

**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 under the Companies Act, 1965)

**CIRCULAR TO SHAREHOLDERS**

**IN RELATION TO**

**PART A**

**FORMATION OF A JOINT VENTURE WITH SHAPOORJI PALLONJI AND COMPANY PRIVATE LIMITED ("SPCL") AND SHAPOORJI PALLONJI INTERNATIONAL FZE, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SPCL, TO UNDERTAKE THE ENGINEERING, PROCUREMENT, CONVERSION AND CONSTRUCTION OF A FLOATING PRODUCTION, STORAGE AND OFFLOADING VESSEL**

**PART B**

**INDEPENDENT ADVICE LETTER TO NON-INTERESTED SHAREHOLDERS**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*

*Independent Adviser*



**CIMB**

CIMB Investment Bank Berhad (18417-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

**kenanga**

**Kenanga Investment Bank Berhad**

Company No. 15678-H

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") and the Form of Proxy for the EGM are enclosed in this Circular. The EGM will be held as follows:

<b>Date and time of EGM</b>	: <b>Monday, 8 June 2015 at 11.30 a.m.</b> or immediately after the conclusion or the adjournment of our Nineteenth Annual General Meeting which will be held at the same venue and on the same day at 10.00 a.m., whichever is later
<b>Venue of EGM</b>	: <b>Conference Halls 1, 2 &amp; 3, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia</b>
<b>Last date and time for lodgment of the Form of Proxy</b>	: <b>Sunday, 7 June 2015 at 11.45 a.m.</b>

If you are entitled to attend and vote at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf, subject to the Articles of Association of Bumi Armada Berhad. If you decide to do so, you must lodge the Form of Proxy for the EGM 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, by 11.45 a.m. on Sunday, 7 June 2015, which is not less than 24 hours before the time appointed for the taking of the poll at the EGM. The lodging of the Form of Proxy for the EGM will not preclude you from attending and voting in person at the EGM should you subsequently decide to do so.

This Circular is dated 22 May 2015

## DEFINITIONS

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

AGM	: Annual General Meeting
Armada Madura	: Armada Madura EPC Limited, the Joint Venture company
Armada Madura Shareholders	: Collectively, BAOHL and SPINT prior to the Transfer, and following the Transfer, collectively BAOHL and SPCL
Armada Madura Shares	: Ordinary shares of USD1.00 each in Armada Madura
Articles	: Articles of Association of Bumi Armada
BAOHL	: Bumi Armada Offshore Holdings Limited, our wholly-owned subsidiary
Board	: Board of Directors
Bumi Armada or Company	: Bumi Armada Berhad
Bursa Securities	: Bursa Malaysia Securities Berhad
Charter Contract	: The FPSO Lease Contract for Madura BD Field Development (Contract No. 332003864) entered into between the Consortium and HCML on 10 December 2014, for the provision of a FPSO for charter and deployment at the Field and the operation and maintenance of the FPSO
CIMB	: CIMB Investment Bank Berhad
Circular	: This circular to the shareholders of our Company dated 22 May 2015 in relation to the Joint Venture
Consortium	: An unincorporated consortium comprising BAOHL and PT AGN, formed for the purposes of and in connection with the Charter Contract
Deed of Adherence	: The deed of adherence dated 22 April 2015 between SPINT and SPCL in relation to the Transfer, and which is supplemental to the FPSO Project SHA
EGM	: Extraordinary General Meeting
EPC Performance Bonds	: Has the meaning ascribed to it in Section 2.8 of Part A of this Circular
EPS	: Earnings per share
Field	: Madura BD Field in the Madura Strait, Offshore East Java, Indonesia
Financing	: Collectively, the financing and credit facilities to be provided by financial institutions to Armada Madura to part-finance the FPSO Project
FPSO	: Floating production, storage and offloading vessel facility
FPSO Project	: The engineering, design, acquisition, conversion, development, construction, fitting out, completion, mobilisation, transportation, installation, hook-up, testing, commission and integration of the FPSO and all equipment thereon at the Field in accordance with the requirements of the Charter Contract

## DEFINITIONS (Cont'd)

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FPSO Project SHA	: Shareholders' agreement dated 10 April 2015, entered into among the JV Partners and Armada Madura with respect to the JV Partners' investment in Armada Madura in connection with the FPSO Project
FPSO SPA	: A sale and purchase agreement dated 10 April 2015, entered into between Armada Madura and PT AGN relating to the sale of the FPSO by Armada Madura to PT AGN
Further Subscription	: The further subscription of the Armada Madura Shares as set out in Section 2.6 of Part A of this Circular
FYE	: Financial year ended/ending
Group	: Collectively, our Company and our subsidiaries
HCML	: Husky-CNOOC Madura Limited
Initial Subscription	: The initial subscription of the Armada Madura Shares as set out in Section 2.6 of Part A of this Circular
Joint Venture	: The joint venture between the JV Partners to invest in Armada Madura in connection with the FPSO Project
JV Partners	: Collectively:  (i) our Company and BAOHL together on the one part; and  (ii) SPCL and SPINT together on the other part
Kenanga IB	: Kenanga Investment Bank Berhad
Listing Requirements	: Main Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	: 30 April 2015, being the latest practicable date prior to the date of this Circular
Maximum Funding Obligations	: An amount limited to USD equivalent of RM330.0 million, being the maximum funding, payment and support obligations of our Company and BAOHL collectively under the FPSO Project SHA
Memorandum	: Memorandum of Association of our Company
Mr Ravi Shankar	: Mr Ravi Shankar Srinivasan, alternate Director to Mr Shapoor
Mr Shapoor	: Mr Shapoorji Pallonji Mistry, our Director
NA	: Net assets
Person Connected	: Shall have the same meaning given to it in paragraph 1.01 of the Listing Requirements
Project Costs	: The estimated total financial commitment required by Armada Madura to complete the FPSO under the FPSO SPA for the purposes of the FPSO Project, ranging from USD450.0 million (equivalent to approximately RM 1,602.7 million) to USD500.0 million (equivalent to approximately RM1,780.8 million)
PT AGN	: PT Armada Gema Nusantara, a joint venture company of BAOHL and PT GMS

## DEFINITIONS (Cont'd)

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PT GMS	:	PT Gema Marine Service
Shareholder Funding	:	The funding provided or expected to be provided by the Armada Madura Shareholders to part finance the Project Costs in the Specified Proportions, via a combination of cash subscription for ordinary and/or preference shares of Armada Madura and/or the provision of shareholder loans
Shareholders' Support	:	Guarantees and/or any other shareholder support to be provided by any of the JV Partners in favour of the financial institutions providing the Financing
Shares	:	Ordinary shares of RM0.20 each in our Company
SPCL	:	Shapoorji Pallonji And Company Private Limited
SPCL Group	:	Collectively, SPCL and its subsidiaries
SP Group of Companies	:	Shapoorji Pallonji group of companies
Specified Proportions	:	The agreed ratio of economic interests and funding obligations of the Armada Madura Shareholders, where each of them shall hold a 50% economic interest in and be responsible for 50% of the funding obligations with respect to their joint investment in Armada Madura for the purpose of the FPSO Project. The Specified Proportions may be adjusted in accordance with the provisions of the FPSO Project SHA, including the circumstances referred to in paragraph 5.3.1 of Appendix I, and pursuant to changes in shareholdings of the Armada Madura Shareholders in Armada Madura as a result of the events referred to in paragraphs 7.2, 12 and 14.3 of Appendix I
SPINT	:	Shapoorji Pallonji International FZE, an indirect wholly-owned subsidiary of SPCL
Transfer	:	The transfer by SPINT to SPCL, of all Armada Madura Shares held by SPINT following the Initial Subscription
United States or U.S.	:	United States of America

## CURRENCIES

AED	:	Emirati Dirham, the lawful currency of United Arab Emirates
INR	:	Indian Rupee, the lawful currency of India
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
Rp	:	Indonesian Rupiah, the lawful currency of Indonesia
USD	:	United States Dollar, the lawful currency of the United States

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.

## DEFINITIONS *(Cont'd)*

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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.

In this Circular, translation of certain foreign currency amounts into RM amounts or other foreign currency amounts or vice versa have been made according to the middle rate as published/made available by Bank Negara Malaysia at 5.00 p.m. on 30 April 2015, unless otherwise indicated. Translation of such foreign currency amounts were made as follows:

USD1.00 : RM3.5615

Such translations are provided solely for the convenience of readers and should not be interpreted as representing that the translated amounts stated in this Circular could have been or would have been converted into such other amounts or vice versa, at the above rates.

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

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

All statements other than statements of historical facts included in this Circular are or may be forward-looking. Forward-looking statements include but are not limited to those using words such as "seek", "expect", "anticipate", "estimate", "believe", "intend", "project", "plan", "strategy", "forecast" and similar expressions or future or conditional verbs such as "will", "would", "should", "could", "may" and "might". These statements reflect our current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and we do not undertake any obligation to update publicly or revise any forward-looking statements.

Our Board's expectations of the benefits derived from the Joint Venture are forward looking in nature, and are thus subject to uncertainties and contingencies. Although our Board holds that its expectations are reasonable at this point in time given the prevailing circumstances, there can be no certainty that such expectations will materialise.

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**PART A**

**LETTER TO OUR SHAREHOLDERS IN RELATION TO THE JOINT VENTURE**



# BUMI ARMADA

## BUMI ARMADA BERHAD

(Company No. 370398-X)

(Incorporated in Malaysia under the Companies Act, 1965)

### Registered Office:

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

22 May 2015

### 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*)  
Chan Chee Beng (*Executive Director/Acting Chief Executive Officer*)  
Maureen Toh Siew Guat (*Non-Independent Non-Executive Director*)  
Shapoorji Pallonji Mistry (*Non-Independent Non-Executive Director*)  
Shaharul Rezza bin Hassan (*Executive Director/Head of Offshore Support Vessels Business*)  
Ravi Shankar Srinivasan (*Alternate Director to Shapoorji Pallonji Mistry*)

### To: Our Shareholders

Dear Sir/Madam

### **FORMATION OF A JOINT VENTURE WITH SPCL AND SPINT, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SPCL, TO UNDERTAKE THE ENGINEERING, PROCUREMENT, CONVERSION AND CONSTRUCTION OF A FLOATING PRODUCTION, STORAGE AND OFFLOADING VESSEL**

#### 1. INTRODUCTION

On 11 December 2014, we announced that the Consortium had, on 10 December 2014, entered into the Charter Contract with HCML.

Pursuant to the Charter Contract, the Consortium shall provide, operate and maintain the FPSO for charter and deployment at the Field. With an estimated aggregate contract value of approximately USD1.18 billion (equivalent to approximately RM4.20 billion), the Charter Contract is for a firm charter period of ten (10) years with options of five (5) annual extensions. After commissioning and final acceptance of the FPSO, it is expected to commence operations at the Field by the first quarter of 2017.

