

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

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BUMI ARMADA

BUMI ARMADA BERHAD

(Company No.: 370398-X)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

SHAREHOLDERS' AUTHORITY FOR THE PROPOSED OFFER AND GRANT OF ORDINARY SHARES UNDER THE COMPANY'S MANAGEMENT INCENTIVE PLAN TO THE FOLLOWING EXECUTIVE DIRECTORS OF BUMI ARMADA BERHAD:

- (I) LEON ANDRE HARLAND, EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER; AND**
- (II) SHAHARUL REZZA BIN HASSAN, EXECUTIVE DIRECTOR/HEAD OF OFFSHORE MARINE SERVICES**

Prepared by



CIMB Investment Bank Berhad (18417-M)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolutions in respect of the Proposed Offer and Grant of Shares will be tabled at our **Twenty-First Annual General Meeting ("21st AGM")** which will be held on **Tuesday, 30 May 2017 at 2.30 p.m. at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia.**

The Notice of the 21st AGM together with the Form of Proxy are incorporated in the abridged version of Bumi Armada Berhad's 2016 Annual Report, which is enclosed together with this Circular.

If you are entitled to attend and vote at the 21st AGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you decide to do so, you must deposit the Form of Proxy for the 21st AGM at the office of Bumi Armada Berhad's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for the taking of the poll at the 21st AGM. The lodging of the Form of Proxy for the 21st AGM will not preclude you from attending and voting in person at the 21st AGM should you subsequently decide to do so.

Last day, date and time for lodging the Form of Proxy : Monday, 29 May 2017 at 2.30 p.m.

This Circular is dated 28 April 2017

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular:

Act	: Companies Act, 2016
AGM	: Twenty-First Annual General Meeting of Bumi Armada
Board	: Board of Directors of Bumi Armada
Bumi Armada or our Company	: Bumi Armada Berhad (370398-X)
Bumi Armada Group or our Group	: Bumi Armada and its subsidiaries, collectively
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
By-Laws	: By-laws governing the MIP
CDS Account	: A securities account established by Bursa Malaysia Depository Sdn Bhd for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities
CEO	: Chief Executive Officer
CIMB	: CIMB Investment Bank Berhad (18417-M)
Director	: Shall have the same meaning given in Section 2(1) of the Capital Markets and Services Act, 2007, as amended from time to time and any re-enactment thereof
ED	: Executive Director
Eligible Employee	: An employee of any company within our Group (including an ED) and includes any person who is proposed to be employed as an employee of our Group (including an ED), who is eligible to be selected to participate in the MIP on the terms set out in the By-Laws
Existing ESOS	: The 2011 Employee Share Option Scheme of our Company established on 28 June 2011 for the grant of Options to eligible employees of our Group and the EDs of our Company to subscribe for new Shares, which is valid for a period of 10 years and expiring on 27 June 2021
FYE	: Financial year ended/ending
Grant	: The entitlement to receive Shares under the MIP
Grantees	: Selected Employees who accepted the Offer
Head of OMS	: Head of Offshore Marine Services
Leon Harland	: Leon Andre Harland, our ED/CEO
LPD	: 5 April 2017, being the latest practicable date prior to the date of this Circular

DEFINITIONS *(cont'd)*

- Major Shareholder** : A person who has an interest or interests in one or more voting shares in a corporation and the aggregate number of those shares, is:
- (i) 10% or more of the aggregate number of all the voting shares in the corporation; or
 - (ii) 5% or more of the aggregate number of all the voting shares in the corporation where such person is the largest shareholder of the corporation
- For the purpose of this definition, "interests in shares" has the meaning given in section 8 of the Act
- MFRS 2** : Malaysian Financial Reporting Standard 2 on Share-based Payment as issued by the Malaysian Accounting Standards Board
- MIP** : Management incentive plan of our Company for the Eligible Employees
- MIP Committee** : A committee comprising such persons as may be appointed and duly authorised by our Board to implement and administer the MIP in accordance with the By-Laws
- Offer** : The offer comprising a Grant made in writing by our Company to a Selected Employee in accordance with the provisions of the By-Laws
- Option** : The right to subscribe for a new Share upon acceptance of an Offer under the Existing ESOS
- Person Connected** : Shall have the same meaning given in Paragraph 1.01, Chapter 1 of the Main Market Listing Requirements of Bursa Securities as amended from time to time
- Proposed Offer and Grant of Shares** : Proposed offer, grant and/or allotment of Shares under the MIP to our ED/CEO and ED/Head of OMS
- Rezza Hassan** : Shaharul Rezza bin Hassan, our ED/Head of OMS
- Selected Employee** : An Eligible Employee selected by the MIP Committee to whom an Offer is to be made pursuant to the By-Laws
- Shares** : Ordinary shares in our Company
- Trust** : The trust as may be established to facilitate the implementation of the MIP
- Trust Deed** : The trust deed constituting the Trust, as may be entered into between our Company and the Trustee
- Trustee** : The trustee as may be appointed by our Company from time to time, to administer the trust for the MIP

