

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.

Bursa Malaysia Securities Berhad takes no responsibility for the contents of this Circular and makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular. You should rely on your own evaluation to assess the merits and risks of the Proposed Offer and Grant of Shares (as set out in this Circular).



BUMIARMADA

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 LEON ANDRE HARLAND, EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER OF BUMI ARMADA BERHAD

Prepared by



CIMB Investment Bank Berhad (18417-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution in respect of the Proposed Offer and Grant of Shares will be tabled at our **Twenty-Second Annual General Meeting ("22nd AGM")** which will be held on **Wednesday, 30 May 2018 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 22nd AGM together with the Form of Proxy are incorporated in the abridged version of Bumi Armada Berhad's 2017 Annual Report, which is enclosed together with this Circular.

If you are entitled to attend and vote at the 22nd 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 22nd 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 22nd AGM. The lodging of the Form of Proxy for the 22nd AGM will not preclude you from attending and voting in person at the 22nd AGM should you subsequently decide to do so.

Last day, date and time for lodging the Form of Proxy : Tuesday, 29 May 2018 at 2.30 p.m.

This Circular is dated 27 April 2018

DEFINITIONS

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

Act	: Companies Act, 2016
AGM	: Twenty-Second 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
Leon Harland	: Leon Andre Harland, our ED/CEO
LPD	: 29 March 2018, 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
- 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
- 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	7
4. EFFECTS OF THE PROPOSED OFFER AND GRANT OF SHARES	8
5. APPROVAL REQUIRED	11
6. SHARE PRICES	11
7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED	12
8. DIRECTORS' RECOMMENDATION	12
9. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION	13
10. ESTIMATED TIMEFRAME TO COMPLETION	13
11. AGM	13
12. FURTHER INFORMATION	14
APPENDICES	
I. ADDITIONAL INFORMATION	15
II. EXTRACT OF THE AGENDA FROM THE NOTICE AND AGENDA OF THE AGM PERTAINING TO THE PROPOSED OFFER AND GRANT OF SHARES	18



BUMIARMADA

BUMI ARMADA BERHAD

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

Registered Office:

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

27 April 2018

Board of Directors:

Tunku Ali Redhaudin ibni Tuanku Muhriz (*Chairman/Independent Non-Executive Director*)
Alexandra Elisabeth Johanna Maria Schaapveld (*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*)

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 LEON ANDRE HARLAND, EXECUTIVE DIRECTOR/CHIEF EXECUTIVE OFFICER OF BUMI ARMADA

1. INTRODUCTION

On 10 April 2018, 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 resolution 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 2017 Annual Report, which is enclosed together with this Circular.

YOU ARE ADVISED TO READ THE CONTENTS OF THIS CIRCULAR CAREFULLY BEFORE VOTING ON THE RESOLUTION 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:

- (a) 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
- (b) 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 had already been obtained from Bursa Securities on 12 April 2016 ("**Listing Approval**").

As at the LPD, 33,627,100 Shares have been granted to Eligible Employees since the establishment of the MIP. As at the LPD, these Shares granted have not been allotted and issued to Eligible Employees.

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:

	<u>No. of Options</u>
Options granted	120,756,754
Options exercised	(4,673,100)
Options forfeited/lapsed	(99,143,483)
Options unexercised and outstanding	<u>16,940,171</u>

The breakdown of the unexercised and outstanding Options under the Existing ESOS as at the LPD 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	3,266,533	0.06
Other employees	13,673,638 ⁽¹⁾	0.23
Total	16,940,171	0.29

Notes:

- (1) This includes the unexercised and outstanding Options relating to a past ED of our 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 to the following ED 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:

	Maximum amount of annual Grant	Maximum amount of Grant over a 3-year period⁽¹⁾	Total maximum amount of Grant
	RM	RM	RM
Leon Harland	4,837,500	-	4,837,500

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 next Grant over a 3-year period, if any, will only be awarded after 2019.

The number of Shares comprised in the Grant which are to be allotted and issued to Leon Harland will be derived by dividing the total amount under the Grant by 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 following the occurrence of certain events including certain changes to the capital structure of our Company).

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 ED pursuant to the MIP.