PT AGN will be the Consortium leader in connection with the Charter Contract.



On 10 April 2015, CIMB announced on our behalf that:

- (i) Armada Madura (then a wholly-owned subsidiary of BAOHL) has entered into the FPSO SPA with PT AGN pursuant to which Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the Charter Contract. The Sale Price (as defined in paragraph 2 of Appendix II) to be paid by PT AGN to Armada Madura for the FPSO is USD500.0 million (equivalent to approximately RM1,780.8 million), subject to such adjustments (if applicable) pursuant to the terms of FPSO SPA; and
- (ii) Immediately thereafter, on the same day, the JV Partners and Armada Madura have entered into the FPSO Project SHA in relation to the Joint Venture, pursuant to which each of BAOHL and SPINT have agreed to jointly invest in Armada Madura in accordance with the Specified Proportions.

On 20 April 2015, the Initial Subscription was completed, whereby BAOHL and SPINT had subscribed for 24,489 and 25,501 new Armada Madura Shares respectively. Following the completion of the Initial Subscription, the percentage shareholdings of BAOHL and SPINT in Armada Madura are 48.998% and 51.002% respectively. Subsequently on 22 April 2015, SPINT transferred to SPCL all of the Armada Madura Shares held by SPINT following the Initial Subscription, being 25,501 Armada Madura Shares. In addition, SPINT and SPCL executed the Deed of Adherence, pursuant to which SPCL, as transferee of the Armada Madura Shares held by SPINT, agreed to be bound by the terms of the FPSO Project SHA as though it was originally a party to the FPSO Project SHA in place of SPINT. As provided under the FPSO Project SHA, SPINT and SPCL shall be jointly and severally liable for all obligations of SPCL following the Transfer. The Joint Venture is regarded as a related party transaction under the Listing Requirements as it involves the interests of our Director, Mr Shapoor. Further details of his interests are set out in Section 10 below.

The purpose of Part A of this Circular is to provide you with the details of the Joint Venture and to seek your approval for the resolution in relation to the Joint Venture to be tabled at our forthcoming EGM. The notice of the EGM and the Form of Proxy are enclosed in this Circular.

**YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION TO BE TABLED AT OUR FORTHCOMING EGM.**

## **2. DETAILS OF THE JOINT VENTURE**

2.1 Pursuant to the FPSO Project SHA, the JV Partners shall jointly invest in Armada Madura to undertake the FPSO Project. The objectives of the FPSO Project SHA are, *inter alia*, as follows:

- (i) to set out the agreement between the Armada Madura Shareholders with respect to their investment in Armada Madura, and for Armada Madura to undertake the FPSO Project;
- (ii) to regulate the respective responsibilities of the Armada Madura Shareholders as the shareholders of Armada Madura in relation to the FPSO Project and the management of the business of Armada Madura from time to time; and
- (iii) to set out the obligations of our Company and SPCL, as guarantors of the obligations of BAOHL and SPINT respectively, under the FPSO Project SHA.

Further information on Armada Madura is set out in Section 3 below.

2.2 Pursuant to the FPSO SPA and as part of the FPSO Project, Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the Charter Contract.

2.3 Our Company estimates that the total financial commitment required by Armada Madura to complete the FPSO Project will range from USD450.0 million (equivalent to approximately RM1,602.7 million) to USD500.0 million (equivalent to approximately RM1,780.8 million), being the Project Costs, which is expected to be funded by a combination of the Shareholder Funding and the Financing. The Armada Madura Shareholders shall be responsible for the Shareholder Funding in the Specified Proportions.

In addition, the JV Partners may be expected to provide the Shareholders' Support in the Specified Proportions. Additionally, our Company will also be required to guarantee the performance of BAOHL's obligations under the FPSO Project SHA.

Our Company and SPCL have also provided the EPC Performance Bonds. Further details of the EPC Performance Bonds are set out in Section 2.8 below.

2.4 As at the LPD, the timing for the satisfaction of the total financial commitment of Armada Madura and the eventual Financing and Shareholder Funding mix have yet to be determined. Notwithstanding that, our Company expects Armada Madura to fund between 20% and 45% of its total financial commitment by way of the Shareholder Funding.

Strictly for illustrative purposes, the funding obligations required from our Company and BAOHL in respect of the Project Costs are as follows:

(i) Assuming estimated Project Costs of USD450.0 million:

Form of funding by Armada Madura	Financing and Shareholder Funding mix			
	80% Financing and 20% total Shareholder Funding		55% Financing and 45% total Shareholder Funding	
	Total financial commitment of Armada Madura	Funding obligation of our Group	Total financial commitment of Armada Madura	Funding obligation of our Group
	USD million	USD million	USD million	USD million
Financing	360.0	*180.0	247.5	*123.8
Shareholder Funding	90.0	45.0	202.5	101.2
<b>Total</b>	<b>450.0</b>	<b>225.0</b>	<b>450.0</b>	<b>225.0</b>

equivalent to RM as follows:

Form of funding by Armada Madura	Financing and Shareholder Funding mix			
	80% Financing and 20% total Shareholder Funding		55% Financing and 45% total Shareholder Funding	
	Total financial commitment of Armada Madura	Funding obligation of our Group	Total financial commitment of Armada Madura	Funding obligation of our Group
	RM million	RM million	RM million	RM million
Financing	1,282.2	*641.1	881.5	*440.8
Shareholder Funding	320.5	160.3	721.2	360.6
<b>Total</b>	<b>1,602.7</b>	<b>801.4</b>	<b>1,602.7</b>	<b>801.4</b>

(ii) Assuming estimated Project Costs of USD500.0 million:

Form of funding by Armada Madura	Financing and Shareholder Funding mix			
	80% Financing and 20% total Shareholder Funding		55% Financing and 45% total Shareholder Funding	
	Total financial commitment of Armada Madura	Funding obligation of our Group	Total financial commitment of Armada Madura	Funding obligation of our Group
	USD million	USD million	USD million	USD million
Financing	400.0	*200.0	275.0	*137.5
Shareholder Funding	100.0	50.0	225.0	112.5
<b>Total</b>	<b>500.0</b>	<b>250.0</b>	<b>500.0</b>	<b>250.0</b>

equivalent to RM as follows:

Form of funding by Armada Madura	Financing and Shareholder Funding mix			
	80% Financing and 20% total Shareholder Funding		55% Financing and 45% total Shareholder Funding	
	Total financial commitment of Armada Madura	Funding obligation of our Group	Total financial commitment of Armada Madura	Funding obligation of our Group
	RM million	RM million	RM million	RM million
Financing	1,424.6	*712.3	979.4	*489.7
Shareholder Funding	356.2	178.1	801.4	400.7
<b>Total</b>	<b>1,780.8</b>	<b>890.4</b>	<b>1,780.8</b>	<b>890.4</b>

**Note:**

\* This may take the form of financial guarantees pursuant to the Shareholders' Support.

Our Company expects BAOHL's Shareholder Funding obligations to be financed via a combination of internally generated funds, debt and/or part of the proceeds from the rights issue exercise undertaken by our Company in 2014, the breakdown of which cannot be determined at this juncture as the mode of funding would depend on the timing of the Shareholder Funding obligations being called upon, and our funding requirements at that point in time.

- 2.5 In order to complete the FPSO Project, our Group and/or the SPCL Group are expected to provide engineering, construction and overall project management services to Armada Madura, as well as transportation, mobilisation and installation and commissioning related services, and such other agreed services for the purposes of achieving final acceptance in accordance with the Charter Contract (collectively, "**Related Services**"). Prior to the establishment of the Joint Venture, BAOHL entered into certain sub-contracts with third parties, including contracts for the procurement of equipment and materials, to enable the Consortium to meet the FPSO delivery timelines under the Charter Contract (collectively, "**Initial Sub-Contracts**"). BAOHL will transfer and novate to Armada Madura, its rights and obligations under the Initial Sub-Contracts in relation to the FPSO Project. The aggregate costs and expenses to be incurred by Armada Madura in relation to the Related Services and the Initial Sub-Contracts, shall form part of the Project Costs.

2.6 Following the execution of the FPSO Project SHA, BAOHL and SPINT had, on 20 April 2015, subscribed for 24,489 and 25,501 new Armada Madura Shares respectively (collectively, "Initial Subscription"). Subsequent to the Transfer, BAOHL and SPCL shall subscribe for 24,500 and 25,500 new Armada Madura Shares respectively (collectively, "Further Subscription"). Details relating to the shareholding structure of Armada Madura pursuant to the Initial Subscription and the Further Subscription are as set out below:

Shareholder	Shareholding prior to the FPSO Project SHA		<sup>(1)</sup> Shareholding after the Initial Subscription		<sup>(1)</sup> Shareholding after the Further Subscription	
	No. of Armada Madura Shares	%	No. of Armada Madura Shares	%	No. of Armada Madura Shares	%
BAOHL	10	100.000	24,499	48.998	48,999	48.999
SPINT	-	-	25,501	<sup>(2)</sup> 51.002	-	-
SPCL	-	-	-	-	<sup>(3)</sup> 51,001	<sup>(2)</sup> 51.001
<b>Total</b>	<b>10</b>	<b>100.000</b>	<b>50,000</b>	<b>100.000</b>	<b>100,000</b>	<b>100.000</b>

**Notes:**

- (1) The Armada Madura Shares were issued and will be issued at a par value of USD1.00 per Armada Madura Share.
- (2) The shareholdings in Armada Madura as stated above are in compliance with the requirements of the Reserve Bank of India in the event the Financing is to be raised from Indian banks.
- (3) Including the 25,501 Armada Madura Shares transferred to SPCL by SPINT pursuant to the Transfer.

Following the Further Subscription, BAOHL and SPCL will hold 48.999% and 51.001% of the shareholding interests in Armada Madura, respectively. These shareholding interests are in compliance with the requirements of the Reserve Bank of India, in the event the Financing is to be raised from Indian banks. However, notwithstanding the foregoing shareholding structure, the Armada Madura Shareholders' respective economic interests in (which include the entitlement to any dividend or capital distribution) and funding obligations to Armada Madura, shall be based on the Specified Proportions. Further, based on the said shareholding structure, all matters requiring approval of the Armada Madura Shareholders can only be carried out, upon the approval of both the Armada Madura Shareholders.