CURRENCY

- RM and sen** : Ringgit Malaysia and sen, the lawful currency of Malaysia
- USD** : United States Dollar, the lawful currency of the United States

DEFINITIONS *(cont'd)*

All references to "**our Company**" in this Circular mean Bumi Armada Berhad and references to "**our Group**" mean our Company and our subsidiaries. References to "**we**", "**us**", "**our**" and "**ourselves**" mean our Company, or where the context otherwise requires, shall include our subsidiaries.

All references to "**you**" and "**yours**" in this Circular mean the shareholders of our Company, unless the context otherwise requires.

Words denoting the singular shall, where applicable, include the plural and vice versa, and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders, and vice versa. References to persons shall include corporations and vice versa.

Any reference to any enactment in this Circular is a reference to that enactment, as for the time being amended or re-enacted.

Any discrepancies in the tables included in this Circular between the amounts listed, actual figures and the totals thereof in this Circular are due to rounding adjustments.

Any reference to time of day in this Circular is a reference to Malaysian time, unless otherwise stated.

CONTENTS

	PAGE
LETTER TO SHAREHOLDERS IN RELATION TO THE PROPOSED OFFER AND GRANT OF SHARES CONTAINING:	
1. INTRODUCTION	1
2. DETAILS OF THE PROPOSED OFFER AND GRANT OF SHARES	2
3. RATIONALE FOR THE PROPOSED OFFER AND GRANT OF SHARES	5
4. EFFECTS OF THE PROPOSED OFFER AND GRANT OF SHARES	6
5. APPROVAL REQUIRED	8
6. SHARE PRICES	8
7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED	9
8. DIRECTORS' RECOMMENDATION	10
9. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION	10
10. ESTIMATED TIMEFRAME TO COMPLETION	10
11. AGM	11
12. FURTHER INFORMATION	11
APPENDICES	
I. ADDITIONAL INFORMATION	12
II. EXTRACT OF THE AGENDA FROM THE NOTICE AND AGENDA OF THE AGM PERTAINING TO THE PROPOSED OFFER AND GRANT OF SHARES	15



BUMI ARMADA

BUMI ARMADA BERHAD

(Company No.: 370398-X)
(Incorporated in Malaysia)

Registered Office:

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

28 April 2017

Board of Directors:

Tunku Ali Redhaudin ibni Tuanku Muhriz (*Chairman/Independent Non-Executive Director*)
Saiful Aznir bin Shahabudin (*Independent Non-Executive Director*)
Alexandra Elisabeth Johanna Maria Schaapveld (*Independent Non-Executive Director*)
Steven Leon Newman (*Independent Non-Executive Director*)
Uthaya Kumar A/L K Vivekananda (*Independent Non-Executive Director*)
Chan Chee Beng (*Non-Independent Non-Executive Director*)
Maureen Toh Siew Guat (*Non-Independent Non-Executive Director*)
Leon Andre Harland (*Executive Director/Chief Executive Officer*)
Shaharul Rezza bin Hassan (*Executive Director/Head of Offshore Marine Services*)

To: Our Shareholders

Dear Sir/Madam

SHAREHOLDERS' AUTHORITY FOR THE PROPOSED OFFER AND GRANT OF ORDINARY SHARES UNDER THE COMPANY'S MANAGEMENT INCENTIVE PLAN TO THE FOLLOWING EXECUTIVE DIRECTORS OF BUMI ARMADA:

- (I) **LEON ANDRE HARLAND, EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER; AND**
 - (II) **SHAHARUL REZZA BIN HASSAN, EXECUTIVE DIRECTOR/HEAD OF OFFSHORE MARINE SERVICES**
-

1. INTRODUCTION

On 30 March 2017, CIMB, on behalf of our Company, announced to Bursa Securities that our Company intends to procure your authority for the Proposed Offer and Grant of Shares at the forthcoming AGM.

The purpose of this Circular is to provide you with the relevant information pertaining to the Proposed Offer and Grant of Shares and to procure your authority for the resolutions in connection with the Proposed Offer and Grant of Shares to be tabled at the forthcoming AGM. The Notice of the AGM and the Form of Proxy are incorporated in the abridged version of our 2016 Annual Report, which is enclosed together with this Circular.

YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSED OFFER AND GRANT OF SHARES TO BE TABLED AT THE FORTHCOMING AGM.

2. DETAILS OF THE PROPOSED OFFER AND GRANT OF SHARES

The MIP which came into effect on 10 October 2016, was established to allow the award by our Company of the Grant of Shares, to be vested to the Selected Employees subject to the attainment of identified performance objectives of our Group. The MIP is implemented and administered by the MIP Committee.

