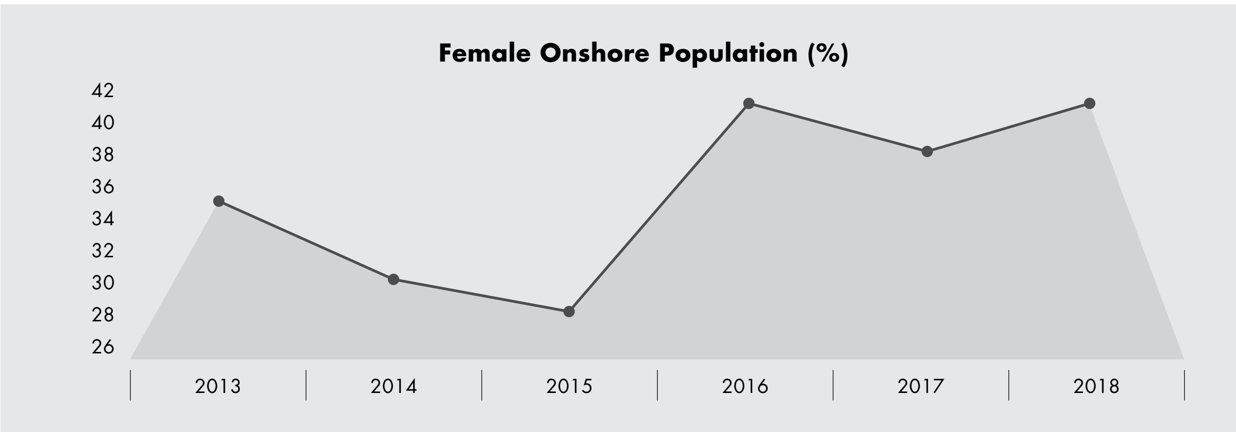
The Code governs our behaviour within the organisation, and the Group expects a similar level of ethical standards from our business associates. Our suppliers are also required to abide by the standards laid out in the Code.

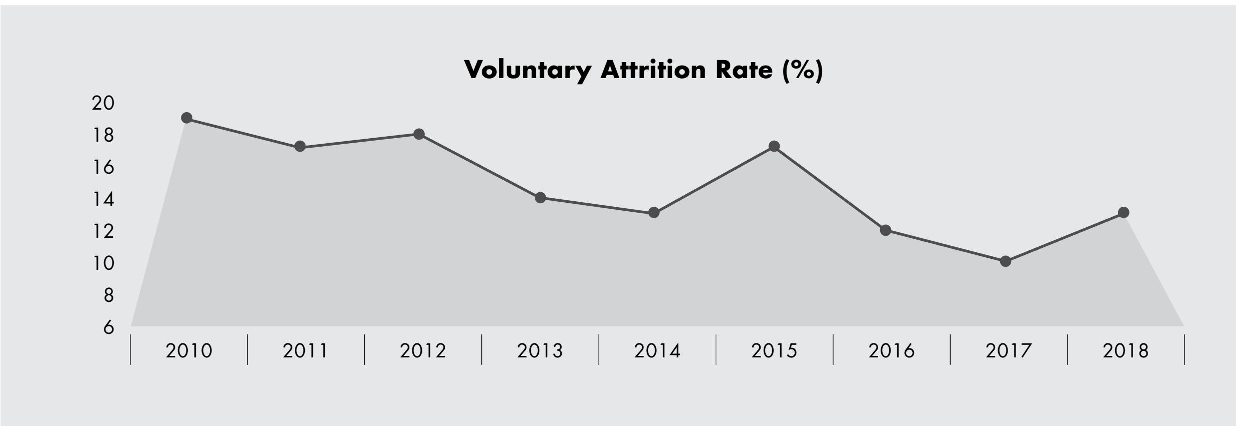
Human Rights & Diversity

The Group's human resource activities are based on a strong adherence to equal opportunities, to attract the best talent across gender and culture. Our Employee Handbook states clearly "Employment decisions are based on merit and business needs, and not on race, colour, citizenship status, national origin, ancestry, gender, sexual orientation, age, weight, religion, creed, physical disability, marital status, veteran status, political affiliation, or any other factor protected by law. Wherever possible we will endeavour to reflect a country's diversity in our staff strength."


2018 Onshore Workforce Figures
Grand Total Headcount 491
Malaysian
International
35%
Nationality
65%
8%
92%
Employment
Local
Expat


Training Hours Per Employee
16
14
12
10
8
6
2013
2014
2015
2016
2017
2018


Female Onshore Population (%)
42
40
38
36
34
32
30
28
26
2013
2014
2015
2016
2017
2018


Voluntary Attrition Rate (%)
20
18
16
14
12
10
8
6
2010
2011
2012
2013
2014
2015
2016
2017
2018

OPERATIONAL COMPLIANCE

Compliance to Vessel Classification and Certification

In addition to our commitment to ISO certifications, the Group's vessels are also in compliance to international marine regulations and codes, including the following:

- International Safety Management ("ISM");
- International Ship and Port Facility Security ("ISPS"); and
- Safety Management System ("SMS").

The FPO business, while covered by the ISM and the ISPS codes, is also required to comply to the MODU Code, which covers requirements for Floating Production Units.

The Group is dedicated to ensure we remain in full compliance with all of these certificates, including requirements on integrity, operational condition and specifications of assets.

CORPORATE SOCIAL RESPONSIBILITY ("CSR")

The Group's CSR programme is run by a committee of volunteer employees (the "CSR Committee") which looks to support various charitable organisations to mitigate our impact on the environment and have a positive impact on society and communities.

We look to provide long-term support to initiatives and organisations that enhance the marine environment or help to offset the Carbon Footprint from our businesses. All the Corporate CSR activities are selected based on benefits that will bring a positive impact to regions that are close to our operations.

We continue to be a long-term supporter of the Cherating Turtle Sanctuary ("CTS") in Kemaman, Malaysia. The CTS works to study and increase the population of Asian sea turtles via their hatchery and "tag and release programmes". They also run education programmes for schools and communities in the area on protecting sea turtles, especially turtle eggs, which are often seen as a culinary delicacy in the region.

The Group also continues to support the Biosphere Foundation ("Biosphere"), which undertakes marine conservation activities near the Madura Island in Indonesia. Biosphere operates a programme of coral reef protection, rehabilitation as well as education programmes in the local schools.

We continue to support the Forest Research Institute of Malaysia ("FRIM") under a programme that sponsors tree planting and educational activities that support GHG reduction activities and awareness.

Society

The CSR Committee also looks to provide support to other social areas not covered directly by the Group. Under our social initiatives, we cover a series of areas ranging from education, local community support and disaster relief. In 2018, some of the main initiatives supported were:

Malaysia

- Rise Against Hunger, which provides disaster relief pre-packed meals, which are distributed in areas that are struggling from natural or other disasters
- Charity event to raise funds and non-financial donations for the Lotus orphanage and old-age home
- Blood donation drive with Malaysia's National Blood Centre

United Kingdom

- Cash for Kids, which is a charity event to raise funds for the October 2018 Coat Appeal
- Pound for Piper, a charity event organised by Graeme Webster in commemoration of the 167 people who lost their lives in the 1988 Piper Alpha disaster in the North Sea
- Northsound Cash for Kids "Big Bake Day", which benefits local children and young people, alleviating disability, illness and improving quality of life

Indonesia

- PT. Armada Gema Nusantara ("AGN") in collaboration with Dharma Camplong Elementary School students held a "Clean Beach Campaign". The campaign's main objectives were to:
    1. Communicate the importance of keeping the beach clean and educate locals on how it benefits the community in Camplong, Sampang Regency, Madura
    2. Demonstrate AGN's commitment to working together with the local community for mutual welfare

HOW WE ARE GOVERNED

Dear Shareholders,

It is of paramount importance to ensure that Bumi Armada is resilient and agile and therefore able to deal with constant change and evolving economic and geo-political situations. This can only be achieved with a skilled and experienced Board and Management team, and an appropriate culture and governance structure.

TUNKU ALI REDHAUDDIN IBNI TUANKU MUHRIZ
Chairman

The Board believes strong governance, adapted to the Group's needs, circumstances and business model, is a source of competitive advantage. Bumi Armada is a large, geographically diverse organisation, doing business in complex and sometimes sensitive environments. Sharing a common understanding of the Company's purpose and values is essential. To promote this, the Board continues to support the application of Bumi Armada values throughout the organisation. This culture is supported by continuous monitoring, review and promotion of the Group's values, standards and policies. Directors should be able to both support, and constructively challenge Management where appropriate.

With this in mind, we strive to foster open and effective communication within the boardroom and with the Management team. This process is informed by best practices as well as feedback received and views collated from our key stakeholders.

Given the businesses undertaken by the Group and the complex markets in which we operate, it is essential to understand the key risks faced by the organisation and to ensure that the Company has appropriate policies, systems, processes and management action plans to mitigate these risks to an acceptable level. The Board therefore maintains a Risk Management Committee ("RMC"), in addition to the Audit Committee ("AC"), to provide the necessary focus on risk management and mitigation.

Further to reviews on the effectiveness of our Board Committees, the Board decided to discontinue the Executive Committee ("EXCO") with effect from 1 September 2018. The duties of the EXCO were incorporated in the terms of reference of the RMC, AC or the Board, as deemed appropriate.

STRENGTHENING OUR BOARD CHARTER AND BOARD COMMITTEES' TERMS OF REFERENCE

As a Board, we continually look towards strengthening our governance practices where possible. During the year under review, we made changes to our Board Charter to ensure it was aligned to the MCCG. These changes included defining the role and responsibilities of our Senior Independent Director, enhancing the role and responsibilities of the Board and incorporating the duties of the Company Secretary. Additionally, further enhancements were made to the Terms of Reference of the AC, relating to the effectiveness and independence of the Internal Audit function, placing us in line with principle 8.2 of the MCCG.

CHANGES TO THE BOARD

During the year under review, the Nomination & Corporate Governance Committee oversaw the process to find a new non-executive director. This led to the appointment of Gary Christenson to the Board on 2 May 2018. Gary Christenson was redesignated as Executive Director on 27 March 2019 and he will assume the role of CEO on 16 May 2019 succeeding Leon Harland whose contract is expiring on 15 May 2019.

The resultant Board would then consist of 6 Directors, a third of whom are female. The Board views the current composition of the Board as adequate in the short term to ensure diversity, independent thinking and provide appropriate insights, but is actively looking to augment the Board further, in the medium term with at least one additional independent director.

DRIVING GOVERNANCE

Planning for the future requires us to review the Board's composition regularly to ensure that it remains fit to support the changing needs of the Group. Management development and succession planning are also key areas of interest for the Board. As Management implemented important organisational changes this year, and we are also going through a CEO transition, it is critical for us to monitor this.

Good corporate governance is critical to building a successful, safe and sustainable business and enabling us to create long-term value more effectively. The focus on corporate governance is continuously increasing and the Board is committed to maintaining the highest standards of corporate governance as this is the key to the continued long-term success of the Group.

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

Tunku Ali Redhauddin ibni Tuanku Muhriz
Chairman of the Board

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

OUR DIRECTORS	Our Directors' skills and experience, together with their wide range of backgrounds, help them constructively challenge Bumi Armada's Management and develop an effective strategy for the future.
OUR GOVERNANCE FRAMEWORK	Our governance and internal control framework helps the Board exercise proper oversight.
OUR COMMITTEES	The Board has delegated certain authorities and responsibilities to four Board Committees, all of which operate within their respective Terms of Reference ("TOR").
OUR CORPORATE GOVERNANCE STATEMENT	We remain committed to operating in accordance with best practice in business integrity and ethics and maintaining the highest standards of financial reporting and corporate governance. The Directors consider that Bumi Armada has generally complied throughout the year with the provisions of the MCCG, save for what has been detailed in the Corporate Governance Report. Bumi Armada has also complied with the CA 2016 and MMLR of Bursa Securities. In preparing this report, the CG Guide issued by Bursa Securities was referred to. Our Corporate Governance Overview is to be read in conjunction with the Corporate Governance Report, which is accessible online at www.bumiarmada.com.

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

CORE PRINCIPLES

LEADERSHIP & EFFECTIVENESS A strong, open and effective Board *Refer to pages 31 to 54*	**ACCOUNTABILITY** Close scrutiny of risks and controls *Refer to pages 55 to 62*	**RELATIONSHIP WITH STAKEHOLDERS** Open engagement with stakeholders *Refer to page 63*

Board of Directors' Profile

Gender composition
Board of Directors

Female	2
Male	5

Committee

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

Experience

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

Industries

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

Skills

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

Notes:
1. None of the Directors have any family relationships with any directors and/or major shareholders of the Company.
2. None of the Directors have any conflict of interest with the Company.
3. None of the Directors have any convictions for offences within the past five years (other than traffic offences, if any).
4. None of the Directors have any public sanctions and/or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.

Tunku Ali Redhauddin ibni Tuanku Muhriz

Chairman/Independent Non-Executive Director

Chairperson NC

Country: Malaysia **Age:** 41 **Gender:** Male

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

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

Present Directorships:

Listed Companies:	Other Public Companies:
Nil	• Bangkok Bank Berhad • Sun Life Malaysia Assurance Berhad

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.

At Khazanah, 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, Iskandar Malaysia Studios Sdn Bhd and Cardiac Vascular Sentral (Kuala Lumpur) Sdn Bhd. He is also a Senior Advisor to TPG Capital, a global Private Equity firm. He is Chairman and Founding Trustee of Teach For Malaysia, Chairman of WWF Malaysia, Chairman of the Board of Trustees of Yayasan Munarah, Royal Patron of Enactus Malaysia Foundation, Chairman of the Board of Governors of Marlborough College Malaysia and Pro-Chancellor of Universiti Sains Islam Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Board of Directors' Profile

Alexandra Schaapveld

Independent
Non-Executive Director

Chairperson RC

Member NC AC

Country: Netherlands **Age:** 60 **Gender:** Female

Date of Appointment: 8 June 2011

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

Present Directorships:

Listed Companies:	**Other Public Companies:**
• Vallourec S.A. • Société Générale S.A.	Nil

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.

Uthaya Kumar K Vivekananda

Independent
Non-Executive Director

Chairperson AC RMC

Member NC RC

Country: Malaysia **Age:** 65 **Gender:** Male

Date of Appointment: 10 April 2017

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

Present Directorships:

Listed Companies:	**Other Public Companies:**
Nil	Nil

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

Board of Directors' Profile

Chan Chee Beng

Non-Independent
Non-Executive Director

Member NC

Country: Malaysia **Age:** 63 **Gender:** Male

Date of Appointment: 2 June 2003

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

Present Directorships:

Listed Companies:	Other Public Companies:
Nil	• Maxis Communications Berhad Group • Yu Cai Foundation

Chan Chee Beng has more than 39 years of experience in general and financial management, investment banking and accounting including stints with Ernst & Young and Morgan Grenfell & Co. Ltd prior to joining the Usaha Tegas Sdn Bhd ("UTSB") Group in 1992 as Head of Corporate Finance. He is currently a Director of UTSB Management Sdn Bhd.

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

Maureen Toh Siew Guat

Non-Independent
Non-Executive Director

Member AC RMC RC

Country: Malaysia **Age:** 53 **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:	Other Public Companies:
Nil	Nil

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Board of Directors' Profile

Gary Neal Christenson

Executive Director

Country: United States of America **Age:** 63 **Gender:** Male

Date of Appointment: 2 May 2018

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

Present Directorships:

Listed Companies:	**Other Public Companies:**
Nil	Black Platinum Energy Ltd

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

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

Leon Andre Harland

Executive Director/
Chief Executive Officer

Country: Netherlands **Age:** 49 **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:	**Other Public Companies:**
Nil	Nil

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, Floating Liquefied Natural Gas ("FLNG"), Subsea Umbilical, Risers & Flowlines ("SURF") and Transport & Installation segments. He was previously the Executive Vice-President, Commercial & Technology at Heerema Marine Contractors and 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.

He also worked at SBM Offshore where he held various positions in engineering, project management and business development. In 2004, he was tasked to start up and build their FLNG business.

Senior Management Team Profile

Leon Andre Harland

Executive Director/
Chief Executive Officer

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

Luke C. Targett

Chief Financial Officer

Country: Australia

Age: 53

Date of appointment:
- 29 October 2018

Qualifications:
- Bachelor of Commerce Degree from Melbourne University

Directorship in Listed Issuers and Public Companies:
Nil

Luke C. Targett ("Luke") is responsible for leading Bumi Armada's current operations and growth trajectory through Financial Management & Reporting, Corporate Strategy, Budget, Treasury & Capital Management, Financial Risk Management, Investors Relations, Communications and Sustainability.

He has more than 30 years experience in financial advisory roles which include restructuring, mergers & acquisitions, pre-lending reviews, transaction advisory, independent business reviews and non-performing loan management in numerous jurisdictions including London, Singapore, Indonesia, Myanmar and Thailand.

Luke started his career with Coopers & Lybrand, Melbourne in 1988 and subsequently spent more than 12 years at Ernst & Young. In 2005, he joined Interra Resources Limited, a dual SGX and ASX listed oil & gas producer and explorer as CEO in Singapore for 4 years. Prior to joining Bumi Armada, he was a Partner in Melbourne at Cor Cordis, an Australian national business advisory firm.

He is a member of the Institute of Chartered Accountants Australia and New Zealand and has also attained a Graduate Diploma in Applied Finance and Investment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Senior Management Team Profile

Anusoorya Themudu

Chief Human Resources Officer

Country: Malaysia

Age: 46

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 Global Learning Center in Crotonville
- Attended a global leadership program hosted by London Business School for high performing leaders in Petrofac

Directorship in Listed Issuers and Public Companies:
Nil

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 bluechip companies, including Petrofac, GE 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 BAB, Soorya was the Regional HR Director at Petrofac where she managed the HR function for the SEA region.

James Ellis

Senior Vice President Floating Production & Operations

Country: Ireland

Age: 57

Date of appointment:
- 1 July 2016

Qualifications:
- Class 1 (Deck), South Tyneside College, United Kingdom
- Bachelor of Science (Hons) from Open University
- Graduate of the Ops Academy at MIT USA (Sloan School of Executive Management)

Directorship in Listed Issuers and Public Companies:
Nil

James Ellis ("Jim") is responsible for our FPO division, Fleet Asset Integrity and Commercial activities group. 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 and FSOs, before joining Bumi Armada.

Jim has also worked at Excelerate Energy as Director of Floating Liquefaction and provided the technical and commercial guidance for Floating Liquefaction solutions and FEED execution plans for the company.

He has held various management positions in the past including approximately 3 years as the President of BP Shipping (USA) as well as 4 years as the Global Fleet Manager for BP Shipping.

Senior Management Team Profile

Megat Zariman bin Abdul Rahim

Head of Offshore Marine Services

Country: Malaysia

Age: 51

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

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

Directorship in Listed Issuers and Public Companies:
Nil

Megat Zariman Abdul Rahim ("Megat") is responsible for the running of our OMS business which includes the OSV and SC sub-segments.

He has held various positions within Bumi Armada for the last five years with the scope of building, managing and growing the Company's activities within Malaysia and the Asia Pacific region.

Before joining Bumi Armada, Megat spent over 21 years with Schlumberger, in various technical, commercial, & management roles globally.

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

Claude Verhoeven

Head Of FPO Technology

Country: Belgium

Age: 43

Date of appointment:
- 1 December 2018

Qualifications:
- Bsc in Chemical Engineering from University of Louvain, Belgium
- Msc in Chemical Engineering from IFP School, Paris

Directorship in Listed Issuers and Public Companies:
Nil

Claude Verhoeven is heading the FPO Technology department, which encompasses the project, procurement and engineering activities for the FPSO EPC segment in Bumi Armada as well as the fleet support for the existing assets.

Claude has over 20 years' experience of working in the oil & gas industry. He started his career with Technip as process engineer and held subsequently engineering and project managers roles in Technip, Germanischer Lloyd and SBM Offshore.

Prior to joining Bumi Armada, Claude headed the Brownfield and Fleet support department of SBM Offshore in Kuala Lumpur.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Senior Management Team Profile

Leong Wei Kit

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

Country: Malaysia

Age: 37

Date of appointment:
- 15 March 2018

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

Directorship in Listed Issuers and Public Companies:
Nil

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

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

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

Sasha Vijayananthan

Head of Internal Audit & Acting Head of Risk

Country: Malaysia

Age: 44

Date of appointment:
- 1 March 2016

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

Directorship in Listed Issuers and Public Companies:
Nil

Sasha Vijayananthan ("Sasha") is responsible for all aspects of Bumi Armada's internal audit function which assists the Group in accomplishing its goals by providing a systematic and disciplined approach to evaluate the effectiveness of various processes and controls within the Group.

This would include detailed review and identification of areas of improvement in matters related to internal controls and governance. In her role of Acting Head of Risk Management, she manages and oversees the risk management activities of Bumi Armada.

She has over 22 years' experience in the Governance, Risk and Control space and was Vice President of Group Risk Management at Sime Darby Berhad, before joining Bumi Armada.

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

Senior Management Team Profile

Karen Lawrie

General Counsel

Country: United Kingdom

Age: 56

Date of appointment:
- 22 October 2018

Qualifications:
- B.A. Honors in French and History, Seattle University, USA
- M.A. Honours in Law from Cambridge University, United Kingdom
- Licensed attorney with the Texas Bar, solicitor and a member of the Law Society of England and Wales.

Directorship in Listed Issuers and Public Companies:
Nil

Karen Lawrie ("Karen") is responsible for Legal, Contracts, Insurance and Compliance related matters at Bumi Armada and its subsidiaries.

She has over 29 years of extensive experience and has held senior legal and executive roles in highly competitive and regulated and non-regulated industries, including: Shipping, Offshore Oil and Gas, Energy and Investment Banking.

Before joining Bumi Armada, she was with AET Tankers as the Global General Counsel where her responsibilities include all Legal matters, Compliance, Risk, Insurance and Governance.

Prior to that, she was at Subsea 7 as the Deputy General Counsel, Vice President Legal Corporate.

Karen was also Head of Legal at EDF Energy and has held senior roles at JP Morgan and State Street Bank.

Noreen Melini binti Muzamli

Joint Company Secretary/Head, Corporate Secretarial Services

Country: Malaysia

Age: 42

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

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

Directorship in Listed Issuers and Public Companies:
Nil

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 17 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.

Notes:
1. None of the Management has any family relationships with any Directors and/or major shareholders of the Company.
2. None of the Management has any conflict of interest with the Company.
3. None of the Management has any convictions for offences within the past five years (other than traffic offences, if any).
4. None of the Management has any public sanctions and/ or penalties imposed on them by any regulatory bodies during the financial year ended 31 December 2018.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

BOARD GOVERNANCE AND ACTIVITIES

BOARD OF DIRECTORS	
TENURE OF INDEPENDENT DIRECTORS	A limit of nine years' service is provided for under the criteria for independence in the MCCG which has been incorporated in the Company's Policy on Assessment of the Independence of Directors. None of the Independent Directors have exceeded the limit of nine years' service. 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.
DIRECTOR INDEPENDENCE	Independence is determined by ensuring that, apart from receiving their fees for acting as Directors, Non- Executive Directors ("NEDs") do not have any other material relationship or additional remuneration from, or transactions with, the Group, its promoters, its management or its subsidiaries, which in the judgement of the Board may affect, or could appear to affect, their independence of judgement. The Board has in place policies, procedures and criteria for the assessment of the independence of Independent Directors. 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 judgement, 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.
CONFLICTS OF INTEREST	There are no actual or potential conflicts of interest between any duties owed by the Directors or senior management to the Company and their private interests or other duties. The Board will continue to monitor and review potential conflicts of interest on a regular basis.
BOARD RESPONSIBILITY	Ultimate responsibility for the management of the Group rests with the Board. The Board focuses primarily on strategic and policy issues and is responsible for: • leadership of the Group; • implementing and monitoring effective controls to assess and manage risk; • supporting the senior leadership team to formulate and execute the Group's strategy; • monitoring the performance of the Group; and • setting the Group's values and standards. There is a specific schedule of matters reserved for the Board. These matters can be found in our Board Charter which is accessible online at www.bumiarmada.com.

ROLES AND RESPONSIBILITIES OF THE BOARD

ROLE	RESPONSIBILITIES
Chairman Tunku Ali	The Chairman is responsible for creating the conditions necessary for overall Board and individual Director's effectiveness, drawing on their respective knowledge, experience and skills. **His role includes:** • providing leadership at the Board level; • setting the tone for the Board discussions and deliberations with a view to promoting effective decision-making and performance monitoring to promote the success of the Group; • setting the tone for the Company's values and standards to ensure the obligations to its shareholders and other stakeholders are understood and met; • together with the Board, reviewing the organisational structure including the composition of Board Committees to ascertain if it serves the needs of the Company and Board; • setting the Board agenda with input and advice from the CEO (with primary focus on strategy, value creation, governance and accountability) and the Company Secretaries and ensuring timely flow of high quality supporting information; • working together with the Board and based on the work of the Board Committees, determine the nature and extent of risk appetite of the Group; • working with the Board in ensuring there is a proper selection, assessment and training programmes for the Directors; • together with the other Board Members, monitoring the implementation of Board decisions and directions and performance of Management; • lead the Board in establishing and monitoring good corporate governance practices and systems in the Company; and • presiding over shareholder meetings and representing the Company at certain key events.
Chief Executive Officer Leon Harland	**The CEO, who is an Executive Director ("ED") on the other hand, has overall responsibilities over the following:** • the performance of the operational and business units and achievement of the corporate and commercial objectives of the Group including managing the expansion and optimisation of revenue and earnings of each of the business units and enhancing the capital value of the Group; • working with and advising the Board to define the strategic, corporate and commercial objectives of the Group; • preparing the Group's business and operational plans and seeing to their implementation as well as the implementation of the policies, directives and decisions as approved by the Board; and • providing leadership to Management and having direct oversight for the financial performance and organisational effectiveness of the Group which includes business operations, financial management and controls, project execution, supply chain management, human resource development, investor relations and building of brand equity, operational excellence, supporting and managing the Company's HSSEQ management system and quality performance initiatives as well as commitment to Corporate Sustainability.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

ROLES AND RESPONSIBILITIES OF THE BOARD

<table>
<tr><th>ROLE</th><th>RESPONSIBILITIES</th></tr>
<tr><td>Senior Independent Director
Alexandra Schaapveld</td><td>The Board has nominated one of the Independent NEDs to act as Senior Independent Director.

She is responsible for:
• being an alternative contact for shareholders at Board level other than the Chairman;
• acting as a sounding Board for the Chairman;
• if required, being an intermediary for NEDs’ concerns; and
• undertaking the annual Chairman’s performance evaluation.</td></tr>
<tr><td>Company Secretaries
Noreen Melini binti Muzamli (Head, Corporate Secretarial Services)

Noor Hamiza binti Abd Hamid</td><td>The Company Secretaries support the Chairman on Board Corporate Governance matters.

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

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

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

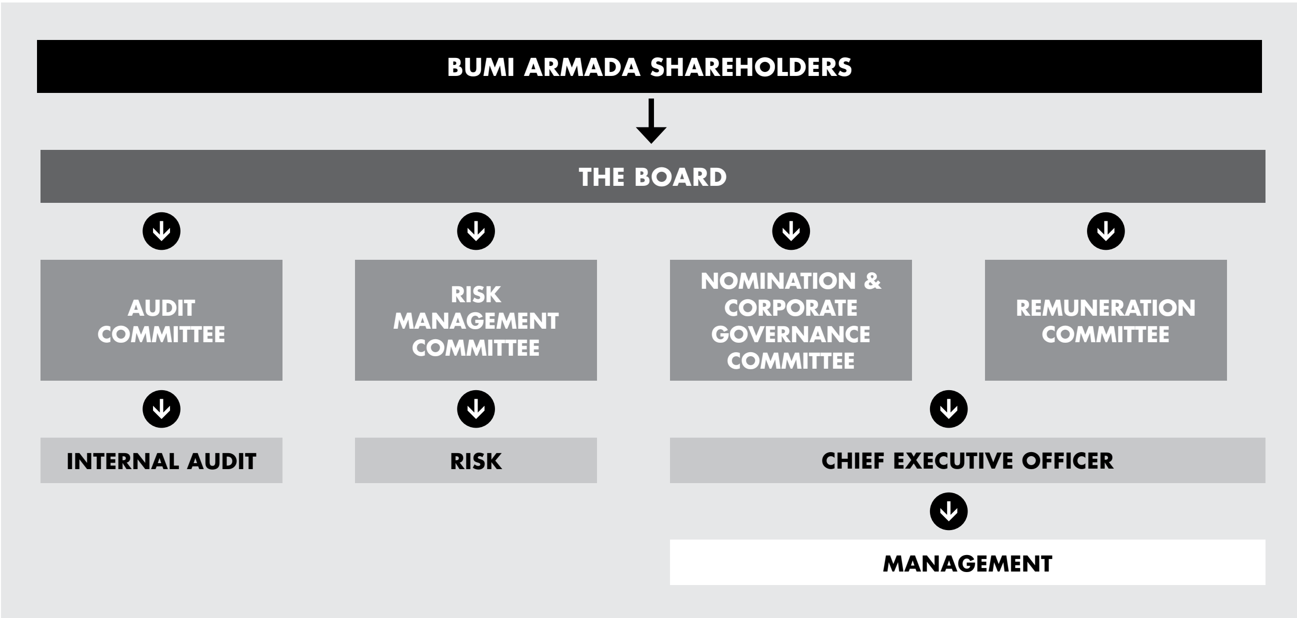
(iv) Regulatory compliance
• ensuring statutory and meeting records of the Company are properly maintained; and
• ensuring relevant disclosures, submissions and filings are made in a timely manner to the regulators on behalf of the Company and the Board.

(v) Stakeholder communication
• managing processes pertaining to the annual shareholders meeting; and
• serve as a focal point for stakeholders’ communication and engagement on corporate governance issues.</td></tr>
</table>

YOUR BOARD IN 2018

During the year, the Board met on 14 occasions which included a 2-day meeting focused on strategy. There were 6 scheduled meetings, with the remaining being ad-hoc meetings convened by the Board to deliberate on matters requiring the Board's urgent decision.

Governance Framework



THE ROLE AND BUSINESS OF THE BOARD

The Board is actively engaged in developing and measuring the Company's long-term strategy, performance and values. We believe that it adds a valuable and diverse set of external perspectives and that robust, open debate about significant business issues brings an additional discipline to major decisions.

The duties and responsibilities of the Board are stated in its TOR and Board Charter which includes setting the Company's strategic goals, ensuring the necessary financial and resources are in place for the Company to meet its goals, setting the Company's values and standards, and ensuring the obligations to shareholders and other stakeholders are understood and met.

A schedule of formal matters reserved for the Board's decision and approval is detailed in our Board Charter which is available on our website, at www.bumiarmada.com. The last date of review of our Board Charter was in early 2019.

The key responsibilities of the Board include:

- Overall leadership of the Company and setting the Company's values and standards.
- Determining the Company's strategy in consultation with management, reviewing performance against it, and overseeing management execution thereof.
- Major changes to the Company's corporate, capital, management and control structures.
- Approval of all transactions or financial commitments in excess of the authority limits delegated to the CEO and other executive management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

The Board receives timely, regular and necessary financial, management and other information to fulfil its duties. Board and Board Committees' papers are circulated to Board and Committees' members in a timely manner before each meeting and the Board receives regular reports from the CEO. In addition to meeting papers, a library of current and historical corporate information is made available to Directors electronically to support the Board's decision-making process. 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 Committees' 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. All Directors have access to the advice and services of the Company Secretaries.

To the extent that Directors who are unable to attend scheduled meetings, or additional meetings called on short notice, they will receive the papers in advance and relay their comments to the Chairman for communication at the meeting. The Chairman, assisted by the Company Secretaries will follow up after the meeting in relation to both the discussions held and decisions taken.

BOARD MEETING FOCUS DURING 2018

	AREAS OF RESPONSIBILITY
GOVERNANCE & RISK	• Identified principal risks relating to the business and operations and ensured the implementation of appropriate internal controls and mitigation measures with overview from the RMC; • Deliberated on litigation cases involving the Group and the strategies in managing these cases; • Maintained robust regulatory compliance at all times with overview from the AC; • Strengthened the Company's Integrated Management Systems with completion of the accreditation process for OHSAS 18001:2007 (Occupational Health and Safety Management System), ISO 14001:2015 (Environmental Management System) and ISO 9001:2015 (Quality Management System) across all wholly-owned assets and operations; • Discussed on safety cases and matters at each Board meeting in demonstrating commitment to safety culture at the Company; and • Reviewed the proposed amendments to the Company's Memorandum & Articles of Association ("M&A") and recommended to shareholders to adopt the proposed Constitution in place of the M&A.
STRATEGY	• Reviewed and approved the strategy and business plan of the Group for the FY2018 and FY2019 based on input from the various heads of department and insights on market outlook by an external consultant; • Considered the strategy and business plans which were in line with the Company's vision and mission, reviewed the action plans, resource requirements and timelines for implementation of the plans; • Reviewed the operations of key assets including technical matters and collection; • Discussed and approved the sustainability initiatives for FY2018 as recommended by the Sustainability Committee; and • Reviewed and approved the corporate simplification exercise which included the voluntary liquidation and dissolution of inactive companies in BAB Group.