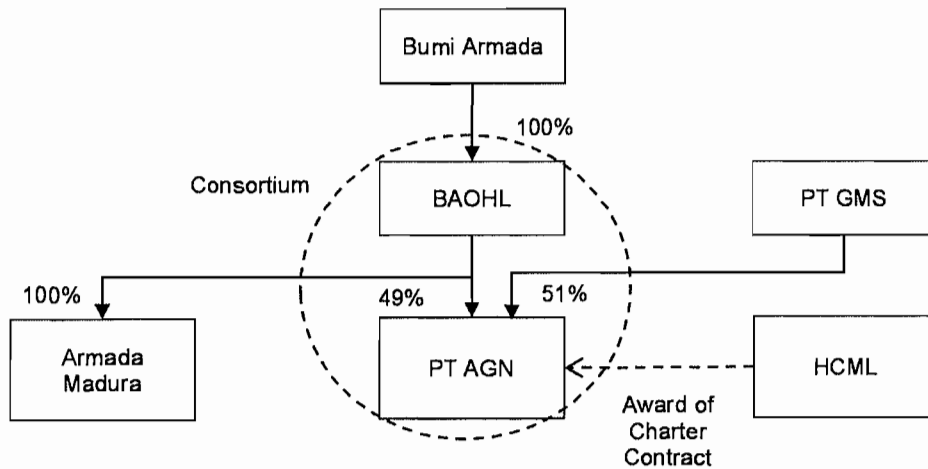
As the FPSO Project SHA is a related party transaction, the amount of the funding, payment and support obligations of our Company and BAOHL collectively under the FPSO Project SHA shall be limited to USD equivalent of RM330.0 million, being an amount below the 5% percentage ratio threshold specified under the Listing Requirements. The said amount can only be exceeded upon obtaining the approval of our shareholders at our forthcoming EGM.

The Maximum Funding Obligations will allow Armada Madura to procure initial funding to commence preparatory works of the FPSO Project, and facilitate the issuance by our Company and SPCL of the EPC Performance Bonds as required under the FPSO Project SHA and the FPSO SPA.

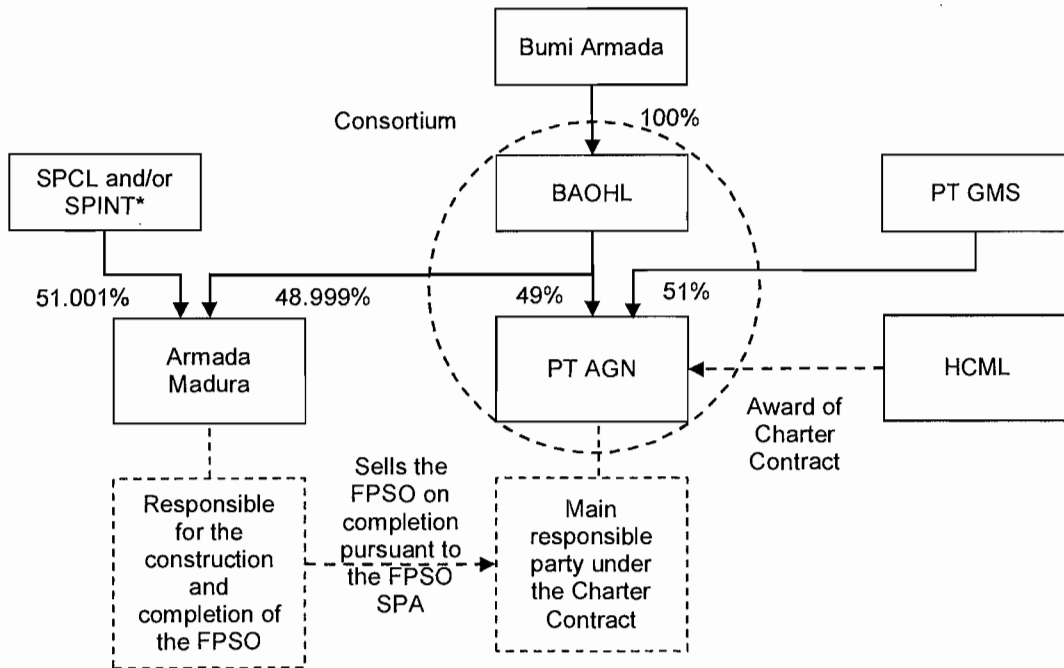
The eventual issued and paid-up share capital of Armada Madura is dependent on the Financing and Shareholder Funding mix in relation to the financial commitment of Armada Madura, which has not been determined at this juncture.

2.7 The diagrammatic structures of the Joint Venture are illustrated as follows:

**Prior to the execution of the FPSO Project SHA**



**Pursuant to the Joint Venture (after completion of the Further Subscription)**



**Note:**

\* *SPINT is an indirect wholly-owned subsidiary of SPCL.*

The salient terms of the FPSO Project SHA and the FPSO SPA are set out in **Appendix I and Appendix II** respectively.

- 2.8 Under the terms of the Charter Contract, a performance bond is required to be given by PT AGN and BAOHL in favour of HCML in the aggregate amount of USD51,494,890.0 (equivalent to approximately RM183,399,050.7).

Pursuant to the FPSO Project SHA and the FPSO SPA, our Company and SPCL have procured, for and on behalf of Armada Madura, in the Specified Proportions, bank guarantees in an aggregate amount of USD51,494,890.0 (equivalent to approximately RM183,399,050.7) in favour of PT AGN (or any third party as PT AGN may nominate in writing), to guarantee the performance of Armada Madura's obligations under the FPSO SPA (collectively, "**EPC Performance Bonds**"). The EPC Performance Bonds shall remain in full force and effect until the date falling six (6) months after the final acceptance of the FPSO (in accordance with the provisions of the Charter Contract), and shall be issued in the manner required under the FPSO SPA.

Save for, (a) the Shareholder Funding, the Shareholders' Support and the provision of guarantees to third parties as referred to in paragraph 6 of Appendix I, and the obligation of our Company to guarantee BAOHL's obligations under the FPSO Project SHA as referred to in paragraph 15.2 of Appendix I and other contractual obligations of our Company and BAOHL under the FPSO Project SHA; and (b) the procurement of the EPC Performance Bond by our Company, our Company and BAOHL will not assume any liabilities, including contingent liabilities and guarantees arising from the Joint Venture.

### 3. INFORMATION ON ARMADA MADURA

Armada Madura was incorporated as our wholly-owned subsidiary in the Republic of The Marshall Islands on 3 March 2015 under the Marshall Islands Business Corporations Act 1990. As at the LPD, the authorised share capital of Armada Madura is USD50,000 comprising 50,000 ordinary shares of USD1 each, of which 50,000 ordinary shares have been issued and are fully paid-up. As at the LPD, Armada Madura has not issued any preference shares. Please refer to Section 2.6 above for further details on the shareholdings of the Armada Madura Shareholders.

The intended business activity of Armada Madura is the engineering, procurement, conversion, construction and completion of the FPSO for sale and delivery to PT AGN under the FPSO SPA. Armada Madura does not presently have any audited financial statements as it is a newly incorporated company. The NA of Armada Madura as at the LPD is USD50,000.0 (equivalent to approximately RM178,075.0).

On 31 March 2015, Armada Madura purchased the tanker known as "Rainbow 1" from BAOHL for the purpose of conversion into the FPSO under the FPSO Project, for a purchase consideration of USD31.0 million (equivalent to approximately RM110.4 million). The purchase consideration is payable in cash on 30 June 2015 or such other date as may be agreed between BAOHL and Armada Madura. The purchase consideration was arrived at after taking into account of, among others, BAOHL's original cost of investment in the tanker and market prices of similarly-sized tankers.

The "Rainbow 1" shall be converted into the FPSO for the FPSO Project. The FPSO will produce approximately 7,500 barrels of hydrocarbon liquids (condensates) per day and approximately 110 million metric standard cubic feet per day (MMSCFD) of processed gas, which will be exported via a pipeline to shore. The FPSO has a required storage capacity of 370,000 barrels. The FPSO will also be required to handle approximately 20 tonnes of sulphur per day which is a by-product of the gas processed from the field. The FPSO will be moored in location by 12 spread-mooring lines. The expected lifespan of the FPSO is 20 years.

As a consequence of SPINT becoming a shareholder of Armada Madura after its subscription for Armada Madura Shares pursuant to the Initial Subscription, our Group will recognise a gain on loss of controlling interest in Armada Madura of approximately USD5.0 million (equivalent to approximately RM17.8 million) (computed based on BAOHL's 50% economic interest in Armada Madura). The gain is derived mainly from the following:

- (i) the purchase consideration of USD31.0 million (equivalent to approximately RM110.4 million) in respect of Armada Madura's purchase of "Rainbow 1" from BAOHL; and
- (ii) BAOHL's original cost of investment of "Rainbow 1" of approximately USD21.0 million (equivalent to approximately RM74.8 million).

As at the LPD, the directors of Armada Madura are Kenneth Murdoch and Paulraj Natarajan.

#### **4. INFORMATION ON BAOHL**

BAOHL is our wholly-owned subsidiary. BAOHL was incorporated in the Republic of The Marshall Islands under the Marshall Islands Business Corporations Act 1990 on 17 June 2010. As at the LPD, the authorised share capital of BAOHL is USD50,000 comprising 50,000 shares of USD1 each, of which 10,000 shares have been issued and are fully paid-up.

BAOHL is principally involved in the business of owning, chartering, managing of ships and vessels, provision of marine support and other services to offshore oil and gas companies.

As at the LPD, the directors of BAOHL are Shaharul Rezza bin Hassan and Lam Chee Keong.

#### **5. INFORMATION ON SPCL AND SPINT**

##### **SPCL**

SPCL was incorporated in India under the laws of India on 23 January 1943. As at the LPD, the authorised share capital of SPCL is INR2,050,502,000, comprising 105,050,000 equity shares of INR10 each and 100,000,200 preference shares of INR10 each, of which 105,020,200 equity shares and 100,000,200 preference shares have been issued and are fully paid-up.

SPCL is a company under the SP Group of Companies owned by Mr Shapoor and his brother, Mr Cyrus Pallonji Mistry, directly and through their companies. The SP Group of Companies is a large conglomerate with multiple business segments, with over 23,000 employees and an annual group turnover of USD2.5 billion (equivalent to approximately RM8.9 billion). The SP Group of Companies has a strong presence in India and internationally including the Middle East and Africa. The SP Group of Companies' business interests cover construction (including residential, commercial, industrial and infrastructure), real estate, infrastructure (comprising coal mining, power, ports and roads), biofuels and agriculture, consumer products, electro-mechanical and mechanical, electrical, and plumbing services, facades and interiors, engineering, textiles, business automation and shipping and logistics.

SPCL has built diverse civil structures such as factories, nuclear research establishments, nuclear waste handling establishments, scientific and research establishments, stadiums and auditoriums, airports, hotels, hospitals, giant skyscrapers, housing complexes, townships, water treatment plants, roads, expressways, power plants and biotech facilities.

(Source: Website of SP Group of Companies at <http://www.shapoorji.in>)

As at the LPD, the directors of SPCL are Mr Shapoor, Firoze K. Bhathena, Kekoo H. Colah, Jai L. Mavani, Subodh C. Dixit and Mohan Dass Saini.