The Grant will be awarded annually and/or every 3-year period to the Selected Employees.

The Grant will be subject to:

- (i) certain vesting conditions (such as timing of vesting and the number of Shares to be vested) as determined by the MIP Committee in accordance with the By-Laws; and
- (ii) fulfilment of certain performance targets and/or other conditions (based on corporate and/or business units performance, and individual performance) as determined by the MIP Committee in accordance with the By-Laws.

The MIP Committee may at its discretion decide that the vesting of any Shares comprised in a Grant be satisfied by any of the following methods:

- (i) allotment and issuance of new Shares by our Company to the Grantees;
- (ii) acquisition of existing Shares from the Main Market of Bursa Securities by the Trustee, followed by the transfer of such Shares purchased by the Trustee to the Grantees;
- (iii) any other methods as may be permitted by the Act; or
- (iv) any combination of any of the above,

(collectively, "**Settlement Mode**").

In considering the Settlement Mode of the Grant as described in (i) to (iv) above, the MIP Committee will take into consideration, among others, factors such as the prevailing market price of the Shares and the dilutive effects on our Company's share capital base, funding consideration and cash requirements of our Group.

The approval for the listing of the new Shares to be issued pursuant to the MIP has been obtained from Bursa Securities on 12 April 2016 ("**Listing Approval**").

As at the LPD, none of the Shares has been granted to Eligible Employees since the establishment of the MIP.

The details of the Options that have been granted to eligible employees of our Group and to our EDs since the establishment of the Existing ESOS and up to the LPD are set out below:

	No. of Options
Options granted	120,756,754
Options exercised	(4,673,100)
Options forfeited/lapsed	(72,283,553)
Options unexercised and outstanding	<u>43,800,101</u>

The breakdown of the unexercised and outstanding Options under the Existing ESOS is set out below:

	As at the LPD	
	No. of unexercised and outstanding Options	% of the total number of Shares⁽²⁾
EDs and members of senior management of our Group	13,761,760	0.24
Other employees	30,038,341 ⁽¹⁾	0.51
Total	43,800,101	0.75

Notes:

- (1) This includes the unexercised and outstanding Options relating to a past ED of the Company.
(2) Calculated based on our total number of Shares of 5,866,269,344 as at the LPD.

The maximum 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 and/or to be allotted and issued under the Existing ESOS, exceed 10% of the total number of Shares of our Company (excluding treasury shares) at any point of time during the duration of the MIP for a period of 10 years commencing from the effective date of the implementation of the MIP (“**Maximum Shares**”).

In the event the total number of Shares made available under the MIP combined with the Shares comprised in the Options that have been granted under the Existing ESOS (“**Aggregate Shares**”) exceeds the Maximum Shares as a result of our Company purchasing or cancelling our Shares in accordance with section 127 of the Act and/or undertaking any other corporate proposals resulting in the reduction of our total number of Shares, all Grants awarded prior to such variation of our total number of Shares, shall remain valid and may vest in accordance with the provisions of the MIP as if that purchase and/or reduction had not occurred. However, no additional Offer shall be made until the Aggregate Shares fall below the Maximum Shares allowed.

We now intend to procure authority from you to enable us to award annual Grants and Grants over a 3-year period to the following EDs during the period from the forthcoming AGM up to the next annual general meeting of our Company, comprising such number of Shares with a value up to the amounts set out below:

	Amount of annual Grant	Amount of Grant over a 3-year period⁽¹⁾	Total amount
	RM	RM	RM
Leon Harland	4,837,500	6,450,000	11,287,500
Rezza Hassan	798,000	1,200,000	1,998,000
			13,285,500

Note:

- (1) Where a Grant is awarded over a 3-year period, the number of Shares awarded under the Grant will, subject to the terms of the MIP, be vested entirely at the end of the 3-year period.

The number of Shares comprised in the Grants which are to be issued and allotted to Leon Harland and Rezza Hassan will be derived by dividing the total amount under the Grants over the 5-day volume weighted average market price (“5-day VWAMP”) of the Shares preceding the date of the Offer as traded on Bursa Securities (rounded up to the nearest 100 Shares) (or such number of Shares as determined pursuant to the provisions of the MIP).

Having this authorisation in place will give the MIP Committee the added flexibility in deciding on the Settlement Mode of the Grant since our Company would then be able to issue and allot new Shares to our EDs pursuant to the MIP.