	AREAS OF RESPONSIBILITY
FINANCIAL REPORTING	• Reviewed and approved the budget for FY2019 with key assumptions based on the 2019 strategy and business plan; • Reviewed the corporate debt refinancing exercise and funding requirements of BAB Group; • Reviewed proposals on new projects including JVs in line with the business plan as well as the respective project financing; • Reviewed quarterly operational review reports; • Reviewed related party transactions which include proposed JVs for potential projects; • Reviewed and approved the quarterly financial results for the FY2018 and the full year financial results for financial year ended 31 December 2018 ("FY2018") of the Group and their release to Bursa Securities as recommended by the AC to the Board; • Considered and approved the contents of the Company's 2018 Annual Report, which included AC Report, Corporate Governance Overview Statement, Corporate Governance Report, Statement on Risk Management and Internal Control and Directors' Responsibility Statement; and • Reviewed and approved the cost optimisation initiatives covering action plan, timelines and the related internal resources and budget.
LEADERSHIP & PEOPLE	• Ensured that there are programmes in place for succession planning for senior management with monitoring from the NC as well as participated in interviews of potential candidates for new independent directors and deliberated on the selection of the CFO and the General Counsel; • Deliberated on the annual remuneration of staff including management for FY2018 as per the recommendation of the Remuneration Committee ("RC"); • Deliberated and approved the offer, grant and/or allotment of shares to the ED pursuant to the Management Incentive Plan ("MIP") as per the recommendation of the RC, as well as recommended the proposal to shareholders for approval; and • Reviewed the progress of implementation of the action plans following the results of the Employee Engagement Survey conducted in December 2017.
SHAREHOLDERS & ENGAGEMENT	• Ensured effective implementation of shareholders and stakeholders communication which enabled feedback received to be considered when making business decisions; and • Ensured information used in communication material or statements is balanced and representative of the Company's performance.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

BOARD ATTENDANCE

Directors are strongly encouraged to attend all Board and Committee meetings but in certain circumstances, such as due to pre-existing business or personal commitments, Directors may be unable to attend. In these circumstances, Directors receive relevant papers and, where possible, will communicate any comments and observations in advance of the meeting for raising as appropriate during the meeting. They are updated on any developments after the meeting by the Chairman of the Board or Committee, as appropriate. Individual attendance at Board and Committee meetings is considered, as necessary, as part of the formal annual review of their performance.

The following table sets out the attendance of the Company's Directors at Board and Board Committees' meetings during 2018:

Name of Board Members	Designation	Attendance					
			Committee				
		Board	Executive	AC	RC	NC	RMC
Tunku Ali	Chairman, Independent Non-Executive Director	12/14 (86%)	-	-	-	5/5 (100%)	-
Alexandra Schaapveld	Independent Non-Executive Director	12/14 (86%)	-	4/4 (100%)	4/5 (80%)	4/5 (80%)	-
VU Kumar	Independent Non-Executive Director	14/14 (100%)	-	4/4 (100%)	5/5 (100%)	5/5 (100%)	9/10 (90%)
Gary Neal Christenson@	Independent Non-Executive Director	9/12 (75%)	-	2/3 (67%)	-	-	8/8 (100%)
Chan Chee Beng	Non-Independent Non-Executive Director	13/14 (93%)	11/11 (100%)	-	-	5/5 (100%)	-
Maureen Toh Siew Guat	Non-Independent Non-Executive Director	14/14 (100%)	11/11 (100%)	4/4 (100%)	5/5 (100%)	-	10/10 (100%)
Leon Harland	Executive Director/ Chief Executive Officer	14/14 (100%)	10/11 (91%)	-	-	-	-
Shaharul Rezza bin Hassan*	Executive Director/ Head of Offshore Marine Services	0/1 (0%)	2/2 (100%)	-	-	-	-

* Resigned as a Director on 28 February 2018.

@ Appointed as an Independent Non-Executive Director on 2 May 2018, and redesignated as Executive Director on 27 March 2019.

SUCCESSION PLANNING

The Board considers oversight of succession planning not only at Board and Management level but for all key positions throughout the business as one of its prime responsibilities, assisted by the NC. The Company has formal contingency plans in place for temporary absence of the CEO for health or other reasons.

BOARD EVALUATION

The Board undertakes a formal and objective annual evaluation to determine the effectiveness of the Board, its Committees and each Director. The assessment criteria cover the Board's duties and responsibilities (Part A), Board and Board Committees' composition and meeting processes (Part B) and observations by the 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 and overall the Board and Committees have performed according to its TOR with areas for improvement. The NC and Board approved the Actionable Improvement Programme ("AIMP") that identified certain areas for improvement. The areas for improvement included ensuring adequate and complete information on operations (e.g. productivity and technology support) are provided prior to and during board presentations to facilitate the Board in making informed decisions.

The AIMP sets out clear action plans and persons responsible for each plan and timelines which progress will be reviewed by the Board on a half-yearly basis.

DIRECTORS' TRAINING AND INDUCTION

New Directors receive an induction programme and a range of information about Bumi Armada when they join the Board. This includes background information on Bumi Armada and details of Board procedures, Directors' responsibilities and various governance-related issues, including procedures for dealing in Bumi Armada shares and their legal obligations as directors. The induction also typically includes a series of meetings with members of the Board, the Bumi Armada executive and senior management, presentations regarding the business on Bumi Armada's investor relations programme.

All Directors receive training in the form of presentations about the Company's operations, through Board meetings and by encouraging the Directors to visit local facilities and management as and when their schedule allows. The Company Secretaries monitor legal and governance developments and update the Board on such matters as agreed with the Chairman. The following table details both internal and external training programmes, briefings, conferences and presentations relevant to the Director individually or to the Directors collectively. The table additionally includes the professional training of the Company Secretaries.

Courses/Seminars/Programmes/ Workshops/Conferences Attended	Date	Directors & Company Secretaries' Name	Company Sponsoring/ Organiser
Changes in the Listing Requirements Post-Companies Act 2016: What to Look Out For	8 February 2018	NM	Securities Industry Development Corporation
Briefing on Malaysian Code on Corporate Governance 2017	22 February 2018	TA, AS, VU, MT, LH, NM	Burmi Armada Berhad
MFRS Made Simple for Directors and Senior Management	13 April 2018	NH	Bursatra Sdn Bhd
Briefing Session on Compliance with Labuan Leasing Policy	18 April 2018	NH	Labuan Financial Services Authority

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Courses/Seminars/Programmes/ Workshops/Conferences Attended	Date	Directors & Company Secretaries' Name	Company Sponsoring/ Organiser
Induction Programme for New Independent Non-Executive Director	28 May 2018	GC	Bumi Armada Berhad
AML/CFT - Risk, Challenges & Vulnerabilities towards Regulatory Compliance	20 June 2018	TA	Bangkok Bank
Developing the Leader in You	18 & 19 July 2018	NH	Bumi Armada Berhad
Advocacy Programme on CG Assessment using the revised ASEAN CG Scorecard Methodology	19 July 2018	NM	Bursa Malaysia Berhad
The New FIDIC	19 July 2018	MT	Messrs. Lee Hishammuddin Allen & Gledhill
Introduction to Malaysian Business Reporting System	27 July 2018	NH	Malaysian Institute of Chartered Secretaries and Administrators
SSM National Conference 2018	14 & 15 August 2018	NM, NH	Companies Commission of Malaysia
Lesson Learnt On Reservoir Risk Management & What To Look Out For	30 August 2018	CCB, MT	Bumi Armada Berhad
Mandatory Accreditation Programme for Directors of Public Listed Companies	3 & 4 September 2018	GC	The ICLIF Leadership and Governance Centre
Deep Dive Into CG Cases In Malaysia: What Went Wrong And What Could Be Done Better	7 September 2018	MT	Securities Commission Malaysia
Key Amendments to Listing Requirements Arising from Companies Act, 2016	13 September 2018	NM, NH	Bursa Malaysia Berhad
Briefing on UK HSE regulations	3 October 2018	TA, AS, VU, CCB, MT, GC, LH, NM	Bumi Armada Berhad
Contract Law – What has changed and how will it affect your contracts	10 October 2018	MT	Norton Rose Fulbright, Singapore

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

Dear Shareholders,

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

The role of the Committee is to establish formal, rigorous and transparent procedures for the appointment of Directors to the Board and Senior Executive Officers of the Company. In addition, we are responsible for reviewing the succession plans for the Executive and Non-Executive Directors.

This involves the regular review of the structure, size and composition of the Board to ensure it has the proper balance of skills, experience, independence and diversity. It includes succession planning for Directors and senior executives with a view to addressing the leadership needs of the Company to ensure that it can continue to compete effectively in the market place. The Committee identifies and nominates candidates to fill Board vacancies, and we review potential conflicts of interests of Directors disclosed to the Company, and developing appropriate processes for managing such conflicts where necessary.

During the year, one of the area of focus of the Committee was succession planning within the Board and its leadership team. I have earlier detailed the changes that were deliberated and approved, you will find their profiles on page 34. The Committee believes that the current composition of the Board continues to allow for rigorous debate, and we have the appropriate level of skills, diversity and experience to contribute meaningful dialogue to each meeting.

More Committee information:

Read more:
Remuneration Committee *page 52*
Audit Committee *page 55*

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Nomination & Governance Committee Report

The Committee continues to play a vital role in ensuring the right individuals are appointed to the Board and management and best practices on corporate governance remains the foundation of the organisation.

2018 KEY ACTIVITIES

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

The Committee deliberated on the following matters during 2018:

- 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 annual Board evaluation for FY2017 and proposed AIMP;
- discussed on talent review and succession planning for senior management and their direct reports and followed through on actions relating to succession planning for the key management team;
- deliberated on changes to the position of the CEO, CFO and General Counsel;
- reviewed and recommended a new Independent Director who has been a Chief Executive and has qualifications in geology and experience in upstream industries to the Board for approval;
- reviewed the TOR of the Committee;
- set a timeline and facilitated the 2018 Board and Board Committees assessment process including assessing, reviewing, and reporting the findings and making the appropriate recommendations to the Board;
- assessed the training needs of Directors further to a formal analysis done and recommended the Directors' Training Plan 2018 which included the continued practice of briefing to Directors by reputable external experts on relevant topics and vessel visits; and
- reviewed policies, initiatives, measures and procedures to strengthen and give effect to matters pertaining to corporate governance, having regard to provisions of the MCCG and ASEAN CG Scorecard in line with best practices.

COMMITTEE EVALUATION

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

DIVERSITY AND INCLUSION

As a Committee we acknowledge the importance of diversity, including gender, both on the Board and throughout the organisation. The Board Diversity Policy ("Policy") provides 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 recommends and promotes gender and age diversity and aims to increase the representation of women on the Board.

Our aim is for the Board to consist of individuals with diverse experience who can add real value to Board debates, thereby supporting the achievement of our strategic objectives. This includes diversity of industry skills, knowledge and experience in addition to gender and ethnicity. We are always mindful of the recommendations in the appointments we make in ensuring any new appointment is always based on merit whilst keeping in mind the corporate governance best practices recommendation for 30% women representation on Boards, in fulfilment of our role of ensuring the continued success of the Company.

RE-ELECTION OF DIRECTORS

The Board, on the recommendation of the Committee, is satisfied that Directors standing for re-election or election will continue to 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 competence.

NC AT A GLANCE

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

Member	Committee Meetings Attended in 2018
Tunku Ali Independent NED (Chairperson)	5/5
Alexandra Schaapveld Independent NED (Member)	4/5
VU Kumar Independent NED (Member)	5/5
Chan Chee Beng Non-Independent NED (Member)	5/5

The Chairman of the Committee is Tunku Ali, an Independent NED. All of the Committee members are non-executive and a majority of members are independent directors i.e. 3 out of 4 members are independent.

Roles and Responsibilities

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

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

Process for Board Appointment

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

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

The NC terms of reference can be found at *www.bumiarmada.com*

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Remuneration Committee Report

Dear Shareholders,

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

The Remuneration Committee ("RC") is responsible, on behalf of the Board, for setting the senior executives' remuneration policy and actual remuneration. The Committee reviews the design of all share incentive plans for approval by the Board and shareholders; approves the design of, and recommended targets for any performance-related pay schemes the Company operates for senior executives. Additionally, the Committee encourages dialogue with shareholders and takes into account their views when setting the policy.

The objectives of the policy are to ensure that executive rewards are linked to performance, to provide an incentive to achieve the key business aims, deliver an appropriate link between reward and performance and to maintain a reasonable relationship of rewards to those offered in other competitor companies in order to attract, retain and motivate executives within a framework of what is acceptable to shareholders. We maintain a strong focus on ensuring that executives are incentivised to drive economic profit as well as being rewarded for creating sustainable value.

ALEXANDRA SCHAAPVELD
Chairman of the
Remuneration Committee

At Bumi Armada, we aim to operate a remuneration structure that is both simple and transparent, which will deliver value to shareholders in the medium to long-term.

2018 KEY ACTIVITIES

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

The RC dealt with the following matters during 2018:

- deliberated on the evaluation of performance of EDs for 2017 and recommended the proposal to the Board;
- reviewed and recommended the proposal on the MIP for allotment of shares to EDs which was approved by the shareholders at the Annual General Meeting ("AGM") in May 2018;
- setting of 2018 KPIs for key management team;
- reviewed the broad parameters and criteria for employee increments and bonuses for FY2018;
- reviewed the remuneration framework for NEDs; and
- assessment of talent review for key positions and aligned them towards the Company's strategy and structure including continuing with current practice of giving high potential talents the exposure to the Board by making presentations.

RC AT A GLANCE

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

Member	Committee Meetings Attended in 2018
Alexandra Schaapveld Independent NED (Chairman)	4/5
VU Kumar Independent NED (Member)	5/5
Maureen Toh Siew Guat Non-Independent NED (Member)	5/5

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

ROLES AND RESPONSIBILITIES

The RC is charged with the following primary responsibilities:

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

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

OVERVIEW OF OUR REMUNERATION POLICY

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

LEADERSHIP & EFFECTIVENESS

Remuneration Committee Report

The policy on remuneration of Directors is stated under the Explanatory Note 3 to the Notice of the 23rd AGM and posted on BAB's website. Briefly, the NEDs' remuneration comprises fees and meeting allowances. The Board Chairman receives a monthly car allowance.

The remuneration of the EDs is structured so as to link rewards to individual responsibilities and to corporate and individual performance. 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 and long-term incentives in the form of performance-based shares allotment. The EDs are not entitled to receive any fees and meeting allowances for Board or Board Committee meetings that they attend.

The payment of directors' fees and benefits requires the approval of shareholders at a general meeting in line with the CA 2016. The adoption of Constitution to be in line with the CA 2016 was approved by shareholders at the May 2018 AGM.

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

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

Since the commencement of the ESOS and the MIP up to 31 December 2018, the options granted under the ESOS and shares under the MIP which have been offered to the EDs and senior management were 9.85% of the Total Permissible Allocation and 0.99% of the issued and paid-up share capital of the Company.

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

REMUNERATION OF DIRECTORS

The details of Directors remuneration (both Executive and Non-Executive) is shown under Note 7 of the Company's audited financial statements for the FY2018 on pages 144 to 146 of this Annual Report.

Dear Shareholders,

On behalf of the Audit Committee ("AC"), I would like to present our annual AC Report. As the AC, we assist the Board in fulfilling its statutory and fiduciary responsibilities including under the CA 2016, the MMLR and the CG Guide issued by Bursa Securities. The CG Guide has set out the following as the key roles and responsibilities of the AC:

- Overseeing financial reporting
- Assessing the internal control environment
- Evaluating the internal audit process
- Evaluating the external audit process
- Reviewing conflict of interest situations and related party transactions

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

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

In 2018, the Group has encountered a myriad of business issues. These issues had presented significant challenges with ramification not only to the financial situation of the Group but also to controls and processes. This has led to the AC focusing on key areas such as:

- Refinancing of high levels of corporate debts
- Restructuring exercise at the end of 2018 that saw a reduction in headcount and enhanced efficiencies in operating expenses
- Assessment of impairment of Armada Kraken
- Assessment of impairment of the OSV vessels
- Monitoring and actions for dealing with high levels of receivables and payables
- Management of joint ventures and resolution of joint venture issues
- Dispute and litigation of Armada Claire
- Control and process matters

As the Group is going through these difficult times, the primary role of the AC is to ensure that the significant issues have been appropriately recorded in the financial statements. The AC spends a significant amount of time with management, the EA and the IAD to ensure that proper work and appropriate judgement is applied in the preparation of the financial statements and disclosures. In meeting this role, the AC had to ensure that there was proper governance and transparency within the organisation. Whilst I would like to look at the work of the AC as having made progress and having a positive impact, there is still much improvement needed. As such, instilling higher levels of order to the house is daunting but nevertheless has to be done.

UTHAYA KUMAR VIVEKANANDA
Chairman of the Audit Committee

Roles and Responsibility

The AC is governed by its own TOR which is subject to annual review. The TOR was reviewed and amended in February 2018 to reflect the changes in line with the amendments to the MMLR, the MCCG, and the CG Guide.

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

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

The AC has been tasked with reviewing the following:

i The System of Internal Control and Management of Enterprise Risk

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

ii BAB Group's Financial Reporting Process

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

iii The Audit Process

Internal Audit

- Review independence of internal auditors
- Review internal audit plans
- Review internal audit reports
- Review internal audit departments performance
- Appointment/ Termination of Head of Internal Audit or senior internal audit staffs
- Take cognisance of Internal Auditors resignation
- Approve the internal audit charter

External Audit

- Appointment, resignation and dismissal of external auditors
- Review independence of external auditors
- Review external audit plans
- Conduct of external audits
- Review external audit results
- Review recommendations of external auditors
- Review performance of external auditors
- Verify the allocation under the Management Incentive Plan

iv **The Group's Process for Monitoring Compliance with Law and Regulations and its Own Code of Business Conduct**	Review the process for monitoring compliance with legal, regulatory and statutory requirements
v **Other Matters**	Speak Up/ Whistleblowing arrangements; Group's statement on Internal Control; Efficiency and efficacy of operations of the Group and any other matters which would improve governance; Other matters as deemed appropriate or as defined by the Board

COMPOSITION AND ATTENDANCE

The AC members at the end of 2018 and the number of meetings they each attended during the year were as follows:

Member	Committee Meetings Attended in 2018
VU Kumar Independent NED (Chairperson)	4/4
Alexandra Schaapveld Independent NED (Member)	4/4
Maureen Toh Siew Guat Non-Independent NED (Member)	4/4
Gary Neal Christenson* Independent NED (Member)	2/3

* Appointed as member on 2 May 2018. Resigned as a member on 27 March 2019 following his re-designation as an ED.

The AC presently comprises three members, all of whom are NEDs and majority are independent. The AC Chairman is Mr VU Kumar, an 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.

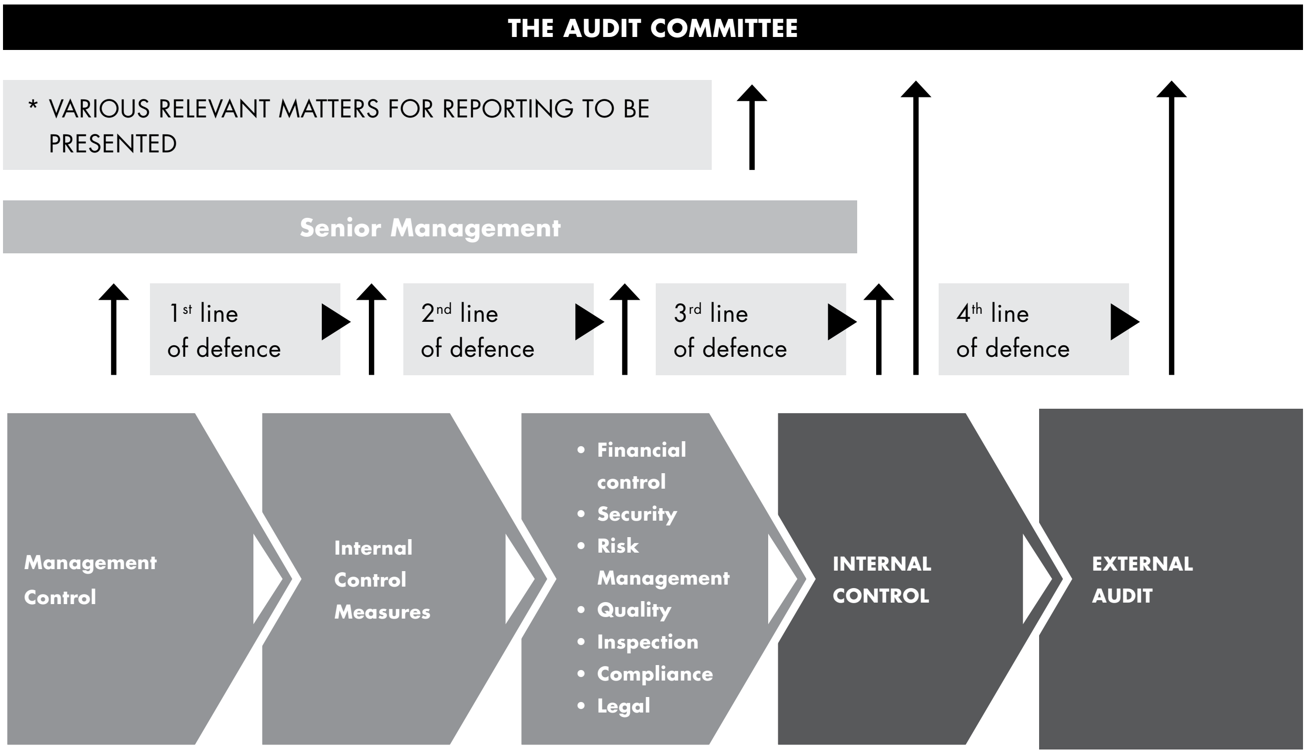
CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

Audit Committee Report

THE AUDIT COMMITTEE REPORTING FRAMEWORK

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



Quarterly reporting to the Audit Committee:

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

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

SUMMARY OF THE WORK DONE BY THE AC FOR FY2018

Financial Reporting

- Reviewed the quarterly results for announcements to Bursa Securities before recommending the same for approval by the Board. This was done upon being satisfied that the reporting has complied with the applicable approved MFRS issued by the Malaysian Accounting Standards Board ("MASB"), MMLR and other relevant regulatory requirements.
- Reviewed the Company's annual and quarterly management accounts.
- Reviewed the audited financial statements of the Group prior to submission to the Board for the Board's consideration and approval upon the AC being satisfied that, inter alia, the audited financial statements were drawn up in accordance with the provisions of the CA2016 and the applicable approved MFRS issued by MASB.
- The AC also reviewed the status of accounting provisions and estimates, changes in accounting policies and significant judgemental accounting matters affecting its interim and audited financial statements.
- Detailed review of the impairments that were made during the financial year.

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

Liquidity position of the Group	The liquidity position of the Group and the underlying assumptions for the Group's cash flow forecast for the next 12 months were presented and reviewed by the AC in detail. The Group has just completed the refinancing of its Term Loan and Revolving Credit corporate debt in order to better align the Group's corporate debt profile with the cash flow profile of the Group's main FPO business. The Group is also monitoring cash flows very closely to ensure that all obligations can be met. The Group has also embarked on an asset divestment plan of the OMS business. The AC has considered the funding plans for the Group to meet its obligations that are due in the next 12 months and agree that the assessments and plan of management seem reasonable.
Assessment of Armada Kraken	The Group has assessed the recoverable amount of Armada Kraken based on the value-in-use ("VIU") model. The VIU supports a lower recoverable amount as at 31 December 2018 which has resulted in an impairment charge of RM1,613.2 million for this financial year. Management provided estimates on vessel availability, expected lease term and discount rates. These were reviewed by the EA and presented to the AC who agreed with the assessment.
Impairment assessment of Offshore Marine Services ("OMS") assets	Due to the continued depressed market conditions that have resulted in continued low utilisation and day rates during the financial year, management has performed an impairment assessment. The recoverable amounts were determined based on the expected recovery of the carrying amounts of the OSV assets which has resulted in an impairment loss of RM586.5 million being recognised during the financial year. For the SC assets, no impairment was recognised. This has been reviewed by the EA and presented to the AC who agreed with the assessment.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

Audit Committee Report

Recoverability of trade receivables	Management has assessed the lifetime expected credit loss of trade receivables using the simplified approach incorporating credit rating buckets, expected loss rates, forward looking information and probability weighted estimates. As at 31 December 2018, the Group's total receivables prior to loss allowance was RM1.2 billion of which RM404.9 million has been provided for as loss allowance. Based on presentation and information that have been provided to the AC by management coupled with discussions with the EA, the AC is satisfied with the assessment of trade receivables.
Recoverability of amount in relation to the Armada Claire litigation	The material litigation is still on going. Management in consultation with external counsel have considered the facts of the case at present and remain optimistic of a favourable outcome of the litigation. The AC has discussed this issue in depth with Management and the EA and is satisfied with this conclusion.
Recoverability of amounts due from subsidiaries and cost of investments in subsidiaries	No additional loss allowances were made during the financial year as management expects that the subsidiaries can meet their obligations to repay balances based on the availability of net current assets as at the financial year end and/or that there are sufficient future cash flows from the subsidiaries to settle the outstanding balances. The EA has also evaluated these assumptions and cash flows. Based on these reviews and representations the AC is satisfied with the reasonableness of the residual cash flows.

Governance & Internal Controls

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

Internal Audit

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

External Audit

- Reviewed the EA's audit strategy and scope for the quarterly and statutory audits of the Group's financial statements for FY2018.
- Reviewed with the EA the results of the statutory audit and the audit report.
- Reviewed and endorsed the proposed fees of the EA.
- Reviewed and approved the non-audit services provided by the EA while ensuring that there was no impairment of independence or objectivity. This included monitoring the fee of the total non-audit work carried out by the EA so as not to jeopardise their independence status.
- Reviewed the performance of the EA and their independence.

INTERNAL AUDIT

The internal audit process for the Group is conducted by its IAD which has been established by the AC. The IAD is independent of the activities it audits and audits are performed with impartiality, proficiency, and due professional care. Internal Audit Reports are tabled at the AC meeting. The AC will review, assess and approve the internal audit plans and programs and provides guidance to the IAD as and when necessary. The AC also reviews and monitors the responsiveness of the management to significant audit findings and the recommendations of the IAD. To ensure that management effectively close out all significant audit findings in a timely manner, the AC has directed that part of the management's annual key performance indicators include the proper close out of key audit findings.

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

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

Audits conducted:

1. Human Resources
2. Vietnam Operations
3. Aberdeen Operations
4. Time Sheet review
5. Commercial – Proposals
6. Professional Fees analysis and review
7. Supply Chain
8. Kraken – specific financials review in relation to the bareboat charter contract and the operations and maintenance contract

Apart from the audits that are listed above, there were ad-hoc reviews and investigative reviews that were conducted by IAD throughout the year. An outcome from the planned audit and ad-hoc / investigative reviews performed were findings around the areas of supply chain process governance and controls, documentation and contract management, financial process improvements, improvements in CAPEX build up and gate reviews and inventory management. These areas are all being monitored closely via the monitoring mechanism and improvements have already been noted.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT

ACCOUNTABILITY

Audit Committee Report

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

The IAD is staffed by 5 personnel and headed by the Head of Internal Audit. These personnel come from a diverse background of audit, engineering and finance. The IAD undertakes to ensure that the staff are competent and adequately equipped in carrying out their duties and responsibilities by providing them with the relevant training.

Total costs incurred in FY2018 for the Group's internal audit function amounted to RM2.3 million.

EXTERNAL AUDITORS

During FY2018, the AC assessed the EA's performance, independence, objectivity and terms of engagement before recommending its reappointment and remuneration. The AC Chairman together with management did an evaluation on the EA's performance and effectiveness which was coordinated by the Company Secretary. The assessment which covered independence, objectivity and professional scepticism, financial stability, risk and audit strategy, communication and interaction, audit finalisation and level of knowledge, capabilities and experience and sufficiency of resources was conducted in March 2018. In this current cycle, this evaluation was performed by the whole AC.

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

The AC also holds private sessions with the lead engagement partner from the EA every quarter, without the presence of management. These sessions allow the AC and the EA to focus on areas that might not have been specifically addressed as part of the audit and where the EA can provide additional confidential comments to the AC. Some of the matters discussed include the EA's assessment of the tone at the top, ethical values and integrity of management, quality of financial management and reporting, existence of pressure to meet aggressive financial targets and profitability expectations and cooperation from various levels of management and Internal Audit.

The AC remains satisfied with the level of independence of the EA and is of the view that they have not been impaired by any event or services that give rise to conflict of interest. The amount of non-audit fees incurred for services rendered by the EA to the Company and its subsidiaries for the financial year ended 31 December 2018 was RM1.3 million.

MOVING FORWARD – THE AC'S KEY FOCUS FOR 2019

For FY2019, the key priorities of the AC will continue to be focused on the integrity of the Group's financial accounting and reporting, including all the key financial indicators taking into consideration the challenging environment that the Group continues to operate in.

Key areas of focus will include:

- Joint Venture management reporting
- Subsidiary reporting
- Management Information Systems
- Collection initiatives
- Cash management and monitoring
- Cost Optimisation
- Process and Controls
- External audit efficacy and efficiency
- Performance and financials of Armada Kraken

RELATIONSHIP WITH STAKEHOLDERS

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

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

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

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

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

The Investor Relations unit has frequent one-on-one and group discussions, both domestically and internationally with shareholders, analyst investors and potential investors throughout the year to provide constant communications and updates with the investment community. During 2018, apart from the quarterly financial results briefings, the Company met analysts and investors at conferences and meetings in Malaysia, Singapore, UK and USA.

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

VISIT BUMIARMADA.COM

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

INVESTOR ENGAGEMENT

ADDITIONAL COMPLIANCE INFORMATION

Material contract

There were no material contracts entered into by the Group involving the interest of Directors and major shareholders, either still subsisting at the end of the financial year ended 31 December 2018 or entered into since the end of the previous financial year.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board is pleased to provide this statement on Risk Management and Internal Control which outlines the nature of risk management and internal controls within the Bumi Armada Berhad Group for the financial year ended 31 December 2018.

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

BOARD'S RESPONSIBILITY

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

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

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

RISK MANAGEMENT

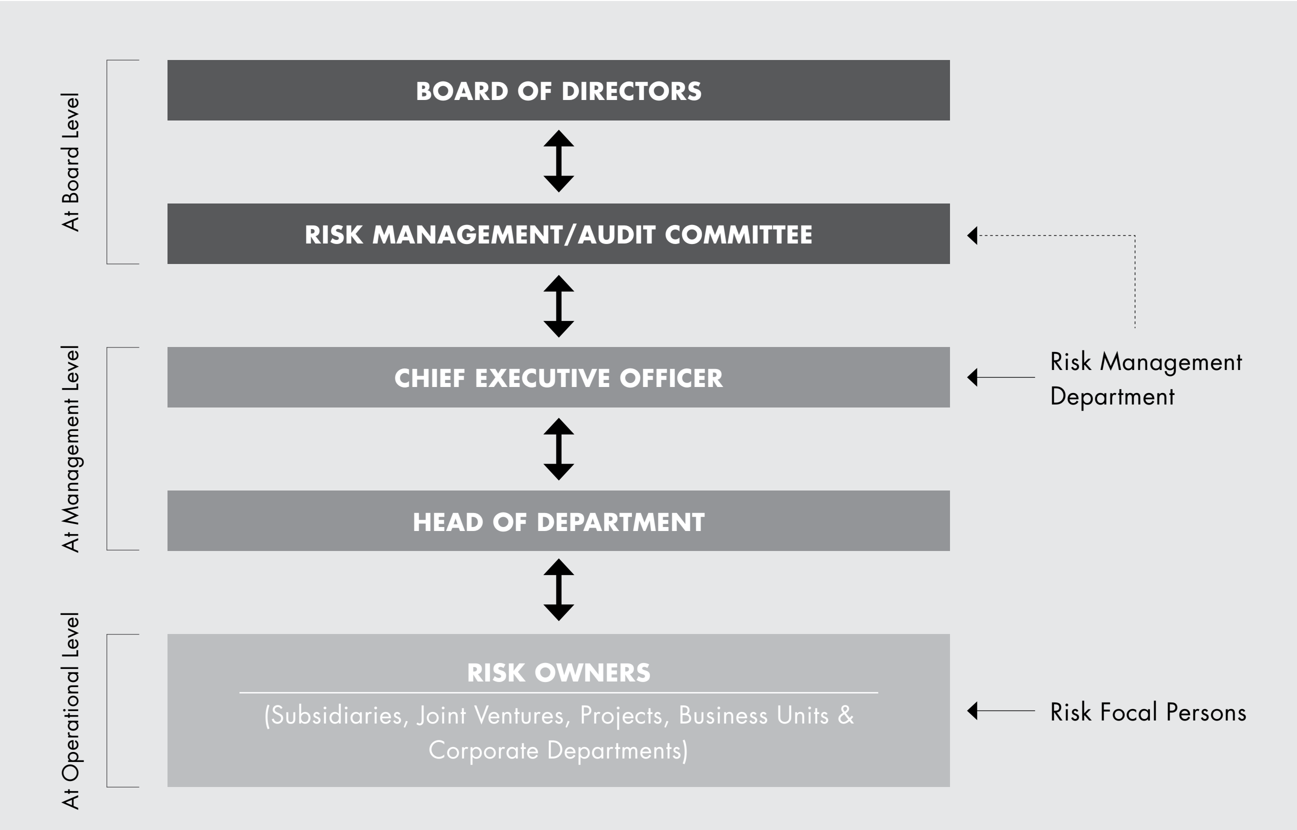
Risk Management Committee

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

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

The Group has a Risk Management function which reports to the CEO and assists the RMC in discharging its responsibilities. The BAB Group's Enterprise Risk Management ("ERM") Framework allows risk information flow for effective oversight of risk management at all levels. Risks are reviewed at various levels namely the various shore base operations including the joint ventures, Business Units ("BUs") and the corporate departments and then at the CEO level from a collation of Enterprise Risks standpoint before it is deliberated at the RMC and Board levels.