## **SPINT**

SPINT, an indirect wholly-owned subsidiary of SPCL, was incorporated in the United Arab Emirates under the Free Zone Establishment with limited liability pursuant to Law No. 2 of 1996 of H.H. Sheik Maktoum bin Rashid Al Maktoum, Ruler of Dubai and implementing Regulations issued thereunder by the Dubai Airport Free Zone Authority on 21 April 2008. As at the LPD, the authorised share capital of SPINT is AED1,000,000 comprising one (1) share of AED1,000,000, which has been issued and is fully paid-up.

The principal activity of SPINT is to monitor and control all the international operations of its parent company SPCL.

As at the LPD, the directors of SPINT are Mohan Dass Saini and Suresh Chadderwala.

On 20 April 2015, SPINT became a shareholder of Armada Madura after its subscription of the Armada Madura Shares pursuant to the Initial Subscription. Subsequently on 22 April 2015, SPINT transferred all of its Armada Madura Shares to SPCL.

## **6. INFORMATION ON PT AGN**

PT AGN was incorporated in Indonesia under the Data Akta Pendirian Perseroan (Pasal 8 ayat (1) dan Pasal 12 UU No. 1/1995) on 17 December 1998.

As at the LPD, the authorised share capital of PT AGN is Rp10,000,000,000 comprising 10,000 shares of Rp1,000,000 each, of which 2,500 shares have been issued and are fully paid-up.

PT AGN is an Indonesian joint venture company of BAOHL and PT GMS. The principal activities of PT AGN are ship owning and operation of vessels.

As at the LPD, the directors of PT AGN are Shaharul Rezza bin Hassan, Syed Ali bin Syed Salem Alsagoff and Fikri Fadel Muhammad.

## **7. RATIONALE FOR THE JOINT VENTURE**

The Joint Venture arrangement will enable our Company to mitigate our risk exposure on the FPSO Project, by leveraging on SPCL's strong history and experience in fabrication and construction related activities, thereby enabling us to optimise our returns on the FPSO Project.

The SP Group of Companies have partnered with our Group in previous joint ventures to successfully convert, construct and supply, and subsequently operate, two (2) FPSOs at the D1 field and the Cluster-7 field, both located off the west coast of Mumbai, India.

The success of the Joint Venture arrangement will further strengthen our relationship with SPCL and encourage mutual exploration of suitable future opportunities in the offshore oil and gas industry.



## 8. RISK FACTORS

Our Group is exposed to the risks inherent in the oil and gas industry. The Joint Venture will enable our Company to share the risks under the FPSO Project through the collaboration with SPCL and SPINT. Nonetheless, below are some non-exhaustive risk factors that may be inherent to our Company and BAOHL in relation to the Joint Venture. While our Company will seek to limit the impact of such risks, there is no assurance that any change in the factors as described below will not have a material adverse effect on the business and operations of our Company and BAOHL:

### (i) Risk of default by the JV Partners

In the event that SPCL and SPINT commit an event of default under the FPSO Project SHA which cannot be remedied, the Joint Venture may be terminated. This may result in the earnings of our Company under the Charter Contract being impacted due to potential delays in the delivery of the FPSO to HCML. In addition, this may result in compound interest being charged under the Financing, and compensation payable to PT AGN, suppliers, contractors, and other persons engaged in the FPSO Project.

However, pursuant to the FPSO Project SHA, in an event of default, BAOHL has a call option to acquire the Armada Madura Shares held by SPCL and all shareholders' loans provided by SPCL to Armada Madura. This will enable BAOHL to undertake the FPSO Project on its own and meet the obligations of the Consortium (where PT AGN will be the Consortium leader) under the Charter Contract. In such an event, our Company and BAOHL shall assume higher funding obligations in relation to the FPSO Project.

### (ii) Risk of deadlocks

Under the FPSO Project SHA, certain matters are required to be decided by the steering committee of Armada Madura, whilst others are to be decided by the Armada Madura Shareholders (collectively "**Reserved Matters**"). In the event the requisite approval thresholds for the Reserved Matters under the FPSO Project SHA are not obtained, a deadlock situation will arise. This may lead to a disruption to, amongst others, the development and operations of the FPSO Project, and the ability of the Consortium (where PT AGN will be the Consortium leader) to fulfill its obligations under the Charter Contract will be affected.

The alignment of the JV Partners' goals in the Joint Venture will reduce the likelihood of a deadlock and our Company will endeavour to maintain constant communication and continually participate in progress meetings with SPCL and closely monitor the development of the construction of the FPSO to avoid or minimise the risk of deadlocks arising.

**(iii) Risk associated with the FPSO conversion and construction**

The conversion and construction of the FPSO involves significant procurement of equipment and supplies and extensive construction management and other activities in order to complete the conversion and deliver the FPSO to PT AGN as per the agreed delivery date. Any procurement difficulties, construction failures or other factors may cause Armada Madura to face delays, or increased costs, in the completion and delivery of the FPSO to PT AGN. A significant delay in the completion and delivery of the FPSO or a significant performance deficiency could in turn, potentially result in the Consortium failing to meet its obligations under the Charter Contract, leading to the imposition of liquidated damages or ultimately, a termination of the Charter Contract by HCML. This could have a material adverse effect on our Company's business, results of operations and financial condition, and may affect our Company's reputation and ability to secure future contracts.

In this regard, the JV Partners expect to leverage on their respective expertise and experience, and work closely with each other to ensure the timely construction and delivery of the FPSO.

**9. EFFECTS OF THE JOINT VENTURE**

**9.1 Issued and paid-up share capital and substantial shareholders' shareholding**

The Joint Venture will not have any effect on the issued and paid-up share capital of our Company and our substantial shareholders' shareholdings in our Company.

**9.2 EPS, NA per share and gearing**

As a consequence of SPINT becoming a shareholder of Armada Madura after its subscription of the Armada Madura Shares pursuant to the Initial Subscription, our Group will recognise a gain on loss of controlling interest in Armada Madura of approximately USD5.0 million (equivalent to approximately RM17.8 million) (computed based on BAOHL's 50% economic interest in Armada Madura) in FYE 2015.

Other than the above, the effects of the Joint Venture on the EPS, NA per share and gearing of our Group cannot be reliably ascertained at this juncture due to uncertainty over factors affecting the implementation of the FPSO Project. These include the source, extent and timing (as the case may be) of the Financing and BAOHL's Shareholder Funding obligations, the final sale price of the FPSO, actual project costs, the timing of implementation of the FPSO Project and other factors beyond the control of Armada Madura.

Barring unforeseen circumstances, the implementation of the FPSO Project pursuant to the Joint Venture is not expected to have any material effect on the NA per share of our Group notwithstanding that it is expected to contribute positively to the future EPS of our Group. In the event that our Group decides to finance BAOHL's Shareholder Funding obligations via external debt, the gearing ratio of our Group may increase. The extent of such increase, if any, would depend on the extent and timing (as the case may be) of the Financing and BAOHL's Shareholder Funding obligations, as well as the timing and extent of earnings to be recognised by our Group arising from the Joint Venture.

## **10. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

Save as disclosed below, none of our Directors and/or major shareholders and/or persons connected with them has any interest, direct or indirect, in the Joint Venture.

Mr Shapoor is a Non-Independent Non-Executive Director of our Company and is also a director of SPCL. He is also a major shareholder of SPCL by virtue of the SPCL shares held by him and persons connected with him. Therefore, Mr Shapoor is interested in the Joint Venture. As at the LPD, Mr Shapoor does not have any direct and/or indirect interest in our Shares.

Accordingly, Mr Shapoor has abstained, and will continue to abstain, from deliberations and voting on the Joint Venture at the relevant Board meetings of our Company.

Mr Ravi Shankar is the alternate Director to Mr Shapoor. He is deemed interested in the Joint Venture. Accordingly, he has abstained and will continue to abstain, from deliberations and voting on the Joint Venture at the relevant Board meetings of our Company.

In addition, Mr Shapoor and Mr Ravi Shankar will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Joint Venture at our forthcoming EGM.

Mr Shapoor and Mr Ravi Shankar have undertaken that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in our Company on the resolution pertaining to the Joint Venture at our forthcoming EGM.

Pursuant to paragraph 10.08 of the Listing Requirements, the Joint Venture is regarded as a related party transaction as the Joint Venture involves the interests mentioned above. Accordingly on 8 April 2015, our Company has appointed Kenanga IB as the Independent Adviser to advise our non-interested Directors and our non-interested shareholders on the Joint Venture, in accordance with the Listing Requirements.

The total amount transacted by our Group with Mr Shapoor (and persons connected to Mr Shapoor) in the 12 months preceding the date of this Circular is approximately RM368.0 million. This amount relates principally to our Company's joint ventures with the SP Group of Companies in relation to the FPSO projects in the D1 field and the Cluster-7 field, both located off the west coast of Mumbai, India. The joint ventures for these projects were entered into prior to Mr Shapoor being appointed to our Board on 27 October 2014. The Joint Venture is the first related party transaction entered into between our Group and the SP Group of Companies since Mr Shapoor joined our Board.

## **11. OUTSTANDING CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION**

Save for the Joint Venture 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 20 May 2015, 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 also be submitted to Bursa Securities for listing of the Notes under an exempt regime, whereby subject to approval being obtained, the Notes to be issued will be listed on the Main Market of Bursa Securities, but will not be quoted for trading. No Notes have been issued yet under the EMTN Programme.

The Joint Venture is not conditional or inter-conditional upon the abovementioned corporate exercise/scheme and/or any other corporate exercise/scheme.

## **12. AUDIT COMMITTEE'S STATEMENT**

Our Audit Committee, having considered the evaluation and opinion of Kenanga IB as Independent Adviser, and all other aspects, including the rationale for the Joint Venture, is of the opinion that the Joint Venture is:

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interests of the non-interested shareholders.

## **13. DIRECTORS' STATEMENT AND RECOMMENDATION**

Our Board (save for Mr Shapoor and Mr Ravi Shankar who have abstained from all deliberations and voting on the Joint Venture), having considered all aspects, including the rationale for the Joint Venture, is of the opinion that the Joint Venture is in the best interest of our Company.

Accordingly, our Board (save for Mr Shapoor and Mr Ravi Shankar) recommends that you vote in favour of the resolution pertaining to the Joint Venture to be tabled at our forthcoming EGM. You are advised to refer to Part B of this Circular for the Independent Advice Letter from Kenanga IB.

## **14. APPROVALS REQUIRED**

The full implementation of the Joint Venture is subject to approvals being obtained from the following:

- (i) our shareholders at our forthcoming EGM; and
- (ii) any other relevant authorities, if required.

## **15. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the FPSO Project is expected to be completed by the first quarter of 2017.