Strictly for illustrative purposes only, the maximum number of Shares which may be issued and allotted under the Grants to our EDs (based on the 5-day VWAMP of the Shares preceding the LPD of RM0.75 and rounded up to the nearest 100 Shares) is set out below:

	Maximum number of Shares which may be issued and allotted under the Grants	% of the total number of Shares⁽¹⁾
Leon Harland	15,050,000	0.26
Rezza Hassan	2,664,000	0.04
Total	17,714,000	0.30

Note:

(1) Calculated based on our total number of Shares of 5,866,269,344 as at the LPD.

The actual number of Shares comprised in the Grants and other details thereto will be announced to Bursa Securities in due course upon such Grants being offered to and accepted by Leon Harland and Rezza Hassan (as the case may be) subject always to you granting us the authority being sought herein.

Strictly for illustrative purposes only, the proforma effects below seeks to derive the proportion arising from the total number of Shares to be issued and allotted under the Proposed Offer and Grant of Shares aggregated with the total number of new Shares to be issued under the Existing ESOS over the total number of Shares as at the LPD:

	No. of Shares	%
New Shares to be issued and allotted under the Proposed Offer and Grant of Shares	17,714,000	0.30 ⁽¹⁾
New Shares to be issued and allotted pursuant to full exercise of the outstanding Options under the Existing ESOS	43,800,101	0.75 ⁽¹⁾
Total number of Shares to be issued and allotted	<u>61,514,101</u>	<u>1.05⁽¹⁾</u>
Total number of Shares as at the LPD	(A) 5,866,269,344	
Maximum Shares	586,626,934 ⁽²⁾	10.00

Notes:

(1) Calculated based on (A).

(2) Calculated based on (A) multiplied by 10.00%.

Under the MIP, the total breakdown of the aggregate maximum amount to be allocated and the actual amount allocated to the EDs and senior management of our Group are set out below:

	Total maximum amount to be allocated under the Grants	Maximum number of Shares which may be issued and allotted under the Grants ⁽²⁾	% of the total number of Shares ⁽³⁾	Actual amount allocated as at the LPD ⁽⁴⁾
	RM		%	RM
EDs	13,285,500	17,714,000	0.30	-
Senior management of our Group	24,472,000 ⁽¹⁾	32,629,400	0.56	-
Total	37,757,500	50,343,400	0.86	-

Notes:

- (1) *The timing of the Grants to be made in respect of this allocation is in line with the timing of the Grants to be made in respect of allocation to the EDs.*
- (2) *For illustrative purposes only, the maximum number of Shares is calculated based on the total maximum allocation divided by the 5-day VWAMP of the Shares preceding the LPD of RM0.75 and rounded up to the nearest 100 Shares.*
- (3) *Calculated based on our total number of Shares of 5,866,269,344 as at the LPD.*
- (4) *As at the LPD since the effective date of implementation of the MIP on 10 October 2016.*

Pursuant to the By-Laws, the MIP Committee shall have the discretion to determine or vary the terms and conditions of the Offer from time to time, such as the eligibility criteria and allocation with respect to each Grant, the timing and frequency of the award of such Grant, the performance targets and/or other conditions, and the vesting conditions.

The consideration for the acceptance of the Offer is RM1.00 for each Grantee.

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.

In view of the Listing Approval, the approval from Bursa Securities is not required for the listing of the new Shares to be issued pursuant to the Proposed Offer and Grant of Shares.

No proceeds will be raised from the Proposed Offer and Grant of Shares given that the new Shares to be allotted and issued, and/or existing Shares to be acquired and transferred to the Grantees would not require any payment by the said Grantees.

3. RATIONALE FOR THE PROPOSED OFFER AND GRANT OF SHARES

Our Company has ceased awarding further Options under the Existing ESOS commencing from the year 2016. It is intended for both the Existing ESOS and the MIP to be implemented concurrently. For the avoidance of doubt, the outstanding Options that remain valid and exercisable will continue to be governed by the by-laws of the Existing ESOS.

The Proposed Offer and Grant of Shares is intended to, amongst others, serve as a long term incentive plan that aligns the Grantees' interests with the long term objectives and business strategies of our Group.

4. EFFECTS OF THE PROPOSED OFFER AND GRANT OF SHARES

4.1 Issued and paid-up share capital and shareholdings of substantial shareholders

The Proposed Offer and Grant of Shares is not expected to have any immediate effect on the existing issued and paid-up share capital of our Company. However, the issued and paid-up share capital of our Company may increase progressively depending on the number of new Shares to be allotted and issued pursuant to the vesting of the Grant under the Proposed Offer and Grant of Shares.

The Proposed Offer and Grant of Shares is not expected to have any immediate effect on the substantial shareholders' shareholdings in our Company until such time as and when the new Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the substantial shareholders' shareholdings in our Company in the future would depend upon the number of new Shares allotted and issued at the relevant point in time.