The BAB Group's ERM organisation structure is as depicted below:



Enterprise Risk Management Framework

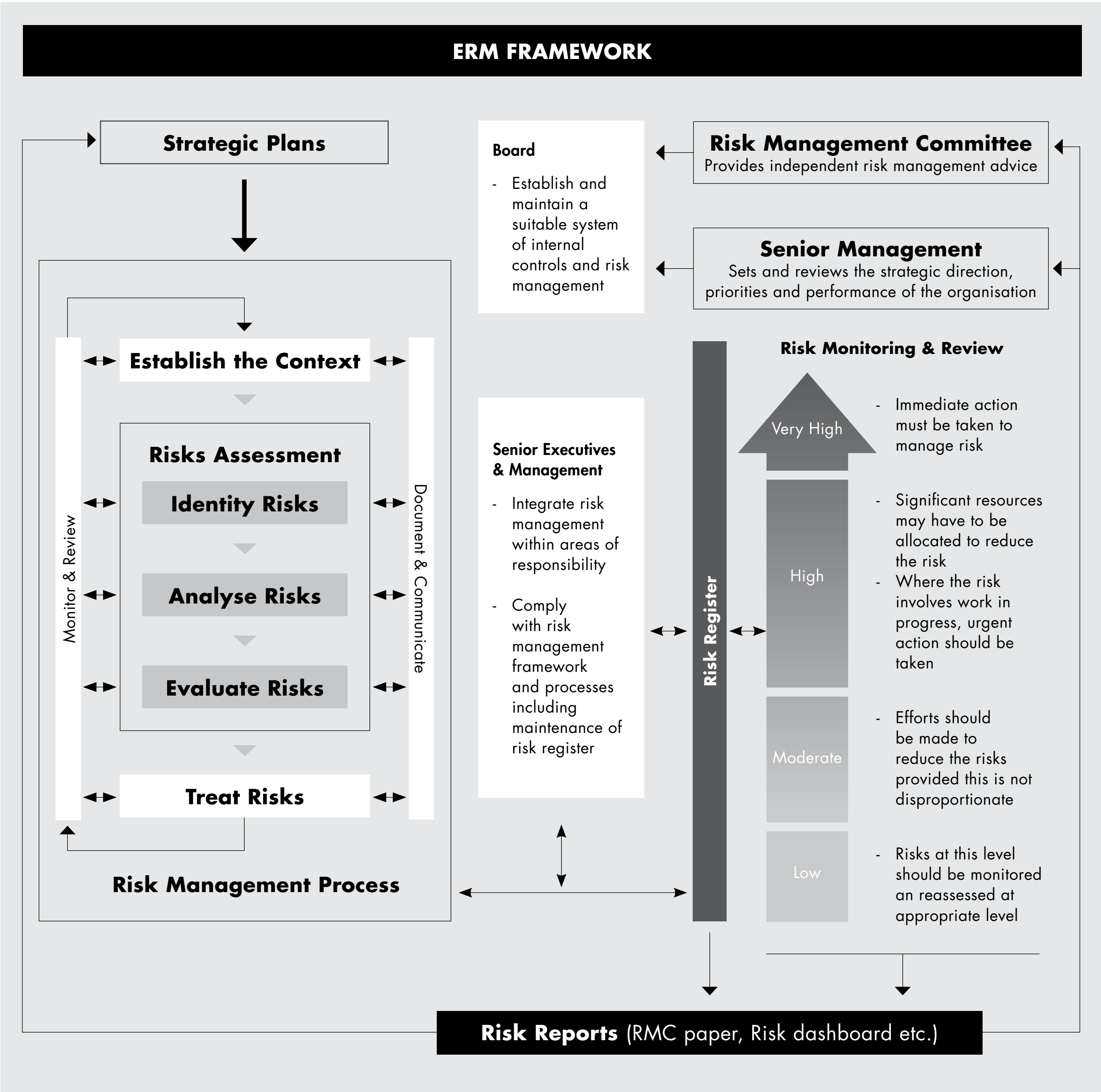
The Group has a risk management framework that is integrated and embedded into the day-to-day business activities and management decision making of the various BUs and functions of the Group. The framework also aims to provide a consistent approach for identifying, evaluating and managing the significant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

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

- Risk Representatives in each BU to spearhead the coordination of risk management activities. These Risk Representatives are responsible for ensuring the timely updating of risks, controls, issues and action plans within their own BUs. Their updates are then independently validated by the Risk Management Department.
- Specified roles and responsibilities at each level of management in the Group in relation to Risk Management.
- 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.

STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

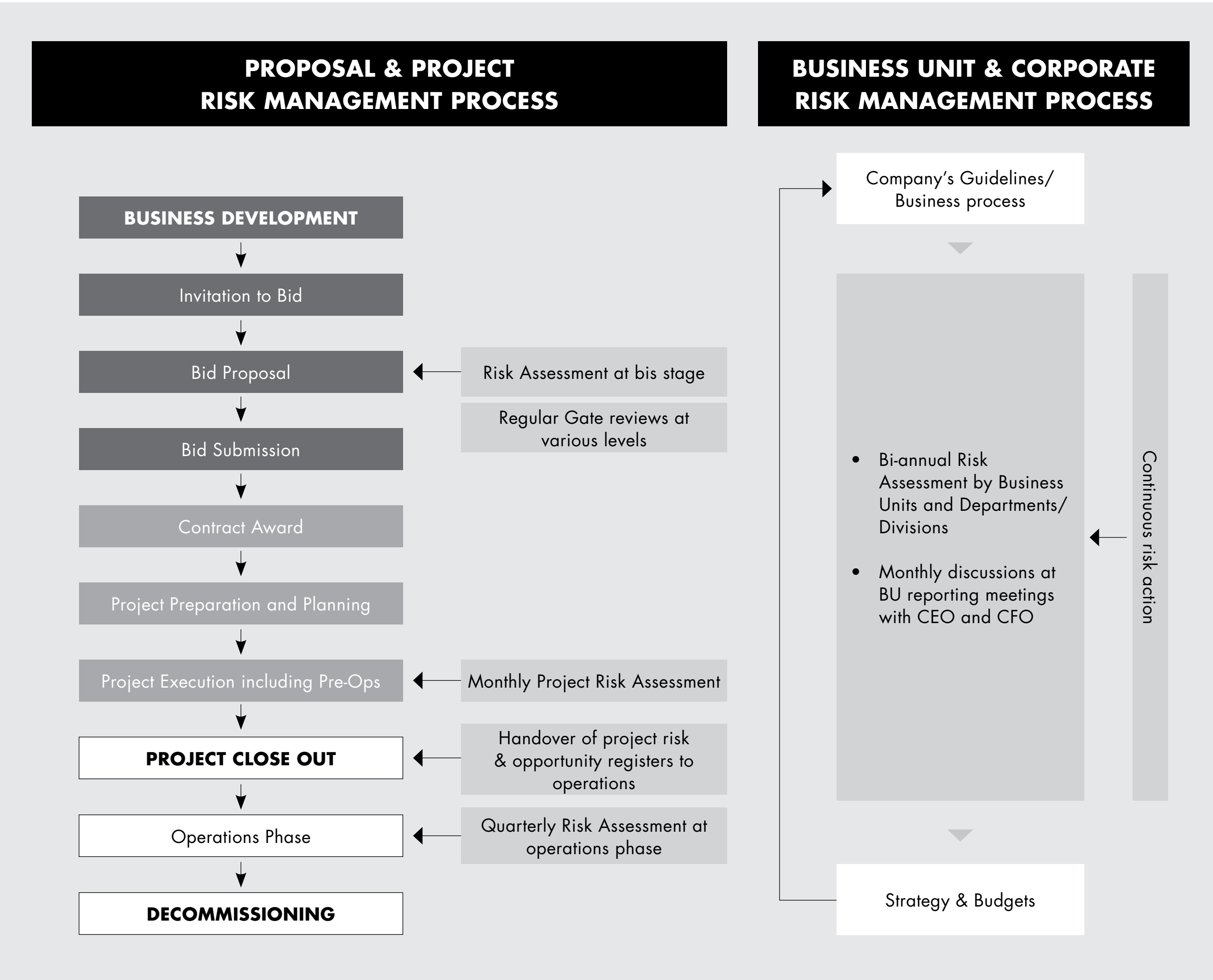
The BAB ERM framework and an overview of how the steps in the Group's ERM process interrelate to the Group's planning, reviewing and reporting cycle; risk governance components of the Framework; and the actions required from the risk monitoring and reviewing process are as depicted below:



Management Responsibilities

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

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



STATEMENT ON RISK MANAGEMENT
AND INTERNAL CONTROL

Key Risk Management Activities for FY2018

The following key activities pertaining to risk management were undertaken during the FY2018:

- Continued periodic risk assessment on all the BU's within the company including the shore base locations and the vessels.
- Continued risk assessments on commercial bids.
- Frequent RMC meetings with detailed risk presentation by the various BUs and departments within the organisation.

Despite the Risk Management Framework and mechanism that has been put in place, a number of key risks to the organisation have been realised during the year due to either internal or external factors which has resulted in significant issues to the Group. Below is the list of major risks realised or still in existence in the Group:

RISK CONTEXT	CURRENT STATE & MITIGATION
Liquidity position of the Group is key to continued successful operations. The Group has had to deal with high levels of corporate debt falling due and the risk of potential default	*Risk Realised* High levels of corporate debt falling due which put the liquidity position of the Group at risk should these repayment obligations and other operating obligations not be met. *Actions* The Group has just completed the refinancing of the Term Loan and Revolving Credit corporate debts in order to better align the Group's corporate debt profile with the cash flow profile of the Group's main FPO business. The Group is also monitoring cash flows very closely to ensure that all obligations can be met. The Group has also embarked on an asset divestment plan of the OMS business.
Maintaining the expected level of performance for Armada Kraken is crucial in order to secure revenue earning capability	*Risk Realised* Armada Kraken has faced various technical issues that have affected her performance during the year thus affecting her ability to generate revenue at the expected levels which in turn would lead to an inability to meet debt service and contractual obligations. *Actions* Management is focused on resolving technical issues and is working towards increasing the availability levels of the vessel to the required level. During the year, significant estimates and judgement has been applied in order to determine the recoverable value of Armada Kraken, the result of which was an impairment charge of RM1,613.2 million during the year.

RISK CONTEXT	CURRENT STATE & MITIGATION
The downturn in the OSV business continues to negatively impact the Group and continues to financially drain funds from the corporate level that is needed to support the operations of the business unit	*Risk Realised* Due to the continued depressed market conditions that have resulted in continued low utilisation and day rates during the financial year, the performance of the OSV business has been below expectations resulting in a negative financial impact to the Group. *Actions* Management has decided to restructure this business and are in the process of divesting any non-value adding assets. In addition, in the year, the recoverable amounts of this segment were determined based on the expected recovery of the carrying amounts of the OSV assets which has resulted in an impairment loss of RM586.5 million being recognised.
Safety, security, reliability and integrity in the delivery of projects and operations are key to our success	*Risk Realised* In 2018, the Group experienced three LTI cases. *Actions* The Group has thoroughly investigated and reviewed the LTI cases. The Group has a Corporate HSSEQ plan in place, aimed at minimising HSE incidents, and complies with the applicable HSE standards. In addition, the Group has dedicated HSE teams at the operational BUs that set stringent safety standards to be followed on all our vessels.
Having the right people in the right positions is key for successful operations	*Risk Realised* The Group's resource capabilities need to be realigned to the strategy as failure to do so would result in the inability to achieve the current strategic objective and to continue to operate without interruption. *Actions* The Group is concentrating on two key areas given the state of the business and in consideration of the strategy for moving forward, i.e. to retain the right people and to optimise costs. The organisation needs are currently being mapped against the strategy of the Group moving forward. A restructuring exercise that saw a significant reduction of headcount and an improvement in cost efficiencies was conducted in November 2018. The Group continues to work on various people initiatives in order to ensure that there is competent talent available to support the operations of the Group and to steer the Group into the future.
Recoverability of amounts in relation to termination of Armada Claire contract	*Risk Realised* The termination of Armada Claire that has resulted in material litigation. *Actions* The material litigation is still ongoing. Management in consultation with external counsel have considered the facts of the case at present and remain optimistic of a favourable outcome of the litigation.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

An overview of other general material risks is as summarised below

RISK CONTEXT	CURRENT STATE & MITIGATION
Legal and Contractual requirements in our contracts are key drivers	Our charter contracts are broadly in line with industry practice. Key terms of these charter contracts would include key milestones on the construction and delivery schedules, as well as operational performance of the facilities. Failure to meet any key contract terms will expose the Group to potential penalty payments, liquidated damages and in a worst-case termination of contract. The Group has established "Golden Contracting Rules" which set out the guiding principles to be adopted for contracts. Any deviations from these rules will require Board approval. The Group Legal Department will monitor all charter contracts to ensure that we are compliant with our contractual obligations.
Access to capital, capital allocation and management of financial risks underpin our business performance	The Group very closely monitors our debt and repayment obligations. Cash flows are regularly reviewed by Management and the Board to ensure debt can be serviced and future funding requirements can be met. The Group also closely monitors our compliance with existing debt covenants. The Group has refinanced its Term Loan and Revolving Credit corporate debts in order to better align the Group's corporate debt profile with the cash flow profile of the Group's main FPO business. The Group is also monitoring cash flows very closely to ensure that all obligations can be met.
A high level of operational performance and excellence is critical to our success	The success of our operations is dependent on the operating efficiency and reliability of our vessels in terms of vessel performance, people capability as well as HSSEQ performance. The compromise of any of these could have an adverse impact to the Group both monetarily and reputationally. The FPO Business Unit continues to work via the shore base office and the offshore crew in ensuring that the vessels are performing and that all technical issues that arise are investigated and solutions developed for resolution.
Project Execution	When there is project in progress, monthly project reviews are held between Project Managers and Management to highlight risks and issues that have arisen, so that they can be dealt with in a timely manner. We have implemented robust processes which are applied at a very early stage where proposals are made and where schedules and budgets are developed. After contract award, the project team works accordingly and follows through until the end of contract, where lessons learnt are identified and recorded as feedback for any future contracts.
Compliance and integrity are key virtues to be upheld in the way we conduct business	The Group has in place a Compliance programme which includes the Code as well as a Speak Up Policy that has been rolled out throughout the organisation.
Our business relies on a variety of information technology systems	The Group has a cyber security programme in place which ensures that controls are in place to mitigate any potential data breach vulnerabilities.

Plans for 2019

In 2019, the Group will continue to focus on the key risks that have been realised and the mitigation actions to ensure that these risks are managed to acceptable levels. Key areas of focus will be on the Armada Kraken and her operations, the operations of the other vessels in the fleet, the capability of people in line with the strategy of the Group and the financial position of the Group. In addition, we will continue to enhance and instil a risk awareness culture that has been made difficult by the constant changes to key management and the consolidation phase that the Group is currently experiencing. The RMC is cognisant of this challenge and is taking steps to address this. A few of the improvements expected in 2019 are:

- In depth discussions at the RMC level focused on the key risk areas mentioned above and the progress of the key initiatives.
- Focus on initiatives to create risk awareness and a risk response culture within the Group.
- Closer monitoring of mitigations and actions coming out of risk reviews and ensuring that this is tracked to closure.
- Refined risk reporting processes to Management and the Board to including presentations by and discussions with the business owners of those risk areas as to what mitigation plans were in place to manage the top risks.

INTERNAL CONTROL ENVIRONMENT

Board

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

Audit Committee

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

Internal Audit

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

The AC receives and reviews all IA reports including the agreed actions that are to be taken in order to mitigate and close the highlighted control gaps. All issues raised and action plans to close gaps are monitored via the monitoring mechanism that has been developed until closure and the status is reported on a quarterly basis to the AC. The key activities of the IA function are as set out in the AC report section of this annual report.

External Auditors

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Organisation Structure

The organisation structure of the Group defines the formal lines of responsibility and the lines of accountability of our Management. The structure also defines the lines of authority that is in place to assist in implementing the Group's strategies and day-to-day business activities. The Group has a management team that meets bi-weekly to discuss pertinent issues. There is no longer an EXCO. This has been replaced by the RMC which also serves this role in an advisory capacity to the CEO in accomplishing the vision, mission, strategies and objectives that have been set for the Group.

Budgeting, Monitoring & Reporting

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

Limits of Authority

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

Health, Safety, Security, Environment and Quality

The Corporate HSSEQ Department is responsible for setting the overall direction on HSSEQ implementation within the Group and drives strategies and monitors performance to ensure HSSEQ risks are managed to as low as reasonably practicable. During the year, the Group recorded three LTI incidents. Investigations were conducted, and corrective actions have been taken appropriately.

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

Project Sales Tender Evaluation and Approval Policy

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

Code of Business Conduct and Ethics and Speak Up Policy

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

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

ASSURANCE FROM MANAGEMENT

The CEO and CFO have provided their assurance to the RMC, the AC and the Board that the Group's risk management and internal control system is operating adequately and effectively in all material aspects, based on the risk management and internal control system of the Group, for FY2018 and up to the date of approval of this statement. Based on Management's assurance as well as input from the relevant assurance providers, the Board is of the view that the Group's risk management and internal control system is operating adequately and effectively. There will also be continuous improvement in this area and the systems and processes of the Group, as appropriate.

REVIEW OF THE STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordances with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSION

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

This statement is made in accordance with a resolution of the Board of Directors dated 23 April 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

Directors of the Company are required to prepare financial statements for each financial year in accordance with the requirements of the Companies Act 2016, 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 Malaysia Securities Berhad 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 2018 and of their financial performance and cash flows for the said financial year.

In preparing these financial statements, the Directors have:

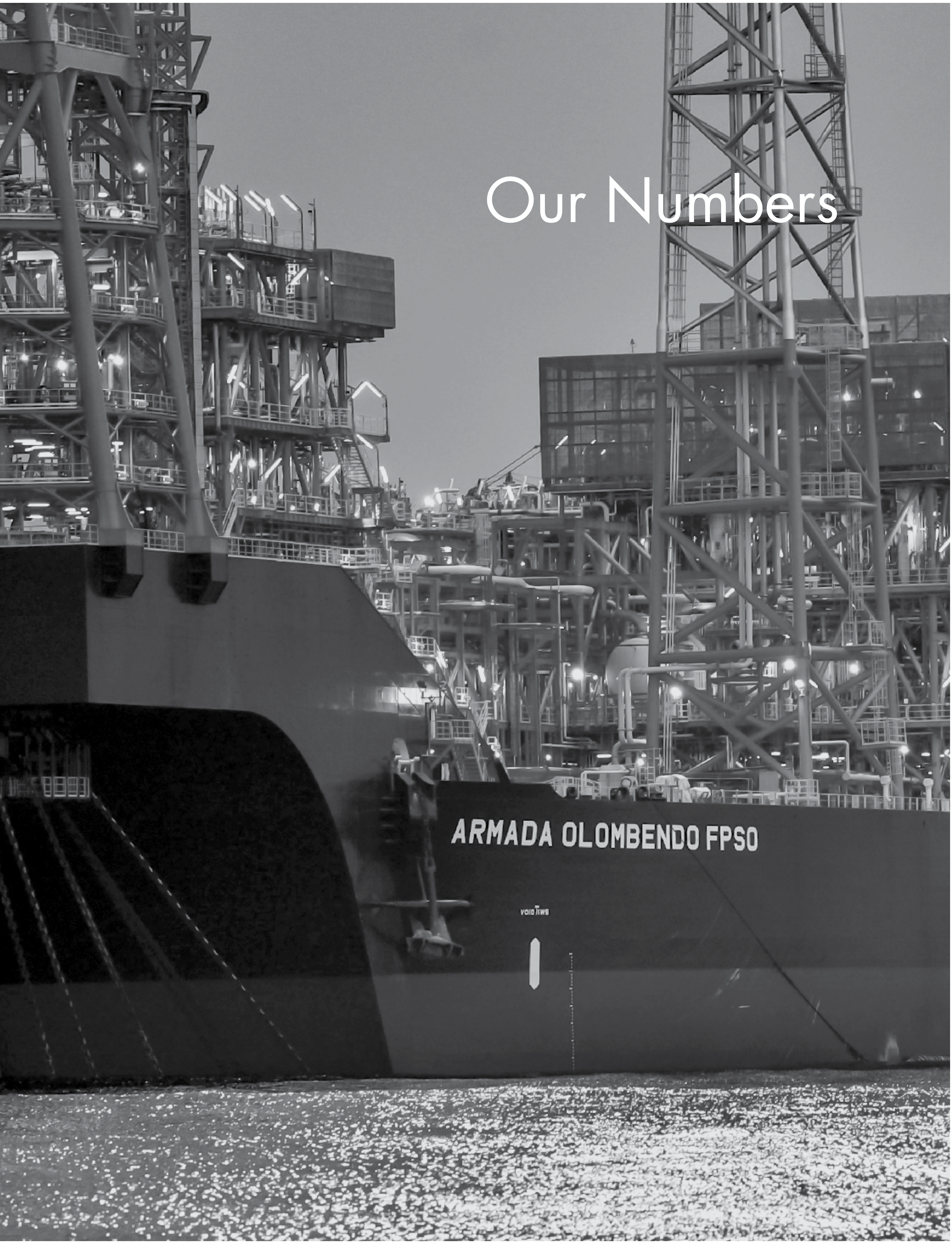
- adopted appropriate accounting policies and applied them consistently;
- made judgements and estimates that are reasonable; and
- appropriately prepared the financial statements on a going concern basis.

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 76 to 227 of this Annual Report are the financial statements of the Group and the Company for the financial year ended 31 December 2018.

This Statement is made in accordance with a resolution of the Board of Directors on 25 April 2019.

Our Numbers



DIRECTORS' REPORT

The Directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 Offloading ("FPSO") operations, vessel construction and engineering and maintenance services to offshore oil and gas companies. Further details are provided in Note 12 to the financial statements.

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
(Loss)/Profit for the financial year attributable to:		
- Owners of the Company	(2,302,769)	114,688
- Non-controlling interests	(16,379)	-
	(2,319,148)	114,688

DIVIDENDS

No dividend has been paid or declared since 31 December 2017. The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2018.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, the Company issued 4,668,200 shares pursuant to Management Incentive Plan ("MIP" or "Plan") to eligible employees and the Executive Director of the Group. The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements.

MANAGEMENT INCENTIVE PLAN

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

The salient features and other terms of the Plan are disclosed in Note 37 to the financial statements.

EMPLOYEE SHARE OPTIONS SCHEME

On 18 June 2011, the Company's shareholders approved the establishment of an Employee Share Options 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 the MIP, the Company has ceased awarding further options under the Scheme.

DIRECTORS

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

Tunku Ali Redhauddin ibni Tuanku Muhriz	
Alexandra Elisabeth Johanna Maria Schaapveld*	
Chan Chee Beng	
Maureen Toh Siew Guat	
Leon Andre Harland**	
Uthaya Kumar K Vivekananda	
Gary Neal Christenson	(Appointed on 2 May 2018)
Shaharul Rezza bin Hassan	(Resigned on 28 Feb 2018)

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

** *On 28 February 2019, the Company announced that Leon Andre Harland's contract of employment as the Chief Executive Officer ("CEO") would end on 15 May 2019 and Gary Neal Christenson would be re-designated as an Executive Director effective 27 March 2019 and appointed as the CEO on 16 May 2019. Accordingly, Leon Andre Harland will cease to be an Executive Director on 15 May 2019.*

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than benefits as disclosed in Note 7 to the financial statements and the premium paid for the Directors and Officers Liability insurance for the year 2018/2019 amounting to RM0.2 million with a coverage of RM250.0 million (2017/2018: premium paid amounted to RM0.2 million with a coverage of RM250.0 million)) by reason of a contract made by the Company or a related corporation with any Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

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

DIRECTORS' INTERESTS IN SHARES

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

In the Company - Direct Interests

	Number of ordinary shares			
	As at 1.1.2018	Acquired	Disposed	As at 31.12.2018
Tunku Ali Redhauddin ibni Tuanku Muhriz [1]	20,000	-	-	20,000
Alexandra Schaapveld [2]	900,000	-	-	900,000
Chan Chee Beng [3]	2,511,200	-	-	2,511,200
Leon Andre Harland	-	2,137,800	-	2,137,800

[1] Held through a nominee, namely Maybank Securities Nominees (Tempatan) Sdn Bhd.

[2] Held through a nominee, namely CIMSEC Nominees (Asing) Sdn Bhd.

[3] Held through a nominee, namely CIMSEC Nominees (Tempatan) Sdn Bhd.

	Number of ordinary shares under the MIP				
	As at 1.1.2018	Granted	Awarded	Vested	As at 31.12.2018
Leon Andre Harland [1]					
2017 MIP					
Annual grant	up to 6,413,300	-	6,413,300	(2,137,800)	4,275,500
3-year grant *	up to 8,551,000	-	-	-	up to 8,551,000
2018 MIP					
Annual grant *	-	up to 6,426,900	-	-	up to 6,426,900

* Offered and granted, but yet to be awarded.

[1] The MIP Committee has approved the award of unvested MIP shares of 4,275,500 under the 2017 MIP Annual grant to Leon Andre Harland to be vested by 15 May 2019. The MIP shares that have yet to be awarded (the 2017 MIP – 3-year Grant and 2018 MIP – Annual Grant) will be forfeited.

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

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

(c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

OTHER STATUTORY INFORMATION

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group and of the Company to meet their obligations when they fall due.

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

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

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

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

In the opinion of the Directors:

(a) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature other than as disclosed in the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SUBSEQUENT EVENTS

Subsequent to the balance sheet date, the Group obtained a waiver on the breach of financial covenants of the Sukuk Murabahah, and has also signed a facility agreement for refinancing of certain unsecured term loans and revolving credit facilities, the details of which are disclosed in the Preface to the Financial Statements Section E – Liquidity risk.

SUBSIDIARIES

Details of subsidiaries and subsidiaries' holding of shares in other related corporations are set out in Note 12 to the financial statements. The auditors' reports on the financial statements of the subsidiaries were unqualified.

AUDITORS' REMUNERATION

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

AUDITORS

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

This report was approved by the Board of Directors on 25 April 2019. Signed on behalf of the Board of Directors:

LEON ANDRE HARLAND
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

PREFACE TO THE FINANCIAL STATEMENTS

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

A GENERAL INFORMATION

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

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

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

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

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

B BASIS OF PREPARATION

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

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

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

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RM6,092.7 million mainly due to the following reasons:

(a) Re-classification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1,782.9 million and Sukuk Murabahah of RM1,499.4 million to current borrowings; and

(b) Current borrowings comprising Armada Floating Gas Storage Malta Limited ("AFGSML") secured term loan of RM186.5 million, unsecured term loans of RM1,578.0 million and revolving credit facilities of RM1,246.9 million. These borrowings are expected to be refinanced via long term loans.

B BASIS OF PREPARATION (CONTINUED)

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

(a) Standards, amendments to published standards and interpretations that are effective for the Group's and the Company's financial year beginning on 1 January 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 Standards 2014 – 2016 Cycle: Amendments to MFRS 128 "Investments in Associates and Joint Ventures"
- IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

The adoption of the above amendments and annual improvements to MFRS did not have any significant impact on the financial statements of the Group and the Company, except as disclosed in Note 45.

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

(i) New MFRS, amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective for annual periods beginning on or after 1 January 2019:

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

B BASIS OF PREPARATION (CONTINUED)

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

(i) New MFRS, amendments to MFRS, annual improvements and interpretation which are applicable to the Group effective for annual periods beginning on or after 1 January 2019: (continued)

The adoption of the above new MFRS and interpretation did not have any significant impact on the financial statements of the Group and the Company, except as set out below:

<u>MFRS 16 "Leases"</u>

MFRS 16 "Leases" (effective from 1 January 2019) supersedes MFRS 117 "Leases" and related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

MFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments.

The Group has assessed the effects of applying the new standard on the Group's financial statements and has identified that this will impact the Group's non-cancellable operating lease commitments. The Group expects to recognise right-of-use assets and corresponding lease liabilities. The right-of-use assets will be depreciated in accordance with the principles in MFRS 116 "Property, Plant and Equipment" and lease liabilities will be amortised over time with interest expense recognised in profit or loss, which will affect the earnings before interest, taxation, depreciation and amortisation ("EBITDA"). Operating cash flows will increase and financing cash flows will decrease as repayment of the principal portion of the lease liabilities will be classified as cash flows from financing activities.

The Group does not expect the Group's activities as a lessor to have any significant impact on the financial statements. However, some additional disclosures will be required upon adoption of MFRS 16.

The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for property will be measured on transition as if the new rules had always been applied.

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

- Amendments to MFRS 2 "Share-Based Payment"
- Amendment to MFRS 3 "Business Combinations"
- Amendments to MFRS 101 "Presentation of Financial Statements"
- Amendments to MFRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
- Amendments to MFRS 134 "Interim Financial Reporting"
- Amendment to MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"
- Amendment to IC Interpretation 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Amendment to IC Interpretation 22 "Foreign Currency Transactions and Advance Consideration"

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation

(i) Subsidiaries

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

The Group applies the acquisition method to account for business combination, except for the subsidiary as disclosed in Note 12, where the Group applies predecessor accounting to account for business combination under common control. Under predecessor accounting, assets and liabilities acquired are not restated to their respective fair values. 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 values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

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

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

Inter-company transactions, balances and unrealised gains on transactions between 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 statement of income, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

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

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

(iii) Disposal of subsidiaries

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

(iv) Joint arrangements

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

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Consolidation (continued)

(iv) Joint arrangements (continued)

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

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

(v) Associates

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

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

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

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

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

(c) Property, plant and equipment

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment (continued)

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

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

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

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

Building	50 years
Drydocking expenditure	2.5 to 5 years
Vessels	10 to 25 years
Equipment, furniture, fittings and office equipment	2 to 10 years
Spare parts	1 to 3 years
Motor vehicles	5 years

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 Section C(h)).

(d) Financial assets

(i) Classification

Accounting policies applied until 31 December 2017

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 and, in the case of assets classified as held-to-maturity, re-evaluates this designation at the end of each reporting period.

Financial assets at fair value through profit or loss ("FVTPL")

The Group classifies financial assets at FVTPL 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 Section C(g)). Derivatives are classified as current assets if expected to be settled within 12 months; otherwise they are classified as non-current assets.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(i) Classification (continued)

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 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 after the end of the reporting period.

Accounting policies applied from 1 January 2018

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Accounting policies applied until 31 December 2017

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 FVTPL. Financial assets at FVTPL are initially recognised at fair value, and transaction costs are expensed in profit or loss.

Accounting policies applied from 1 January 2018

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement

Accounting policies applied until 31 December 2017

Financial assets at FVTPL 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 FVTPL, including the effects of currency translation, interest and dividend income are recognised in 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 (see accounting policy Section C(d)(iv)) and foreign exchange gains and losses on monetary assets (see accounting policy Section C(n)(ii)).

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

Accounting policies applied from 1 January 2018

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

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

Debt instruments

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iii) Measurement

Accounting policies applied from 1 January 2018 (continued)

Debt instruments (continued)

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

Equity instruments

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

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

(iv) Impairment of financial assets

Accounting policies applied until 31 December 2017

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 are 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 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.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied until 31 December 2017 (continued)

Assets carried at amortised cost (continued)

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 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.

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. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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.

Accounting policies applied from 1 January 2018

Impairment for debt instruments

From 1 January 2018, the Group assesses on a forward-looking basis the expected credit losses ("ECL") associated with its debt instruments carried at amortised cost and at FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Impairment for debt instruments (continued)

The measurement of ECL reflects:

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

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

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

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

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

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

Significant increase in credit risk

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(iv) Impairment of financial assets (continued)

Accounting policies applied from 1 January 2018 (continued)

Definition of default and credit-impaired financial assets

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

(a) Quantitative criteria

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

(b) Qualitative criteria

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

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

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

Groupings of instruments for ECL measurement

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

Write-off

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial assets (continued)

(v) De-recognition

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

Accounting policies applied until 31 December 2017

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

Accounting policies applied from 1 January 2018

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

(e) Offsetting financial instruments

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

(f) Financial guarantee contracts

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

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

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

Accounting policies applied until 31 December 2017

Financial guarantee contracts are subsequently measured 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.

Accounting policies applied from 1 January 2018

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative and hedging activities

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

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

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

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 34. Movements in the hedging reserve in shareholders' equity are shown in the statement of changes in equity. Where a portion of a derivative financial instrument is expected to be realised within 12 months after the end of the reporting period, that portion should be presented as a current asset or liability, the remainder of the derivative financial instrument should be shown as non-current asset or liability.

Cash flow hedge

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Derivative and hedging activities (continued)

Hedge documentation

Accounting policies applied until 31 December 2017

The Group documented at the inception of the transaction, the relationship between hedging instruments and hedged items and its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that were used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

Accounting policies applied from 1 January 2018

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

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

Accounting policies applied from 1 January 2018

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

(h) Impairment of non-financial assets

Assets that have an indefinite useful life (e.g. goodwill) are not subject to amortisation and are tested annually for impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs 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 an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Borrowings and borrowing costs

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

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

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

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

(j) Inventories

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

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

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(l) Construction contracts and conversion work

<u>Accounting policies applied until 31 December 2017</u>

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 use in accordance to the customers' specifications.

When the outcome of a construction contract or conversion work can be estimated reliably, contract revenue and contract 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 contract costs will exceed total contract 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 lease commences. 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).

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition

Accounting policies applied until 31 December 2017

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 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 recognises 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 activities as described below. The Group bases its 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 basis:

(i) Vessel charter fees and support services

Vessel charter 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 Section C(o)). 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.

(ii) 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 Section C(l)).

(iii) 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.

(iv) Dividend income

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

(v) Rental income

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied until 31 December 2017 (continued)

(vi) 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.

(vii) Central overhead fees

The Company earns central overhead fees from its subsidiaries and joint ventures. Central overhead fees are recognised on an accrual basis.

(viii) Management fees

The Group earns management fees from its subsidiaries and joint ventures. Management fees are recognised on an accrual basis.

(ix) 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.

Accounting policies applied from 1 January 2018

Revenue from contracts with customers

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows:

(i) Vessel charter fees and support services

FPO segment

The Group is contracted to provide charter of vessels and support services such as operation and maintenance of the vessels. Charter of vessels are accounted under the requirement of MFRS 117 "Leases" and disclosed in Section C(o)(ii).

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

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

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

OMS segment

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows: (continued)

(ii) Construction and vessel conversion works

The Group generates revenue from vessel conversion works when contracted to perform conversion works whereby vessels are built to customers' specifications which comprise multiple deliverables that form a significant integration service.

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

The Group has regarded the construction contracts and vessel conversion works contracts to be single performance obligation respectively. As one of the following criteria is met, the Group recognises revenue from construction and vessel conversion works over time:

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

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

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

(iii) Sale of goods

Sale of goods such as scraps are recognised at a point in time 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.