The actual number of Shares comprised in the Grant to Leon Harland is not subject to any minimum value but subject to a maximum value of RM4,837,500 which represents up to 150% of Leon Harland’s annual base salary (subject to fulfilment of certain performance targets and/or other conditions based on corporate performance and individual performance).

Strictly for illustrative purposes only, the maximum number of Shares which may be allotted and issued under the Grant to our ED (based on the 5-day VWAMP of the Shares preceding the LPD of RM0.84 and rounded up to the nearest 100 Shares) is set out below:

	Maximum number of Shares which may be allotted and issued under the Grant	% of the total number of Shares⁽¹⁾
Leon Harland	5,759,000	0.10

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 Grant and other details thereto will be announced to Bursa Securities in due course upon such Grant being offered to and accepted by Leon Harland 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 allotted and issued 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 allotted and issued under the Proposed Offer and Grant of Shares		5,759,000	0.10 ⁽¹⁾
New Shares to be allotted and issued pursuant to full exercise of the outstanding Options under the Existing ESOS		16,940,171	0.29 ⁽¹⁾
New Shares to be allotted and issued to the other Eligible Employees under the Grants		62,760,500	1.07 ⁽¹⁾
Total number of new Shares to be allotted and issued	(C)	85,459,671	1.46 ⁽¹⁾
Total number of Shares issued as at the LPD	(A)	5,866,269,344	
Maximum number of new Shares that can be issued under the Existing ESOS and the MIP	(B)	586,626,934 ⁽²⁾	10.00
% of new Shares to be allocated under the Grants	(C) / (B)		14.57

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 in respect of FYE 2018 is set out below:

	Total maximum amount to be allocated under the Grants in respect of FYE 2018	Maximum number of Shares which may be allotted and issued under the Grants in respect of FYE 2018⁽²⁾	% of the total number of Shares⁽³⁾
	RM		%
ED	4,837,500	5,759,000	0.10
Senior management of our Group	24,472,000 ⁽¹⁾	29,133,400	0.49
Total	29,309,500	34,892,400	0.59

Notes:

- (1) *The timing of the Grants to be made in respect of this allocation shall be concurrent with the timing of the Grants to be made in respect of allocation to the ED.*
- (2) *Strictly 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 RM0.84 and rounded up to the nearest 100 Shares.*
- (3) *Calculated based on the total number of Shares of 5,866,269,344 as at the LPD.*

Whereas, the actual amount allocated to the ED and senior management of our Group under the MIP as at the LPD is set out below:

	Actual amount granted as at the LPD⁽¹⁾	Actual number of Shares granted as at the LPD⁽¹⁾	Balance number of Shares to be allotted and issued under the Grants as at the LPD⁽¹⁾
	RM		
ED	11,287,500	14,964,300	14,964,300
Senior management of our Group	14,076,000	18,662,800	18,662,800
Total	25,363,500	33,627,100	33,627,100

Note:

- (1) *Since the effective date of implementation of the MIP on 10 October 2016 up to the LPD.*

Under the Existing ESOS, the total number of Shares which may be issued under the Options shall not exceed 10% of the total number of Shares of the Company while the number of Shares to be issued to EDs and members of senior management of our Group shall not exceed 50% of the total number of Shares to be issued under the Existing ESOS.

Under the MIP, subject to the total number of Shares being made available not exceeding the Maximum Shares, there is no limitation on the number of Shares which may be issued to EDs and senior management of our Group under the MIP.

The actual allocations to EDs and senior management of our Group since the establishment of the Existing ESOS and MIP as at the LPD are as follows:

	Actual allocation			
	Existing ESOS	MIP		Total
	(A) No. of unexercised and outstanding options as at the LPD ⁽¹⁾	Actual number of Shares granted as at the LPD ⁽³⁾	(B) % of the total number of Shares ⁽²⁾	(A) + (B) % of the total number of Shares
	%		%	%
ED	-	14,964,300	0.26	0.26
Senior management of our Group	3,266,533	18,662,800	0.32	0.38
Total	3,266,533	33,627,100	0.58	0.64

Notes:

(1) This refers to Options granted under the Existing ESOS which came into effect on 28 June 2011 up to the LPD.

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

(3) This refers to Shares granted under the MIP since the effective date of implementation of the MIP on 10 October 2016 up to the LPD.

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 as Options are no longer aligned to our Group's objectives and business strategies as well as no longer attractive to our employees in view of the current market price of our Shares. 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 Grantee's interests with the long term objectives and business strategies of our Group.