Strictly for illustrative purposes only, assuming full vesting of the remaining unvested and outstanding Shares of 43,800,101 under the Existing ESOS (in respect of the maximum scenario) and assuming 15,050,000 Shares and 2,664,000 Shares granted to Leon Harland and Rezza Hassan, respectively (as illustrated in Section 2 above) pursuant to the Proposed Offer and Grant of Shares are fully vested, the proforma effects of the Proposed Offer and Grant of Shares on our issued and paid-up share capital are set out in the table below:

	Minimum scenario ⁽¹⁾		Maximum scenario ⁽¹⁾	
	No. of Shares 000	RM 000	No. of Shares 000	RM 000
Issued and paid-up share capital as at the LPD	5,866,269	4,311,294 ⁽²⁾	5,866,269	4,311,294 ⁽²⁾
To be issued pursuant to full exercise of the outstanding Options under the Existing ESOS	-	-	43,800	101,270 ⁽³⁾
	5,866,269	4,311,294	5,910,069	4,412,564
To be issued pursuant to the Proposed Offer and Grant of Shares	17,714	13,286 ⁽⁴⁾	17,714	13,286 ⁽⁴⁾
Enlarged issued and paid-up share capital (after the Proposed Offer and Grant of Shares)	5,883,983	4,324,580	5,927,783	4,425,850

Notes:

- (1) No further grant of Options under the Existing ESOS.
- (2) Due to the implementation of the Act, the amount standing to the credit of our Company's share premium account and capital redemption reserve will now become part of our Company's share capital.
- (3) Calculated based on Options granted multiplied by the respective exercise price for each Option granted.
- (4) Calculated based on 17,714,000 Shares multiplied by the 5-day VWAMP of the Shares preceding the LPD of RM0.75.

4.2 Net assets and gearing

The Proposed Offer and Grant of Shares is not expected to have any material effect on the consolidated net assets per Share and the gearing of our Group until such time as and when the new Shares are allotted and issued pursuant to the vesting of the Grant. Any potential effect on the consolidated net assets per Share and the gearing of our Group in the future would depend upon the number of new Shares allotted and issued, which can only be determined at the point of vesting of the Grant and the Settlement Mode of the Grant at the date of vesting.

Nonetheless, assuming the effects of the Proposed Offer and Grant of Shares only and excluding the effects of the future earnings contribution to our Group, the consolidated net assets per Share will decrease immediately following the allotment and issuance of new Shares to satisfy any Grants pursuant to the Proposed Offer and Grant of Shares.

Notwithstanding the above, the Proposed Offer and Grant of Shares is not expected to have any material effect on the consolidated net assets per Share and the gearing of our Group for the FYE 31 December 2017.

4.3 Earnings

Under MFRS 2, the potential cost of awarding the Grant under the Proposed Offer and Grant of Shares, after taking into account, among others, the number of Shares vested and price of the Shares, will need to be measured at fair value on the date of the Grant and recognised as an expense in the consolidated statement of income over the vesting period of such Shares under the Grant.

The extent of the effect of the Proposed Offer and Grant of Shares on our Group's earnings and EPS cannot be determined at this juncture as it would depend on various factors that affect the fair value of the Shares as at the respective dates of the Grant. However, it is important to note that the potential cost of awarding the Grant under the Proposed Offer and Grant of Shares does not represent a cash outflow and is only an accounting treatment. There will be a cash outflow in the event our Company provides funding to the Trustee to acquire existing Shares from the Main Market of Bursa Securities.

Strictly for illustrative purposes, excluding the effects on the future earnings contribution to our Group and the potential cost of awarding the Grant under MFRS 2, the Proposed Offer and Grant of Shares will have a dilutive effect on our Group's EPS due to the increase in the number of Shares resulting from the Grant should there be any allotment and issuance of new Shares to satisfy any Grants pursuant to the Proposed Offer and Grant of Shares.

Our Board will take into consideration the potential impact of the relevant applicable accounting standards on our Group's future earnings when considering allocation and granting of the Offer to our Eligible Employees.

The estimated expenses in relation to the Proposed Offer and Grant of Shares (excluding the potential cost of awarding the Grant under MFRS 2) are not expected to be material.

4.4 Convertible securities

As at the LPD, save for the 43,800,101 outstanding Options under the Existing ESOS, our Company does not have any existing convertible securities.

The Proposed Offer and Grant of Shares would not have any effect on the terms and conditions of the Existing ESOS.

5. APPROVAL REQUIRED

The Proposed Offer and Grant of Shares is subject to your approval being obtained at the forthcoming AGM.

The Proposed Offer and Grant of Shares is not conditional or inter-conditional upon any other corporate exercise/scheme or approvals of other authorities.