(iv) Central overhead fees

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Revenue from contracts with customers (continued)

The Group recognises revenue as follows: (continued)

(v) Management fees

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

(vi) Engineering services

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 over time when the services are rendered.

Revenue from other sources

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

(i) Rental income

The Group earns rental income from the rental of premises to third parties. Rental income is recognised on a straight-line basis over the tenure under the lease arrangement. See accounting policy Section C(o) for the accounting by lessor.

(ii) Dividend income

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

(iii) Interest income

Interest income is recognised using the effective interest method.

Interest income from financial assets at FVTPL is recognised as part of other operating income in the statement of profit or loss.

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Revenue recognition (continued)

Accounting policies applied from 1 January 2018 (continued)

Contract assets and contract liabilities

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

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

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

Costs incurred in obtaining a contract

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

(n) Foreign currencies

(i) Functional and presentation currency

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

(ii) Transactions and balances

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Foreign currencies (continued)

(iii) Group companies

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

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

- income and expenses for each statement of income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from translation of any net investment in foreign entities and of borrowings and other financial instruments designated as hedges of such investments are recognised in other comprehensive income.

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

Intercompany loans where settlement is neither planned nor likely to occur in the foreseeable future with no contractual terms of repayment, are treated as part of the parent's capital contribution in subsidiaries (net investments). Translation differences arising therefrom are recognised in other comprehensive income.

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases

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

(i) Accounting by lessee

Finance leases

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.

Operating leases

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Leases (continued)

(ii) Accounting by lessor

Finance leases

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

The leased asset is derecognised and the present value of the lease receivable (net of initial direct costs for negotiating and arranging the lease) is recognised in the statement of financial position as "finance lease receivables". The 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 receivables to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivables.

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

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

Operating leases

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Current and deferred income tax

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

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

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

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

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

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits

(i) Short-term employee benefits

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

(ii) Defined contribution plan

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

(iii) Share-based payment

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

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

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Employee benefits (continued)

(iii) Share-based payment (continued)

When the ESOS options are exercised, or when the MIP shares are issued, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital when the ESOS options are exercised, or when the MIP shares are issued. When ESOS options are not exercised and lapsed, the share option reserve is transferred to retained earnings. For MIP shares, the share option reserve is transferred to retained earnings if the employment is terminated or ceased prior to the vesting date.

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

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

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

(iv) Termination benefits

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Trade and other receivables

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

Accounting policies applied until 31 December 2017

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 (see accounting policy Section C(d)(iv)).

Accounting policies applied from 1 January 2018

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

(s) Goodwill

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

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

(t) Trade payables and accruals

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

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Provisions

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

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

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

(i) Provision for demobilisation costs

Provision for demobilisation costs is made based on the estimated cost of demobilising the vessels at the end of 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 Section C(c).

(v) 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.

(w) Cash and cash equivalents

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

C SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Share capital

(i) 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.

(ii) Share issue costs

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

(iii) Dividends

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

(y) Earnings per share

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

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

(z) Segment reporting

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

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

(a) Classification of lease contracts

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

(i) Determination of lease term

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

(ii) Determination of purchase option

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

(b) Revenue

<u>Allocation of total consideration to performance obligation</u>

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

(c) Impairment of non-financial assets

<u>Property, plant and equipment and non-current assets held-for-sale</u>

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

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Impairment of non-financial assets (continued)

Investment in subsidiaries

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

(d) Impairment of financial assets

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

In assessing the ECL of amounts due from subsidiaries, the Group further considers recovery strategies of repayment in the event if the amount is demanded to be repaid and expected future cash flows in the event the Group is not expected to fully recover the amount outstanding. 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 made.

(e) Vessels' useful lives and residual values

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

(f) Current and deferred 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 based on interpretation of current legislation. 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.

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

The Group is subject to 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 and outcome of negotiation with customers.

D CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(h) Demobilisation costs

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

E FINANCIAL AND CAPITAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

Foreign currency exchange risk

The Group is exposed to various currencies, primarily, United States Dollar ("USD") and Russian Ruble ("RUB") (2017: USD and RUB). 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 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				
At 31 December 2018	**United States Dollar RM'000**	**Russian Ruble RM'000**	**Others RM'000**	**Denominated in functional currencies RM'000**	**Total RM'000**
Trade receivables	7,779	-	-	747,504	755,283
Deposits, cash and bank balances	42,118	217,689	38,580	928,037	1,226,424
Trade payables and accruals	(4,549)	(2,432)	(26,867)	(529,679)	(563,527)
	45,348	215,257	11,713	1,145,862	1,418,180

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

Foreign currency exchange risk (continued)

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

	Denominated in currencies other than functional currencies				
At 31 December 2017	**United States Dollar RM'000**	**Russian Ruble RM'000**	**Others RM'000**	**Denominated in functional currencies RM'000**	**Total RM'000**
Trade receivables	598	-	2,224	724,331	727,153
Deposits, cash and bank balances	99,364	298,811	23,602	1,424,337	1,846,114
Trade payables and accruals	-	-	(40,155)	(558,628)	(598,783)
	99,962	298,811	(14,329)	1,590,040	1,974,484

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD and RUB (2017: USD and RUB) denominated balances as illustrated in the following table:

		Impact on (loss)/profit before taxation [Increase/(Decrease)]	
Currency	**Strengthened by**	**2018 RM'000**	**2017 RM'000**
USD	10%	(4,535)	9,996
RUB	10%	(21,526)	29,881

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

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

	Denominated in currencies other than functional currency			
At 31 December 2017	**United States Dollar RM'000**	**Others RM'000**	**Denominated in functional currency RM'000**	**Total RM'000**
Deposits, cash and bank balances	45,015	65	18,326	63,406

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

Foreign currency exchange risk (continued)

The sensitivity of profit or loss to changes in the exchange rates arises mainly from USD (2017: USD) denominated balances as illustrated in the following table:

Currency	Strengthened by	Impact on (loss)/profit before taxation [Increase/(Decrease)] 2018 RM'000	2017 RM'000
USD	10%	4,031	4,502

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

The Group and the Company are exposed to foreign currency exchange risk on intercompany balances, where the balances are not denominated in functional currencies of the entities involved. Foreign currency exchange differences arising from net investments in foreign operations are recognised in other comprehensive income of the Group.

Foreign currency exchange differences arising from translation of financial position of Group entities that has a functional currency different from Ringgit Malaysia are also recognised as a separate component of other comprehensive income.

Interest rate risk

The Group's exposure to changes in interest rates relates primarily to the Group's borrowings with floating interest rates. In respect of managing interest rate risks, the floating interest rates of certain long-term loans are hedged in accordance with the Group's policy by fixed rate swaps to mirror the maturity period. Short-term facilities which bear interest at floating interest rates are not hedged.

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

As at the reporting date, the interest rate profile of the Group's interest-bearing financial instruments is as follows:

Group	2018 RM'000	2017 RM'000
Variable rate instruments		
Financial liabilities, comprising term loans and revolving credits	8,850,523	9,993,038
Less: Interest rate swap contracts	(4,102,923)	(4,373,867)
Less: Cross currency interest rate swap contract	-	(21,304)
Total variable rate instruments not hedged	4,747,600	5,597,867

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

Interest rate risk (continued)

The sensitivity of the Group's (loss)/profit 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 as at the reporting date are as follows:

	Impact on (loss)/profit before taxation		**Impact on equity [1]**	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
RM				
- increased by 0.5% (2017: 0.5%)	-	167	-	-
- decreased by 0.5% (2017: 0.5%)	-	(167)	-	-
USD				
- increased by 0.5% (2017: 0.5%)	(24,140)	(28,069)	20,515	21,449
- decreased by 0.5% (2017: 0.5%)	24,140	28,069	(20,515)	(21,449)

[1] Represents cash flow hedging reserve

The impact on (loss)/profit before taxation for the financial year is mainly as a result of interest expenses on floating interest rate borrowings not in a designated hedging relationship. For borrowings in a designated hedging relationship, as these are effectively hedged, the interest rate movements will not have any impact on profit or loss.

Credit risk

Credit risk arises from contractual cash flows of debt investment carried at FVOCI, favourable derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to external customers and related parties, including outstanding receivables.

The Group's activities limit the exposure and credit risk concentration to a few major customers. The Group employs a credit policy that ensures customers are subjected to credit checks and outstanding accounts are followed up on a timely basis.

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

The carrying amount of each class of financial assets mentioned in Note 44 to the financial statements represents the Group's maximum exposure to credit risk.

The Company is exposed to credit risk arising from financial guarantee contracts given to banks for subsidiaries' borrowings where the maximum credit risk exposure is the amount of borrowings utilised by the subsidiaries and the interest charged on the borrowings.

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

Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") Model

The Group and the Company has the following financial assets that are subject to the ECL model:

- Finance lease receivables
- Accrued lease rentals
- Trade receivables
- Other receivables and deposits excluding prepayments
- Contract assets
- Amounts due from joint ventures
- Amounts due from subsidiaries

While deposits, cash and bank balances are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

Simplified approach for trade receivables, accrued lease rentals and contract assets

Debtors are segregated into 5 credit ratings (A to E) based on financial position, expected risk of default on payments, and receivables aging as at the reporting date. Accrued lease rentals and contract assets are similarly categorised together with the debtors based on assigned credit ratings.

The expected loss rates are based on payment profiles over a period of 5 years before reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on conditions specific to the debtors which may affect their ability to settle the receivables.

The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. No significant changes to estimation techniques or assumptions were made during the reporting period.

General 3-stage approach for all financial assets except trade receivables, accrued lease rentals and contract assets

For finance lease receivables and amounts due from joint ventures, the Group uses the following categories which reflect their credit risk and how the loss allowance is determined for each of these categories.

Category	Definition of category	Basis for recognition of ECL provision
Performing	Debtors have low risk of default and a strong capacity to meet contractual cash flows	12 month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant credit risk is presumed if repayments are 180 days past due	Lifetime ECL
Non-performing	Repayments are 365 days past due and there is evidence indicating the asset is credit-impaired	Lifetime ECL
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount	Asset is written off

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

Credit risk (continued)

Measurement of Expected Credit Loss ("ECL") Model (continued)

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

Based on the above, loss allowance is measured on either 12 month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ("probability of default") – the likelihood that the debtor would not be able to repay during the contractual period;
- LGD ("loss given default") – the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ("exposure at default") – the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data and assessed forward-looking macroeconomic data which may be applicable to each debtor. The Group has considered expected oil price and geographical area which the debtor operates in and concluded that the effect on expected changes in these factors do not significantly affect the historical loss rates. Loss allowance is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the reporting period.

For amounts due from subsidiaries which are repayable on demand, the ECL is based on the assumption that repayment of the loan is demanded at reporting date. The Company assesses the recovery strategies of repayment from the subsidiaries in the event if the amount is demanded to be repaid and if the Company is expected to fully recover the amount outstanding, the ECL will be limited to the effect of discounting the amount due from the subsidiary at an effective interest rate of 0% if the loan is interest free. Impairment would be recognised if the Company does not expect to fully recover the amount outstanding.

Reconciliation of loss allowance

The loss allowance for trade receivables and accrued lease rentals as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as disclosed in Note 21 and Note 22 respectively.

The loss allowance for amounts due from joint ventures and other receivables and deposits, as at 31 December 2018 which was assessed using the general 3-stage approach is disclosed in Note 18 and Note 23 respectively.

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

Liquidity risk

As at 31 December 2018, the Group's current liabilities exceeded its current assets by RM6,092.7 million due to the following:

(i) Non-current borrowings for AKPL of RM1,782.9 million remains classified in current liabilities due to existing non-compliances by AKPL under this loan, in particular the Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders currently have the right to issue, but have-to-date not issued, a notice for full prepayment of the loan. Thus, AKPL did not have an unconditional right to defer payment of the non-current borrowings for at least 12 months after the balance sheet date.

In view that the Armada Kraken FPSO has achieved final acceptance in September 2018, the Group is currently in discussion with project lenders to remove the risk of having to prepay the loan as a result of existing non-compliances by AKPL. The Group expects to alleviate such risk in 2019.

(ii) Reclassification of Sukuk Murabahah of RM1,499.4 million from non-current liabilities to current liabilities, as the Group has not met the financial covenant of net debt over earnings before interest, taxation, depreciation and amortisation ("EBITDA") for the financial year ended 31 December 2018. This is mainly because the computation includes non-cash impairment expenses recognised during the year.

In April 2019, the Group received a waiver on the covenant breach from the Sukuk holders. Accordingly, the current liabilities will be reclassified to non-current liabilities in 2019.

(iii) Current secured term loan of AFGSML bridge loan amounting to RM186.5 million (USD45.0 million) is classified as current liabilities, which is intended to be refinanced via long term financing. The lender had previously reserved the right to issue a cancellation notice for full repayment of the loan, and extended the repayment date from 28 February 2019 to 12 April 2019.

In April 2019, the lender waived its right to issue a cancellation notice for full repayment of the loan and also further extended the repayment date of the loan from 12 April 2019 to 11 October 2019.

The Group has identified alternatives to refinance the secured bridge loan via long term financing. As the asset involved is in a long term secured charter with strong operational performance, the Directors believe that there is a high likelihood of securing alternative financing.

(iv) The unsecured term loans with a carrying amount of RM1,578.0 million due within 12 months from the balance sheet date are classified as current liabilities. The Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018.

(v) The revolving credit facilities of RM1,246.9 million are due within 12 months from the balance sheet date and are classified as current liabilities.

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

Liquidity risk (continued)

In April 2019, the Group signed a facility agreement to refinance the unsecured term loans and revolving credit facilities referred to in (iv) and (v) above (the "Facility Agreement"). The salient terms of the new unsecured term loans (the "Loans") are as follows:

(i) The Loans comprise a Tranche 1 facility of USD260.0 million and a Tranche 2 facility of USD400.0 million repayable over 24 months and 60 months respectively, from the closing date of the Facility Agreement;

(ii) The OMS business together with certain FPO vessels which are idle will be disposed of assuming commercially acceptable sale terms can be obtained;

(iii) Surplus funds from operations and part of the proceeds, from certain strategic initiatives including monetisation of assets and new project financing will be used to repay the Loans; and

(iv) Closing date of the Facility Agreement is subject to the satisfaction of certain conditions precedent which are procedural in nature and include approval from the central bank, the execution of certain documents, certificates, resolutions, and legal opinions.

Based on the cash flow forecast for the next 12 months from the date of approval of the financial statements, the Group's obligations are expected to be funded by available cash balances and cash flows from the Group's existing vessel charter contracts and proceeds from asset monetisation of non-core assets which is expected to generate positive cash flows. The Group also expects distribution from joint ventures.

In order to further manage and strengthen the cash flow position, the Group is taking the following measures:

(i) Pursue collections from customers; and
(ii) Optimise cost structure.

The Directors are of the opinion that the Group will be able to discharge its liabilities in the normal course of business over the next 12 months from the date of approval of the financial statements.

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

Liquidity risk (continued)

The table below analyses the Group's non-derivative financial liabilities and net settled derivative financial liabilities into relevant maturity groupings based on the remaining period as at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows:

Group	Within 1 year RM'000	More than 1 year and within 2 years RM'000	More than 2 years and within 5 years RM'000	More than 5 years RM'000	Total RM'000
At 31 December 2018					
Borrowings – others	3,504,108	481,860	1,477,985	2,056,803	7,520,756
Borrowings – Armada Kraken Pte Ltd	2,332,805	-	-	-	2,332,805
Borrowings – Sukuk Murabahah	1,595,250	-	-	-	1,595,250
Amounts due to joint ventures	34,667	-	-	-	34,667
Net settled derivative financial instruments					
- interest rate swaps	(71,141)	(16,678)	(31,349)	(15,556)	(134,724)
- cross currency interest rate swaps	513,042	-	-	-	513,042
Trade payables and accruals	563,527	-	-	-	563,527
Other payables and accruals	348,224	41,851	13,951	-	404,026
At 31 December 2017					
Borrowings – others	3,264,328	1,564,025	1,594,757	4,055,621	10,478,731
Borrowings – Armada Kraken Pte Ltd	2,671,381	-	-	-	2,671,381
Amounts due to joint ventures	32,237	-	-	-	32,237
Net settled derivative financial instruments					
- interest rate swaps	(42,712)	(12,043)	(34,225)	(22,965)	(111,945)
- cross currency interest rate swaps	10,300	8,313	33,649	523,017	575,279
Trade payables and accruals	598,783	-	-	-	598,783
Other payables and accruals	454,906	54,628	13,657	-	523,191

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

Liquidity risk (continued)

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

Corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiaries. The maximum amount of the financial guarantees issued by the Company to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies and the interest charged on the borrowings, amounting to RM10,215.3 million as at 31 December 2018 (2017: RM11,728.5 million). The earliest period that the financial guarantees can be called upon by the banks is upon an event of default which could not be remedied. The Company believes that the liquidity risk in respect of the financial guarantees is minimal as it is unlikely that the subsidiary companies will not make payment to the banks when due.

Capital risk management

The Group's and the Company's objectives when managing capital, are to safeguard the Group's and the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain the capital structure, the Company may issue new shares or issue new debt and return capital to shareholders or adjust the amount of dividends paid to shareholders.

The capital structure of the Group and the Company consists of borrowings (excluding cash and cash equivalents) and total equity, comprising issued share capital, reserves and non-controlling interests as follows:

	Group		**Company**	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Total borrowings	10,380,530	11,522,905	-	-
Less: Cash and cash equivalents	(1,226,424)	(1,846,114)	(59,303)	(63,406)
	9,154,106	9,676,791	(59,303)	(63,406)
Total equity	3,370,140	5,521,031	5,045,255	4,930,115
	12,524,246	15,197,822	4,985,952	4,866,709

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, except as disclosed in Section E - Liquidity risk.

STATEMENTS OF INCOME

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Revenue	2	2,418,739	2,402,130	303,412	320,410
Cost of sales		(1,917,530)	(1,596,228)	(139,500)	(139,763)
Gross profit		501,209	805,902	163,912	180,647
Other operating income	3	65,483	177,903	621	1,479
Selling and distribution costs		(29,955)	(20,827)	-	-
Administrative expenses		(234,801)	(195,809)	(31,188)	(68,285)
Operating profit before impairment		301,936	767,169	133,345	113,841
Impairment	5	(2,242,908)	(8,328)	(18,332)	-
Operating (loss)/profit		(1,940,972)	758,841	115,013	113,841
Finance costs	4	(522,149)	(430,958)	-	-
Share of results of joint ventures and associate	13,14	166,249	164,347	-	-
(Loss)/Profit before taxation	5	(2,296,872)	492,230	115,013	113,841
Taxation	8	(22,276)	(115,823)	(325)	(1,494)
(Loss)/Profit for the financial year		(2,319,148)	376,407	114,688	112,347

		Group	
	Note	2018 RM'000	2017 RM'000
Attributable to:			
Owners of the Company		(2,302,769)	352,247
Non-controlling interests		(16,379)	24,160
		(2,319,148)	376,407
Earnings per share (sen)	9		
- basic		(39.23)	6.00
- diluted		(39.23)	6.00

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 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit for the financial year	(2,319,148)	376,407	114,688	112,347
Other comprehensive income/(expense):				
Items that may be reclassified subsequently to profit or loss:				
- Fair value gain on cash flow hedges	61,091	86,282	-	-
- Costs of hedging	32,814	(25,815)	-	-
- Foreign currency translation differences	142,333	(516,796)	-	-
- Share of other comprehensive income of joint ventures	4,613	789	-	-
Items that will not be reclassified to profit or loss:				
- Financial assets at fair value through other comprehensive income:				
- (Loss)/Gain on fair value change	(9,171)	3,072	-	-
Other comprehensive income/(expense) for the financial year, net of tax	231,680	(452,468)	-	-
Total comprehensive (expense)/income for the financial year	(2,087,468)	(76,061)	114,688	112,347
Total comprehensive (expense)/income attributable to:				
- Owners of the Company	(2,066,205)	(96,647)		
- Non-controlling interests	(21,263)	20,586		
	(2,087,468)	(76,061)		

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	6,692,694	9,235,066
Investment in joint ventures	13	1,022,870	668,967
Investment in an associate	14	5	-
Financial assets at fair value through other comprehensive income	15	15,158	-
Available-for-sale financial assets	16	-	16,498
Finance lease receivables	17	5,011,820	5,280,228
Other receivables	23	-	153,600
Contract assets	24	44,090	-
Amounts due from joint ventures	18	26,069	32,162
Derivative financial instruments	34	65,060	64,767
Deferred tax assets	19	21,660	7,295
TOTAL NON-CURRENT ASSETS		12,899,426	15,458,583
CURRENT ASSETS			
Inventories	20	7,298	4,199
Finance lease receivables	17	156,639	53,961
Trade receivables	21	755,283	727,153
Accrued lease rentals	22	315,555	372,945
Other receivables, deposits and prepayments	23	58,810	68,249
Contract assets	24	5,574	-
Amounts due from customers on contract	25	-	8,745
Amounts due from joint ventures	18	30,055	251,865
Derivative financial instruments	34	65,804	41,422
Tax recoverable		19,734	-
Deposits, cash and bank balances	27	1,226,424	1,846,114
		2,641,176	3,374,653
Non-current assets classified as held-for-sale	28	114	1,770
TOTAL CURRENT ASSETS		2,641,290	3,376,423
TOTAL ASSETS		15,540,716	18,835,006

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
LIABILITIES			
LESS: CURRENT LIABILITIES			
Trade payables and accruals	29	563,527	598,783
Other payables and accruals	30	492,897	454,906
Contract liabilities	24	26,635	-
Amounts due to joint ventures	18	34,667	32,237
Provisions	31	85,587	-
Lease liabilities	22	5,549	-
Hire purchase creditors	32	-	88
Borrowings – others	33	3,781,099	3,352,727
Borrowings – Armada Kraken Pte Ltd	33	1,782,895	2,145,196
Borrowings – Sukuk Murabahah	33	1,499,352	-
Derivative financial instruments	34	426,299	11,839
Taxation		35,467	52,309
TOTAL CURRENT LIABILITIES		8,733,974	6,648,085
NET CURRENT LIABILITIES		(6,092,684)	(3,271,662)
LESS: NON-CURRENT LIABILITIES			
Other payables and accruals	30	55,802	68,285
Contract liabilities	24	15,616	-
Provisions	31	-	106,921
Hire purchase creditors	32	-	198
Borrowings	33	3,317,184	6,024,982
Derivative financial instruments	34	7,044	449,850
Deferred tax liabilities	19	40,956	15,654
TOTAL NON-CURRENT LIABILITIES		3,436,602	6,665,890
NET ASSETS		3,370,140	5,521,031
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	4,314,815	4,311,294
Reserves	38	(951,578)	1,186,035
		3,363,237	5,497,329
NON-CONTROLLING INTERESTS		6,903	23,702
TOTAL EQUITY		3,370,140	5,521,031
NET ASSETS PER SHARE (RM)*		0.57	0.94

* Based on 5,870,937,544 (2017: 5,866,269,344) ordinary shares in issue per the Companies Act 2016.

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

STATEMENT OF FINANCIAL POSITION
as at 31 December 2018

	Note	2018 RM'000	2017 RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	11	1,475	3,715
Investment in subsidiaries	12	4,511,584	3,949,387
Investment in joint ventures	13	101,979	131,565
Investment in an associate	14	16	-
Deferred tax assets	19	3,745	4,288
TOTAL NON-CURRENT ASSETS		4,618,799	4,088,955
CURRENT ASSETS			
Other receivables, deposits and prepayments	23	6,161	6,516
Amounts due from subsidiaries	26	417,099	893,405
Amounts due from joint ventures	18	19,529	18,842
Tax recoverable		7,205	4,727
Deposits, cash and bank balances	27	59,303	63,406
TOTAL CURRENT ASSETS		509,297	986,896
TOTAL ASSETS		5,128,096	5,075,851
LIABILITIES			
LESS: CURRENT LIABILITIES			
Other payables and accruals	30	36,477	32,956
Amounts due to subsidiaries	26	45,147	112,780
Amount due to a joint venture	18	1,217	-
TOTAL CURRENT LIABILITIES		82,841	145,736
NET CURRENT ASSETS		426,456	841,160
NET ASSETS		5,045,255	4,930,115
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Share capital	35	4,314,815	4,311,294
Reserves	38	730,440	618,821
TOTAL EQUITY		5,045,255	4,930,115
NET ASSETS PER SHARE (RM)*		0.86	0.84

* Based on 5,870,937,544 (2017: 5,866,269,344) ordinary shares in issue per the Companies Act 2016.

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

		Attributable to Owners of the Company									
2018	Note	Number of shares 35 '000	Share capital 35 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/ (Accumulated losses) RM'000	Total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January		5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	109,991	5,497,329	23,702	5,521,031
Effect on the adoption of MFRS 9	45	-	-	-	-	-	-	(15,473)	(15,473)	-	(15,473)
Effect on the adoption of MFRS 15	45	-	-	-	-	-	-	(48,402)	(48,402)	-	(48,402)
At 1 January (Restated)		5,866,269	4,311,294	1,080,241	19,352	(40,257)	16,708	46,116	5,433,454	23,702	5,457,156
Loss for the financial year		-	-	-	-	-	-	(2,302,769)	(2,302,769)	(16,379)	(2,319,148)
Other comprehensive income/ (expense) for the financial year, net of tax		-	-	147,202	-	98,533	(9,171)	-	236,564	(4,884)	231,680
Total comprehensive income/ (expense) for the financial year, net of tax		-	-	147,202	-	98,533	(9,171)	(2,302,769)	(2,066,205)	(21,263)	(2,087,468)
Transactions with owners:											
- Changes in non-controlling interest		-	-	12,816	-	(1)	-	(17,279)	(4,464)	4,464	-
- Employee share options forfeited	36	-	-	-	(6,132)	-	-	6,132	-	-	-
- Call options forfeited		-	-	-	-	-	(6,239)	6,239	-	-	-
- Management incentive plan granted	37	-	-	-	452	-	-	-	452	-	452
- Shares issued pursuant to the management incentive plan	37	4,668	3,521	-	(3,521)	-	-	-	-	-	-
At 31 December		5,870,937	4,314,815	1,240,259	10,151	58,275	1,298	(2,261,561)	3,363,237	6,903	3,370,140

04

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the financial year ended 31 December 2018

2017	Note	Number of Shares 35 '000	Share capital 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	(Accumulated losses)/ 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	1,593,424	19,928	(101,474)	13,947	(249,847)	5,586,961	3,116	5,590,077
Adjustments for effects of the Companies Act 2016[(1)]		-	3,138,041	(3,137,730)	-	-	-	(311)	-	-	-	-
Profit for the financial year		-	-	-	-	-	-	-	352,247	352,247	24,160	376,407
Other comprehensive (expense)/income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	-	(448,894)	(3,574)	(452,468)
Total comprehensive (expense)/income for the financial year, net of tax		-	-	-	(513,183)	-	61,217	3,072	352,247	(96,647)	20,586	(76,061)
Transactions with owners:												
- Employee share options granted	36	-	-	-	-	266	-	-	-	266	-	266
- Employee share options forfeited/ lapsed	36	-	-	-	-	(7,591)	-	-	7,591	-	-	-
- Management incentive plan granted	37	-	-	-	-	6,749	-	-	-	6,749	-	6,749
At 31 December		5,866,269	4,311,294	-	1,080,241	19,352	(40,257)	16,708	109,991	5,497,329	23,702	5,521,031

(1) Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) and 618(4) of the Act. The Board of Directors has elected not to apply Section 618(3) and Section 618(4) on this amount. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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 2018

2018	Note	Number of shares 35 '000	Share capital 35 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	4,311,294	19,352	6,239	593,230	4,930,115
Total comprehensive income for the financial year, net of tax		-	-	-	-	114,688	114,688
Transactions with owners:							
- Employee share options forfeited	36	-	-	(6,132)	-	6,132	-
- Call options forfeited		-	-	-	(6,239)	6,239	-
- Management incentive plan granted	37	-	-	452	-	-	452
- Shares issued pursuant to the management incentive plan	37	4,668	3,521	(3,521)	-	-	-
At 31 December		5,870,937	4,314,815	10,151	-	720,289	5,045,255

2017	Note	Number of shares 35 '000	Share capital 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	19,928	6,550	473,292	4,810,753
Transfer to share capital [1]		-	3,138,041	(3,137,730)	-	(311)	-	-
Total comprehensive income for the financial year, net of tax		-	-	-	-	-	112,347	112,347
Transactions with owners:								
- Employee share options granted	36	-	-	-	266	-	-	266
- Employee share options forfeited/ lapsed	36	-	-	-	(7,591)	-	7,591	-
- Management incentive plan granted	37	-	-	-	6,749	-	-	6,749
At 31 December		5,866,269	4,311,294	-	19,352	6,239	593,230	4,930,115

[1] Effective from 31 January 2017, the Act abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve becomes part of the Company's share capital pursuant to the transitional provision set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) and Section 618(4) of the Act. The Board of Directors has elected not to apply Section 618(3) and Section 618(4) on this amount. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
OPERATING ACTIVITIES					
(Loss)/Profit for the financial year		(2,319,148)	376,407	114,688	112,347
Adjustments for non-cash items:					
Share of results of joint ventures and associate		(166,249)	(164,347)	-	-
Depreciation of property, plant and equipment	5	499,350	575,350	2,070	6,460
Fair value through profit and loss on derivative financial instruments	5	(1,869)	(14,046)	-	-
(Gain)/Loss on disposal of property, plant and equipment and non-current assets classified as held-for-sale	3,5	(14,823)	(94,866)	(38)	1,838
Impairment of:					
- property, plant and equipment	5	2,199,735	-	-	-
- non-current assets classified as held-for-sale	5	43,173	-	-	-
- investment in subsidiaries	5	-	-	18,332	-
- available-for-sale financial asset	5	-	8,328	-	-
Bad debts written off	5	8,223	-	938	-
Net allowance for impairment losses (2017: Net allowance for doubtful debts)	5	276,358	1,741	-	-
Unrealised foreign exchange loss	5	17,436	48,598	(1,586)	1,818
Share-based payment		452	7,015	452	7,015
Interest income	3	(33,679)	(39,575)	(517)	(849)
Interest expense	4	515,885	434,519	-	-
Accretion of interest	4	8,133	10,485	-	-
Dividend income	2	-	-	(147,197)	(174,057)
Taxation	8	22,276	115,823	325	1,494
Operating profit/(loss) before changes in working capital		1,055,253	1,265,432	(12,533)	(43,934)
Changes in working capital:					
Inventories		(3,041)	1,662	-	-
Finance lease receivables		385,887	65,386	-	-
Trade and other receivables		(54,457)	(238,663)	358	3,830
Trade and other payables		214,745	(54,984)	3,521	(15,370)
Intercompany balances		-	-	410,259	(71,435)
Joint ventures		9,637	13,792	-	-
Cash from/(used in) operations		1,608,024	1,052,625	401,605	(126,909)
Interest paid		(505,930)	(453,629)	-	-
Tax paid (net)		(34,728)	(34,140)	(2,260)	(4,149)
NET CASH FLOWS GENERATED FROM/(USED IN) OPERATING ACTIVITIES		1,067,366	564,856	399,345	(131,058)

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 2018

	Note	Group 2018 RM'000	Group 2017 RM'000	Company 2018 RM'000	Company 2017 RM'000
INVESTING ACTIVITIES					
Purchase of property, plant and equipment	A	(534,254)	(1,815,963)	(165)	(433)
Proceeds from disposal of property, plant and equipment and non-current assets held-for-sale		85,779	139,660	373	234
Interest received		35,048	40,822	514	609
Additional investment in joint ventures		(224,083)	(30)	-	-
Proceeds from redemption of redeemable preference shares	B	33,467	40,628	29,334	20,395
Dividends received from subsidiaries		-	-	147,197	174,057
Dividend received from a joint venture		64,650	-	-	-
Repayments from/(advances to) joint ventures		183,511	26,135	(172)	26,135
Advances to subsidiaries		-	-	(580,487)	(94,657)
Investment in subsidiaries		-	-	(42)	(106)
NET CASH FLOWS (USED IN)/GENERATED FROM INVESTING ACTIVITIES		(355,882)	(1,568,748)	(403,448)	126,234
FINANCING ACTIVITIES					
Proceeds from bank borrowings		-	307,894	-	-
Repayment of bank borrowings		(1,366,713)	(750,170)	-	-
Decrease in deposit pledged as security		-	900	-	900
Repayment of hire purchase ("HP") creditors		(286)	(88)	-	-
NET CASH FLOWS (USED IN)/GENERATED FROM FINANCING ACTIVITIES		(1,366,999)	(441,464)	-	900
NET DECREASE IN CASH AND CASH EQUIVALENTS		(655,515)	(1,445,356)	(4,103)	(3,924)
CURRENCY TRANSLATION DIFFERENCES		35,825	276,516	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,846,114	3,014,954	63,406	67,330
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	C	1,226,424	1,846,114	59,303	63,406

STATEMENTS OF CASH FLOWS
for the financial year ended 31 December 2018

Notes to the statements of cash flows:

A Additions to property, plant and equipment (Note 11) which were acquired during the financial year were as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Cash	534,254	1,815,963	165	433
Movement in property, plant and equipment creditors	(354,252)	(619,408)	-	-
Interest expense capitalised for construction of vessels	-	110,137	-	-
	180,002	1,306,692	165	433

B Redemption of redeemable preference shares

The Group redeemed RM33.5 million (2017: RM40.6 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

The Company redeemed RM29.3 million (2017: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd.

C Cash and cash equivalents consist of:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deposits with licensed banks	1,029,016	1,670,465	49,568	61,292
Cash and bank balances	197,408	175,649	9,735	2,114
	1,226,424	1,846,114	59,303	63,406

Notes to the statements of cash flows: (continued)

D This section sets out an analysis of liabilities from financing activities for the financial year.