The Grants to be awarded in RM values (which represents the long term incentive) shall form part of the total remuneration package of our Eligible Employees (which includes, among others, a basic salary and a variable cash bonus). As such, the values of the Grants that are fixed upfront will not be dependent upon the market price of our Shares and are aligned to the job requirements of our Eligible Employees.

By awarding the Grants in RM values, our Company is able to determine the total remuneration costs upfront, thereby allowing for certainty in budgeting, whilst providing our Company the flexibility in timing the Grants since it would not be subject to fluctuations in the market price of our Shares. This provides our Company with the ability to manage the cost impact to the earnings of our Company. The effects of the Proposed Offer and Grant of Shares are as stated in Section 4 of our Circular.

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 16,940,171 under the Existing ESOS (in respect of the maximum scenario) and assuming 5,759,000 Shares granted to Leon Harland (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	RM	No. of Shares	RM
	000	000	000	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	-	-	16,940	40,487 ⁽³⁾
Balance to be issued pursuant to MIP as at the LPD	-	-	33,627 ⁽⁴⁾	28,247 ⁽⁴⁾
	5,866,269	4,311,294	5,916,836	4,380,028
To be issued pursuant to the Proposed Offer and Grant of Shares	5,759	4,838 ⁽⁵⁾	5,759	4,838 ⁽⁵⁾
Enlarged issued and paid-up share capital (after the Proposed Offer and Grant of Shares)	5,872,028	4,316,132	5,922,595	4,384,866

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 33,627,100 Shares multiplied by the 5-day VWAMP of the Shares preceding the LPD of RM0.84.
- (5) Calculated based on 5,759,000 Shares multiplied by the 5-day VWAMP of the Shares preceding the LPD of RM0.84.

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 and the gearing of our Group will decrease immediately following the allotment and issuance of new Shares to satisfy any Grants pursuant to the Proposed Offer and Grant of Shares.

Strictly for illustrative purposes only, based on our Company's latest audited consolidated statement of financial position as at 31 December 2017, the proforma effects of the Proposed Offer and Grant of Shares after fulfilment of all the vesting conditions on the consolidated net assets per Share and the gearing of our Group are as follows:

	Audited as at 31 December 2017	After the Proposed Offer and Grant of Shares⁽⁴⁾
	RM 000	RM 000
Share capital	4,311,294	4,316,132
Reserves	1,186,035	1,186,035
Shareholders' funds / Net assets	5,497,329	5,502,167
Non-controlling interests	23,702	23,702
Total equity	5,521,031	5,525,869
Number of Shares in issue (000)	5,866,269	5,872,028
Net assets per Share ⁽¹⁾ (RM)	0.9371	0.9370
Total borrowings	11,522,905	11,522,905
Deposits, cash and bank balances	1,846,114	1,846,114
Gearing ratio ⁽²⁾ (times)	2.0871	2.0853
Net gearing ratio ⁽³⁾ (times)	1.7527	1.7512

Notes:

- (1) Being shareholders' funds / Net assets divided by the number of Shares in issue.
- (2) Being total borrowings divided by total equity.
- (3) Being total borrowings net of deposits, cash and bank balances divided by total equity.
- (4) Being the effects of the Proposed Offer and Grant of Shares after fulfilment of all the vesting conditions.

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 2018.

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 only, 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. Based on our Company's latest audited consolidated statement of income for the FYE 31 December 2017, the proforma effects of the Proposed Offer and Grant of Shares after fulfilment of all the vesting conditions on our Group's EPS are as follows:

	Audited as at 31 December 2017	After the Proposed Offer and Grant of Shares⁽¹⁾
	RM 000	RM 000
Profit attributable to owners of the Company	352,247	352,247
Number of Shares in issue (000)	5,866,269	5,872,028
EPS (sen)	6.005	5.999

Note:

(1) *Being the effects of the Proposed Offer and Grant of Shares after fulfilment of all the vesting conditions.*

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 16,940,171 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 2017 to March 2018 are as follows:

	<u>High</u>	<u>Low</u>
	<u>RM</u>	
2017		
April	0.825	0.745
May	0.805	0.725
June	0.78	0.67
July	0.77	0.695
August	0.775	0.68
September	0.775	0.715
October	0.735	0.705
November	0.81	0.725
December	0.77	0.72
2018		
January	0.90	0.755
February	0.90	0.795
March	0.88	0.80

The closing market price on 9 April 2018, being the market day immediately before the announcement of the Proposed Offer and Grant of Shares

RM0.805

The closing market price on 24 April 2018, being the latest practicable date before the printing of this Circular

RM0.825

(Source: Bloomberg)

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

Leon Harland is eligible for Shares to be granted under the Proposed Offer and Grant of Shares and he is therefore deemed interested in respect of his entitlement under the Proposed Offer and Grant of Shares.