## 16. EGM

Our EGM will be held at 11.30 a.m. on Monday, 8 June 2015 at Conference Halls 1, 2 & 3, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia or immediately after the conclusion or the adjournment of our Nineteenth AGM which will be held at the same venue and on the same day at 10.00 a.m., whichever is later, for the purpose of considering and, if thought fit, passing the resolution as set out in the Notice of EGM enclosed herein to approve and give effect to the Joint Venture. You are advised to refer to the Notice of EGM and the Form of Proxy which are enclosed in this Circular. Voting on the resolution tabled at the EGM will be by way of a poll.

Subject to our Articles, you may appoint a proxy or proxies to attend and vote on your behalf. If you decide to do so, you are requested to complete and return the enclosed Form of Proxy, in accordance with the instructions contained therein as soon as possible and in any event, so as to arrive at the office of our 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, by 11.45 a.m. on Sunday, 7 June 2015, which is not less than 24 hours before the time appointed for the taking of the poll at the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at our forthcoming EGM should you subsequently decide to do so.

## 17. FURTHER INFORMATION

You are advised to refer to the attached appendices for further information.

Yours faithfully  
for and on behalf of the Board of  
**Bumi Armada Berhad**

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

**PART B**

**INDEPENDENT ADVICE LETTER TO OUR NON-INTERESTED SHAREHOLDERS  
IN RELATION TO THE JOINT VENTURE**

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## EXECUTIVE SUMMARY

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*All definitions used in this Executive Summary shall have the same meanings as the words and expressions defined in the definitions section and Part A of the Circular, except where the context otherwise requires or where otherwise defined in the IAL. In this IAL, all references to "you" are references to the non-interested shareholders of Bumi Armada, whilst references to "we", "us" or "our" are references to Kenanga IB, being the Independent Adviser for the Joint Venture.*

This Executive Summary is intended to be a brief summary of this IAL which has been prepared by Kenanga IB as the Independent Adviser to provide the non-interested shareholders of Bumi Armada with an independent evaluation of the Joint Venture and to express our recommendation thereon. Non-interested shareholders should consider carefully the recommendation contained therein before voting on the resolution pertaining to the Joint Venture at the forthcoming EGM of Bumi Armada.

### 1. INTRODUCTION

On 11 December 2014, Bumi Armada announced that the Consortium had, on 10 December 2014, entered into the Charter Contract with HCML.

On 10 April 2015, Bumi Armada announced that:

- (i) Armada Madura (then a wholly-owned subsidiary of BAOHL) has entered into the FPSO SPA with PT AGN pursuant to which Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the Charter Contract. The Sale Price (as defined in paragraph 2 of Appendix II of the Circular) to be paid by PT AGN to Armada Madura for the FPSO is USD500.0 million (equivalent to approximately RM1,780.8 million), subject to such adjustments (if applicable) pursuant to the terms of FPSO SPA; and
- (ii) Immediately thereafter, on the same day, the JV Partners and Armada Madura have entered into the FPSO Project SHA in relation to the Joint Venture, pursuant to which each of BAOHL and SPINT have agreed to jointly invest in Armada Madura in accordance with the Specified Proportions.

On 20 April 2015, the Initial Subscription was completed, whereby BAOHL and SPINT had subscribed for 24,489 and 25,501 new Armada Madura Shares respectively. Following the completion of the Initial Subscription, the percentage shareholdings of BAOHL and SPINT in Armada Madura are 48.998% and 51.002% respectively. Subsequently on 22 April 2015, SPINT transferred to SPCL all of the Armada Madura Shares held by SPINT following the Initial Subscription, being 25,501 Armada Madura Shares. In addition, SPINT and SPCL executed the Deed of Adherence, pursuant to which SPCL, as transferee of the Armada Madura Shares held by SPINT, agreed to be bound by the terms of the FPSO Project SHA as though it was originally a party to the FPSO Project SHA in place of SPINT. As provided under the FPSO Project SHA, SPINT and SPCL shall be jointly and severally liable for all obligations of SPCL following the Transfer.

The Joint Venture is regarded as a related party transaction in view of the interests of Mr Shapoor in the Joint Venture as detailed in Section 10 of Part A of the Circular, as he is a Non-Independent Non-Executive Director of Bumi Armada, and also a director and major shareholder of SPCL.

## EXECUTIVE SUMMARY

### 2. EVALUATION OF THE JOINT VENTURE

In evaluating the Joint Venture, we have taken into consideration the following:

<b>Section in the IAL</b>	<b>Area of evaluation</b>	<b>Kenanga IB's comments</b>
Section 5.1	Rationale for the Joint Venture	<p>The Company's rationale that the Joint Venture arrangement will enable the Company to mitigate its risk exposure and optimize returns on the FPSO Project by leveraging on SPCL's strengths, history and experience is reasonably justified and not detrimental to the non-interested shareholders of Bumi Armada.</p> <p>Please refer to Section 5.1 of this IAL for further details.</p>
Section 5.2	Salient terms of the FPSO Project SHA	<p>We are of the view that the overall terms and conditions of the FPSO Project SHA are fair and reasonable, and not detrimental to the non-interested shareholders of Bumi Armada.</p> <p>Please refer to Section 5.2 of this IAL for further details.</p>
Section 5.3	Risk factors of the Joint Venture	<p>We are of the view that the risk of default by the JV Partners and risk of deadlocks are acceptable as they are common aspects of any joint venture arrangement.</p> <p>Additionally, with or without the Joint Venture, the Group would be exposed to the risks associated with the conversion and construction of the FPSO, which are inherent in undertaking projects of this nature.</p>
Section 5.4	Effects of the Joint Venture	<p>Our evaluation on the Joint Venture shows that it is more beneficial for the Group to undertake the FPSO Project via a joint venture arrangement.</p> <p>Please refer to Section 5.4 of this IAL for further details.</p>

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## EXECUTIVE SUMMARY

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### 3. CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have assessed and evaluated the Joint Venture, taking into consideration the various factors discussed in Section 5 of this IAL.

We summarise below our evaluations of the Joint Venture:

- (i) The Joint Venture would allow the Group to mitigate its risk exposure on the FPSO Project and leverage on SPCL's strength, experience and expertise;
- (ii) The salient terms of the FPSO Project SHA are fair and reasonable, and not prejudicial or detrimental to the non-interested shareholders of Bumi Armada; and
- (iii) The risk factors of the Joint Venture, as set out in Sections 5.3(i) and 5.3(ii) of this IAL, which are common in any joint venture arrangements, are acceptable. Further, with or without the Joint Venture, the risks associated with the conversion and construction of the FPSO as set out in Section 5.3(iii) of this IAL are inherent in undertaking projects of this nature.

**After taking into consideration the abovementioned factors and on an overall basis, we are of the opinion that the Joint Venture is FAIR AND REASONABLE and is not detrimental to the interests of the non-interested shareholders of Bumi Armada.**

**Accordingly, we recommend that the non-interested shareholders of Bumi Armada VOTE IN FAVOUR of the ordinary resolution pertaining to the Joint Venture to be tabled at the forthcoming EGM of the Company.**

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22 May 2015

To: The Non-Interested Shareholders of Bumi Armada Berhad

Dear Sir/Madam,

## **BUMI ARMADA BERHAD (“BUMI ARMADA” OR THE “COMPANY”)**

### **INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF BUMI ARMADA ON THE FORMATION OF A JOINT VENTURE WITH SHAPOORJI PALLONJI AND COMPANY PRIVATE LIMITED (“SPCL”) AND SHAPOORJI PALLONJI INTERNATIONAL FZE, AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SPCL, TO UNDERTAKE THE ENGINEERING, PROCUREMENT, CONVERSION AND CONSTRUCTION OF A FLOATING PRODUCTION, STORAGE AND OFFLOADING VESSEL**

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*This Independent Advice Letter (“IAL”) is prepared for inclusion in the circular to the shareholders of Bumi Armada dated 22 May 2015 in relation to the Joint Venture (“Circular”). Definitions or defined terms used in this IAL shall have the same meanings as the definitions and defined terms in the definitions section and Part A of the Circular, except where the context otherwise requires or otherwise as defined herein. For illustration purposes, we had applied the exchange rate of USD1.00 : RM3.5615, being the middle rate prevailing at 5.00 p.m. on 30 April 2015 as published by Bank Negara Malaysia.*

#### **1. INTRODUCTION**

On 11 December 2014, Bumi Armada announced that the Consortium had, on 10 December 2014, entered into the Charter Contract with HCML.

Pursuant to the Charter Contract, the Consortium shall provide, operate and maintain the FPSO for charter and deployment at the Field. With an estimated aggregate contract value of approximately USD1.18 billion (equivalent to approximately RM4.20 billion), the Charter Contract is for a firm charter period of ten (10) years with options of five (5) annual extensions. After commissioning and final acceptance of the FPSO, it is expected to commence operations at the Field by the first quarter of 2017.

PT AGN will be the Consortium leader in connection with the Charter Contract.

On 10 April 2015, Bumi Armada announced that:

- (i) Armada Madura (then a wholly-owned subsidiary of BAOHL) has entered into the FPSO SPA with PT AGN pursuant to which Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the Charter Contract. The Sale Price (as defined in paragraph 2 of Appendix II of the Circular) to be paid by PT AGN to Armada Madura for the FPSO is USD500.0 million (equivalent to approximately RM1,780.8 million), subject to such adjustments (if applicable) pursuant to the terms of FPSO SPA; and
- (ii) Immediately thereafter, on the same day, the JV Partners and Armada Madura have entered into the FPSO Project SHA in relation to the Joint Venture, pursuant to which each of BAOHL and SPINT have agreed to jointly invest in Armada Madura in accordance with the Specified Proportions.

# Kenanga

On 20 April 2015, the Initial Subscription was completed, whereby BAOHL and SPINT had subscribed for 24,489 and 25,501 new Armada Madura Shares respectively. Following the completion of the Initial Subscription, the percentage shareholdings of BAOHL and SPINT in Armada Madura are 48.998% and 51.002% respectively. Subsequently on 22 April 2015, SPINT transferred to SPCL all of the Armada Madura Shares held by SPINT following the Initial Subscription, being 25,501 Armada Madura Shares. In addition, SPINT and SPCL executed the Deed of Adherence, pursuant to which SPCL, as transferee of the Armada Madura Shares held by SPINT, agreed to be bound by the terms of the FPSO Project SHA as though it was originally a party to the FPSO Project SHA in place of SPINT. As provided under the FPSO Project SHA, SPINT and SPCL shall be jointly and severally liable for all obligations of SPCL following the Transfer.

The Joint Venture is regarded as a related party transaction in view of the interests of Mr Shapoor in the Joint Venture as detailed in Section 10 of Part A of the Circular, as he is a Non-Independent Non-Executive Director of Bumi Armada, and also a director and major shareholder of SPCL. Accordingly, pursuant to the requirements of Paragraph 10.08(2) of the Listing Requirements, the Board of Bumi Armada had appointed Kenanga IB on 8 April 2015 as the Independent Adviser to advise the non-interested directors and the non-interested shareholders of Bumi Armada ("**non-interested shareholders**") in respect of the Joint Venture.