6. SHARE PRICES

The monthly high and low market prices of our Shares as traded on the Main Market of Bursa Securities for the last 12 months from April 2016 to March 2017 are as follows:

	<u>High</u>	<u>Low</u>
	<u>RM</u>	
2016		
April	0.83	0.70
May	0.79	0.65
June	0.78	0.65
July	0.78	0.72
August	0.84	0.715
September	0.765	0.685
October	0.715	0.68
November	0.705	0.50
December	0.63	0.525
2017		
January	0.665	0.605
February	0.79	0.605
March	0.765	0.65

The closing market price on 29 March 2017, being the market day immediately before the announcement of the Proposed Offer and Grant of Shares RM0.755

The closing market price on 21 April 2017, being the latest practicable date before the printing of this Circular RM0.76

(Source: Bloomberg)

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED

Leon Harland and Rezza Hassan are eligible for Shares to be granted under the Proposed Offer and Grant of Shares and they are therefore deemed interested in respect of their respective entitlements under the Proposed Offer and Grant of Shares.

The details of the direct and indirect interest of Leon Harland and Rezza Hassan in our Shares as well as in Options to subscribe for our new Shares as at the LPD are set out below:

	As at the LPD			
	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Leon Harland	-	-	-	-
Rezza Hassan	-	-	-	-

	No. of Options			Exercise price per Share
	Granted	Vested	Exercised	
	000	000	000	RM
Leon Harland	-	-	-	-
	-	-	-	
Rezza Hassan	2,075	2,075	-	2.28
	1,250	1,250	-	1.83
	3,325	3,325	-	

Leon Harland and Rezza Hassan have abstained and will continue to abstain from deliberating and voting in respect of their respective entitlements under the Proposed Offer and Grant of Shares at the relevant Board meetings of our Company. In addition, Leon Harland and Rezza Hassan will abstain from voting in respect of their respective direct and indirect shareholdings, if any, in our Company at the forthcoming AGM, on the relevant resolutions in respect of their respective entitlements under the Proposed Offer and Grant of Shares.

Further, Leon Harland and Rezza Hassan have undertaken to ensure that Persons Connected with them (if any) will abstain from voting in respect of their respective direct and indirect shareholdings, if any, in our Company at the forthcoming AGM, on the relevant resolutions in respect of their respective entitlements under the Proposed Offer and Grant of Shares.

Save as disclosed above, none of our Directors, Major Shareholders and/or Persons Connected with them has any interest, direct or indirect, in the Proposed Offer and Grant of Shares.

8. DIRECTORS' RECOMMENDATION

Having considered all aspects of the Proposed Offer and Grant of Shares, including but not limited to the rationale for the Proposed Offer and Grant of Shares as set out in Section 3 of this Circular, our Directors (save for Leon Harland and Rezza Hassan who are interested in the Proposed Offer and Grant of Shares and who hence express no opinion thereon), are of the opinion that the Proposed Offer and Grant of Shares is in our best interest.

Accordingly, our Directors (save for Leon Harland and Rezza Hassan who are interested in the Proposed Offer and Grant of Shares) recommend that you vote in favour of the resolutions pertaining to the Proposed Offer and Grant of Shares to be tabled at the forthcoming AGM.

9. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Offer and Grant of Shares as set out in this Circular and as disclosed below, we do not have any outstanding corporate exercise/scheme which has been announced but pending completion as at 21 April 2017, being the latest practicable date before the printing of this Circular:

On 13 August 2013, we announced that our wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd had on 6 August 2013 entered into documentation for the establishment of a Multi Currency Euro Medium Term Note Programme with a programme size of USD1.5 billion (or its equivalent in other currencies) ("**EMTN Programme**").

An application has been made to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for permission to deal in, and for quotation of any medium term notes ("**Notes**") that may be issued pursuant to the EMTN Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. An application will be submitted to Bursa Securities for listing of the Notes under the Exempt Regime. The Notes to be issued under the EMTN Programme may be listed on Bursa Securities but will not be quoted for trading. No Notes have been issued yet under the EMTN Programme.

The Proposed Offer and Grant of Shares is not conditional upon the abovementioned proposals and/or any other corporate exercise/scheme.

10. ESTIMATED TIMEFRAME TO COMPLETION

Barring any unforeseen circumstances, our Directors expect the Shares under the Proposed Offer and Grant of Shares to be offered, granted and/or allotted during the period from the forthcoming AGM up to the next annual general meeting of our Company.

11. AGM

The AGM will be held on Tuesday, 30 May 2017 at 2.30 p.m. at Ballrooms 1 & 2, 1st Floor, Sime Darby Convention Centre, 1A Jalan Bukit Kiara 1, 60000 Kuala Lumpur, Malaysia for the purpose of considering and, if thought fit, passing the resolutions as set out in the Notice of the AGM to approve and give effect to the Proposed Offer and Grant of Shares.

You may appoint a proxy or proxies to attend and vote on your behalf. If you decide to do so, you must deposit the original Form of Proxy at the office of our Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia, not less than 24 hours before the time appointed for the taking of the poll at the AGM.