	Liabilities from financing activities					
2018	**Borrowings due within 1 year RM'000**	**Borrowings due after 1 year RM'000**	**Derivative financial instruments RM'000**	**HP creditors due within 1 year RM'000**	**HP creditors due after 1 year RM'000**	**Total RM'000**
Net liabilities from financing activities as at 1 January	5,497,923	6,024,982	97,600	88	198	11,620,791
Interest expense/(income)	537,394	-	(21,509)	-	-	515,885
Interest (paid)/received	(524,529)	-	18,599	-	-	(505,930)
Repayment of bank borrowings	(1,366,713)	-	-	-	-	(1,366,713)
Repayment of HP creditors	-	-	-	(88)	(198)	(286)
Fair value through profit or loss	-	-	21,149	-	-	21,149
Foreign exchange adjustments	122,999	88,474	5,338	-	-	216,811
Reclassification from non-current to current	2,796,272	(2,796,272)	-	-	-	-
Net liabilities from financing activities as at 31 December	7,063,346	3,317,184	121,177	-	-	10,501,707
2017						
Net liabilities from financing activities as at 1 January	2,517,059	10,529,054	77,655	88	287	13,124,143
Interest expense	414,522	-	19,997	-	-	434,519
Interest paid	(432,592)	-	(21,037)	-	-	(453,629)
Repayment of bank borrowings	(750,170)	-	-	-	-	(750,170)
Proceeds from bank borrowings	182,093	125,801	-	-	-	307,894
Repayment of HP creditors	-	-	-	(88)	-	(88)
Fair value through profit or loss	-	-	27,625	-	-	27,625
Foreign exchange adjustments	(186,885)	(875,977)	(6,640)	-	-	(1,069,502)
Reclassification from non-current to current	3,753,896	(3,753,896)	-	88	(88)	-
Other non-cash movements	-	-	-	-	(1)	(1)
Net liabilities from financing activities as at 31 December	5,497,923	6,024,982	97,600	88	198	11,620,791

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

1 SEGMENT INFORMATION

The Group is organised into 2 main business segments based on the type of operations carried out by its vessels and barges:

(i) Floating Production & Operations ("FPO") – consists of Floating Production Storage Offloading ("FPSO") and Floating Gas Solutions ("FGS")

- FPSO - own, operate and provide FPSO vessels that are used for receiving hydrocarbons sourced from oilfields.
- FGS - focus on innovative solutions for the offshore liquefied natural gas industry.

(ii) Offshore Marine Services ("OMS") – consists of Offshore Support Vessel ("OSV") and Subsea Construction ("SC")

- OSV - own, operate and charter vessels to provide support for exploration, development and production activities in the offshore oil and gas industry.
- SC - provision of conventional installation, floater installation and installation of umbilicals, risers and flexibles as part of FPSO completion or as standalone SC projects.

The remaining operations of the Group are in "Corporate and others". These operations comprise management and other corporate support services provided to subsidiaries which are considered incidental to the Group's operating business.

The external revenue reported to the Chief Executive Officer is measured in a manner consistent with 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 and central overhead fees allocated within the Group. These transactions are conducted based on terms and conditions negotiated with related parties.

2018	**FPO RM'000**	**OMS RM'000**	**Corporate and others RM'000**	**Elimination RM'000**	**Group RM'000**
Revenue	1,693,896	724,843	-	-	2,418,739
Inter-segment revenue	-	-	101,986	(101,986)	-
Total revenue	1,693,896	724,843	101,986	(101,986)	2,418,739
Results					
Segment results	810,431	197,983	11,970	-	1,020,384
Depreciation and amortisation	(282,094)	(215,466)	(1,790)	-	(499,350)
Bad debts written off	(8,218)	(5)	-	-	(8,223)
Impairment	(1,656,374)	(586,534)	-	-	(2,242,908)
Net (allowance for impairment losses)/ writeback of allowance for impairment losses	(68,690)	(207,690)	22	-	(276,358)
Share of results of joint ventures and associate	166,566	(317)	-	-	166,249
Subtotal	(1,038,379)	(812,029)	10,202	-	(1,840,206)
Other operating income					65,483
Finance costs					(522,149)
Taxation					(22,276)
Loss for the financial year					(2,319,148)

1 SEGMENT INFORMATION (CONTINUED)

2017	FPO RM'000	OMS RM'000	Corporate and others RM'000	Elimination RM'000	Group RM'000
Revenue	1,432,886	969,244	-	-	2,402,130
Inter-segment revenue	-	-	145,021	(145,021)	-
Total revenue	1,432,886	969,244	145,021	(145,021)	2,402,130
Results					
Segment results	748,619	403,193	14,545	-	1,166,357
Depreciation and amortisation	(319,940)	(249,435)	(5,975)	-	(575,350)
Impairment	-	-	(8,328)	-	(8,328)
Net writeback of allowance for doubtful debts/(allowance for doubtful debts)	2,687	(4,428)	-	-	(1,741)
Share of results of joint ventures	163,048	1,299	-	-	164,347
Subtotal	594,414	150,629	242	-	745,285
Other operating income					177,903
Finance costs					(430,958)
Taxation					(115,823)
Profit for the financial year					376,407

The Group is managed in Malaysia, and operates in the following main geographical areas:

- Asia (excluding Malaysia) and Australia, Africa, Europe and Latin America - mainly charter hire of vessels and construction/conversion works.

- Malaysia - mainly charter hire of vessels, marine engineering and consultancy services.

Revenue by locations of the Group's operations are analysed as follows:

	Group	
	2018 RM'000	2017 RM'000
Malaysia	100,084	127,467
Asia (excluding Malaysia) and Australia	823,895	1,077,084
Africa	906,774	937,234
Europe	547,991	225,461
Latin America	39,995	34,884
	2,418,739	2,402,130

1 SEGMENT INFORMATION (CONTINUED)

The Group's largest customers (by revenue contribution) are in the FPO segment (2017: FPO segment). In 2018, 3 customers, on an individual basis, contributed revenue exceeding 15% of total revenue for the financial year, amounting to RM865.4 million, RM491.6 million and RM472.9 million respectively. In 2017, 3 customers, on an individual basis, contributed revenue exceeding 10% of total revenue for the financial year, amounting to RM749.8 million, RM560.9 million and RM322.5 million respectively.

2 REVENUE

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Revenue from contract with customers				
Vessel charter fees and support services rendered	714,670	900,844	-	-
Construction and conversion work	404,829	456,851	-	-
Central overhead fees	-	-	146,476	146,353
Management fee income	-	-	9,739	-
	1,119,499	1,357,695	156,215	146,353
Revenue from other sources				
Finance lease income	779,974	613,684	-	-
Operating lease income	519,266	430,751	-	-
Dividend income	-	-	147,197	174,057
	2,418,739	2,402,130	303,412	320,410

Disaggregation of the Group's revenue from contracts with customers

The Group derives revenue by satisfying the performance obligation over time in the following segment:

2018	**FPO RM'000**	**OMS RM'000**	**Total RM'000**
Vessel charter fees and support services rendered	379,839	334,831	714,670
Construction and conversion work	14,817	390,012	404,829
	394,656	724,843	1,119,499
Timing of revenue recognition:			
- Over time	394,656	724,843	1,119,499

2 REVENUE (CONTINUED)

Disaggregation of the Group's revenue from contracts with customers (continued)

During the financial year ended 31 December 2018, the Group has recognised revenue from contracts with customers amounting to RM0.2 million that was included in contract liabilities at the beginning of the reporting period (Note 24).

Revenue from other sources

The Group's revenue from finance leases and operating leases falls within the scope of MFRS 117 "Leases".

The Company recognises revenue over time.

3 OTHER OPERATING INCOME

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Gain on disposal of property, plant and equipment and non-current assets classified as held-for-sale	14,823	94,866	38	-
Interest income				
- deposits with licensed banks	33,679	39,575	517	849
Accretion of interest	1,187	4,921	-	-
Insurance claims	229	2,946	-	7
Management and engineering services charged to joint ventures	-	16,641	-	-
Others	15,565	18,954	66	623
	65,483	177,903	621	1,479

4 FINANCE COSTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Interest expense	515,885	434,519	-	-
Accretion of interest	8,133	10,485	-	-
Fair value gain on ineffective portion of cash flow hedges	(1,869)	(14,046)	-	-
	522,149	430,958	-	-

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

5 (LOSS)/PROFIT BEFORE TAXATION

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(Loss)/Profit before taxation is arrived at after charging/(crediting):				
Auditors' remuneration:				
- fees for statutory audit:				
- PricewaterhouseCoopers Malaysia				
- current year	1,819	1,769	208	228
- under accrual in respect of prior financial year	-	180	-	-
- member firms of PricewaterhouseCoopers International Limited	906	742	-	-
- non-PwC member firms	645	374	-	-
- fees for audit related services:				
- PricewaterhouseCoopers Malaysia	365	380	365	380
- fees for non-audit services:				
- PricewaterhouseCoopers Malaysia	805	451	805	451
- member firms of PricewaterhouseCoopers International Limited	463	-	-	-
Impairment of:				
- property, plant and equipment (Note 11)	2,199,735	-	-	-
- non-current assets classified as held-for-sale (Note 28)	43,173	-	-	-
- investment in subsidiaries (Note 12)	-	-	18,332	-
- available-for-sale financial assets (Note 16)	-	8,328	-	-
Bad debts written off (Note 18)	8,223	-	938	-
Net allowance for impairment losses (2017: Net allowance for doubtful debts)				
- Trade receivables (Note 21)	101,494	1,741	-	-
- Other receivables and deposits (Note 23)	141,234	-	-	-
- Amount due from a joint venture (Note 18)	33,630	-	-	-
(Gain)/Loss on disposal of property, plant and equipment	(14,823)	(94,866)	(38)	1,838
Depreciation of property, plant and equipment (Note 11)	499,350	575,350	2,070	6,460

5 (LOSS)/PROFIT BEFORE TAXATION (CONTINUED)

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Travel and freight	20,148	44,220	4,683	9,143
Repairs and maintenance	166,138	119,427	13,591	13,821
Management fees	15,544	6,982	6,721	6,293
Insurance	78,033	46,094	-	-
Fuel and oil	37,712	36,795	-	-
Staff costs (Note 6)	461,443	572,257	112,293	134,241
Other crew costs	111,529	118,024	-	-
Rental of buildings	11,666	16,058	7,278	7,510
Hiring of equipment	55,142	5,991	-	-
Fair value through profit and loss on derivative financial instruments:				
- interest rate swaps	7,185	(1,266)	-	-
- cross currency interest rate swaps	(9,054)	(12,780)	-	-
Net foreign exchange loss/(gain):				
- realised	81,670	(1,214)	332	5,824
- unrealised	17,436	48,598	(1,586)	1,818
Maintenance and service costs	21,962	38,203	-	-
Survey fees	9,979	18,471	-	-
Consultancy fees	13,070	28,113	1,011	887
Communication expenses	16,404	13,184	114	19

6 STAFF COSTS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Wages, salaries and bonuses	378,694	494,548	100,279	113,673
Defined contribution plan	12,381	15,646	5,164	5,660
Share-based payments	452	7,015	452	7,015
Termination benefits	11,288	5,025	2,789	971
Other staff related costs	60,744	55,854	3,609	6,922
Total staff costs	463,559	578,088	112,293	134,241

Executive Directors' remuneration as disclosed in Note 7 is included in staff costs. Of the total staff costs incurred, RM2.1 million (2017: RM5.8 million) has been capitalised in the Group's property, plant and equipment.

7 DIRECTORS' REMUNERATION

The aggregate amounts of emoluments received and receivable by Directors from the Group and the Company during the financial year were as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-Executive Directors:				
- fees	2,077	2,124	2,077	2,124
- allowances	756	596	756	596
Executive Directors:				
- salaries, bonuses, allowances and other staff related costs	12,039	8,038	10,004	7,258
- defined contribution plan	23	94	-	-
- share-based payments[1]	1,364	4,249	1,324	4,249
	16,259	15,101	14,161	14,227

[1] Share-based payments for the Executive Directors are expenses recognised to the profit or loss over the vesting period for ESOS and MIP in accordance with accounting policy Section C(q)(iii).

Benefits-in-kind ("BIK") received by the Executive Directors from the Group and the Company amounted to RM35,877 (2017: RM62,300).

	Non-Executive Directors' remuneration for financial year ended 31 December 2018			
		Other emoluments		
	Fees RM'000	Meeting allowance[1] RM'000	Car allowance RM'000	Total RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	90	144	722
Alexandra Schaapveld	330	140	-	470
Chan Chee Beng	290	61	-	351
Maureen Toh Siew Guat	364	81	-	445
Uthaya Kumar K Vivekananda	399	81	-	480
Gary Neal Christenson[2]	206	159	-	365
	2,077	612	144	2,833

[1] Meeting allowance includes the allowance for travel days to attend meetings.

[2] Appointed on 2 May 2018.

The Non-Executive Directors do not receive any BIK during the financial year ended 31 December 2018.

04

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Director's remuneration for financial year ended 31 December 2018		
	Leon Andre Harland RM'000	Shaharul Rezza bin Hassan[(2)] RM'000	Total RM'000
Salary	3,307	2,010	5,317
Bonus	4,476	-	4,476
Expense chargeable to income tax	383	-	383
Shares benefit under MIP	1,806	-	1,806
Company's contribution to provident fund	-	23	23
BIK	31	5	36
	10,003	2,038	12,041

(1) The Executive Directors do not receive director's fee and meeting allowances.

(2) Resigned on 28 February 2018.

	Non-Executive Directors' remuneration for financial year ended 31 December 2017			
		Other emoluments		
	Fees RM'000	Meeting allowance[(5)] RM'000	Car allowance RM'000	Total RM'000
Tunku Ali Redhauddin Ibni Tuanku Muhriz	488	60	144	692
Alexandra Schaapveld	330	155	-	485
Chan Chee Beng	330	30	-	360
Maureen Toh Siew Guat	384	42	-	426
Uthaya Kumar K Vivekananda[(1)]	282	20	-	302
Shapoorji Pallonji Mistry[(2)]	31	-	-	31
Saiful Aznir bin Shahabudin[(3)]	150	18	-	168
Steven Leon Newman[(4)]	129	127	-	256
	2,124	452	144	2,720

(1) Appointed on 10 April 2017.

(2) Resigned on 21 February 2017.

(3) Retired on 30 May 2017.

(4) Resigned on 6 June 2017.

(5) Meeting allowance includes the allowance for travel days to attend meetings.

The Non-Executive Directors do not receive any BIK during the financial year ended 31 December 2017.

7 DIRECTORS' REMUNERATION (CONTINUED)

	Executive Director's remuneration for financial year ended 31 December 2017		
	Leon Andre Harland RM'000	**Shaharul Rezza bin Hassan RM'000**	**Total RM'000**
Salary	3,519	780	4,299
Bonus	3,455	-	3,455
Expense chargeable to income tax	284	-	284
Company's contribution to provident fund	-	94	94
BIK	31	31	62
	7,289	905	8,194

8 TAXATION

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Income tax:				
- Malaysian tax	180	958	(218)	177
- foreign tax	11,920	100,258	-	-
Deferred tax (Note 19)	10,176	14,607	543	1,317
	22,276	115,823	325	1,494
Income tax:				
- current financial year	36,070	95,622	-	281
- (over)/under provision in respect of prior financial years	(23,970)	5,594	(218)	(104)
	12,100	101,216	(218)	177
Deferred tax:				
- origination and reversal of temporary differences (Note 19)	10,176	14,607	543	1,317
	22,276	115,823	325	1,494

8 TAXATION (CONTINUED)

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

	Group		Company	
	2018 %	2017 %	2018 %	2017 %
Malaysian tax rate	24	24	24	24
Tax effects of:				
- exempt income	5	(28)	(31)	(37)
- difference in tax rates in other countries	(11)	(4)	-	-
- share of results of joint ventures and associates	2	(8)	-	-
- withholding tax on foreign sourced income	(1)	(1)	-	-
- expenses not deductible for tax purposes	(20)	29	6	4
- deferred tax assets not recognised	(1)	14	2	10
- utilisation of previously unrecognised deferred tax assets	-	(3)	-	-
- (over)/under provision in prior years	1	1	(1)	-
	(1)	24	0	1

The Group's effective tax rate for the financial year ended 31 December 2018 was negative 1%, as compared to the Malaysian statutory tax rate of 24%. The difference in the effective tax rate and the Malaysian statutory tax rate is mainly due to a tax refund received arising from dividends declared by foreign subsidiaries and recognition of deferred tax assets on potential tax refunds receivable from dividends to be declared by foreign subsidiaries.

The Company's effective tax rate for the financial year ended 31 December 2018 was 1% compared to the statutory tax rate of 24% as the Company's income was mainly exempted from tax for the financial year.

9 EARNINGS PER SHARE

Basic

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

Diluted

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of interest and other financing costs associated with the ESOS and MIP; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the ESOS and MIP.

The MIP shares awarded were not dilutive for the financial year ended 31 December 2018 as there is one vesting condition is expected to be satisfied before Quarter 2, 2019. Hence, the calculation of diluted earnings per share does not assume the exercise of the MIP. The ESOS is not dilutive as the exercise price is higher than the current market price.

	Basic		Diluted	
	2018	**2017**	**2018**	**2017**
(Loss)/Profit attributable to the Owners of the Company for the financial year ended 31 December (RM'000)	(2,302,769)	352,247	(2,302,769)	352,247
Weighted average number/adjusted weighted average number of ordinary shares in issue for basic and diluted EPS ('000)	5,869,198	5,866,269	5,869,198	5,866,269
Basic and diluted EPS (sen)	(39.23)	6.00	(39.23)	6.00

10 DIVIDENDS

The Board of Directors do not recommend any dividend to be paid for the financial year ended 31 December 2018.

11 PROPERTY, PLANT AND EQUIPMENT

Group	Asset under construction[1] RM'000	Total vessel costs[2] Vessels and vessel equipment RM'000	Dry-docking RM'000	Total RM'000	Motor vehicles RM'000	Equipment, furniture and fittings, and office equipment RM'000	Spare parts RM'000	Total RM'000
2018								
Net book value								
At 1 January	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066
Additions	5,244	152,443	19,377	171,820	850	1,136	952	180,002
Disposal	-	(4,352)	(55)	(4,407)	(244)	(105)	(153)	(4,909)
Reclassification	-	23,049	7,751	30,800	-	(31,023)	223	-
Depreciation charge (Note 5)	-	(447,545)	(40,560)	(488,105)	(218)	(3,043)	(7,984)	(499,350)
Impairment	-	(2,156,430)	(43,305)	(2,199,735)	-	-	-	(2,199,735)
Transfer to non-current assets classified as held-for-sale (net) (Note 28)	-	(105,978)	(67)	(106,045)	-	-	-	(106,045)
Exchange differences	-	75,923	8,371	84,294	4	2,980	387	87,665
At 31 December	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694
At 31 December 2018								
Cost	5,244	14,476,990	295,512	14,772,502	2,485	94,391	52,806	14,927,428
Accumulated depreciation	-	(4,045,741)	(234,713)	(4,280,454)	(1,391)	(91,370)	(51,252)	(4,424,467)
Accumulated impairment	-	(3,767,213)	(43,054)	(3,810,267)	-	-	-	(3,810,267)
Net book value	5,244	6,664,036	17,745	6,681,781	1,094	3,021	1,554	6,692,694

Included in property, plant and equipment are assets amounting to RM360.0 million which have been fully depreciated.

(1) Addition to asset under construction is in relation to the cost of acquisition of office building by a subsidiary.
(2) The net book value of vessels at 31 December 2018 under operating lease agreements with charterers was RM3.8 billion.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	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
2017								
Net book value								
At 1 January	11,118,807	5,068,310	118,018	5,186,328	1,038	276,774	19,690	16,602,637
Additions	1,277,674	15,652	4,013	19,665	-	2,991	6,362	1,306,692
Disposal	-	(2,835)	(694)	(3,529)	-	(3,313)	(547)	(7,389)
Reclassification	(11,490,193)	11,490,193	-	11,490,193	-	-	-	-
Reclassification to other receivables	(104,701)	-	-	-	-	-	-	(104,701)
Depreciation charge (Note 5)	-	(459,406)	(47,744)	(507,150)	(208)	(51,288)	(16,704)	(575,350)
Transfer to finance lease receivables	-	(5,885,964)	-	(5,885,964)	-	-	-	(5,885,964)
Transfer to non-current assets classified as held-for-sale (net) (Note 28)	-	(9,412)	(230)	(9,642)	-	(117)	-	(9,759)
Exchange differences	(801,587)	(1,089,612)	(7,130)	(1,096,742)	(128)	(191,971)	(672)	(2,091,100)
At 31 December	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066
At 31 December 2017								
Cost	-	14,096,981	257,545	14,354,526	2,393	315,634	78,604	14,751,157
Accumulated depreciation	-	(3,416,954)	(191,312)	(3,608,266)	(1,691)	(231,974)	(70,475)	(3,912,406)
Accumulated impairment	-	(1,553,101)	-	(1,553,101)	-	(50,584)	-	(1,603,685)
Net book value	-	9,126,926	66,233	9,193,159	702	33,076	8,129	9,235,066

Included in property, plant and equipment are assets amounting to RM187.7 million which have been fully depreciated.

[1] The net book value of vessels at 31 December 2017 under operating lease agreements with charterers was RM5.4 billion.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Office equipment, furniture and fittings RM'000	Motor vehicles RM'000	Total RM'000
2018			
Net book value			
At 1 January	3,403	312	3,715
Additions	165	-	165
Disposal	(91)	(244)	(335)
Depreciation charge (Note 5)	(2,003)	(67)	(2,070)
At 31 December	1,474	1	1,475
At 31 December 2018			
Cost	73,188	19	73,207
Accumulated depreciation	(71,714)	(18)	(71,732)
Net book value	1,474	1	1,475
2017			
Net book value			
At 1 January	11,402	412	11,814
Additions	433	-	433
Disposal	(2,072)	-	(2,072)
Depreciation charge (Note 5)	(6,360)	(100)	(6,460)
At 31 December	3,403	312	3,715
At 31 December 2017			
Cost	73,120	511	73,631
Accumulated depreciation	(69,717)	(199)	(69,916)
Net book value	3,403	312	3,715

(a) Fixed charges have been created over certain vessels of the Group with net book values amounting to approximately RM3.1 billion (2017: RM11.1 billion) as security for term loans (Note 33).

(b) Included in vessels are borrowing costs amounting to RM Nil (2017: RM110.1 million) which were capitalised during the financial year. In 2017, borrowing costs were capitalised at the weighted average of general borrowings of 4.80%.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(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) During the financial year ended 31 December 2018, an impairment charge of RM2,199.7 million for property, plant and equipment has been recognised, of which RM1,613.2 million and RM586.5 million were charged for Armada Kraken FPSO and certain OSV vessels respectively. The impairment assessment on Armada Kraken FPSO was carried out as a result of lower availability since final acceptance in September 2018 and is assessed using the terms stipulated in the amendment agreement to the charter agreement signed between AKPL with EnQuest Heather Limited, EnQuest ENS Limited and Nautical Petroleum Limited on 27 August 2018. The impairment assessment on OSV vessels was carried out as a result of the decline in vessel utilisation and day rates.

The Group considered each of these vessels as a cash-generating unit. However, they are grouped together for disclosure purposes. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM3,498.2 million, of which RM110.3 million was determined based on fair value less costs of disposal ("FV") and RM3,387.9 was determined based on value-in-use ("VIU").

In addition, an impairment charge of RM43.2 million for non-current assets held for sale has been recognised during the year. The recoverable amount for these vessels of which an impairment charge was made during the financial year was RM77.8 million, which was determined based on FV.

(i) Recoverable amount determined based on VIU

The key assumptions used in VIU is based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are key assumptions used in determining the VIU for the FPSO vessel:

- The cash flow projections are based on the expected contractual period of the vessel;
- Expected cash outflow on supplementary payments based on contractual agreements;
- Inflationary rate of 3% is applied;
- Charter rates are based on expected charter fees;
- Discount rate of 6.5% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of the FPSO vessel amounted to RM1,613.2 million.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) *(i) Recoverable amount determined based on VIU (continued)*

The following are key assumptions used in determining the VIU for the OSV vessels:

- The cash flows projection is based on the remaining useful lives of the vessels;
- Revenue projection is based on historical margins and expected future contracts;
- Drydocking expenditure is based on historical trends;
- Inflationary rates of 3% on costs and 5% on charter rates are applied;
- Utilisation rates and charter rates are based on historical trends, existing charter contracts and future intended use of vessel;
- Discount rate of 7.4% is applied; and
- Residual value of 10% of vessel cost at the end of its useful life.

The impairment recognised in respect of OSV vessels amounted to RM408.0 million.

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

	(Decrease)/Increase in loss before taxation
	2018 RM'000
Utilisation rate increased by 1%	(18,296)
Utilisation rate decreased by 1%	5,279
Charter rate increased by 2%	(80,131)
Charter rate decreased by 2%	82,037
Discount rate increased by 1%	14,537
Discount rate decreased by 1%	(14,907)
Residual value increased by 1%	(10,448)
Residual value decreased by 1%	10,196

(ii) Recoverable amount determined based on FV

The FV of the vessels is estimated based on expected selling price less costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

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

The recoverable amount which is determined based on FV is classified as level 3 under the fair value hierarchy. The impairment recognised in respect of OSV vessels is RM178.5 million, based on the recoverable amount of RM110.3 million.

An impairment charge of RM43.2 million for non-current assets classified as held for sale has been recognised during the year based on the FV of the assets, in accordance with MFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" based on the recoverable amount of RM77.8 million.

11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(e) For the current financial year, the Group revised the residual value of OSV vessels based on the prevailing market conditions and the expected value to be obtained for these vessels at the end of their useful lives. The revision was accounted for as a change in accounting estimate and was effected on 1 December 2018. As a result, the depreciation charge for current and future periods will increase by RM1.7 million and RM20.7 million respectively.

12 INVESTMENT IN SUBSIDIARIES

	Company	
	2018 RM'000	**2017 RM'000**
Unquoted shares, at cost	24,208	24,166
7% Cumulative Redeemable Preference Shares, at cost	16,000	16,000
Less: Accumulated impairment losses	(18,332)	-
	21,876	40,166
Capital contribution in subsidiaries (2017: amounts due from subsidiaries) (net investments)	4,489,708	3,909,221
	4,511,584	3,949,387

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Direct subsidiaries:				
Armada Floating Solutions Limited[(3)]	Bareboat charter of a floating production storage and offloading unit	100	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 TGT Ltd[(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 Kamelia Sdn Bhd	Dormant	100	100	Malaysia

04

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Direct subsidiaries: (continued)				
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[4]	Provision of agency services to its holding company	100	100	Malaysia
Bumi Armada Engineering Sdn Bhd[5]	Provision of engineering consultancy services	100	100	Malaysia
Bumi Armada Navigation Sdn Bhd ("BAN")	Provision of marine transportation and support services to offshore oil and gas companies	99	95	Malaysia
Bumi Armada Offshore Holdings Limited ("BAOHL")[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
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
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

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Direct subsidiaries: (continued)				
Bumi Armada Capital Offshore Ltd	Obtaining non-ringgit financing and providing cash and debt management services, investment and financial risk management services and other treasury management services to the Bumi Armada Group of companies	100	100	Federal Territory of Labuan, Malaysia
Bumi Armada Capital Malaysia Sdn Bhd	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
Bumi Armada Holdings B.V. ("BAHB") [2]	Investment holding	100	100	Netherlands

04

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAN:				
Armada Indah Sdn Bhd (In Members' Voluntary Liquidation) (6)	Dormant	99	95	Malaysia
Armada Tankers Sdn Bhd ("ATSB") (In Members' Voluntary Liquidation) (6)	Dormant	99	95	Malaysia
Bumi Armada Ship Management Sdn Bhd	Managers of ships and vessels, marine support and other services to offshore oil and gas companies	99	95	Malaysia
Bumi Care Offshore Production Sdn Bhd	Dormant	59	57	Malaysia
Bumi Armada Navigation Labuan Limited	Shipping on bare boat or time charter basis	99	95	Federal Territory of Labuan, Malaysia
Bumi Armada Navigation Labuan International Limited	Shipping on bare boat or time charter basis	99	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(2) & (7)	Service provider to the oil and gas industry, especially for repair and maintenance of FPSO and OSV companies	49	49	Angola
Bumi Armada Australia Pty Ltd (2)	Ship management and chartering operation and maintenance of FPSO	100	100	Australia

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Bumi Armada Do Brasil Servicos Maritimos Ltda [(3) & (8)]	Dormant	100	100	Brazil
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 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 [(3)]	Dormant	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 [(1)]	Provision of marine transportation, floating production storage and offload and offshore supply vessels	60	60	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

04

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BAOHL: (continued)				
Armada Cabaca Ltd [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 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]	Provision of services to oil and gas companies to operate, maintain and repair floating gas solution units	100	100	Malta
Armada Floating Gas Storage Malta Ltd [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]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Americas Corporation [9]	Offshore oil and gas marine services	100	100	The United States of America
Subsidiaries of BASPL:				
Bumi Armada Nigeria Limited [2]	Dormant	100	100	Federal Republic of Nigeria

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiary of ATSB:				
Armada Alpha Sdn Bhd (In Members' Voluntary Liquidation) [6]	Dormant	99	95	Malaysia
Subsidiaries of BAOCL:				
Bumi Armada Caspian LLC [2]	Activities related to oil and gas industry	100	100	Russia
Bumi Armada Marine LLC [3]	Provision of marine support and other services to oil and gas companies	100	100	Russia
Subsidiaries of BASH:				
Armada Constructor Pte Ltd [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]	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	The British Virgin Islands
Armada Marine Contractors Caspian Ltd ("AMCCL") [3]	Investment holding	100	100	The British Virgin Islands
Bumi Armada (Labuan) Ltd	Leasing of vessel on time charter basis	100	100	Federal Territory of Labuan, Malaysia

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Offshore Marine Ventures Sdn Bhd	Provision of integrated service solutions for the supply, operation and maintenance of support vessels and logistics and maritime transportation services to the oil and gas industry	100	100	Malaysia
Armada Ship Management (S) Pte Ltd (2)	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	100	100	Singapore
Bumi Armada Marine Naryan Mar Pte Ltd (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
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
Armada Marine Angola (SU), Lda (3)	Provision of management and consulting services including human resources, finance and other related support services to companies in the Bumi Armada Group operating in Angola	100	100	Angola

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Subsidiaries of BASH: (continued)				
Bumi Armada Marine Ghana Limited [(1)]	Provision of offshore support vessel services to oil and gas industry in Ghana	60	60	Ghana
Subsidiary of AMCCL:				
Armada Marine Contractors Caspian Pte Ltd [(2) & (10)]	Chartering of ships, barges and boats with crew	100	100	Singapore
Subsidiary of BAHB:				
Bumi Armada Holdings Netherlands B.V. ("BAHNB") [(2)]	Investment holding	100	100	Netherlands
Subsidiaries of BAHNB:				
Bumi Armada Netherlands B.V. ("BANB") [(2)]	Investment holding	100	100	Netherlands

(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 PLT, Malaysia.

(3) These companies are not required by their local laws to appoint statutory auditors.

(4) Consolidated using predecessor method of merger accounting.

(5) Shares are held by the entity's directors for the benefit of and on behalf of the Company.

(6) On 26 February 2018, a Special Resolution was passed to give effect to the members' voluntary winding-up of Armada Indah Sdn Bhd, Armada Alpha Sdn Bhd and Armada Tankers Sdn Bhd pursuant to Section 439(1)(b) of the Companies Act 2016. Accordingly, a Liquidator was appointed for the purpose of the winding-up of these subsidiaries.

(7) Notwithstanding the Group is 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 governing the operations of this Company.

(8) The effective equity interest of the Company is 99.99%.

(9) Bumi Armada Americas Corporation has been dissolved on 18 February 2019 as stated in the Certificate of Fact from the Secretary of State of Texas dated 13 March 2019.

(10) Shares are held through a nominee, namely Malaysia Nominees (Asing) Sendirian Berhad.

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

During the financial year ended 31 December 2018, an impairment charge of RM18.3 million for costs of investment in subsidiaries has been recognised. The impairment assessment was carried out as a result of lower than expected returns on investment from these subsidiaries.

The recoverable amount was determined based on VIU as at 31 December 2018. The key assumptions used in VIU are based on estimates and judgement with respect to key assumptions such as revenue growth, ability to secure future contracts, funding requirements, exchange rates and discount rate of 6.9%. As the Company projects that there are no foreseeable returns on investments from certain subsidiaries, the costs of investment in these subsidiaries were fully impaired during the financial year.

13 INVESTMENT IN JOINT VENTURES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Unquoted shares, at cost	469,937	260,565	101,979	131,565
Share of net assets	583,317	439,391	-	-
Unrealised profit on transactions with joint ventures	(30,384)	(30,989)	-	-
Interests in joint ventures	1,022,870	668,967	101,979	131,565

During the financial year, the Group redeemed RM33.5 million (2017: RM40.6 million) of redeemable preference shares in Armada D1 Pte Ltd and Armada C7 Pte Ltd.

During the financial year, the Company redeemed RM29.3 million (2017: RM20.4 million) of redeemable preference shares in Armada D1 Pte Ltd.

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

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 2018 %	2017 %	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	The British Virgin Islands
Armada C7 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Armada D1 Pte Ltd	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil and gas companies	50	50	Singapore
Century Bumi Limited	Oil and gas exploration, and product and marine services	40	40	Federal Republic of Nigeria
Shapoorji Pallonji Bumi Armada Offshore Private Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	50	50	India
Forbes Bumi Armada Limited	Ship owners, charterers, managers of ships and vessels, logistics and maritime transportation services to the oil and gas industry	49	49	India
PT Armada Gema Nusantara	Ship owner and operator	50	50	Indonesia
SP Armada Oil Exploration Private Limited	Marine support and other services to the oil and gas industry	50	50	India

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Details of the joint ventures are as follows: (continued)

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
SP Armada Offshore Private Limited [(1)]	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	India
Armada Madura EPC Limited	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	50	49	Republic of The Marshall Islands
Shapoorji Pallonji Bumi Armada Godavari Private Limited [(2)]	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility	30	49	India
Armada 98/2 Pte. Ltd.	Ship owners, charterers, managers of ships and vessels, marine support and other services to offshore oil & gas companies	49	49	Singapore
Bumi Armada Shapoorji Pallonji Ghana Limited	Floating, production, storage and offloading development	45	45	Ghana
Karapan Armada Madura Pte Ltd [(3)]	To provide support and facilitate credit enhancement of an FPSO facility	49	-	Singapore

(1) SP Armada Offshore Private Limited has been struck off the registrar of companies in India and the said company is dissolved with effect from 1 June 2018.