The purpose of this IAL is to provide you with our independent opinion as to whether the terms of the Joint Venture are fair and reasonable and whether the Joint Venture is detrimental to Bumi Armada and its non-interested shareholders. The non-interested shareholders should nonetheless rely on their own evaluation of the merits of the Joint Venture before making a decision on the course of action to be taken.

**YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER FROM THE BOARD AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CONSIDER CAREFULLY THE RECOMMENDATIONS CONTAINED IN BOTH THIS IAL AND THE LETTER BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE JOINT VENTURE TO BE TABLED AT THE FORTHCOMING EGM OF THE COMPANY.**

**IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.**

## 2. DETAILS OF THE JOINT VENTURE

Pursuant to the FPSO Project SHA, the JV Partners shall jointly invest in Armada Madura to undertake the FPSO Project. The objectives of the FPSO Project SHA are, *inter alia*, as follows:

- (i) to set out the agreement between the Armada Madura Shareholders with respect to their investment in Armada Madura, and for Armada Madura to undertake the FPSO Project;
- (ii) to regulate the respective responsibilities of the Armada Madura Shareholders as the shareholders of Armada Madura in relation to the FPSO Project and the management of the business of Armada Madura from time to time; and
- (iii) to set out the obligations of Bumi Armada and SPCL, as guarantors of the obligations of BAOHL and SPINT respectively, under the FPSO Project SHA.

Further information on Armada Madura is set out in Section 3 of Part A of the Circular.

Pursuant to the FPSO SPA and as part of the FPSO Project, Armada Madura will engineer, procure, convert, construct and complete the FPSO for sale and delivery to PT AGN, to enable PT AGN to perform its obligations under the Charter Contract.

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Bumi Armada estimates that the total financial commitment required by Armada Madura to complete the FPSO Project will range from USD450.0 million (equivalent to approximately RM1,602.7 million) to USD500.0 million (equivalent to approximately RM1,780.8 million), being the Project Costs, which is expected to be funded by a combination of the Shareholder Funding and the Financing. The Armada Madura Shareholders shall be responsible for the Shareholder Funding in the Specified Proportions.

In addition, the JV Partners may be expected to provide the Shareholders' Support in the Specified Proportions. Bumi Armada will also be required to guarantee the performance of BAOHL's obligations under the FPSO Project SHA.

The Company and SPCL have also provided the EPC Performance Bonds. Further details of the EPC Performance Bonds are set out in Section 2.8 of Part A of the Circular.

As at the LPD, the timing for the satisfaction of the total financial commitment of Armada Madura and the eventual Financing and Shareholder Funding mix have yet to be determined. Notwithstanding that, Bumi Armada expects Armada Madura to fund between 20% and 45% of its total financial commitment by way of the Shareholder Funding. For illustration purposes, the funding obligations required from Bumi Armada and BAOHL in respect of the Project Costs are as set out in Section 2.4 of Part A of the Circular.

Further details of the Joint Venture and the salient terms of the FPSO Project SHA are set out in Section 2 of Part A and Appendix I of the Circular.

### **3. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM**

As set out in Section 10 of Part A of the Circular, save as disclosed below, none of Bumi Armada's Directors and/or major shareholders and/or persons connected with them, have any interest, whether direct or indirect, in the Joint Venture.

Mr Shapoor, a Non-Independent Non-Executive Director of Bumi Armada, is also a director of SPCL. He is also a major shareholder of SPCL by virtue of the SPCL shares held by him and persons connected with him. Therefore, Mr Shapoor is interested in the Joint Venture. As at the LPD, Mr Shapoor does not have any direct and/or indirect interest in Bumi Armada's shares.

Mr Ravi Shankar is the alternate Director to Mr Shapoor. He is deemed interested in the Joint Venture.

Accordingly, Mr Shapoor and Mr Ravi Shankar have both abstained and have undertaken that they will continue to abstain from deliberations and voting on the Joint Venture at the relevant Board meetings of Bumi Armada.

In addition, Mr Shapoor and Mr Ravi Shankar have undertaken that they will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in Bumi Armada on the resolution pertaining to the Joint Venture at the forthcoming EGM of the Company. They have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/or indirect shareholdings (if any) in Bumi Armada on the resolution pertaining to the Joint Venture at the forthcoming EGM of the Company.

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## 4. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE JOINT VENTURE

Kenanga IB was not involved in any formulation or any deliberation and negotiation of the terms and conditions of the Joint Venture. The terms of reference of our appointment as Independent Adviser to the non-interested directors and non-interested shareholders are in accordance with the requirements set out in Paragraph 10.08(2) and (3) of the Listing Requirements. Kenanga IB's scope as Independent Adviser is limited to expressing an independent opinion on the fairness and reasonableness of the terms of the Joint Venture insofar as the non-interested shareholders are concerned based on information and documents made available to us including but not limited to the following:

- The FPSO Project SHA;
- Deed of Adherence;
- Information obtained or derived from the Company's announcement to Bursa Securities relating to the Joint Venture;
- Information contained in Part A and the Appendices of the Circular;
- Information, documents, confirmations and/or representations provided by the Board and Management of Bumi Armada, or obtained in or derived from discussions with the non-interested Directors and Management of the Company; and
- Other publicly available information.

We have made due enquiries and have relied on Bumi Armada, its Directors and Management to exercise due care to ensure that all information, documents and representations, provided to us to facilitate our evaluation, represent true and accurate disclosure of all material facts and information in respect of the Joint Venture and the FPSO Project SHA and are complete in all material respects. The Board has, individually and collectively, accepted full responsibility for the accuracy of the information in respect of the Joint Venture and the FPSO Project SHA (save for those in relation to Kenanga IB's analysis, assessment and opinion pertaining to the same) as provided and given herein and confirmed that after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts and/or information the omission of which would make such statement or information in this IAL materially incomplete, false or misleading.

We are satisfied with the sufficiency of the information provided by and disclosure from the Board and Management of the Company and have no reason to believe that any of the information is unreliable, misleading or inaccurate in any material respect.

Our evaluations and opinions as set out in this IAL are based upon market, economic, industry, regulatory and other conditions (if applicable) and the information/documents made available to us, or such other relevant period as discussed herein (as the case may be). Such conditions may change significantly over a period of time. Accordingly, our evaluations and opinions in this IAL do not take into account the information, events and conditions arising after the date of this IAL or such other relevant period as discussed herein (as the case may be). We will notify the non-interested shareholders, if after the despatch of the Circular, we:

- (a) become aware of significant change affecting the information contained in the IAL;
- (b) have reasonable grounds to believe that a material statement in the IAL is misleading or deceptive; or
- (c) have reasonable grounds to believe that there is a material omission in the IAL.

A supplementary IAL will be sent to the non-interested shareholders if there are material changes in our recommendation as set out in this IAL.

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Our scope as Independent Adviser is limited to expression of an independent opinion on the Joint Venture. In forming our opinion, we have considered factors which we believe would be of relevance and general importance to the non-interested shareholders of Bumi Armada. In rendering our advice, we have taken note of pertinent issues which we believe are of general importance in enabling us to form our opinion as to the fairness and reasonableness of the Joint Venture and whether the Joint Venture is detrimental to the non-interested shareholders.

It is not within our terms of reference to express any opinion on the commercial risks or commercial merits of the Joint Venture which remains the sole responsibility of the Board, and where comments or points of consideration are included on certain pertinent matters which may be commercially oriented, these are incidental to our overall evaluation and concern matters which we may deem material for disclosure.

Our evaluations as set out in this IAL are rendered solely for the benefit of the non-interested shareholders of Bumi Armada as a whole. We have not taken into consideration any specific investment objective, financial situation or particular needs of any individual shareholder or any specific group of shareholders. We recommend that any individual shareholder or group of shareholders who are in doubt as to the action to be taken or require advice in relation to the Joint Venture in the context of their individual objectives, financial situation or particular needs, to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers.

We confirm that there is no conflict of interest situation or potential conflict of interest situation arising from Kenanga IB carrying out the role of Independent Adviser to advise the non-interested shareholder of Bumi Armada in respect of the Joint Venture. We further confirm that there were no professional relationships between Kenanga IB and Bumi Armada in the past twelve months (12) prior to the date of this IAL.

Kenanga IB is an investment bank in Malaysia which offers a wide range of products and services such as corporate and institutional coverage, corporate finance, debt capital markets, equity capital markets, corporate banking, Islamic finance, equity broking, equity derivatives and structured products, treasury as well as investment research and advisory services.

The credentials and experience of Kenanga IB, where we have been appointed as an independent adviser in the past twelve months (12) prior to the date of the FPSO Project SHA, include, amongst others, the following:

- (i) Kenanga IB's Independent Advice Circular ("**IAC**") dated 27 November 2014 pertaining to the:
  - acquisitions by Eco World Development Group Berhad ("**EW Berhad**") of the following:
    - (a) 100% equity interest in Eco Macalister Development Sdn Bhd (*formerly known as Bintang Dedikasi Sdn Bhd*) for a cash consideration of RM2.00;
    - (b) 100% equity interest in Eco World Project Management Sdn Bhd for a cash consideration of RM2.00; and
    - (c) development rights from certain subsidiaries of Eco World Development Sdn Bhd for an aggregate cash consideration of RM3,785.8 million; and
  - exemption under paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010 to exempt Eco World Development Holdings Sdn Bhd ("**EW Holdings**") from the obligation to undertake a mandatory take-over offer for the remaining voting shares of EW Berhad not already owned by EW Holdings and the persons acting in concert with it upon the completion of the subscription of EW Berhad shares for an aggregate cash consideration of RM1,371,639,649.40;
- (ii) Kenanga IB's Independent Advice Letter ("**IAL**") dated 3 September 2014 pertaining to the conditional take-over offer by Goldis Berhad ("**Goldis**") to acquire all the remaining ordinary shares of RM0.50 each in IGB Corporation Berhad (excluding treasury shares) not already owned by Goldis ("**Offer Shares**") at an offer price of RM2.88 per Offer Share;

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- (iii) Kenanga IB's IAL dated 3 September 2014 pertaining to the acquisition of a parcel of 99-year leasehold vacant industrial land held under HS(D) 145300, No. PT 141924, Mukim Klang, Daerah Klang, State of Selangor Darul Ehsan by Boilermech Holdings Berhad and its wholly owned subsidiary Boilermech Sdn Bhd together with its related party, Inspirasi Delima Sdn Bhd for a total cash consideration of RM27,312,880 from Logiston Sdn Bhd;
- (iv) Kenanga IB's IAC dated 30 June 2014 pertaining to the unconditional mandatory take-over offer by the Felda Investment Corporation Sdn Bhd ("**Offeror**") through Maybank Investment Bank Berhad to acquire:
  - (a) all the remaining shares in Encorp Berhad ("**Encorp**") not already held by the Offeror and person acting in concert with it ("**PAC**") and such number of new shares that may be issued pursuant to the exercise of outstanding warrants and/or conversion of outstanding redeemable convertible secured loan stocks ("**RCSLS**") prior to the closing date ("**Offer Shares**");
  - (b) all the remaining warrants in Encorp not already held by the Offeror and PAC ("**Offer Warrants**"); and
  - (c) all the remaining RCSLS in Encorp not already held by the Offeror and PAC ("**Offer RCSLS**"),for a cash offer price of RM1.55 per Offer Share, RM0.55 per Offer Warrant and RM1.55 per Offer RCSLS; and
- (v) Kenanga IB's IAC dated 3 June 2014 pertaining to the exemption under paragraph 24.1 Practice Note 9 of the Malaysian Code on Take-Overs and Mergers 2010 to Casi Management Sdn Bhd and persons acting in concert with it from the obligation to undertake a mandatory take-over offer on the remaining voting shares in Magnum Berhad ("**Magnum**") not already owned by them, upon the purchase by Magnum of its own shares pursuant to the proposed renewal of the authority for Magnum to purchase its own shares of an amount, which when aggregated with existing treasury shares, does not exceed 10% of its prevailing issued and paid-up share capital at any time.