However, the lodging of the Form of Proxy will not preclude you from attending and voting in person at the AGM should you subsequently decide to do so.

12. FURTHER INFORMATION

You are requested to refer to the appendices for further information.

Yours faithfully
For and on behalf of the Board of
Bumi Armada Berhad

Alexandra Schaapveld
Independent Non-Executive Director

ADDITIONAL INFORMATION**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by our Directors who collectively and individually accept full responsibility for the accuracy of the information contained in this Circular. Our Directors confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

2. WRITTEN CONSENT AND DECLARATION OF CONFLICT OF INTEREST

CIMB has prepared this Circular but was not involved in advising our Company on the terms of the Proposed Offer and Grant of Shares.

CIMB has given and has not subsequently withdrawn its written consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**3.1 Material commitments**

The material commitments contracted or known to be contracted by our Group as at 29 March 2017 are as follows:

	<u>RM 000</u>
Capital expenditure for property, plant and equipment not provided for in our unaudited consolidated financial statements as at 29 March 2017:	
– authorised and contracted	1,264,353
– authorised but not contracted	675,391
	<u>1,939,744</u>

Save as disclosed above, our Directors are not aware of any other material commitments contracted or known to be contracted by our Group as at 29 March 2017 which may have a material effect on our Group's financial position.

3.2 Contingent liabilities

The contingent liabilities as at 29 March 2017 are as follows:

	<u>RM million</u>
Bank guarantees extended to third parties	708.5

Save as disclosed above, our Directors are not aware of any other contingent liabilities of our Group as at 29 March 2017 which, upon crystallisation, may have a material effect on our Group's financial position.

4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

Save as disclosed below, as at the LPD, neither our Company nor any of our subsidiaries is involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

(i) *In the Supreme Court of Western Australia between Armada Balnaves Pte Ltd and Woodside Energy Julimar Pty Ltd*

The matter arose out of a dispute between Armada Balnaves Pte Ltd ("**ABPL**"), our wholly-owned subsidiary, and Woodside Energy Julimar Pty Ltd ("**WEJ**") in relation to a contract for the provision of floating production storage and offloading services dated 30 September 2011 ("**Contract**"). On 4 March 2016, WEJ purported to terminate the Contract by issuing a notice of termination to ABPL. ABPL considered that this purported termination by WEJ was tantamount to a cancellation for convenience, or a repudiation of the Contract, either of which entitles ABPL to claim damages.

On 14 March 2016, ABPL filed a Writ of Summons in the Supreme Court of Western Australia ("**Supreme Court**") against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ's breach of the Contract.

Subsequently, on 20 April 2016, ABPL filed its Statement of Claim in the Supreme Court against WEJ claiming for damages in general for WEJ's repudiation of the Contract, and the amount of such damages has been quantified by ABPL to include the sum of USD275,813,698.63 (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 matter is currently progressing towards trial. No date for trial has been fixed yet.

Our Board 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.

(ii) *In the High Court of Malaya at Johor Bahru, Malaysia between Armada TGT Ltd v Gerbaru Jaya Sdn Bhd*

On 5 March 2015, Armada TGT Ltd ("**Armada TGT**"), our wholly-owned subsidiary, filed a Writ of Summon and Statement of Claim ("**Suit**") against Gerbaru Jaya Sdn Bhd ("**Gerbaru**") to recover damages resulting from counterfeit valves supplied by Gerbaru to Armada TGT with respect to its floating production, storage and offloading vessels.

In the Suit, Armada TGT is claiming for the sum of USD4,377,985.44 as specific damages, the sum of USD2,715,551 for the purchase consideration paid and general damages to be assessed. This matter has been fixed for continued trial between May 2017 and July 2017.

Armada TGT's solicitors are of the view that there is more than an even chance that the Suit will be decided in favour of Armada TGT.

- (iii) *In the High Court of Bayelsa State, Nigeria between Century Energy Services Limited v Bumi Armada Berhad*

On 16 November 2016, Century Energy Services Limited (“**CESL**”) commenced a suit against our Company at the High Court of Bayelsa State (“**High Court**”) in Nigeria by way of a Writ of Summons and Statement of Claim (“**Suit**”) which was received by our Company on 16 December 2016. In the Suit, CESL alleged that our Company was in breach of one of the terms of a shareholders’ agreement dated 14 April 2010 between our Company and CESL (“**Agreement**”) and CESL has sought several declaratory reliefs, orders and damages in the sum of USD10,000,000.

In accordance with the terms of the Agreement, on 19 January 2017, our Company issued a Notice of Arbitration to CESL to arbitrate all claims and disputes between parties pursuant to the terms of the Agreement. On 25 January 2017, our Company filed an application in the High Court to stay the Suit. The Suit has since been stayed *sine die* in favour of the arbitration.