(2) On 4 October 2018, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") allotted additional shares to one of its corporate shareholders, Sharpoorji Pallonji Oil and Gas Private Limited and diluted the effective interest of BAB Group in SPBAG to 30%. Accordingly, the Group and the Company have reclassified the investment from a joint venture to an associate (refer Note 14).

(3) On 20 December 2018, BAOHL and Shapoorji Pallonji Oil & Gas Pte Ltd ("SPOG") entered into a shareholders' agreement to jointly control Karapan Armada Madura Pte Ltd ("KAMPL"). KAMPL, a private company limited by shares, was formed in Singapore with an issued and paid-up capital of SGD20,000. BAOHL holds 49% less 1 share of equity interest in KAMPL. The remaining equity stake is owned by SPOG.

The principal activity of KAMPL is the provision of support to the Husky-CNOOC Madura Limited charter contract and facilitating credit enhancement for the financing of the project.

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")
- PT Armada Gema Nusantara ("PT AGN")

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

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	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Current assets	267,392	262,636	30,746	348,403	251,856	1,161,033
Non-current assets	826,877	1,210,513	-	1,984,376	11,437	4,033,203
Current liabilities	(203,942)	(179,172)	(10,926)	(300,470)	(147,567)	(842,077)
Non-current liabilities	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
The above net assets include the following:						
Cash and cash equivalents	159,419	92,043	30,746	173,700	42,322	498,230
Current financial liabilities excluding trade and other payables	(184,203)	(161,357)	(4,623)	(293,811)	(98,178)	(742,172)
Non-current financial liabilities excluding trade and other payables	(208,737)	(614,395)	-	(1,421,887)	-	(2,245,019)
Revenue	227,407	111,244	-	309,606	655,325	1,303,582
Other expenses	(16,616)	(4,557)	102,820	(90,241)	(622,507)	(631,101)
Interest income	290	3	326	398	-	1,017
Depreciation	(78,652)	-	-	-	(291)	(78,943)
Finance costs	(16,032)	(46,985)	(9,943)	(120,922)	-	(193,882)
Taxation	(34,537)	(3,191)	-	(25,718)	(11,360)	(74,806)
Profit after taxation	81,860	56,514	93,203	73,123	21,167	325,867
Other comprehensive (expenses)/income	(145)	9,371	-	-	-	9,226
Total comprehensive income	81,715	65,885	93,203	73,123	21,167	335,093

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

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

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2017						
Current assets	289,496	202,171	2,136,182	239,184	159,520	3,026,553
Non-current assets	895,540	1,307,351	-	1,927,508	97,736	4,228,135
Current liabilities	(191,463)	(141,020)	(2,078,256)	(2,123,336)	(224,362)	(4,758,437)
Non-current liabilities	(357,771)	(736,506)	-	-	(42)	(1,094,319)
Net assets	635,802	631,996	57,926	43,356	32,852	1,401,932
The above net assets include the following:						
Cash and cash equivalents	121,481	47,378	108,534	55,420	45,370	378,183
Current financial liabilities excluding trade and other payables	(175,449)	(125,990)	(2,030,251)	(2,111,040)	(184,957)	(4,627,687)
Non-current financial liabilities excluding trade and other payables	(357,771)	(736,506)	-	-	(42)	(1,094,319)
Revenue	264,979	198,896	(83,425)	148,154	727,522	1,256,126
Other expenses	10,484	(3,775)	91,131	(53,365)	(685,257)	(640,782)
Interest income	-	(2)	304	305	-	607
Depreciation	(91,203)	-	-	(1,442)	(330)	(92,975)
Finance costs	(21,007)	(51,068)	(70,379)	(3,412)	-	(145,866)
Taxation	(36,256)	(2,920)	-	-	(13,732)	(52,908)
Profit after taxation	126,997	141,131	(62,369)	90,240	28,203	324,202
Other comprehensive income/(expenses)	1,754	(176)	-	-	-	1,578
Total comprehensive income/(expenses)	128,751	140,955	(62,369)	90,240	28,203	325,780

13 INVESTMENT IN JOINT VENTURES (CONTINUED)

Reconciliation of financial information:

Group	Armada D1 RM'000	Armada C7 RM'000	Armada Madura RM'000	PT AGN RM'000	Others RM'000	Total RM'000
2018						
Net assets	681,590	679,582	19,820	610,422	115,726	2,107,140
Group share in %	50%	50%	49%	50%		
Group share	340,795	339,791	9,712	305,211	57,745	1,053,254
Unrealised profit	(2,080)	(1,468)	-	(28,508)	1,672	(30,384)
Net carrying amount	338,715	338,323	9,712	276,703	59,417	1,022,870
2017						
Net assets	635,802	631,996	57,926	43,356	32,852	1,401,932
Group share in %	50%	50%	49%	50%		
Group share	317,901	315,998	28,384	21,678	15,995	699,956
Unrealised profit	(1,718)	(945)	-	(27,908)	(418)	(30,989)
Net carrying amount	316,183	315,053	28,384	(6,230)	15,577	668,967

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	
	2018 RM'000	2017 RM'000
Profit for the financial year	166,249	164,347
Total comprehensive income for the financial year	170,862	165,136
Dividend received	64,650	-
Net assets	1,022,870	668,967

14 INVESTMENT IN AN ASSOCIATE

	Group	Company
	2018 RM'000	**2017 RM'000**
Unquoted shares, at cost	16	16
Share of net liabilities	(11)	-
Interest in an associate	5	16

Details of the associate are as follows:

Name of company	Principal activities	Group's effective interest 2018 %	Group's effective interest 2017 %	Country of incorporation
Shapoorji Pallonji Bumi Armada Godavari Private Limited [(1)]	The contracting of the design, fabrication, installation charter, deployment, operations and maintenance of an FPSO facility	30	49	India

[(1)] On 4 October 2018, Shapoorji Pallonji Bumi Armada Godavari Private Limited ("SPBAG") allotted additional shares to one of its corporate shareholder, Sharpoorji Pallonji Oil and Gas Private Limited and diluted the effective interest of BAB Group in SPBAG to 30%. Accordingly, the Group and the Company have reclassified the investment from a joint venture to an associate (refer Note 13).

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group
	2018 RM'000
Quoted equity securities, outside Malaysia	
At 1 January	-
Financial assets previously classified as available-for-sale financial asset (Note 16)	16,498
	16,498
Add: Fair value loss recognised in equity (Note 38(e))	(1,286)
Exchange differences	(54)
At 31 December	15,158

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

The Group has irrevocably elected non-trading equity securities above at initial recognition to present its fair value changes in other comprehensive income. The Group considers this classification to be more relevant as these instruments are strategic investments of the Group and not held for trading purpose.

16 AVAILABLE-FOR-SALE FINANCIAL ASSETS

As at 31 December 2017, the investment in the quoted equity securities were classified as available-for-sale financial assets as follows:

	Group	
	2018 RM'000	**2017 RM'000**
Quoted equity securities, outside Malaysia		
At 1 January	16,498	22,884
Effects on adoption of MFRS 9		
Reclassification to financial assets at FVOCI (Note 15)	(16,498)	-
	-	22,884
Less: Impairment (Note 5)	-	(8,328)
Exchange differences	-	(1,130)
	-	13,426
Add: Fair value gain recognised in equity (Note 38(e))	-	3,072
At 31 December	-	16,498

17 FINANCE LEASE RECEIVABLES

The finance lease receivables are expected to be invoiced to the lessee within the following periods:

	Group	
	2018 RM'000	**2017 RM'000**
Within 1 year	857,464	733,983
Between 1 and 5 years	4,247,546	4,166,001
After 5 years	7,077,561	7,391,079
Gross receivables	12,182,571	12,291,063
Less: Unearned finance income	(7,014,112)	(6,956,874)
	5,168,459	5,334,189
The unguaranteed finance lease receivables are subject to the following maturity period:		
Current	156,639	53,961
Non-current	5,011,820	5,280,228
At 31 December	5,168,459	5,334,189

As at 31 December 2018, finance lease receivables are related to the finance lease of the following vessels:

(i) Armada LNG Mediterrana, which started production in January 2017 for a charter of 18 years; and
(ii) Armada Olombendo FPSO, which started production in February 2017 for a charter of 20 years.

The unguaranteed residual values included in the finance lease receivables as at 31 December 2018 amount to RM550.0 million (2017: RM538.8 million).

As at 31 December 2018, no allowances for uncollectible minimum lease payments were provided.

There was no contingent rent recognised during the financial year.

18 AMOUNTS DUE FROM/(TO) JOINT VENTURES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Non-current				
Gross amounts due from joint ventures				
- interest bearing	60,059	32,162	-	-
Less: Loss allowance	(33,990)	-	-	-
Net amounts due from joint ventures	26,069	32,162	-	-
Current				
Gross amounts due from joint ventures				
- interest bearing	-	216,633	-	-
- non-interest bearing	38,278	35,232	20,467	18,842
	38,278	251,865	20,467	18,842
Less: Bad debts written off	(8,223)	-	(938)	-
Net amounts due from joint ventures	30,055	251,865	19,529	18,842
Current				
Amounts due to joint ventures	(34,667)	(32,237)	(1,217)	-
	21,457	251,790	18,312	18,842

The amounts due from joint ventures classified as current which are non-interest bearing are unsecured and have credit terms ranging from no credit terms to 30 days (2017: no credit terms to 30 days). The amounts due from joint venture classified as non-current are interest bearing and bear interest rate of 6%. As at the end of previous financial year, the amounts due from joint ventures classified as current and non-current which are interest bearing bear interest rates ranging from 5% to 6%.

18 AMOUNTS DUE FROM/(TO) JOINT VENTURES (CONTINUED)

During the financial year ended 31 December 2018, an impairment of RM33.6 million was provided for amount due from a joint venture due to change in expected amount and timing of recovery from the joint venture.

The loss allowance for amounts due from joint ventures as at 31 December 2018 which was assessed using the general 3-stage approach is as follows:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
At 1 January	-	-	-	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	33,630	-	-	-
Exchange differences	360	-	-	-
At 31 December	33,990	-	-	-

Amounts due from joint ventures of which loss allowance was recognised in profit or loss during the year are classified within the Underperforming category.

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

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statement of financial position:

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Deferred tax assets	21,660	7,295	3,745	4,288
Deferred tax liabilities	(40,956)	(15,654)	-	-
Subject to income tax:				
Deferred tax assets				
- property, plant and equipment	932	-	932	-
- payables	3,119	5,156	2,813	4,327
- unutilised tax losses	2,505	1,210	-	-
- unutilised capital allowance	12,716	17,476	-	-
- dividend receivable	15,167	-	-	-
	34,439	23,842	3,745	4,327
Offsetting	(12,779)	(16,547)	-	(39)
Deferred tax assets (after offsetting)	21,660	7,295	3,745	4,288

04

19 DEFERRED TAXATION (CONTINUED)

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: (continued)

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Deferred tax liabilities				
- property, plant and equipment	(53,735)	(32,201)	-	(39)
	(53,735)	(32,201)	-	(39)
Offsetting	12,779	16,547	-	39
Deferred tax liabilities (after offsetting)	(40,956)	(15,654)	-	-

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
At 1 January	(8,359)	5,758	4,288	5,605
(Credited)/Charged to profit or loss (Note 8):				
- property, plant and equipment	(19,908)	(15,539)	972	(698)
- receivables	15,241	1,552	-	-
- payables	(2,045)	(1,830)	(1,515)	(619)
- unutilised tax losses	(3,464)	1,210	-	-
	(10,176)	(14,607)	(543)	(1,317)
Exchange differences	(761)	490	-	-
At 31 December	(19,296)	(8,359)	3,745	4,288

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

19 DEFERRED TAXATION (CONTINUED)

The amount of unabsorbed capital allowances and unutilised tax losses (which have no expiry date other than as disclosed below) for which no deferred tax asset is recognised in the statement of financial position as it is not probable that taxable profit will be available against which these temporary differences can be utilised are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Unutilised tax losses	1,167,070	1,039,161	53,315	44,117
Unabsorbed capital allowances	31,679	29,452	16,979	15,026

Under the Malaysia Finance Act 2018 which was gazetted on 27 December 2018, the unutilised tax losses amounting to RM291.1 million for the Group and RM53.3 million for the Company as at 31 December 2018, which is disclosed as part of the table above, will be imposed with a time limit for utilisation. Any unutilised tax losses brought forward from year of assessment 2018 can be carried forward for another 7 consecutive years of assessment (i.e. from year of assessments 2019 to 2025).

20 INVENTORIES

	Group	
	2018 RM'000	**2017 RM'000**
Fuel	7,298	4,199

21 TRADE RECEIVABLES

	Group	
	2018 RM'000	**2017 RM'000**
Trade receivables	1,160,163	1,021,907
Less: Loss allowance (2017: Impairment)	(404,880)	(294,754)
	755,283	727,153

The trade receivables have credit terms ranging from 0 to 60 days (2017: 0 days to 60 days).

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business.

During the financial year, trade receivables totaling to RM101.5 million (2017: RM1.7 million) were impaired and charged to profit or loss. As at 31 December 2018, the amount of the provision was RM404.9 million (2017: RM294.8 million). The individually impaired receivables mainly relate to a number of customers, which are in an unexpectedly difficult financial position due to the current industry conditions and change in the expected timing and quantum of recovery of the trade receivables which was not present as at 1 January 2018.

The loss allowance for trade receivables as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2018 RM'000	**2017* RM'000**
At 1 January	294,754	401,580
Amounts restated through opening retained earnings	4,091	-
Opening loss allowance as at 1 January 2018 per MFRS 9	298,845	401,580
Increase in loss allowance recognised in profit or loss during the year (Note 5)	101,494	1,741
Receivables written off	-	(83,270)
Exchange differences	4,541	(25,297)
At 31 December	404,880	294,754

* Loss allowance disclosed in comparative period is based on MFRS 139's incurred loss model.

21 TRADE RECEIVABLES (CONTINUED)

As at 31 December 2017, 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
	2017 RM'000
Less than 30 days past due	69,252
Between 31 and 60 days past due	41,835
Between 61 and 90 days past due	23,742
Between 91 days and 1 year past due	55,984
More than 1 year past due	154,293
	345,106

22 ACCRUED LEASE RENTALS/(LEASE LIABILITIES)

	Group	
	2018 RM'000	**2017 RM'000**
Accrued lease rentals	327,182	372,945
Less: Loss allowance	(11,627)	-
	315,555	372,945
Lease liabilities	(5,549)	-

The Group leases out its vessels under non-cancellable operating lease agreements. The future minimum lease payments receivable on leases of vessels are as follows:

	Group	
	2018 RM'000	**2017 RM'000**
No later than 1 year	903,659	197,408
Between 1 and 5 years	205,658	-

The Group leases vessels under various agreements which terminate in 2018. On 3 August 2018, the Group signed an extension of charter of FPSO Armada TGT 1 from 27 August 2018 to 14 November 2024 for a contract value of USD285.0 million.

No contingent rent is recognised during the financial year.

22 ACCRUED LEASE RENTALS/(LEASE LIABILITIES) (CONTINUED)

The loss allowance for accrued lease rentals as at 31 December 2018 which was assessed using the simplified approach reconciles to the opening loss allowance as follows:

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	-	-
Amounts restated through opening retained earnings	11,382	-
Opening loss allowance as at 1 January 2018 per MFRS 9	11,382	-
Exchange differences	245	-
At 31 December	11,627	-

The loss allowance was based on the expected timing and quantum of recovery from the customers.

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Non-current				
Other receivables and deposits	146,944	153,600	-	-
Less: Loss allowance	(146,944)	-	-	-
	-	153,600	-	-
Current				
Other receivables	33,431	36,755	87	324
Deposits	8,432	4,386	2,299	2,157
Prepayments	16,947	27,108	3,775	4,035
	58,810	68,249	6,161	6,516

The non-current other receivables relate to an amount due from a charterer and is not expected to be recovered within the next 12 months. During the financial year, the amount was impaired and fully provided for as the charterer issued a notice advising of a purported "Force Majeure Event" and requesting immediate, orderly shutdown of operations on the Armada Perdana FPSO.

23 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

The non-current deposits arise from costs incurred on construction of vessels which are expected to be utilised in the next 3 years. During the financial year, the amount was impaired and provided for as the constructor is facing financial difficulties arising from the current industry conditions.

Included in the current other receivables is the asset recognised from pre-contract costs incurred to obtain or fulfil a contract with customers. The pre-contract costs as at 31 December 2018 is RM15.1 million (2017: RM29.2 million).

Other receivables and deposits are interest free, unsecured and have no fixed term of repayment.

The loss allowance for other receivables and deposits as at 31 December 2018 which was assessed using the general 3-stage approach is as follows:

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	-	-
Increase in loss allowance recognised in profit or loss during the year (Note 5)	141,234	-
Exchange differences	5,710	-
At 31 December	146,944	-

Other receivables and deposits of which loss allowance was recognised in profit or loss during the year are classified within the Non-performing category.

24 CONTRACT ASSETS/(LIABILITIES)

The Group has recognised the following assets and liabilities related to contracts with customers:

	Group
	2018 RM'000
Non-current contract assets	
Construction and conversion work (Note (a))	44,090
Current contract assets	
Vessel charter fees and support services rendered	3,859
Construction and conversion work (Note (a))	1,715
Total contract assets	49,664
Non-current contract liabilities	
Vessel charter fees and support services rendered	(15,616)
Current contract liabilities	
Vessel charter fees and support services rendered	(26,635)
Total contract liabilities	(42,251)

24 CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Construction and conversion work

The construction and conversion work represents the construction and conversion contracts with customers where there are timing differences in revenue recognition and the milestone billings. The milestone billings are structured and/or negotiated with customers to reflect certain stages of physical completion of the contracts.

(b) Significant changes in contract assets/(liabilities)

The following table shows the movement of the contract assets/(liabilities) during the financial year:

	Contract assets RM'000	**Contract liabilities RM'000**
Opening balance as at 1 January 2018	-	-
Amounts restated through retained earnings	3,703	(11,854)
Contract assets previously classified as amounts due from customers on contract (Note 25)	8,745	-
Opening balance as at 1 January 2018 as per MFRS 15	12,448	(11,854)
Increase as a result of performance obligation fulfilled but not yet billed	390,168	-
Decreases due to billing made during the financial year	(359,968)	-
Revenue recognised during the financial year that was included in the contract liabilities balance at 1 January 2018	-	200
Increases due to billing made, excluding amounts recognised as revenue during the financial year	-	(30,010)
Exchange differences	7,016	(587)
	49,664	(42,251)

(c) Contract value yet to be recognised as revenue

Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the reporting date, are as follows:

	Group				
	Within 1 year RM'000	**More than 1 year and within 2 years RM'000**	**More than 2 years and within 5 years RM'000**	**More than 5 years RM'000**	**Total RM'000**
Vessel charter fees and support services rendered	342,615	625,153	952,267	1,259,210	3,179,245

The Group applied the practical expedient in MFRS 15 and did not disclose information about unsatisfied performance obligation for certain contracts, where the transaction price corresponds directly with the Group's level of performance in the future.

NOTES TO
THE FINANCIAL STATEMENTS
31 December 2018

25 AMOUNTS DUE FROM/(TO) CUSTOMERS ON CONTRACT

	Group
	2017 **RM'000**
Aggregate costs incurred	1,426,772
Profit recognised to-date	292,304
Cumulative contract revenue recognised	1,719,076
Less: Progress billings	(1,710,331)
	8,745

The amount due from customers on contract has been reclassified to contract asset subsequent to the adoption of MFRS 15 on 1 January 2018 (Note 24).

26 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

	Company	
	2018 **RM'000**	**2017** **RM'000**
Current		
Amounts due from subsidiaries	417,099	893,405
Current		
Amounts due to subsidiaries	(45,147)	(112,780)
	371,952	780,625

The amounts due from subsidiaries are unsecured, interest free and have no fixed term of repayment. There was no impairment on amounts due from subsidiaries.

All balances are non-trade in nature except for amounts of RM266.6 million (2017: RM376.5 million) due from subsidiaries which are trade in nature.

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

27 DEPOSITS, CASH AND BANK BALANCES

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash and bank balances	197,408	175,649	9,735	2,114
Deposits with licensed banks	1,029,016	1,670,465	49,568	61,292
	1,226,424	1,846,114	59,303	63,406

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	
	2018 %	2017 %	2018 %	2017 %
Deposits with licensed banks	3.06	2.06	1.63	0.90

Bank balances are deposits held at call with banks and earn interest ranging between 0% to 2.6% (2017: 0% to 2.6%).

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

28 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	
	2018 RM'000	2017 RM'000
Net book value		
At 1 January	1,770	33,397
Transfer from property, plant and equipment (Note 11)	106,045	9,759
Impairment (Note 5)	(43,173)	-
Disposals	(64,577)	(38,132)
Exchange differences	49	(3,254)
At 31 December	114	1,770

29 TRADE PAYABLES AND ACCRUALS

	Group	
	2018 RM'000	2017 RM'000
Trade payables	121,004	104,007
Trade accruals	442,523	494,776
	563,527	598,783

The trade payables have credit terms ranging from 0 to 90 days (2017: 0 days to 90 days).

The following amounts were offset, and the net amount is reported in the consolidated statement of financial position where the Group has a legally enforceable right to offset the recognised amounts, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

	Group		
	Gross before offsetting RM'000	Offsetting RM'000	Net after offsetting RM'000
Current assets			
Trade receivables	1,179,336	(24,722)	1,154,614
Current liabilities			
Trade payables	123,027	(2,023)	121,004
Other payables and accruals	515,596	(22,699)	492,897

30 OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Current				
Advances from customers	186,536	228,486	-	-
Other payables	252,567	156,990	11,441	5,891
Accruals	53,794	69,430	25,036	27,065
	492,897	454,906	36,477	32,956
Non-current				
Advances from customers	55,802	68,285	-	-
	548,699	523,191	36,477	32,956

During the financial year, RM Nil (2017: RM643.7 million) advances from customers were reclassified upon first production to finance lease receivables.

31 PROVISIONS

	Group	
	2018 RM'000	**2017 RM'000**
At 1 January	106,921	98,149
Additions	-	8,502
Accretion of interest	8,133	10,485
Reversal during the financial year	(31,745)	-
Exchange differences	2,278	(10,215)
At 31 December	85,587	106,921

During the financial year, a reversal of provision was made due to a change in assumptions regarding demobilisation costs.

The provision are subject to the following majority period:

	Group	
	2018 RM'000	**2017 RM'000**
Current		
Provision for demobilisation costs	85,587	-
Non-current		
Provision for demobilisation costs	-	106,921

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

32 HIRE PURCHASE CREDITORS

	Group
	2017 **RM'000**
Analysis of hire purchase commitments:	
- payable within one year	100
- payable between one and two years	100
- payable between two and five years	125
	325
Less: Interest in suspense	(39)
	286
Representing hire purchase liabilities:	
- due within 12 months	88
- due after 12 months	198
	286

During the financial year, the Group has settled the hire purchase creditors balance.

33 BORROWINGS

	Group	
	2018 RM'000	**2017 RM'000**
Current		
Term loans – secured – others	925,573	853,515
Term loans – secured – AKPL	1,782,895	2,145,196
Term loans – unsecured	1,577,959	1,448,169
	4,286,427	4,446,880
Revolving credits – unsecured	1,246,912	1,020,389
Sukuk Murabahah – unsecured – current [(1)]	30,655	30,654
Sukuk Murabahah – unsecured – non-current [(1)]	1,499,352	-
	7,063,346	5,497,923
Non-current		
Term loans – secured	3,317,184	3,485,818
Term loans – unsecured	-	675,766
Revolving credits – unsecured	-	364,185
Sukuk Murabahah – unsecured [(1)]	-	1,499,213
	3,317,184	6,024,982
Total borrowings	10,380,530	11,522,905

[(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 end of the financial year are as follows:

	Group	
	2018 %	**2017 %**
Revolving credits	4.83	3.58
Term loans	4.94	3.91
Sukuk Murabahah	6.35	6.35

33 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2018							
Unsecured:							
- term loans	Floating rates vary based on London Interbank Offer Rate ("LIBOR")	USD	1,577,959	1,577,959	-	-	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years						
	- current	RM	30,655	30,655	-	-	-
	- non-current [1]	RM	1,499,352	1,499,352	-	-	-
- revolving credits	Floating rates vary based on LIBOR	USD	915,602	915,602	-	-	-
	Floating rates vary based on cost of funds ("COF")	USD	331,310	331,310	-	-	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,833,738	516,554	332,656	1,128,514	1,856,014
	- AKPL						
	- current	USD	409,019	409,019	-	-	-
	- non-current [1]	USD	1,782,895	1,782,895	-	-	-
			10,380,530	7,063,346	332,656	1,128,514	1,856,014

[1] As elaborated in Section E – Liquidity risk, the amounts due after one year from the reporting date of RM1,499.4 million and RM1,782.9 million are reclassified as current liabilities as the Group has not met the financial covenant of net debt over EBITDA for the financial year ended 31 December 2018 and the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan.

33 BORROWINGS (CONTINUED)

Group	Interest/profit rate terms	Currency exposure	Total carrying amount RM'000	Maturity profile <1 year RM'000	1-2 years RM'000	2-5 years RM'000	>5 years RM'000
At 31 December 2017							
Unsecured:							
- term loans	Floating rates vary based on COF	RM	92,527	92,527	-	-	-
	Floating rates vary based on LIBOR	USD	2,031,408	1,355,642	675,766	-	-
- Sukuk Murabahah	Fixed rate for a tenure of 10 years	RM	1,529,867	30,654	-	-	1,499,213
- revolving credits	Floating rates vary based on LIBOR	USD	979,924	615,739	364,185	-	-
	Floating rates vary based on COF	USD	404,650	404,650	-	-	-
Secured:							
- term loans	Floating rates vary based on LIBOR						
	- others	USD	3,939,458	453,640	256,969	1,036,647	2,192,202
	- AKPL						
	- current	USD	378,569	378,569	-	-	-
	- non-current [(1)]	USD	2,145,196	2,145,196	-	-	-
	Floating rates vary based on COF	RM	21,306	21,306	-	-	-
			11,522,905	5,497,923	1,296,920	1,036,647	3,691,415

[(1)] As elaborated in Section E – Liquidity risk, the amount due after one year from the reporting date of RM2,145.2 million is reclassified as current liabilities as the project lenders of AKPL have the right to issue a cancellation notice for a full prepayment of the loan.

34 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	2018		2017	
	Assets RM'000	Liabilities RM'000	Assets RM'000	Liabilities RM'000
Derivatives used for hedging:				
- Interest rate swaps	128,820	(7,643)	103,974	(1,040)
- Cross currency interest rate swaps	2,044	(425,700)	2,215	(460,649)
Total	130,864	(433,343)	106,189	(461,689)
Less: Non-current portion				
Derivatives used for hedging:				
- Interest rate swaps	65,060	(7,044)	63,205	-
- Cross currency interest rate swaps	-	-	1,562	(449,850)
	65,060	(7,044)	64,767	(449,850)
Current portion	65,804	(426,299)	41,422	(11,839)

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 2018, the net derivative financial liabilities of the Group amounted to RM302.5 million on remeasuring the fair values of the derivative financial instruments. Of the decrease of RM53.0 million from the previous financial year ended 31 December 2017, a net amount of RM40.9 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, and RM11.3 million was recycled to profit or loss within finance costs.

RM39.1 million was reclassified to the statements of profit or loss to offset the foreign exchange loss which arose from the weakening of RM against USD, and RM18.5 million was recycled to profit or loss. This has resulted in a decrease in the debit balance of the cash flow hedging reserve to a credit balance as at 31 December 2018 by RM98.5 million.

As at 31 December 2017, the Group recognised net derivative financial liabilities of RM355.5 million on remeasuring the fair values of the derivative financial instruments. Of the decrease of the RM276.4 million from the previous financial year, a net amount of RM261.7 million was included in the cash flow hedging reserve attributable to the Group and non-controlling interests, and RM14.9 million was recycled to profit or loss within finance costs for cross currency interest rate swaps and interest rate swaps.

The Group's cash flow hedging reserve as at 31 December 2018 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 profit or loss within finance costs over the period of the underlying borrowings.

34 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

(a) Cross currency interest rate swaps ("CCIRS")

A subsidiary whose functional currency is in RM had entered into cross currency interest rate swaps to manage forecasted USD receipts that are highly probable.

In the previous financial year, another 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.

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

The notional principal amounts of the outstanding cross currency interest rate swaps at 31 December 2018 were RM1,500.0 million (2017: RM1,521.3 million).

(b) Interest rate swaps ("IRS")

The notional principal amounts of interest rate swap contracts used to manage the floating interest rate risk arising from term loans were RM4,102.9 million (2017: RM4,373.9 million). These interest rate swap contracts receive fixed interest rate ranging from 1.19% to 2.97% (2017: 0.99% to 4.69%) per annum and they derived from the underlying bank borrowings.

35 SHARE CAPITAL

	Group and Company			
	Number of shares		Share capital	
	2018 '000	2017 '000	2018 RM'000	2017 RM'000
Issued and fully paid [1]:				
Ordinary shares				
At 1 January	5,866,269	5,866,269	4,311,294	1,173,253
Transferred from share premium	-	-	-	3,137,730
Transferred from preference share redemption reserve	-	-	-	311
Shares issued pursuant to the management incentive plan	4,668	-	3,521	-
At 31 December	5,870,937	5,866,269	4,314,815	4,311,294

[1] The new Companies Act 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Accordingly, the share capital of the Company no longer has a par value. This transition has no impact on the numbers of ordinary shares in issue or the relative entitlement to the member as a result of this transition.

36 EMPLOYEE SHARE OPTIONS SCHEME

The Company implemented an Employees' Share Options Scheme ("ESOS" or "Scheme") which came into effect on 28 June 2011 for a period of 10 years to 27 June 2021. The ESOS is governed by the By-Laws which were approved by the shareholders on 18 June 2011. The main features of the Scheme are as follows:

(a) An eligible employee shall pay a sum of RM1.00 as consideration for the acceptance of the share options offer. An option shall be exercisable at a price which is the weighted average of the market price quotation of the shares for the five (5) market days immediately preceding the date on which the options are granted, rounded to the nearest sen, or the par value of the shares, whichever is higher.

(b) Unless otherwise determined by our Board (or such other committee appointed by our Board to administer the ESOS), each option shall become exercisable, to the extent of one-third of the shares covered thereby, on each of the first three (3) anniversaries of the date of grant, if the holder of such option shall have been in the continuous service of the Company or its subsidiaries that are not dormant throughout such period. No options shall be exercisable if the exercise of such options would violate any provision of applicable laws, nor shall any options be exercisable more than ten (10) years from the date on which the Scheme became effective.

(c) No option shall be granted pursuant to the ESOS on or after the 10th anniversary of the date on which the Scheme became effective.

(d) The new shares issued upon the exercise of an option will be subject to all the provisions of the Company's Memorandum and Articles of Association and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and shall rank pari passu in all respects with the then existing issued ordinary shares of the Company, save that they will not entitle the holders thereof to receive any rights or bonus issue or dividends or distributions the entitlement date of which precedes the date of the issue of such new shares.

(e) The total number of shares to be issued under the ESOS shall not exceed in aggregate 10% of the issued share capital of the Company at any point of time during the tenure of the ESOS and out of which not more than 50% of the shares shall be allocated, in aggregate, to Executive Directors and senior management of the Group. In addition, not more than 10% of the shares available under the ESOS shall be allocated to any individual employee or Executive Director who, either singly or collectively through persons connected with him/her, holds 20% or more in the issued and paid-up capital of the Company. The Company is in compliance with the requirements with regards to the options granted to the Executive Directors and senior management during the financial year.

04

36 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

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

The expected average life of options is based on historical information, which may not necessarily be indicative of the future exercise pattern that may occur. The expected volatility reflects the assumptions based on the historical volatility on the assumptions that this is indicative of future trends which may also not necessarily be the actual outcome.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2018		2017	
	Average exercise price per share option (RM)	**Options ('000)**	**Average exercise price per share option (RM)**	**Options ('000)**
At 1 January	2.32	30,423	2.31	46,067
Forfeited	2.26	(15,073)	2.29	(15,644)
At 31 December	2.39	15,350	2.32	30,423

Out of the 15,350,233 outstanding options (2017: 30,423,270 outstanding options), all were exercisable as at the end of the reporting period.

There were no options exercised during the financial year ended 31 December 2018 and 31 December 2017.

36 EMPLOYEE SHARE OPTIONS SCHEME (CONTINUED)

Share options outstanding as at the end of the financial year have the following expiry dates and exercise prices:

Grant/Vest	Expiry date	Exercise price in RM per share option		Share options ('000)	
		2018	2017	2018	2017
2013/2013	2018	-	2.27/2.28	-	3,237
2013/2014	2018	-	2.27/2.28/2.43	-	3,237
2013/2015	2018	-	2.27/2.28/2.43	-	4,315
2014/2015	2019	2.39	1.83/2.39	4,605	5,890
2014/2016	2019	2.39	1.83/2.39	4,605	5,890
2014/2017	2019	2.39	1.83/2.39	6,140	7,854
				15,350	30,423

With the establishment of the Management Incentive Plan which came into effect on 10 October 2016 (Note 37), the Company has ceased awarding further options under the Scheme.

37 MANAGEMENT INCENTIVE PLAN

The Company established a Management Incentive Plan ("MIP" or "Plan") which came into effect on 10 October 2016 for a period of 10 years to 9 October 2026 and is administered by the MIP Committee. The MIP is governed by the By-Laws which were approved by the shareholders on 23 May 2016.