As at the LPD, Leon Harland does not have any Options to subscribe for our new Shares. The details of the direct and indirect interest of Leon Harland in our Shares as well as in the Grant as at the LPD are set out below:

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

	No. of Shares under the MIP		
	Granted	Vested	Lapsed
	Leon Harland	14,964,300 ⁽¹⁾	-
	14,964,300	-	-

Note:

(1) Since the effective date of implementation of the MIP on 10 October 2016 up to the LPD.

Leon Harland has abstained and will continue to abstain from deliberating and voting in respect of his entitlement under the Proposed Offer and Grant of Shares at the relevant Board meetings of our Company. In addition, Leon Harland will abstain from voting in respect of his direct and indirect shareholdings, if any, in our Company at the forthcoming AGM, on the resolution in respect of his entitlement under the Proposed Offer and Grant of Shares.

Further, Leon Harland has undertaken to ensure that Persons Connected with him (if any) will abstain from voting in respect of his direct and indirect shareholdings, if any, in our Company at the forthcoming AGM, on the resolution in respect of his entitlement 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 who is interested in the Proposed Offer and Grant of Shares and who hence expresses 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 who is interested in the Proposed Offer and Grant of Shares) recommend that you vote in favour of the resolution 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 24 April 2018, 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 Wednesday, 30 May 2018 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 resolution 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 2018 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 2018:	
– authorised and contracted	98,062
– authorised but not contracted	153,928
	<u>251,990</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 2018 which may have a material effect on our Group's financial position.

3.2 Contingent liabilities

The contingent liabilities as at 29 March 2018 are as follows:

	<u>RM million</u>
Bank guarantees extended to third parties	375.2

Save as disclosed above, our Directors are not aware of any other contingent liabilities of our Group as at 29 March 2018 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 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. The Supreme Court has listed the matter for trial to commence on 15 October 2018.

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 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 were 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 which provided for the resolution of disputes by way of arbitration, on 19 January 2017, our Company issued a Notice of Arbitration to CESL stating our intention 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. On 6 February 2017, the High Court granted our Company’s application and stayed the Suit *sine die* pending the arbitration.

Our Board is of the view that 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.

- (iii) *In the Singapore International Commercial Court of the Republic of Singapore between Tozzi Srl (formerly known as Tozzi Industries S.p.A) v Bumi Armada Offshore Holdings Limited and Bumi Armada Berhad*

On 18 March 2016, Tozzi Srl (formerly known as Tozzi Industries S.p.A) (“**Tozzi**”) had instituted proceedings against Bumi Armada Offshore Holdings Limited (“**BAOHL**”) and our Company claiming that BAOHL and our Company are in breach of contract in failing to grant Tozzi an alleged right of first refusal to provide gas processing facilities relating to the construction and lease of a floating production storage and offloading vessel in Madura, Indonesia, with damages to be assessed by the court.

On 21 September 2017, the Singapore International Commercial Court (“**SICC**”) in its judgment found in favour of Tozzi. As the trial proceedings were agreed to be bifurcated, the trial proceeded on the basis that only liability will be determined at this stage. The issue of the assessment of losses or damages, if ordered will be conducted in a separate hearing where Tozzi has the burden of proving its claims.

Our Company disagrees that there is a binding contract with Tozzi and has filed an appeal on 20 October 2017 with the Singapore Court of Appeal against the decision of the SICC.

Our Board is of the view that regardless of the final judgement outcome, the matter will not have any material impact on the financial statements of our Company.

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 2016 and FYE 31 December 2017;
- (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 2017 ANNUAL REPORT AS ENCLOSED TOGETHER WITH THIS CIRCULAR.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following Ordinary Resolution, 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 RM4,837,500 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."