Our Board is of the view that as the arbitration is at an early stage, and until the parties’ respective claims have been filed in the arbitration, it is not possible at this stage to evaluate the probable outcome of the case.

5. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at our registered office at Level 21, Menara Perak, 24, Jalan Perak, 50450 Kuala Lumpur, Malaysia, between 9.00 a.m. and 5.00 p.m. from Monday to Friday (except public holidays) from the date of this Circular up to and including the date of the AGM:

- (i) the By-Laws;
- (ii) the by-laws of the Existing ESOS;
- (iii) our existing Memorandum and Articles of Association;
- (iv) our audited consolidated financial statements for the FYE 31 December 2015 and FYE 31 December 2016;
- (v) the letter of consent referred to in Section 2 of this Appendix; and
- (vi) the relevant cause papers in relation to the material litigation referred to in Section 4 of this Appendix.

EXTRACT OF THE AGENDA FROM THE NOTICE AND AGENDA OF THE AGM PERTAINING TO THE PROPOSED OFFER AND GRANT OF SHARES

PLEASE REFER TO THE FULL NOTICE AND AGENDA OF THE AGM AND THE FORM OF PROXY INCORPORATED IN THE ABRIDGED VERSION OF OUR 2016 ANNUAL REPORT AS ENCLOSED TOGETHER WITH THIS CIRCULAR.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolutions, with or without modifications:

RESOLUTION 8

PROPOSED OFFER, GRANT AND/OR ALLOTMENT IN RESPECT OF ORDINARY SHARES IN THE COMPANY TO LEON ANDRE HARLAND, EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER PURSUANT TO THE COMPANY'S MANAGEMENT INCENTIVE PLAN ("MIP")

"THAT authority be and is hereby given to the Directors of the Company to:

- (i) make and/or award offers and grants to Leon Andre Harland, Executive Director/Chief Executive Officer of the Company, at any time and from time to time, commencing from the date of the shareholders' approval ("**Approval Date**") and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held ("**Mandate Period**") pursuant to the MIP, comprising such number of ordinary shares of the Company ("**Bumi Armada Shares**") equivalent to an amount of up to RM11,287,500 divided by the 5-day volume weighted average market price of the Bumi Armada Shares preceding the date of the offer as traded on Bursa Malaysia Securities Berhad (rounded up to the nearest 100 Bumi Armada Shares), subject always to the terms and conditions of, and/or any adjustments which may be made pursuant to the provisions of the by-laws of the MIP;
- (ii) issue and allot to him, such number of new Bumi Armada Shares (whether during or after the Mandate Period) in respect of such Bumi Armada Shares comprised in the offers and grants made and/or awarded to him during the Mandate Period; and
- (iii) take all such actions that may be necessary and/or desirable to give effect to this resolution and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Directors of the Company may deem fit and in the best interest of the Company."

RESOLUTION 9

PROPOSED OFFER, GRANT AND/OR ALLOTMENT IN RESPECT OF ORDINARY SHARES IN THE COMPANY TO SHAHARUL REZZA BIN HASSAN, EXECUTIVE DIRECTOR/HEAD OF OFFSHORE MARINE SERVICES OF THE COMPANY PURSUANT TO THE COMPANY'S MANAGEMENT INCENTIVE PLAN ("MIP")

"THAT authority be and is hereby given to the Directors of the Company to:

- (i) make and/or award offers and grants to Shaharul Rezza bin Hassan, Executive Director/Head of Offshore Marine Services of the Company, at any time and from time to time, commencing from the date of the shareholders' approval ("**Approval Date**") and expiring at the conclusion of the annual general meeting of the Company commencing next after the Approval Date or the expiration of the period within which the next annual general meeting of the Company is required to be held ("**Mandate Period**") pursuant to the MIP, comprising such number of ordinary shares of the Company ("**Bumi Armada Shares**") equivalent to an amount of up to RM1,998,000 divided by the 5-day volume weighted average market price of the Bumi Armada Shares preceding the date of the offer as traded on Bursa Malaysia Securities Berhad (rounded up to the nearest 100 Bumi Armada Shares), subject always to the terms and conditions of, and/or any adjustments which may be made pursuant to the provisions of the by-laws of the MIP;
- (ii) issue and allot to him, such number of new Bumi Armada Shares (whether during or after the Mandate Period) in respect of such Bumi Armada Shares comprised in the offers and grants made and/or awarded to him during the Mandate Period; and
- (iii) take all such actions that may be necessary and/or desirable to give effect to this resolution and to execute, sign and deliver on behalf of the Company, all such documents as they may deem necessary, expedient and/or appropriate, with full powers to assent to any condition, modification, variation and/or amendment thereto as the Directors of the Company may deem fit and in the best interest of the Company."