The main features of the Plan are as follows:

(a) The grant of shares is subject to certain vesting conditions and after fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. The MIP Committee may in its absolute discretion permit the vesting of the unvested shares (or any part thereof) to the MIP participants subject to such terms and conditions as may be prescribed notwithstanding that:

   (i) The vesting date is not due or has not occurred; and/or
   (ii) Other terms and conditions set forth in the grant have not been fulfilled/satisfied.

(b) In the event of termination or cessation of employment prior to the relevant vesting date, any unvested granted shares shall forthwith cease to be capable of vesting.

(c) The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall, upon allotment and issuance, rank equally in all respects with the then existing issued shares. The new shares to be allotted and issued pursuant to the vesting of the grant under the MIP shall not be entitled to any voting rights, dividends, rights, allotments, distributions and/or any other entitlements, for which the entitlement date is prior to the date on which the new shares are credited into the CDS Accounts of the respective grantees.

37 MANAGEMENT INCENTIVE PLAN (CONTINUED)

The main features of the Plan are as follows: (continued)

(d) The maximum number of the Company's shares which may be made available under the Plan shall not, when aggregated with the total number of new shares allotted and issued and/or to be allotted and issued under the existing ESOS, exceed 10% of the total number of shares of the Company (excluding treasury shares) at any point of time within the duration of the MIP for a period of 10 years commencing from 10 October 2016 during the MIP period ("Maximum Shares").

(e) The maximum number of shares that are to be allocated to any one category or designation of selected employees shall be determined by the MIP Committee from time to time. The allocation to any individual selected employee who, either singly or collectively through persons connected with him/her, holds 20% or more of the total number of shares of the Company (excluding treasury shares), shall not exceed 10% of the Maximum Shares.

2017 MIP Grant ("1st Grant")

On 2 June 2017, the Company offered and granted 41,152,400 shares under the Plan, comprising of annual grant of up to 26,237,800 shares and a 3-year grant of up to 14,914,600 shares.

The fair value as at grant date of the 1st Grant shares offered and granted under the Plan was RM0.7543 per share, based on the Volume Weighted Average Price ("VWAP") of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

During the financial year, 14,002,900 shares for annual grant were awarded to eligible employees and the Executive Director of the Group upon fulfilment of certain performance targets and/or other conditions as determined by the MIP Committee in accordance with the By-Laws. These shares will be vested annually over a period of 10 years and forfeited in the event of termination or cessation of employment prior to the next vesting date.

The movement of the number of eligible shares for annual grant under 1st Grant during the financial year is as follows:

	Group and Company					
	Number of shares awarded as at 1 January '000	**Granted '000**	**Awarded '000**	**Vested '000**	**Forfeited '000**	**Number of shares awarded as at 31 December '000**
2018						
MIP 1st grant:						
Annual grant	-	-	14,003	(4,668)	(976)	8,359

3-year grant

As at 31 December 2018, the maximum number of eligible shares for the 3-year grant is 11,732,800 shares (2017: 13,323,700 shares). The performance targets and vesting conditions for the 3-year grant were not fulfilled. Hence, there were no shares awarded for the 3-year grant during the financial year.

37 MANAGEMENT INCENTIVE PLAN (CONTINUED)

2018 MIP Grant ("2nd Grant")

On 4 June 2018, the Company further offered and granted an annual grant of 37,451,700 shares under the Plan. As at 31 December 2018, the maximum number of eligible shares granted is 837,100 shares.

The fair value as at grant date of the 2nd Grant shares offered and granted under the Plan was RM0.7527 per share, based on the Volume Weighted Average Price ("VWAP") of the Company's shares on the Main Market of Bursa Malaysia Securities Berhad, on the grant date, as reported on Bloomberg.

Annual grant

As at 31 December 2018, the vesting conditions for the 2nd Grant shares were not fulfilled. Hence, there were no award of 2nd Grant shares during the financial year.

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.

Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium and preference share redemption reserve (Note 38(e)) becomes part of the Company's share capital (Refer to Note 35).

(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.

38 RESERVES (CONTINUED)

(d) Hedging reserve

The hedging reserve includes the cash flow hedge reserve and the cost of hedging reserve.

The Group defers the changes in the forward element of CCIRS in the costs of hedging reserve.

		Cash flow hedge reserve			
	Cost of hedging reserve RM'000	**Spot component of CCIRS RM'000**	**CCIRS RM'000**	**IRS RM'000**	**Total hedging reserve RM'000**
2017					
At 1 January	-	-	(199,440)	97,966	(101,474)
Effect on the adoption of MFRS 9	(73,301)	(126,139)	199,440	-	-
	(73,301)	(126,139)	-	97,966	(101,474)
Other Comprehensive Income ("OCI"):					
Change in fair value	-	84,407	-	2,625	87,032
Costs of hedging deferred in OCI	(25,815)	-	-	-	(25,815)
	(99,116)	(41,732)	-	100,591	(40,257)
2018					
At 1 January	(99,116)	(41,732)	-	100,591	(40,257)
Other Comprehensive Income ("OCI"):					
Change in fair value	-	35,776	-	29,943	65,719
Costs of hedging deferred in OCI	32,814	-	-	-	32,814
Changes in non- controlling interest	-	-	-	(1)	(1)
At 31 December	(66,302)	(5,956)	-	130,533	58,275

38 RESERVES (CONTINUED)

(e) Other reserves

Other reserves represent the fair value change in financial assets at FVOCI amounting to RM1.3 million (2017: RM3.1 million).

At the end of the previous financial year, other reserves include the fair value change of a call option granted to a former Executive Director of RM6.3 million, which has been forfeited during the financial year.

During the previous financial year, the preference share redemption reserve for the Company and a subsidiary amounting to RM0.3 million become part of the Company's share capital subsequent to the new Act coming into force.

39 COMMITMENTS

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(i) Capital expenditure for property, plant and equipment not provided for in the financial statements:				
- authorised and contracted	25,160	162,142	-	398
- authorised but not contracted	22,625	278,385	6,361	6,474
	47,785	440,527	6,361	6,872
(ii) Commitments for amounts payable under operating leases for rental of premises:				
- payable within one year	7,264	8,893	4,639	6,822
- payable later than one year and no later than five years	8,547	10,185	1,751	9,665
- payable later than five years	-	-		-
	15,811	19,078	6,390	16,487

The Group and the Company have entered into lease arrangements (classified as operating leases) for office premises with durations varying from 1 to 7 years and 1 to 3 years respectively (2017: 1 to 6 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 12.

(b) Joint ventures

Details of the joint ventures are shown in Note 13.

(c) Associate

Details of the associate is shown in Note 14.

(d) Key management personnel

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company either directly or indirectly. The key management personnel of the Group and of the Company include Directors of the Company and certain members of senior management of the Group and of the Company.

Usaha Tegas Sdn. Bhd. ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn. Bhd. ("OBSB"), a substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have an interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in such shares as such interest is held subject to the terms of such discretionary trust.

40 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions. The related party transactions described below were carried out on terms and conditions agreed with related parties.

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
(i) Transactions with UTSB Management Sdn. Bhd. [1]				
- management fees	6,905	6,241	6,905	6,241
(ii) Telecommunication expenses to Maxis Broadband Sdn. Bhd. [2]	693	1,220	-	25
(iii) Rental to Malaysian Landed Property Sdn. Bhd. [3]	7,690	7,890	7,690	7,890
(iv) Management and engineering assistance services charged to joint ventures				
- revenue	(11,351)	(3,207)	-	-
- other operating income	-	(16,641)	-	-
(v) Management fees charged to subsidiaries				
- revenue	-	-	(9,739)	-
(vi) Transaction with key management:				
Key management personnel compensation:				
- Non-executive Directors' fees	2,077	2,124	2,077	2,124
- salaries, bonus, allowances and other staff related costs	15,606	17,079	15,606	17,079
- defined contribution plan	280	822	280	822
- share-based payment	1,526	4,249	1,526	4,249
(vii) Central overhead fees charged:				
- subsidiaries	-	-	(146,476)	(145,789)
- joint ventures	-	(564)	-	(564)
(viii) Payment on behalf of:				
- subsidiaries	-	-	11,146	10,001
- joint ventures	3,197	11,076	741	10,857
(ix) Repayment on behalf by/(of) subsidiaries	-	-	15,634	(49,840)

[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 as at the reporting date approximated their fair values except as set out below:

	Carrying amount		Fair value	
Group	**2018 RM'000**	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Finance lease receivables	5,168,459	5,334,189	5,903,289	6,036,757
Amounts due from joint ventures	56,124	248,795	51,976	240,673
Fixed rate Sukuk Murabahah (Note 33)	1,530,007	1,529,867	1,500,230	1,505,313

The fair value of the finance lease receivables, amounts due from joint ventures and fixed rate Sukuk Murabahah are within Level 3 of the fair value hierarchy.

The Group estimates the fair value of finance lease receivables, amounts due from joint ventures and the fixed rate Sukuk Murabahah by discounting future contractual cash flows at the current market interest rate available to the Group for similar financial instruments. The discount rates to determine fair value of finance lease receivables, amounts due from joint ventures and the fixed rate Sukuk Murabahah range between 6.35% and 11.00% respectively (2017: 6.29% and 11.00% respectively).

The Group believes that its estimate of fair value is appropriate and the use of different methodologies or assumptions could lead to different measurement of fair value.

42 CONTINGENT LIABILITIES

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Bank guarantees extended to third parties	149,162	387,707	95,972	387,707

43 MATERIAL LITIGATION

Save as disclosed below, as at 31 December 2018, neither the Company nor any of its subsidiaries were involved in any material litigation, claims or arbitration, and the Company and its subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against the Company and its subsidiaries:

In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd

The matter arose out of a dispute between Armada Balnaves Pte Ltd ("ABPL"), a wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd ("WEJ") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("Contract"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered this purported termination by WEJ tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL 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 USD275,813,698.63 (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 USD7,700,000.00 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 trial for this matter commenced at the Supreme Court on 18 February 2019 and the parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019. Judgment is expected around October to December 2019.

The Group 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.

04

44 FINANCIAL INSTRUMENTS BY CATEGORY

Analysis of the financial instruments for the Group is as follows:

	Financial assets at amortised costs RM'000	Derivatives used for hedging RM'000	FVOCI RM'000	Total RM'000
At 31 December 2018				
Financial assets:				
Finance lease receivables	5,168,459	-	-	5,168,459
Accrued lease rentals	310,006	-	-	310,006
Derivative financial instruments	-	130,864	-	130,864
Financial assets at fair value through other comprehensive income	-	-	15,158	15,158
Trade receivables	755,283	-	-	755,283
Other receivables and deposits excluding prepayments	41,863	-	-	41,863
Amounts due from joint ventures	56,124	-	-	56,124
Deposits, cash and bank balances	1,226,424	-	-	1,226,424
	7,558,159	130,864	15,158	7,704,181

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2018			
Financial liabilities:			
Trade payables and accruals	-	563,527	563,527
Other payables and accruals excluding advances from customers and statutory liabilities	-	341,421	341,421
Borrowings	-	10,380,530	10,380,530
Amounts due to joint ventures		34,667	34,667
Derivative financial instruments	433,343	-	433,343
	433,343	11,320,145	11,753,488

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

Analysis of the financial instruments for the Group is as follows: (continued)

	Financial assets at amortised costs RM'000	Derivatives used for hedging RM'000	Available-for-sale RM'000	Total RM'000
At 31 December 2017				
Financial assets:				
Finance lease receivables	5,334,189	-	-	5,334,189
Accrued lease rentals	727,153	-	-	727,153
Derivative financial instruments	-	106,189	-	106,189
Available-for-sale financial assets	-	-	16,498	16,498
Trade receivables	727,153	-	-	727,153
Other receivables and deposits excluding prepayments	194,741	-	-	194,741
Amounts due from joint ventures	284,027	-	-	284,027
Deposits, cash and bank balances	1,846,114	-	-	1,846,114
	9,113,377	106,189	16,498	9,236,064

	Derivatives used for hedging RM'000	Other financial liabilities at amortised costs RM'000	Total RM'000
At 31 December 2017			
Financial liabilities:			
Trade payables and accruals	-	598,783	598,783
Other payables and accruals excluding advances from customers and statutory liabilities	-	299,972	299,972
Hire purchase creditors	-	286	286
Borrowings	-	11,522,905	11,522,905
Amounts due to joint ventures	-	32,237	32,237
Derivative financial instruments	461,689	-	461,689
	461,689	12,454,183	12,915,872

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices).
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

The fair value of financial instruments traded in active market is based on quoted market price at the reporting date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows that are used to determine fair value for the derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows.

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2018:

	Level 1 RM'000	**Level 2 RM'000**	**Level 3 RM'000**	**Total RM'000**
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	128,820	-	128,820
- Cross currency interest rate swaps	-	2,044	-	2,044
Financial assets at fair value through other comprehensive income	15,158	-	-	15,158
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(425,700)	-	(425,700)
- Interest rate swaps	-	(7,643)	-	(7,643)

44 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)

The following table presents the Group's financial assets and liabilities that were measured at fair value as at 31 December 2017:

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets:				
Derivatives used for hedging				
- Interest rate swaps	-	103,974	-	103,974
- Cross currency interest rate swaps	-	2,215	-	2,215
Available-for-sale financial assets	16,498	-	-	16,498
Financial liabilities:				
Derivatives used for hedging				
- Cross currency interest rate swaps	-	(460,649)	-	(460,649)
- Interest rate swaps	-	(1,040)	-	(1,040)

Analysis of the financial instruments for the Company is as follows:

	2018 RM'000	2017 RM'000
Financial assets measured at amortised costs (2017: loans and receivables):		
Other receivables and deposits excluding prepayments	2,386	2,481
Amounts due from subsidiaries	417,099	893,405
Amounts due from joint ventures	19,529	18,842
Deposits, cash and bank balances	59,303	63,406
	498,317	978,134
Financial liabilities measured at amortised costs:		
Other payables and accruals excluding statutory liabilities	26,524	27,709
Amounts due to subsidiaries	45,147	112,780
Amount due to a joint venture	1,217	-
	72,888	140,489

The carrying amounts of financial instruments of the Group and of the Company with a maturity of less than one year at the reporting date are assumed to approximate their fair values.

45 ADOPTION OF MFRS 9 AND MFRS 15

This note explains the impact of the adoption of MFRS 9 and MFRS 15 from 1 January 2018 on the Group's financial statements for the financial year ended 31 December 2018. The summary of the impact to the Group's retained earnings as at 1 January 2018 is as follows:

	Note	Retained earnings RM'000
Opening as at 1 January 2018		109,991
Impact of adoption of MFRS 9		
Accounting for ECL	(a)	(15,473)
Impact of adoption of MFRS 15		
Accounting for additional performance obligation identified	(b)(i)	(21,029)
Accounting for costs incurred in obtaining a contract	(b)(ii)	(27,373)
		46,116

(a) MFRS 9 "Financial instruments"

The Group has applied MFRS 9 with the date of initial application of 1 January 2018. The standard is applied retrospectively. In accordance with the transitional provisions provided in MFRS 9, comparative information of 2017 was not restated and continued to be reported under the previous accounting policies governed under MFRS 139, with the exception of certain aspects of hedge accounting. The cumulative effects of initially applying MFRS 9 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018.

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Section C of the Preface to the Financial Statements.

Classification and measurement

On 1 January 2018, the Group has assessed which business models apply to the financial assets held by the Group and reviewed the classification of its financial instruments into the appropriate MFRS 9 categories. There are no changes to the classification and measurement of the financial instruments except for reclassification of available-for-sale financial assets to financial assets at FVOCI. See Note 15 and 16 for details.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(a) MFRS 9 "Financial instruments" (continued)

Derivatives and hedging activities

The IRS and CCIRS in place as at 1 January 2018 qualified as cash flow hedges under MFRS 9. The Group's risk management strategies and hedge documentation are aligned with the requirements of MFRS 9 and these relationships are therefore treated as continuing hedges.

Since the adoption of MFRS 9, gains or losses relating to the effective portion of the changes in fair value of CCIRS (excluding foreign currency basis spread) are recognised in other comprehensive income and accumulated in cash flow hedge reserve within equity. The Group recognises changes in the foreign currency basis spread of CCIRS in the costs of hedging reserve within equity, resulting in a reclassification of a loss of RM73.3 million and RM126.1 million from cash flow hedge reserve to the costs of hedging reserve and spot component of CCIRS respectively as at 1 January 2017. See Note 38 for details.

Impairment of financial assets

The Group has replaced its impairment methodology of financial assets with the forward-looking expected credit loss ("ECL") model. Under MFRS 9, loss allowances will be measured either via the simplified approach or the general approach (incorporating 12-month ECL and Lifetime ECL). See Section E – Credit risk for the measurement details of ECL.

The total impact on adoption of ECL model to the Group's reserves as at 1 January 2018 is as follows:

	Without adoption of MFRS 9 RM'000	**Effect of MFRS 9 RM'000**	**With adoption of MFRS 9 RM'000**
Consolidated Statement of Financial Position as at 1 January 2018			
Trade receivables	727,153	(4,091)	723,062
Accrued lease rentals	372,945	(11,382)	361,563
Reserves	(1,186,035)	15,473	(1,170,562)

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers"

The Group has applied MFRS 15 with the date of initial application of 1 January 2018 by using the modified retrospective transition method. Under the modified retrospective transition method, the Group applies the new policy retrospectively only to contracts that are not completed contracts at the date of initial application. Accordingly, the 2017 comparative information was not restated and the cumulative effects of initial application of MFRS 15 were recognised as an adjustment to the opening balance of retained earnings as at 1 January 2018. The comparative information continued to be reported under the previous accounting policies governed under MFRS 118 and MFRS 111.

In addition, the Group has elected the practical expedient not to retrospectively restate contracts that were modified before the date of initial application.

The main changes arising from the adoption of MFRS 15 are as follows:

(i) Accounting for additional performance obligations identified

MFRS 15 requires the identification of performance obligations within a contract and to allocate the transaction price to the performance obligation in an amount that depicts the amount of consideration to which the entity expects to be entitled in exchange for transferring the promised goods or services to the customer. In assessing the impact of MFRS 15, the Group has allocated the transaction price to each performance obligation (or distinct good or service) by considering all information that is reasonably available to the Group, as further elaborated in Section C(l). The point at which revenue is recognised for each performance obligation may vary depending on when control of each good or service is transferred to the customer. The assessment has been performed for the Group and joint ventures.

(ii) Accounting for certain costs incurred in obtaining a contract

Under MFRS 15, costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover those costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is awarded to the Group.

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers" (continued)

The following table shows the adjustments recognised for each affected financial statement line item from the adoption of the new MFRSs and the effect of each financial statement line item should the new MFRSs not be adopted. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

	Note	Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statement of Income for the financial year ended 31 December 2018				
Revenue	(i)	2,431,859	(13,120)	2,418,739
Selling and distribution costs	(ii)	(21,990)	(7,965)	(29,955)
Share of results of joint ventures	(i)	174,722	(8,473)	166,249
Loss for the financial year		(2,289,590)	(29,558)	(2,319,148)
Consolidated Statement of Comprehensive Income for the financial year ended 31 December 2018				
Foreign currency translation differences		144,169	(1,836)	142,333

	Note	Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	As presented RM'000
Consolidated Statement of Financial Position as at 31 December 2018				
Investment in joint ventures	(i)	1,044,686	(21,816)	1,022,870
Other receivables, deposits and prepayments	(ii)	78,398	(19,588)	58,810
Contract assets	(i)	-	49,664	49,664
Amounts due from customers on contract	(i)	45,805	(45,805)	-
Contract liabilities	(i)	-	(42,251)	(42,251)
Reserves		871,782	79,796	(951,578)

45 ADOPTION OF MFRS 9 AND MFRS 15 (CONTINUED)

(b) MFRS 15 "Revenue from Contracts with Customers" (continued)

As explained above, MFRS 15 was adopted without restating the comparative information. The adjustments arising from the adoption are therefore not reflected in the restated consolidated statement of financial position as at 31 December 2017 but are recognised in the opening consolidated statement of financial position on 1 January 2018. The impact of MFRS 15 on the Group's financial position as at 1 January 2018 is as follows:

	Note	Without adoption of MFRS 15 RM'000	Effect of MFRS 15 RM'000	With adoption of MFRS 15 RM'000
Consolidated Statement of Financial Position as at 1 January 2018				
Investment in joint ventures	(i)	668,967	(12,878)	656,089
Other receivables, deposits and prepayments	(ii)	68,249	(27,373)	40,876
Contract assets	(i)	-	12,448	12,448
Amounts due from customers on contract	(i)	8,745	(8,745)	-
Contract liabilities	(i)	-	(11,854)	(11,854)
Reserves		(1,186,035)	48,402	(1,137,633)

46 MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Subsequent to the balance sheet date, the Group obtained a waiver on the breach of financial covenants of Sukuk Murabahah, and has also signed a facility agreement for refinancing of certain unsecured term loans and revolving credit facilities, the details of which are disclosed in the Preface to the Financial Statements Section E – Liquidity risk.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2019.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, Leon Andre Harland and Uthaya Kumar K Vivekananda, two of the Directors of Bumi Armada Berhad, state that, in our opinion, the financial statements set out on pages 81 to 209 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and financial performance of the Group and of the Company for the financial year ended 31 December 2018 in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2019.

LEON ANDRE HARLAND
DIRECTOR

UTHAYA KUMAR K VIVEKANANDA
DIRECTOR

Kuala Lumpur

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

I, Luke Christopher Targett, being the officer primarily responsible for the financial management of Bumi Armada Berhad, do solemnly and sincerely declare that the financial statements set out on pages 81 to 209 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

LUKE CHRISTOPHER TARGETT

Subscribed and solemnly declared by the abovenamed Luke Christopher Targett in Kuala Lumpur on 25 April 2019, 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 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 81 to 209.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
to the members of Bumi Armada Berhad
(Incorporated in Malaysia) (Company No. 370398-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 ("AA2") on the Armada Kraken FPSO *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D - Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies and Note 11 – Property, plant and equipment.* Armada Kraken Pte Ltd ("AKPL"), a subsidiary of the Group signed an Amendment Agreement 2 ("AA2") on 27 August 2018. The execution of AA2 allows AKPL and the Charterer to progress the project towards final acceptance. Subsequent to this, Final Acceptance was achieved on 4 September 2018. The following assessments were made by management subsequent to signing of AA2 and achieving Final Acceptance:	
<u>Assessment on recoverable amount of Armada Kraken</u> AA2 contains clauses which requires AKPL to provide supplementary payments to the Charterer as a result of delays in the Final Acceptance and non completion of operational targets set under the charter contract. In addition, the vessel achieved lower availability since Final Acceptance in September 2018.	<u>Assessment on recoverable amount of Armada Kraken</u> We evaluated the reasonableness of key assumptions used by management in arriving at the VIU (i.e. charter rates, lease terms and discount rate) by performing the following: • We read the terms of charter contract and the AA2 to understand AKPL's obligations to the Charterer in relation to Armada Kraken and its impact in determining the VIU;

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 ("AA2") on the Armada Kraken FPSO (continued)	
<u>Assessment on recoverable amount of Armada Kraken</u> (continued) In accordance with the requirements under MFRS 136 "Impairment of Assets", the Group had assessed the recoverable amount of Armada Kraken based on the value-in-use ("VIU") model. The VIU supports a lower recoverable amount as at 31 December 2018 which resulted in an impairment charge of RM1,613.2 million during the financial year. We focused on this area as significant estimates and judgements were applied in determining the recoverable amount of Armada Kraken, namely on the vessel availability post Final Acceptance, lease term and the discount rate. The details of the significant estimates and judgements used have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements and Note 11 – Property, plant and equipment.*	<u>Assessment on recoverable amount of Armada Kraken</u> (continued) • As the charter fees are dependent on the actual availability rate, we compared Armada Kraken's expected availability against its historical performance and checked the reasons for the variances against the planned performance to assess the reliability of management's projections; • We held discussions with the Chief Executive Officer and Senior Vice President of Floating Production Storage and Offloading ("FPSO") Operations on the achievability of the availability targets projected in conjunction with the maintenance plan to address certain vessel requirements; • We checked management's assessment of the lease term with firm and extension lease terms in the charter contract and external reports on the expected production level of Kraken field; • We have compared the inputs used in the calculation of the discount rate used by management to observable market data of similar FPSO companies. The key inputs are the risk-free rate, market risk premium and debt/equity ratio; and • We compared the basis of discount rate used by management against other FPSO players within the market. We have checked the sensitivity of the key assumptions for recoverable amounts of vessels by varying the expected charter rates and the discount rate used in determining the VIU. The impact arising from our independent checks has been considered by management. We found management's assessment to be materially in line with our expectations.

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 (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impact of the signing of Amendment Agreement 2 ("AA2") on the Armada Kraken FPSO (continued)	
Assessment on classification of Armada Kraken under MFRS 117 "Leases" During the financial year, the Group had assessed the classification of Armada Kraken under the requirement of MFRS 117 "Leases", resulting in its classification as an Operating Lease. Accordingly, Armada Kraken continues to be classified as Property, plant and equipment in the Group's consolidated financial statements. We focused on this area as significant estimates and judgements were applied in determining the lease classification. Management judgement was exercised in determining the likelihood of lease extensions subsequent to the non-cancellable lease period and expected availability of Armada Kraken. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements.*	Assessment on classification of Armada Kraken under MFRS 117 "Leases" We checked the reasonableness of the basis used in determination of the lease terms and charter rates by performing the following: • We read the terms of charter contract and the AA2 to understand AKPL's obligations to the Charterer in relation to Armada Kraken; • We checked management's assessment on the lease term with contractual lease terms in the charter contract and external reports on the expected production level of Kraken field; • We checked the availability targets against its historical performance and management's plan in meeting the target. We have also discussed with management on the feasibility of meeting the availability targets; and • We compared the present value of the minimum lease payment against the fair value of Armada Kraken at the inception of the lease. Based on our procedures above, we found management's assessment to be materially in line with our expectations.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

<table>
<tr><th>Key audit matters</th><th>How our audit addressed the key audit matters</th></tr>
<tr><td>Liquidity position of the Group

Refer Preface to the financial statements section B – Basis of Preparation, Preface to the financial statements section D – Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies, Note 33 - Borrowings

As at 31 December 2018, the Group's current liabilities position exceeded its current assets by RM6.1 billion mainly due to the following reasons:

• Re-classification of non-current borrowings for Armada Kraken Pte Ltd ("AKPL") of RM1.8 billion and Sukuk Murabahah of RM1.5 billion; and

• Current borrowings comprising Armada Floating Gas Storage Malta Limited ("AFGSML") secured term loan of RM0.2 billion, unsecured term loans of RM1.6 billion and revolving credit of RM1.3 billion classified as current liabilities.</td><td>We read the terms of the agreements and correspondences with the Lenders for the outstanding borrowings, including the new Facility Agreement ("FA") for refinancing of RM1.6 billion term loan and RM1.3 billion revolving credit facilities dated 23 April 2019, to:

• understand the obligations and undertakings of the Group, including the CPs requirement; and

• understand the rights of the lenders.

We reviewed the undertakings made as part of the new FA to assess the impact of subsequent events after the financial year end under the requirement of MFRS110 "Events after the Reporting Period".

We held discussions with the Chief Executive Officer, Chief Financial Officer, Head of Treasury, Head of FPSO Projects and Head of Legal to corroborate:

• management's action plan in obtaining waiver from AKPL's Lenders;

• status of discussions with the Project Lenders on the waivers including the likelihood of obtaining a waiver from AKPL's lenders; and

• likelihood of completion of the CPs under the new FA within the next 12 months from the adoption of financial statements.</td></tr>
</table>

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 (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Liquidity position of the Group (continued)	
In assessing the liquidity position of the Group, management has considered the funding plan to meet the repayment obligation of its borrowings and other current liabilities which are due in the next 12 months, taking into consideration: • availability of cash flows over the next 12 months; • ability of the Group to meet the Conditions Precedents ("CP") required under the Facility Agreement ("FA"); • likelihood of AKPL's lenders calling an Event of Default; and • likelihood of additional project financing. We gave audit focus on this as significant judgement and estimates were made in arriving at the cashflow forecast for the next 12 months from the date of approval of the financial statements in assessing the ability of the Group to meet its obligations as and when they arise. In addition, management exercised judgment in assessing the likelihood of meeting certain of the terms and conditions required by the Lenders as part of the refinancing arrangement. The details of the Group's Liquidity Risk has been disclosed in *Preface to the financial statements section E – Financial and capital risk management objectives and policies.*	We have tested the key assumptions underlying the Group's cash flow forecast for the next 12 months from the date of approval of the financial statements and assessed the reasonableness of management's assessment that the Group has the ability to fund its obligations, whilst taking into consideration sources of funding available to the Group as and when they arise. In assessing the source of funding, we have checked against management's plan. We have also independently performed a sensitivity analysis of the Group's key assumptions underlying its cash flow position over the next 12 months and discussed the outcome of the sensitivity analysis with management. We checked the compliance of debt covenants of the project financing and borrowings to the relevant disclosures made in the financial statements for consistency. We assessed the adequacy of disclosures made in the financial statements. We did not identify any material exceptions to the procedures performed above.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of Offshore Marine Services ("OMS") assets *Refer to the Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements and Note 11 – Property, plant and equipment.*	
Offshore Support Vessels ("OSV") The continued depressed market condition resulting in the declining utilisation and day rates during the financial year continues to be an impairment indicator. Accordingly, the Group performed an impairment assessment on OSV assets in accordance with the requirement of MFRS 136 "Impairment of Assets". Each individual vessel was concluded to be its own Cash Generating Unit ("CGU"). The recoverable amounts for vessels that have been laid up are determined based on fair value less costs of disposal and for assets identified for continuing use, these are determined based on VIU. An impairment loss of RM586.5 million was recognised during the financial year.	Offshore Support Vessels ("OSV") In relation to the fair value less costs of disposal for OSV assets that have been laid up, we have performed the following: • We discussed with management on the basis of the expected selling price of the OSV assets and checked the estimated selling price with offers received from potential buyers, where available; and • We compared the selling price of recent disposal of the OSV assets against its net book value to assess the average loss rate on disposal of OSV assets. In relation to the VIU for OSV assets identified for continuing use, we have performed the following: • We evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows (i.e. vessel utilisation rates, charter rates and discount rates) by comparing to historical and market data; • We held discussions with management on future prospects of the OSV business and industry outlook on the OSV segment. We also compared the industry outlook on the OSV segment with external industry and market player information; and

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 (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of Offshore Marine Services ("OMS") assets (continued)	
Offshore Support Vessels ("OSV") (continued) We focused on this area as significant estimates and judgements were applied in determining the recoverable amount of the OSV assets, namely the expected selling price, utilisation rate and charter rate. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D - Critical accounting estimates and judgements and Note 11 – Property, plant and equipment.*	Offshore Support Vessels ("OSV") (continued) In relation to the VIU for OSV assets identified for continuing use, we have performed the following: (continued) • We have checked the sensitivity of the key assumptions for recoverable amounts of vessels by varying the expected charter rates, utilisation rate and the discount rate used in determining the VIU. Based on our procedures, the key assumptions used in determining the recoverable amounts were materially in line with our expectations.
Subsea Construction ("SC") assets The vessels and equipment of the SC business located in Russia have recently completed the Lukoil project. These assets are currently idle and management is currently pursuing new prospects. Nevertheless, there is a risk of recoverability of the Group's carrying amount of the SC assets. An assessment on whether there is an indication of impairment was carried out by management as at the year end in accordance with the requirement of MFRS 136 "Impairment of Assets" ("MFRS 136").	Subsea Construction ("SC") assets We held discussions with the Chief Executive Officer, Head of OMS and Vice President of SC to: • understand how the SC assets are used in generating the cash inflows for the SC business and managed on a daily basis. We have compared it with the requirements of CGU determination under MFRS 136; and • understand the likelihood of awards of future prospects and checked the information with bidding documents, correspondences with potential customers and scope of work of similar projects performed by the Group.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment assessment of Offshore Marine Services ("OMS") assets (continued)	
Subsea Construction ("SC") assets (continued)	Subsea Construction ("SC") assets (continued)
Judgement was exercised by management in the determination of the SC business in Russia as a CGU as opposed to the individual asset. This is consistent with the business model that supports the continued use of the portfolio of assets as part of the SC business instead of being the CGU. Consequently, the recoverability for the SC assets is based on the cash flows expected to be generated by the future contracts of the SC business in Russia as a whole. Based on current financial performance of the SC business in Russia and the expected order book, management concluded that there is no impairment indicator as at 31 December 2018, as it does not indicate that the economic performance of the assets in supporting the SC business, are or will be, worse than expected. We focused on this area as significant estimates and judgements were applied in arriving at the VIU calculations, primarily the determination of CGU and likelihood of award of new prospects which underlies the cash flow projections.	We evaluated the reasonableness of key assumptions used by the management in arriving at the projected cash flows (i.e. vessel utilisation rates and expected contract value) by performing the following: • we compared the expected scope of work to the bidding documents (draft and submitted) and to previous scope of work previously performed for a potential customer; • we compared the expected utilisation rate to bidding documents and historical utilisation rate in a similar project; and • we compared the expected contract value to bidding documents, project budgets and historical utilisation. Based on the procedures performed above, we did not find any material exceptions.

INDEPENDENT AUDITORS' REPORT
to the members of Bumi Armada Berhad
(Incorporated in Malaysia) (Company No. 370398-X)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Assessment on the impact of adoption of MFRS 15 "Revenue from Contracts with Customers" *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements and Note 2 – Revenue.* Effective 1 January 2018, the Group has adopted MFRS 15 "Revenue from Contracts with Customers" ("MFRS 15"). An opening balance adjustment of RM48.4 million reduction in retained earnings on adoption of MFRS 15 was recognised as at 1 January 2018. The Group elected the modified retrospective transition approach in adoption of MFRS 15. Significant effort was spent in assessing the impact of first time adoption of MFRS 15 as: • Most of the contracts within the Group involve multi-elements arrangement which would include combinations of construction, conversion, engineering services, charter and other support services within one contract. Where multiple contracts are signed for the same project, these contracts are negotiated together and assessed together as one contract. • The transaction price is then allocated to each performance obligation on the basis of the relative standalone selling prices of each distinct goods or services promised in the contract. This requires estimation of the expected costs to be incurred and a rate of return at lease inception. We focused on this area as significant estimates and judgements were applied in determining the performance obligations and standalone selling price. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements.*	We assessed management's identification of performance obligations within a contract by performing the following: • We read and understood the key terms and conditions of significant contracts with customers on sampling basis; and • We tested the operating effectiveness of controls over management's assessment of the allocation of the transaction price between various performance obligations. We assessed management's assumptions on the basis of determination of standalone selling price by performing the following: • We read revenue contracts on sampling basis and held discussions with the Group to check the expected rate of return on each performance obligation identified; • We tested the operating effectiveness of controls over the approvals of customers contracts and budgets including the estimation of cost in determining the standalone selling price; • We evaluated the expected costs identified by management to be incurred in delivering the identified performance obligation by comparing the information to the historical and market data; and • We evaluated the basis of rate of return determined for each performance obligation with similar contracts within the Group and other market data. We evaluated the appropriateness and completeness of management's disclosures in the consolidated financial statements in accordance with the requirements of MFRS 15. Based on the procedures performed above, we did not find any material exceptions.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Recoverability of trade receivables *Refer to Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements, Preface to the financial statements section E – Financial and capital risk management objectives and policies and Note 21 – Trade receivables.*	
The Group adopted MFRS 9 "Financial Instruments" ("MFRS 9") on 1 January 2018. MFRS 9 introduces an expected credit loss ("ECL") impairment model, which requires the use of significant assumptions about future economic conditions and credit risk of the customers. An opening balance adjustment of RM15.5 million was made for additional loss allowances as at 1 January 2018. Management has assessed the lifetime expected credit loss of trade receivables amount using the simplified approach incorporating credit rating buckets, expected loss rates, forward looking information and probability weighted estimates. As at 31 December 2018, the Group's trade receivables prior to loss allowance was RM1.2 billion. Of this amount, RM404.9 million has been provided for as loss allowance. We gave audit focus and attention to this area considering the material amounts involved and significant management judgement required over the probability weighted estimates on receipts of trade receivables. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements.*	Upon the first time adoption of MFRS 9, we assessed the appropriateness of the Group's loss allowance policy in accordance with the requirement under MFRS 9. We evaluated management's assumption on the opening balance adjustment to the Group's retained earnings to confirm that adjustments are made without the use of hindsight and ECL is recognised within the appropriate period. We checked the expected timing and quantum of receipts of trade receivables by comparing it to the historical payment trend of individual customers and sighting of correspondence between the Group and the customers. We have assessed and considered the reasonableness of the forward looking information included in management's assessment. We held discussions with management to determine the appropriateness of the ongoing negotiations on recovery of trade receivables to the assumptions included in the ECL model, namely on likelihood, quantum and timing of receipt of the balances. We found management's assessment of its loss allowance of trade receivables 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 (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Recoverability of amounts in relation to the services agreement relating to the FPSO vessel Armada Claire with Woodside Energy Julimar Pty Ltd ("Woodside")	
Refer to Note 22 - Accrued lease rentals and Note 43 – Material litigation.	
In March 2016, Woodside, the charterer of a FPSO vessel – Armada Claire terminated the services agreement ("contract") 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, (which was impaired to its recoverable amount in 2016) and the recoverability of the amounts in relation to the contract, by ABPL.	We held discussions with senior management personnel and experts with direct knowledge of the matter and read supporting documents provided to us by management to understand the latest status of proceedings and ABPL's position based on the contract. We also discussed with management the likely timing of the recovery of these amounts based on the progress of the case and expected resolution date based on the latest court timelines.
The Group, having evaluated its contractual position through independent due diligence review(s), has taken the view that the termination of the contract was unlawful and ABPL is therefore contractually entitled to compensation claims based on the contract. ABPL filed a Statement of Claim at the Supreme Court of Western Australia on 20 April 2016 against Woodside and the trial commenced on 18 February 2019. The parties served written closing submissions and made closing oral submissions on 26 and 27 March 2019 respectively and the Judgement is expected to be presented between October to December 2019.	We found the information provided and the discussions with the parties described above to be materially consistent with management's assessment of the recoverability of the amount.
Management has assessed the lifetime ECL of the amount by taking into consideration the probability-weighted estimation of court's judgement, timing of court's judgement, quantum of compensation claims and timing of receipt of compensation claims.	
We gave audit focus to this area in view of financial implication and judgement involved surrounding the recoverability of the receivables on the basis that the termination of the contract was unlawful. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements.*	

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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 Preface to the financial statements section C – Summary of significant accounting policies, Preface to the financial statements section D – Critical accounting estimates and judgements, and Note 12 – Investments in subsidiaries and Note 26 – amounts due from subsidiaries.* As at 31 December 2018, the Company's amount due from subsidiaries and investments in subsidiaries amounted to RM0.4 billion and RM4.5 billion respectively.	
<ins>Amounts due from subsidiaries</ins> An assessment on the recoverability of the amounts due from subsidiaries were made based on the general 3-stage ECL model requirement under MFRS 9 "Financial Instruments". The ECL is made based on the contractual terms that the balances are repayable on demand as at the reporting date. No additional loss allowance were made during the financial year as management expects that the subsidiaries are able to meet their obligation to repay these balances based on the availability of cash flows as at the financial year end and/or that there are sufficient future cash flows from the subsidiaries to settle the outstanding balances.	<ins>Amounts due from subsidiaries</ins> We evaluated the reasonableness of the key assumptions that affected the amounts and timing of cash flows available to the subsidiaries for repayments of the amounts due under the ECL model. These key assumptions are contractual and estimated revenue, estimated utilisation and charter rates of vessels and expected sale of vessels. These key assumptions were checked against historical trends, contracts with customers and the expected fair value less costs of disposal of vessels. We held discussions with management to understand the underlying assumptions of the respective future cash flows used to determine the recoverable amounts of the amounts due from subsidiaries. We have also considered other contractual obligations of the subsidiaries to pay cash that have priority for repayment over the amounts due.

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 (CONTINUED)

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 (continued)	
Amounts due from subsidiaries (continued)	Amounts due from subsidiaries (continued)
We gave audit focus and attention to this area considering the material amounts involved and significant management judgement required over the expected timing and quantum of repayments from the subsidiaries. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements.*	Based on the above, our evaluation of the recoverability of the amounts due from subsidiaries is materially consistent with management's assessment.
Investments in subsidiaries	Investments in subsidiaries
An assessment on the recoverability of the costs of investment in subsidiaries were made based on the impairment assessment in accordance with the requirement under MFRS 136 "Impairment of Asset". The Company recognised an impairment loss on its investment in subsidiaries amounting to RM18.3 million during the financial year as there are insufficient future cash flows expected from the Company's investment in these subsidiaries. We focused on the impairment assessment of those balances with impairment indicators, given the significant estimates involved in determining the future cash flow from the subsidiaries. The details of the significant estimates and judgement used by the management of the Group have been disclosed in *Preface to the financial statements section D – Critical accounting estimates and judgements.*	In addition to the procedures mentioned under "Amounts due from subsidiaries" above on the future cash flows, we evaluated the reasonableness of repayment of amounts due from subsidiaries the estimated operational cash flows to assess the cash flow available for dividends by the respective subsidiaries. Based on the above, our evaluation of the recoverability of cost of investment is materially consistent with management's assessment.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Information other than the financial statements and auditors' report thereon

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and Statement on Risk Management and Internal Control, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Auditors' responsibilities for the audit of the financial statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 12 to the financial statements.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SUBATHRA A/P GANESAN
03020/08/2020 J
Chartered Accountant

Kuala Lumpur
25 April 2019

ANALYSIS OF SHAREHOLDINGS

as at 29 March 2019

Issued Shares : 5,870,937,544
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	473	16	7,091	275	0.00	0.00
100 - 1,000	1,616	20	1,016,050	12,050	0.02	0.00
1,001 - 10,000	10,037	85	56,200,902	492,800	0.96	0.01
10,001 - 100,000	8,776	149	329,048,050	6,246,310	5.60	0.11
100,001 - 293,546,876*	2,004	193	2,028,541,124	558,334,492	34.55	9.51
293,546,877 and above**	3	-	2,891,038,400	-	49.24	-
Total	22,909	463	5,305,851,617	565,085,927	90.37	9.63

* 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	17,239	204	822,120,112	43,041,253	14.00	0.73
Banks/Finance Companies	36	2	838,032,475	3,120,000	14.27	0.05
Investment Trusts/ Foundation/ Charities	1	-	270,000	-	0.00	-
Other Types of Companies	178	3	2,502,754,106	153,200	42.63	0.00
Government Agencies/ Institutions	2	-	825,000	-	0.01	-
Nominees	5,453	254	1,141,849,924	518,771,474	19.45	8.84
Total	22,909	463	5,305,851,617	565,085,927	90.37	9.63

05

DIRECT AND DEEMED INTERESTS IN THE COMPANY AND/OR ITS RELATED CORPORATIONS

Direct and deemed Interests in the issued shares and options over unissued shares in the Company and in its related corporations as at 29 March 2019 are set out below:

1. Directors

	Direct		Deemed	
	No. of Issued Shares	**% of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
Tunku Ali Redhauddin ibni Tuanku Muhriz	20,000[(1)]	0.000	-	-
Alexandra Schaapveld	900,000[(2)]	0.015	-	-
Chan Chee Beng	2,511,200[(3)]	0.043	-	-
Leon Andre Harland	2,137,800	0.036	-	-

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

2. Senior Management

	Direct		Deemed	
	No. of Issued Shares	**% of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
Leon Andre Harland	2,137,800	0.036	-	-
Anusoorya Themudu	148,500	0.003	-	-
James Oliver Ellis	106,100	0.002	-	-
Megat Zariman bin Abdul Rahim	75,200	0.001	-	-

The Senior Management have indirect interest in the securities of the Company by virtue of their shares under the Management Incentive Plan ("MIP")

	2017 Annual Grant[(1)]	**Grant over 3-year[(2)]**	**2018 Annual Grant[(3)]**
Leon Andre Harland[(4)]	4,275,500	Up to 8,551,000	Up to 6,426,900
Anusoorya Themudu	297,000	Up to 1,590,900	Up to 1,060,200
James Oliver Ellis	212,100	Up to 1,590,900	Up to 1,060,200
Megat Zariman Bin Abdul Rahim	150,200	-	Up to 1,060,200
Leong Wei Kit	-	-	Up to 1,060,200

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019

(1) The 2017 Annual Grant has been awarded upon fulfillment of vesting conditions and individual performance target. One-third (1/3) of the awarded MIP shares has been vested in May 2018. The remaining unvested shares have been parked under a "Bonus Bank" and one-third (1/3) of the unvested shares will become vested annually. The next vesting will be occurring on or after 1 April 2019.

(2) For the Grant over a 3-year period, the MIP Shares shall be vested entirely at the end of the 3-year period, with vesting occurring on or before 1 May 2020 subject to fulfillment of vesting conditions.

(3) The 2018 Annual Grant, subject to vesting conditions and after fulfillment of performance target, will be awarded and parked under a “Bonus Bank”, and one-third (1/3) to the granted shares in the “Bonus Bank’’ will become vested annually, with the next vesting occurring on or before 1 May 2019.

(4) The MIP Committee has approved the awarded unvested MIP shares of 4,275,500 under the 2017 Annual Grant to Mr Leon Andre Harland be vested by 15 May 2019. The MIP shares that have yet to be awarded (the 3-year Grant and 2018 Annual Grant) will be forfeited.

SUBSTANTIAL SHAREHOLDERS’ INTERESTS

The direct and deemed interests of the Substantial Shareholders in the shares of the Company as at 29 March 2019, based on the Register of Substantial Shareholders of the Company are set out below:

	Direct		Deemed	
	No. of Issued Shares	**% of Issued Shares**	**No. of Issued Shares**	**% of Issued Shares**
Objektif Bersatu Sdn Bhd	2,048,288,000	34.89	-	0.00
AmanahRaya Trustees Berhad Amanah Saham Bumiputera	502,305,000	8.56	-	0.00
Employees Provident Fund Board	417,043,900	7.10	-	0.00
Saluran Abadi Sdn Bhd	-	0.00	360,002,600 (1)	6.13
Farah Suhanah binti Ahmad Sarji	-	0.00	360,002,600 (2)	6.13
Mutu Saluran Sdn Bhd	-	0.00	2,048,288,000 (3)	34.89
Usaha Tegas Sdn Bhd	-	0.00	2,048,288,000 (4)	34.89
Pacific States Investment Limited	-	0.00	2,048,288,000 (5)	34.89
Excorp Holdings N.V	-	0.00	2,048,288,000 (6)	34.89
PanOcean Management Limited	-	0.00	2,048,288,000 (6)	34.89
Ananda Krishnan Tatparanandam	-	0.00	2,048,288,000 (7)	34.89

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 Companies Act 2016 ("CA 2016"). The Shares held via the SASB subsidiaries are held under discretionary trusts for Bumiputera objects. As such, SASB does not have any economic interest in the Shares held by the SASB subsidiaries, as such interest is held subject to the terms of discretionary trusts.*

(2) *Deemed interest by virtue of her shareholding in SASB pursuant to Section 8 of the CA 2016. However, she does not have any economic interests in the Shares held via SASB Subsidiaries as such interest is held subject to the terms of discretionary trusts for Bumiputera objects. See Note (1) above for SASB deemed interest in the Shares.*

(3) *Deemed interest by virtue of its shareholding in Objektif Bersatu Sdn. Bhd. pursuant to Section 8 of the CA 2016.*

(4) *Usaha Tegas Sdn. Bhd. ("UTSB") is deemed to have an interest in all of the Shares in which Mutu Saluran Sdn. Bhd. ("MSSB") has an interest, by virtue of UTSB being entitled to exercise 100% of the votes attached to the voting shares of MSSB. See Note (3) above for MSSB's deemed interest in the Shares.*

(5) *Pacific States Investment Limited ("PSIL") is deemed to have an interest in all of the Shares in which UTSB has an interest, by virtue of PSIL being entitled to exercise 99.999% of the votes attached to the voting shares of UTSB. See Note (4) above for UTSB's deemed interest in the Shares.*

(6) *The shares in PSIL are held by Excorp Holdings N.V. which is in turn held 100% by PanOcean Management Limited ("PanOcean"). See Note (5) above for PSIL's deemed interest in the Shares. PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean is deemed to have an interest in the Shares, it does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust.*

(7) *TAK is deemed to have an interest in the Shares, by virtue of his deemed interest in PanOcean. See Note (6) above for PanOcean's deemed interest in the Shares. Although TAK is deemed to have an interest in the Shares, he does not have any economic or beneficial interest over such Shares, as such interest is held subject to the terms of the discretionary trust referred to in Note (6) above.*

ANALYSIS OF SHAREHOLDINGS
as at 29 March 2019

TOP 30 SECURITIES ACCOUNTHOLDERS BASED ON THE RECORD OF DEPOSITORS

No.	Name	No. of Issued Shares	% of Issued Shares
1	Objektif Bersatu Sdn Bhd	2,048,288,000	34.89
2	AmanahRaya Trustees Berhad Amanah Saham Bumiputera	502,305,000	8.56
3	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board	340,445,400	5.80
4	Karisma Mesra Sdn Bhd	236,278,650	4.02
5	CIMSEC Nominees (Tempatan) Sdn Bhd CIMB Bank for Ombak Damai Sdn Bhd (PBCL-0G0080)	110,106,300	1.88
6	Citigroup Nominees (Asing) Sdn Bhd Exempt AN for Citibank New York (Norges Bank 14)	103,649,750	1.77
7	AmanahRaya Trustees Berhad Amanah Saham Malaysia 2 - Wawasan	83,519,800	1.42
8	Wijaya Sinar Sdn Bhd	78,759,550	1.34
9	AmanahRaya Trustees Berhad Amanah Saham Malaysia	78,079,600	1.33
10	AmanahRaya Trustees Berhad Amanah Saham Bumiputera 2	65,000,000	1.11
11	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Emerging Markets Stock Index Fund	61,993,928	1.06
12	Urusharta Jamaah Sdn Bhd	51,962,800	0.89
13	HSBC Nominees (Asing) Sdn Bhd JPMCB NA for Vanguard Total International Stock Index Fund	50,360,087	0.86
14	Valuecap Sdn Bhd	48,282,025	0.82
15	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (CIMB Prin)	47,495,500	0.81

No.	Name	No. of Issued Shares	% of Issued Shares
16	Wijaya Baiduri Sdn Bhd	44,964,400	0.77
17	Maybank Nominees (Tempatan) Sdn Bhd Etiqa Life Insurance Berhad (Growth)	34,044,400	0.58
18	HSBC Nominees (Asing) Sdn Bhd Exempt AN for Credit Suisse (SG BR-TST-Asing)	31,953,425	0.54
19	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Fong Siling (CEB)	30,000,000	0.51
20	DB (Malaysia) Nominee (Asing) Sdn Bhd SSBT Fund TCT9 for California State Teachers Retirement System	27,528,800	0.47
21	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Chai Beng (CEB)	24,500,000	0.42
22	AmanahRaya Trustees Berhad Amanah Saham Malaysia 3	23,471,500	0.40
23	Dushyanthi Perera	20,000,000	0.34
24	Tan Yu Wei	18,450,000	0.31
25	Citigroup Nominees (Asing) Sdn Bhd CBNY for Dimensional Emerging Markets Value Fund	18,001,700	0.31
26	Citigroup Nominees (Tempatan) Sdn Bhd Employees Provident Fund Board (Aberdeen)	17,848,500	0.30
27	Citigroup Nominees (Asing) Sdn Bhd CBNY for Emerging Market Core Equity Portfolio DFA Investment Dimensions Group Inc	14,173,826	0.24
28	Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Shanmugam A/L Thoppalan (8069535)	13,188,800	0.22
29	Seng Siaw Wei	13,000,000	0.22
30	Tan Yu Yeh	13,000,000	0.22

GLOSSARY OF TECHNICAL AND OTHER TERMS

Term	Description
AC	Audit Committee
AIMP	Actionable Improvement Programme
Board	Board of Directors
BAB	Bumi Armada Berhad
BAN	Bumi Armada Navigation Sdn Bhd
BSC	British Safety Council
BU	Business Unit
CA2016	Companies Act 2016
CG Guide	Corporate Governance Guide 3rd Edition
EBITDA	Earnings Before Interest, Taxes, Depreciation, Amortisation and Impairment
EMEPMI	ExxonMobil Exploration and Production Malaysia Inc
ERM	Enterprise Risk Management
EXCO	Executive Committee
ED	Executive Director
ESOS	Employee Share Option Scheme
EA	External Auditor
FPO	Floating Production & Operations
FPSO	Floating Production Storage Offloading
FSU	Floating Storage Unit
FBM KLCI	FTSE Bursa Malaysia Kuala Lumpur Composite Index
GHG	Green House Gas
HSSEQ	Health Safety Security Environment and Quality
IAD	Internal Audit Department
IMCA	International Marine Contractors Association

Term	Description
IMO	International Marine Organisation
JV	Joint Venture
LOA	Limits of Authority
LNG	Liquified Natural Gas
LTI	Lost Time Injury
Lukoil	LUKOIL Nizhnevolzhskneft
MMLR	Main Market Listing Requirement
MASB	Malaysian Accounting Standard Board
MCCG	Malaysian Code on Corporate Gov
MFRS	Malaysian Financial Reporting Standards
MIP	Management Incentive Plan
NC	Nomination & Corporate Governance Committee
NED	Non-Executive Director
OMS	Offshore Marine Services
OSV	Offshore Support Vessel
O&G	Oil and Gas
PwC	PricewaterhouseCoopers PLT
RC	Remuneration Committee
RMC	Risk Management Committee
SC	Subsea Construction
TOR	Terms of Reference
TRIFC	Total Recordable Incident Frequency Rate
UNICEF	United Nations Children Emergency Fund
VIU	Value-In-Use
STS	Ship to Ship

NOTICE OF ANNUAL GENERAL MEETING

Date/Time **:** Tuesday, 28 May 2019 at 2.00 p.m.
Venue **:** Manhattan Ballroom, Level 14, Berjaya Times Square Hotel, 1 Jalan Imbi, 55100 Kuala Lumpur, Malaysia.

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting ("23rd AGM") of Bumi Armada Berhad ("Bumi Armada" or the "Company") will be held at 2.00 p.m. on Tuesday, 28 May 2019 at Manhattan Ballroom, Level 14, Berjaya Times Square Hotel, 1 Jalan Imbi, 55100 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 2018 and the Reports of the Directors and Auditors thereon.
   (Please see Explanatory Note 1)

2. To re-elect Ms Alexandra Schaapveld who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, 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 Ms Maureen Toh Siew Guat who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, and who being eligible, offers herself for re-election as a Director of the Company. **Resolution 2**
   (Please see Explanatory Note 2)

4. To approve the payment of fees and benefits to the Non-Executive Directors up to an amount of RM3.2 million from 29 May 2019 until the conclusion of the next annual general meeting of the Company to be held in 2020. **Resolution 3**
   (Please see Explanatory Note 3)

5. To re-appoint Messrs PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration for that year. **Resolution 4**
   (Please see Explanatory Note 4)

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

6. Authority to issue new ordinary shares pursuant to Section 75 and Section 76 of the Companies Act, 2016 ("**CA 2016**") and the Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). **Resolution 5**

   "THAT, the Directors be and are hereby empowered, pursuant to Sections 75 and 76 of the CA 2016, to issue and allot shares in the Company, at any time, to such persons and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit including in pursuance of offers, agreements or options to be made or granted by the Directors while this approval is in force and that the Directors be and are hereby further authorised to make or grant offers, agreements or options in respect of shares in the Company including those which would or might require shares in the Company to be issued after the expiration of the approval hereof provided that the aggregate number of shares to be issued pursuant to this approval does not exceed 10% of the total number of issued shares of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing of and

quotation for the additional shares so issued on Bursa Securities and that such authority shall continue in force until the conclusion of the next annual general meeting of the Company, subject always to the CA 2016, the Constitution of the Company, the MMLR and the approvals of all relevant regulatory bodies being obtained (if required)."
(Please see Explanatory Note 5)

7. Proposed offer, grant and/or allotment in respect of ordinary shares in the Company to Mr Gary Neal Christenson, Executive Director pursuant to the Company's Management Incentive Plan ("**MIP**") **Resolution 6**

"THAT authority be and is hereby given to the Directors of the Company to:

(i) make and/or award offers and grants to Mr Gary Neal Christenson, Executive Director 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 USD1,750,000 or its equivalent amount in Ringgit Malaysia (converted using the middle rate of Bank Negara Malaysia foreign exchange) divided by the 5-day volume weighted average market price of the Bumi Armada Shares preceding the date of the offer as traded on Bursa 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
30 April 2019

INSTRUCTIONS FOR APPOINTMENT OF PROXY

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote for him/her subject to the following provisions:

   (i) save as provided for in Note 2, the Companies Act, 2016 ("**CA 2016**") and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and

   (ii) where a member appoints more than one (1) proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting; and

   (ii) where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:

   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Boardroom Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia,** not less than 24 hours before the time appointed for the taking of the poll at the 23rd AGM (i.e. the proxy form needs to be deposited no later than 27 May 2019 at 2.00 p.m.) or adjourned meeting. Otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Faxed copies of the duly executed form of proxy are not acceptable.

6. The resolutions put to the votes at the 23rd AGM shall be determined by poll. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting 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 23rd 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 17 May 2019 shall be entitled to attend the said meeting or appoint proxies to attend on their behalf.

EXPLANATORY NOTES

1) AUDITED FINANCIAL STATEMENTS AND THE REPORTS OF THE DIRECTORS AND AUDITORS THEREON

The audited Financial Statements and the Reports of the Directors and Auditors thereon for the financial year ended 31 December 2018, will be laid before the Company at the 23rd AGM for consideration of the members pursuant to the Campanies 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 OF DIRECTORS

Pursuant to Rule 131.1 of the Company's Constitution, at least one-third (1/3) of Directors should retire by rotation or if that number is not a multiple of three (3), then the number nearest to one-third (1/3) should retire. Further, any Director of the Company appointed by the Board of Directors ("**Board**") pursuant to Rule 116 of the Constitution shall not be taken into account in determining the Directors who are to retire by rotation. Presently, we have seven (7) Directors on the Board. Mr Gary Neal Christenson will be appointed as the Chief Executive Officer ("**CEO**") of the Company effective 16 May 2019 in place of Mr Leon Andre Harland, the current CEO whose tenure will end on 15 May 2019. Mr Leon Andre Harland was not taken into account in determining the two (2) Directors who will be up for retirement by rotation pursuant to Rule 131.1 at the 23rd AGM. Ms Alexandra Schaapveld and Ms Maureen Toh Siew Guat, who are both Non-Executive Directors, are due for retirement at the 23rd AGM, and being eligible, they have offered themselves for re-election as Directors of the Company.

The performance of both the Directors was assessed based on the Board Annual Evaluation exercise for 2018. Additionally, both of the Directors were also assessed following a one-on-one session with the Board Chairman.

In respect of the independence of Ms Alexandra Schaapveld, an Independent Director, she has provided her annual declaration and confirmation on her independence.

Further to such assessment exercise, the Board is satisfied that the Directors standing for re-election have performed their duties as per the Board Charter, demonstrated the qualities as outlined in Guidance for Practice 5.1 of the Malaysian Code of Corporate Governance 2017 and has the character, experience, integrity, competence and time to effectively discharge their role as Directors. In this regard, the Board is assured that the Directors standing for re-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 the above, the Board approved the Nomination & Corporate Governance Committee's ("**NC**") recommendation that the Directors who retire in accordance with Rule 131.1 of the Constitution are eligible to stand for re-lection. The retiring Directors had abstained from deliberations and decisions on their proposed re-election at the respective NC and Board meetings.

Both the Directors offering themselves for re-election have consented to the same.

For details of the Directors who are standing for re-election, Ms Alexandra Schaapveld and Ms Maureen Toh Siew Guat, please refer to the Directors' Profiles on pages 32 and 33 of the Annual Report 2018.

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 23rd AGM for the fees and benefits payable to the Directors.

At the Company's annual general meeting in May 2018, the shareholders had approved the payment of fees and benefits to the Non-Executive Directors ("**NEDs**") up to an amount of RM4.5 million from 31 May 2018 until the conclusion of the forthcoming 23rd AGM. The payment of remuneration to the NEDs for the said period did not exceed RM3.0 million. The details of the remuneration of Directors for FYE 31 December 2018 are disclosed on pages 144 to 146 of the Annual Report 2018.

The NEDs' fees and benefits comprises fees, meeting allowances and other emoluments payable to the Chairman and members of the Board and Board Committees. The NEDs' current remuneration framework is as set out below which came into effect on 1 July 2014. In the third quarter of 2018, the Board reviewed the Board Committees' structure with a view to ensuring continuing efficiencies in respect of its organisational and decision-making framework, following which it decided to discontinue the Executive Committee ("**EXCO**") effective 1 September 2018. The duties of the EXCO were assumed by the Risk Management Committee ("**RMC**") and following its enhanced duties, the fees for the Chairman and members of the RMC were increased to be similar to that of the Chairman and members of the Audit Committee ("**AC**") with effect from 1 September 2018. The revised fees for the Chairman and members of the RMC were within the shareholders' mandate obtained at the annual general meeting in 2018:

Description	Chairman	NEDs
(i) Director Fee		
• Monthly fixed allowance	RM40,667	RM15,000
• Board Committees (AC and RMC)	RM10,000	RM6,000
• Board Committees (Remuneration Committee and NC)	RM4,000	RM2,500

	Board Chairman	Member (based in Malaysia)	Member (based outside Malaysia)
(ii) Meeting allowance (per meeting day)*			
• For meetings in Malaysia	RM3,500	RM2,000	USD1,000
• For meetings outside Malaysia	USD1,500	USD1,000	USD1,000
(iii) Other Benefits			
Monthly car allowance	RM12,000	-	-

* The meeting allowance includes the allowance for travel days to attend meeting

The proposed amount of RM3.2 million for the payment of directors' fees and benefits for the period from 29 May 2019 to the next annual general meeting in 2020 comprise the estimated total fees of RM2.4 million and estimated total benefits of RM800,000. The proposed amount of RM3.2 million has taken into account the potential appointment of a new director in 2019.

The NEDs who are shareholders of the Company will abstain from voting on the proposed Resolution 3 and will ensure that persons connected to him/her abstain from doing so.

4) RE-APPOINTMENT OF AUDITORS

Messrs. PricewaterhouseCoopers PLT, 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 2019. The Board has approved the AC'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 Main Market Listing Requirements ("MMLR")

Proposed Resolution 5 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 29 March 2019, the Company has not issued any new shares pursuant to the previous mandate.

Proposed Resolution 5, 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 Mr Gary Neal Christenson, Executive Director pursuant to the Company's Management Incentive Plan ("MIP")

Proposed Resolution 6 are to seek authority in respect of the proposed offer, grant and/or allotment in respect of ordinary shares in the Company under the MIP to Mr Gary Neal Christenson ("**Mr Christenson**"), Executive Director.

On 23 May 2016, we had obtained your approval for the establishment of the MIP including the authority to offer, grant and/or allot shares to employees and executive directors who fulfil the criteria of eligibility for participation in the MIP.

The proposed offer, grant and/or allotment in respect of ordinary shares under the Company's MIP to Mr Christenson, is intended to, amongst others, serve as a long term incentive plan that aligns the Executive Director's interests with the long term objectives and business strategies of our Group.

NOTICE OF ANNUAL GENERAL MEETING

Proposed Resolution 6, if passed, would enable the Company to award annual Grants and Grants over a 2-year period to Mr Christenson during the period from the 23rd AGM up to the conclusion of the next annual general meeting of the Company, comprising such number of ordinary shares with a value up to the amounts set out below:

	Amount of annual Grant	**Amount of Grant over a 2-year period**	**Total amount**
	USD	**USD**	**USD**
Mr Gary Neal Christenson	750,000	1,000,000	1,750,000
			1,750,000

The details on the MIP are set out in the Directors' Report and Note 37 to the financial statements.

Mr Christenson will abstain from voting on the proposed Resolution 6 and will ensure that persons connected to him abstain from doing so.

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]

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-Third Annual General Meeting of the Company to be held on 28 May 2019 at 2.00 p.m. at Manhattan Ballroom, Level 14, Berjaya Times Square Hotel, 1 Jalan Imbi, 55100 Kuala Lumpur, Malaysia** and at any adjournment thereof.

*I/*We indicate with an "X" in the spaces below how *I/*we wish *my/*our vote to be cast:

No.	Resolutions	For	Against	Abstain
	Ordinary Resolutions			
1	To re-elect Alexandra Schaapveld who retires by rotation in accordance with Rule 131.1 of the Company's Constitution, 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 Rule 131.1 of the Company's Constitution, and who being eligible, offers herself for re-election as a Director of the Company.			
3	To approve the payment of directors' fees and benefits to the Non-Executive Directors up to an amount of RM3.2 million from 29 May 2019 until the conclusion of the next annual general meeting of the Company in 2020.			
4	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company for the financial year ending 31 December 2019 and to authorise the Directors to fix their remuneration for that year.			
5	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.			
6	To offer, grant and/or allotment in respect of ordinary shares in the Company to Gary Neal Christenson, Executive Director pursuant to the Company's Management Incentive Plan.			

Subject to the above stated voting instructions, *my/*our *proxy/*proxies may vote or abstain from voting on any resolutions as *he/*she/*they may think fit.

If appointment of proxy by an individual or a corporation is under hand Signed by *individual member/*officer or attorney of member/*authorised nominee of (beneficial owner)	No. of shares held: Securities Account No.: (Compulsory) (CDS Account No.) Date:	The proportions of *my/*our holding to be represented by *my/*our *proxy/*proxies are as follows: **First Proxy** No. of shares: Percentage: %
If appointment of proxy by a corporation is under seal The Common Seal of was hereto affixed in accordance with its Constitution in the presence of:- Director *Director/*Secretary in its capacity as *member/*attorney of member/*authorised nominee of (beneficial owner)	Seal No. of shares held: Securities Account No.: (CDS Account No.) (Compulsory) Date:	**Second Proxy** No. of shares: Percentage: %

* *Delete if inapplicable*

NOTES :

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend, participate, speak and vote for him/her subject to the following provisions:

   (i) save as provided for in Note 2, the Companies Act 2016 ("CA 2016") and any applicable law, each member shall not be permitted to appoint more than two (2) proxies; and
   (ii) where a member appoints more than one (1) proxy, the appointment shall be invalid provided that he/she specifies the proportion of the member's shareholdings to be represented by each proxy.

2. For the avoidance of doubt and subject always to Note 1, the CA 2016 and any applicable law:

   (i) where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be made separately or in one instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting;
   (ii) where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.

3. A proxy may but need not be a member of the Company. There shall be no restriction as to the qualification of the proxy.

4. The instrument appointing a proxy shall:
   (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
   (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.

5. The instrument appointing a proxy must be deposited at the office of the **Company's Share Registrars, Boardroom Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor, Malaysia,** not less than 24 hours before the time appointed for the taking of the poll at the 23rd AGM (i.e. the proxy form needs to be deposited no later than 27 May 2019 at 2.00 p.m.) or adjourned meeting. Otherwise, the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Faxed copies of the duly executed form of proxy are not acceptable.

6. The resolutions put to the votes at the 23rd AGM shall be determined by poll. A proxy may vote on a poll. If the form of proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

7. The lodging of a form of proxy does not preclude a member from attending and voting 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.

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THE SHARE REGISTRARS OF
BUMI ARMADA BERHAD
(Company No.:370398-X)

Boardroom Share Registrars Sdn Bhd
Level 6, Symphony House
Pusat Dagangan Dana 1, Jalan PJU 1A/46
47301 Petaling Jaya
Selangor, Malaysia

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