## 5. EVALUATION OF THE JOINT VENTURE

In our evaluation of the Joint Venture, and taking into consideration the aforementioned reliance and limitation, we have considered the following factors:

- (a) Rationale for the Joint Venture;
- (b) Salient terms of the FPSO Project SHA;
- (c) Risk factors of the Joint Venture; and
- (d) Effects of the Joint Venture.

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## 5.1 Rationale for the Joint Venture

The rationale for the Joint Venture as extracted from Section 7 of Part A of the Circular is as follows:

*“The Joint Venture arrangement will enable our Company to mitigate our risk exposure on the FPSO Project, by leveraging on SPCL’s strong history and experience in fabrication and construction related activities, thereby enabling us to optimise our returns on the FPSO Project.*

*The SP Group of Companies have partnered with our Group in previous joint ventures to successfully convert, construct and supply, and subsequently operate, two (2) FPSOs at the D1 field and the Cluster-7 field, both located off the west coast of Mumbai, India.*

*The success of the Joint Venture arrangement will further strengthen our relationship with SPCL and encourage mutual exploration of suitable future opportunities in the offshore oil and gas industry.”*

### Our Commentary

#### (a) Mitigate risks and optimise returns on the FPSO Project

The financial commitment by the Armada Madura Shareholders under the Joint Venture will be in the Specified Proportions. Accordingly, the Armada Madura Shareholders are collectively expected to provide Shareholder Funding in the Specified Proportions on the basis of estimated project costs ranging from USD450.0 million (equivalent to approximately RM1,602.7 million) to USD500.0 million (equivalent to approximately RM1,780.8 million), and the EPC Performance Bonds in an aggregate amount of USD51,494,890.0 (equivalent to approximately RM183,399,050.7) guaranteed by the parent companies of the Armada Madura Shareholders (collectively, the **“Financial Commitment”**) under the Joint Venture. Any other funding requirements in excess of the Financial Commitment shall be funded by the Armada Madura Shareholders in the Specified Proportions in accordance with the provisions of the FPSO Project SHA.

In the event that the Group were to undertake the FPSO Project without a joint venture partner, it would have to solely bear the entire Financial Commitment and other funding requirements (if required) in excess of the Financial Commitment to finance the FPSO Project. The total Financial Commitment ranging from USD501.5 million (equivalent to approximately RM1,786.1 million) to USD551.5 million (equivalent to approximately RM1,964.2 million) represents 12.36% to 13.59% of the audited total assets of the Group of RM14,451.9 million as at 31 December 2014.

We note that the Group expects to finance the Shareholder Funding obligations via a combination of internally generated funds, debt and/or part of the proceeds from the rights issue exercise undertaken in 2014. In the absence of the Joint Venture, the Financing of the FPSO Project would give rise to an increase in the gearing ratio of the Group from 0.93 times to a gearing ratio within a range from 1.06 to 1.07 times and 1.12 to 1.14 times based on the debt and equity funding mix as illustrated in the following table below:



Group	As at 31 December 2014 <sup>(1)</sup> RM'000	Assuming 55% Financing and 45% Shareholder Funding without the Joint Venture RM'000	Assuming 80% Financing and 20% Shareholder Funding without the Joint Venture RM'000
Total borrowings	6,192,825	7,074,296 <sup>(2)</sup> – 7,172,237 <sup>(3)</sup>	7,474,965 <sup>(2)</sup> – 7,617,425 <sup>(3)</sup>
Equity attributable to owners of the Company	6,685,199	6,685,199	6,685,199
<b>Gearing ratio (times)</b>	<b>0.93</b>	<b>1.06 - 1.07</b>	<b>1.12 - 1.14</b>

Notes:

\* As the exact mix of the Shareholder Funding has not been finalized, we have for the purpose of illustration assumed that the Shareholder Funding would be funded entirely via a combination of internally generated funds and/or part of the proceeds from the rights issue exercise undertaken by Bumi Armada in 2014.

- (1) The audited consolidated financial statements of Bumi Armada for the FYE 31 December 2014.
- (2) The estimated project costs of USD450.0 million (equivalent to approximately RM1,602.7 million) of which USD247.5 million (equivalent to approximately RM881.5 million) to USD360.0 million (equivalent to approximately RM1,282.1 million) is funded via external bank borrowings.
- (3) The estimated project costs of USD500.0 million (equivalent to approximately RM1,780.8 million) of which USD275.0 million (equivalent to approximately RM979.4 million) to USD400.0 million (equivalent to approximately RM1,424.6 million) is funded via external bank borrowings.

Based on the above evaluation, the Joint Venture is consistent with Bumi Armada's rationale to mitigate its risk exposure on the FPSO Project.

## (b) SPCL's strength, history and experience

SPCL is a company under the SP Group of Companies which is one of the leading construction giants and business conglomerates with various business segments in India. The business segments consist of construction, real estate, infrastructure, biofuels and agriculture, consumer products, electro-mechanical and mechanical, electrical, and plumbing services, facades and interiors, engineering, textiles, business automation and shipping and logistics. The SP Group of Companies has a legacy of 150 years, with over 23,000 employees and an annual group turnover of USD2.5 billion (equivalent to approximately RM8.9 billion). The SP Group of Companies also has a strong presence internationally including in the Middle East and Africa.

(Source: SPCL's website)

Prior to the Joint Venture, the SP Group of Companies had partnered with the Group in joint ventures to own and operate FPSO vessels at the D1 field ("Armada Sterling") and the Cluster-7 field ("Armada Sterling II"), both located on the west coast of Mumbai, India. The success of these prior joint venture arrangements are evidenced by the safe delivery of Armada Sterling which achieved its first oil in April 2013, and Armada Sterling II which achieved its first oil in March 2015.

(Source: SPCL's management)

## (c) SPCL's business relationship with Bumi Armada

As mentioned above, Bumi Armada has had previous business dealings with SPCL. Hence, the Joint Venture will provide more opportunities for the Group to work together with SPCL to strengthen its position as a global FPSO provider.

In summary, after having considered the various factors such as the sharing of the risks and financial commitment via the establishment of the Joint Venture, the track record of SPCL and the size and strength of the SP Group of Companies and the existing previous business dealings between the Group and SPCL, we are of the view that the rationale for the Joint Venture is reasonably justified and is not detrimental to the non-interested shareholders of Bumi Armada.

## 5.2 Salient terms of the FPSO Project SHA

The Joint Venture is subject to the terms of the FPSO Project SHA and our comments on the salient terms of the FPSO Project SHA are as follows:

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p><b>1. PARTICIPATION IN THE FPSO PROJECT</b></p> <p><i>Each of SPCL and Bumi Armada agrees to invest in the FPSO Project, whether directly and/or through its associates, where each would hold a 50% economic interest in the FPSO Project and be responsible for 50% of the funding obligations with respect to the FPSO Project and Armada Madura's obligation under the FPSO SPA.</i></p>	<p>This term serves to set out the respective rights and obligations of SPCL and/or its associates and Bumi Armada and/or its associates under the Joint Venture i.e. both parties have equal economic interest and funding obligations with respect to the FPSO Project even though, the shareholding structure upon completion of the Further Subscription as set out in Section 2.6 of Part A of the Circular is 51.001% and 48.999% held by SPINT (or SPCL following the Transfer) and BAOHL respectively in Armada Madura. We understand that the shareholdings in Armada Madura are in compliance with the requirements of the Reserve Bank of India in the event the Financing is to be raised from Indian banks. Regardless of the Armada Madura Shareholders' shareholdings in Armada Madura, their respective economic interests in and funding obligations to Armada Madura, shall be based on the Specified Proportions.</p>
<p><b>2. STEERING COMMITTEE</b></p> <p><b>2.1 <u>Establishment of a Steering Committee</u></b></p> <p><i>The Armada Madura Shareholders shall establish a steering committee ("SC") for those aspects of the FPSO Project which relate to or affect Armada Madura.</i></p> <p><b>2.2 <u>Responsibilities and composition of the SC</u></b></p> <p><b>2.2.1</b> <i>The SC shall have responsibility, inter alia, for approving:</i></p> <ul style="list-style-type: none"> <li><i>(i) the budgets;</i></li> <li><i>(ii) the raising of any Financing by Armada Madura; and</i></li> <li><i>(iii) the issuance of a cash call notice by any director of Armada Madura to the Armada Madura Shareholders.</i></li> </ul> <p><b>2.2.2</b> <i>The SC shall comprise no more than four (4) SC members. BAOHL and SPINT shall each be entitled to appoint two (2) SC members.</i></p>	<p>These terms are typical in joint venture arrangements and are beneficial to both parties as paragraph 2.2.1 of the salient terms of the FPSO Project SHA sets out the responsibility and the management of the FPSO Project.</p> <p>This term is reasonable as both parties' interests are equally represented.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>2.3 <u>Meetings of the SC</u></p> <p><i>Subject to the terms of the FPSO Project SHA, no decision to approve any SC Matters (as defined in paragraph 13 below) shall be taken at any meeting of the SC unless approved by at least two (2) SC members, including one (1) BAOHL SC member and one (1) SPCL SC member.</i></p>	<p>This term serves to protect the interests of both parties.</p>
<p>3. <b>DIRECTORS OF ARMADA MADURA</b></p> <p>3.1 <u>Composition of the board of directors</u></p> <p><i>The board of directors of Armada Madura shall comprise four (4) directors (or such other number agreed by all Armada Madura Shareholders). BAOHL and SPINT shall each be entitled to appoint two (2) directors. One (1) of the directors nominated by SPINT shall be the president of Armada Madura ("President").</i></p> <p>3.2 <u>Meetings of the board of directors</u></p> <p><i>Subject to the terms of the FPSO Project SHA, no resolutions shall be passed at any meeting of the board of directors of Armada Madura unless (i) at least two (2) directors, including one (1) BAOHL director and one (1) SPINT director, are present; and (ii) all such resolutions shall be made by the votes of a simple majority of directors of Armada Madura present and voting.</i></p>	<p>These terms are reasonable as the interests of the Armada Madura Shareholders are equally represented.</p>
<p>4. <b>ARMADA MADURA SHAREHOLDERS MEETING</b></p> <p>4.1 <i>Subject to the terms of the FPSO Project SHA, no resolution shall be passed at a meeting of the Armada Madura Shareholders unless (i) a representative of BAOHL and a representative of SPINT are attending in person or proxy; and (ii) it is approved by at least 60% of the votes cast at the Armada Madura Shareholder meeting, whereby each Armada Madura Share will carry one (1) vote on both a show of hands and a poll.</i></p> <p>4.2 <i>None of the Armada Madura Shareholders' reserved matters as set out in the FPSO Project SHA (which includes inter alia any share buy-back by Armada Madura, any issuance of Armada Madura Shares other than pursuant to the Shareholder Funding and any entry by Armada Madura into any agreement with any Armada Madura Shareholder (or its associate) with a value in excess of USD20.0 million) ("Shareholder Reserved Matters"), shall be decided or acted upon unless (i) such matter has been approved by each Armada Madura Shareholder at a meeting of the Armada Madura Shareholders properly convened; or (ii) each Armada Madura Shareholder has given its prior written consent to such matter.</i></p>	<p>This term is reasonable as the interests of the Armada Madura Shareholders are equally represented.</p> <p>This term sets out the procedures to be undertaken for Shareholder Reserved Matters. Further, paragraph 4.1 of the salient terms of the FPSO Project SHA states that no shareholders meeting shall be convened unless a representative of BAOHL and a representative of SPINT (or SPCL following the Transfer) are attending the meeting in person or proxy. The interests of Armada Madura Shareholders are therefore protected and equally represented.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p><b>5.1 FINANCING AND FUNDING OBLIGATIONS</b></p> <p>5.1 <u>Financing</u></p> <p>5.1.1 <i>The JV Partners and Armada Madura acknowledge that the Financing will be raised to part-finance the Project Costs.</i></p> <p>5.1.2 <i>The Armada Madura Shareholders shall work together and cooperate (and shall procure that their associates work together and cooperate) with Armada Madura to raise the Financing. The JV Partners and Armada Madura agree that SPINT (or another member of the SPCL Group) shall take the lead in arranging the Financing.</i></p> <p>5.1.3 <i>With respect to any proposed Financing which has been approved by the SC, each Armada Madura Shareholder shall (and shall procure that each of its relevant associates shall) take all such steps as are within its power to give effect to the Financing, including without limitation, the provision of any required approvals, consents, security and/or support, in the Specified Proportions including inter alia:</i></p> <ul style="list-style-type: none"> <li><i>(i) a charge over all the Armada Madura Shares held by the Armada Madura Shareholders (or their associates); and</i></li> <li><i>(ii) an assignment over the Charter Contract, FPSO SPA and all material contracts, bank accounts and insurance policies benefitting Armada Madura.</i></li> </ul> <p>5.1.4 <i>All present and future liabilities and obligations of Armada Madura in connection with the Financing shall rank ahead of the claims of the Armada Madura Shareholders against Armada Madura (including in respect of shareholder loans from the Armada Madura Shareholders), and the Armada Madura Shareholders agree, if required by the financial institutions providing the Financing ("<b>Financial Institutions</b>"), that such claims shall be subordinated to the rights of such Financial Institutions.</i></p> <p>5.1.5 <i>The Armada Madura Shareholders agree to cooperate to achieve the Financing terms without the requirement of pre-completion sponsor financial guarantees in favour of the Financial Institutions, whereby such requirement may be substituted by one (1) or more of the means of sponsor support set out in the FPSO Project SHA in favour of the Financial Institutions by the Armada Madura Shareholders and/or their associates in the Specified Proportions such as inter alia:</i></p> <ul style="list-style-type: none"> <li><i>(i) undertakings to ensure the FPSO Project execution and completion; and</i></li> <li><i>(ii) debt service guarantee for a period of up to six (6) months after final acceptance of the FPSO under the terms of the Charter Contract.</i></li> </ul>	<p>These terms are required to address the funding risks of Armada Madura which are shared by the JV Partners in the Specified Proportions.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>5.1.6 <i>If the Armada Madura Shareholders are unable to achieve the Financing terms based on the sponsor support referred to in paragraph 5.1.5 above, the Armada Madura Shareholders acknowledge and agree to provide such other support in respect of the liability and obligations of Armada Madura under the Financing as the Financial Institutions may require, and such support shall continue in force for a period of six (6) months after final acceptance of the FPSO under the terms of the Charter Contract or such longer period as required by the Financial Institutions, in each case subject to customary conditions for release of such support under typical FPSO project financing arrangements.</i></p>	<p>Please refer to the preceding paragraph.</p>
<p>5.2 <u>Shareholder Funding</u></p>	
<p>5.2.1 <i>Any cash requirements of Armada Madura that are not funded by the Financing shall be funded by the Armada Madura Shareholders in the Specified Proportions in accordance with the provisions of the FPSO Project SHA.</i></p>	
<p>5.2.2 <i>If any director of Armada Madura determines that Armada Madura requires additional funding (to the extent that Armada Madura's cash requirements are not funded by the Financing and are provided for in Armada Madura's approved budget), the director of Armada Madura may, subject to the provisions of the FPSO Project SHA, request the SC to approve the issuance by the director of Armada Madura of a written cash call notice to the Armada Madura Shareholders, requiring the Armada Madura Shareholders to contribute through the provision of Shareholder Funding or otherwise in the Specified Proportions.</i></p>	<p>These terms set out the obligations of the parties when additional cash requirements in relation to the FPSO Project are required.</p>
<p>5.2.3 <i>The JV Partners and Armada Madura acknowledge and agree that BAOHL (and/or members of the Group) has, prior and up to the execution of the FPSO Project SHA, advanced sums for and on behalf of Armada Madura for the purpose of funding the Project Costs and the Armada Madura Shareholders agree that a required cash call shall, as soon as reasonably practicable after the date of the FPSO Project SHA, be issued requiring the Armada Madura Shareholders to contribute, in the Specified Proportions, funding of at least equal to the aggregate amount of all advance payments approved by the SC which amount shall, upon receipt by Armada Madura, be paid by Armada Madura to BAOHL as reimbursement of the advance payments.</i></p>	<p>This term is beneficial to BAOHL as it addresses the reimbursement of advance payments made by BAOHL to Armada Madura to fund the Project Costs, prior to the execution of the FPSO Project SHA.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>5.3 <u>Default in the Shareholder Funding</u></p> <p>5.3.1 <i>If an Armada Madura Shareholder fails to fund all of its Specified Proportion of the Shareholder Funding by the due date for the same ("<b>Non-Contributing Armada Madura Shareholder</b>")</i>, then:</p> <p>(i) <i>Armada Madura shall allot and issue to BAOHL such number of Armada Madura Shares at par value as is necessary such that BAOHL and SPINT each holds 50% of the total Armada Madura Shares in issue immediately following such issuance;</i></p> <p><b>Note:</b></p> <p><i>The number of Armada Madura Shares to be issued can only be determined upon the occurrence of a funding default, as this is dependent on the Armada Madura Shares in issue at such point in time.</i></p> <p>(ii) <i>the other Armada Madura Shareholder ("<b>Contributing Armada Madura Shareholder</b>") may elect to contribute all of the shortfall amount to Armada Madura by way of, (a) subscription for the Armada Madura Shares; or (b) the provision of a shareholder loan to Armada Madura;</i></p> <p>(iii) <i>if the Contributing Armada Madura Shareholder elects to fund the shortfall amount by way of subscription for the Armada Madura Shares, the Non-Contributing Armada Madura Shareholder's holding of the Armada Madura Shares shall be diluted accordingly and its Specified Proportion correspondingly reduced; and</i></p> <p><b>Note:</b></p> <p><i>The number (and percentage) of Armada Madura Shares to be issued to the Contributing Armada Madura Shareholder cannot be determined at this juncture. These figures are dependent on (a) the manner in which the Contributing Armada Madura Shareholder elects to fund the shortfall arising from the Non-Contributing Armada Madura Shareholder's failure to fund; and (b) the amount of such shortfall, and these can only be determined upon the occurrence of a funding default by the Non-Contributing Armada Madura Shareholder.</i></p> <p>(iv) <i>if the Contributing Armada Madura Shareholder elects to fund the shortfall amount by way of a shareholder loan (an "<b>Excess Loan</b>"):</i></p> <p>(a) <i>the Contributing Armada Madura Shareholder shall be entitled to interest on such Excess Loan at a rate equivalent to 13% above the London interbank offered rate for the offering of deposits in USD per annum;</i></p>	<p>This term is reasonable as both parties' rights are equally protected as it addresses the rights of the parties in the event of failure of either party to fund its Specified Proportions of the Shareholder Funding.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>(b) <i>the principal amount of any Excess Loan (and any interest thereon) shall be repaid to the Contributing Armada Madura Shareholder prior to any other shareholder loans being repaid to the Armada Madura Shareholders and prior to the payment of any dividend or making of any other distribution by Armada Madura; and</i></p> <p>(c) <i>where the Contributing Armada Madura Shareholder elects to fund the shortfall by way of an Excess Loan, a default event shall be deemed to have occurred in respect of the Non-Contributing Armada Madura Shareholder.</i></p> <p>5.4 <u>Repayment of Shareholder loans</u>  <i>Subject to paragraph 5.3.1(iv) above, any repayments of any shareholder loan made to Armada Madura by the Armada Madura Shareholders shall be made simultaneously and in such proportions so as to ensure (so far as possible) that immediately following any such repayment, the total amount of the remaining outstanding shareholder loans made to Armada Madura by the Armada Madura Shareholders is in the Specified Proportions.</i></p>	<p>Please refer to the preceding paragraph.</p> <p>This term is to ensure that any repayment of Shareholder Funding will be done in such a manner that at all times, the remaining outstanding shareholder loans will be held in the Specified Proportions.</p> <p>This term does not favour any Armada Madura Shareholder over the other in respect of the repayment of shareholder loans. Hence, it is our opinion that this provision is reasonable to the JV Partners.</p>
<p><b>6. GUARANTEES IN FAVOUR OF THIRD PARTIES</b></p> <p>6.1 <i>If the Armada Madura Shareholders agree to provide (or procure that members of the Group and the SPCL Group provide) any guarantees in respect of the obligations of Armada Madura in connection with the FPSO Project (other than those required under the Financing), then the JV Partners and Armada Madura agree inter alia that:</i></p> <p>(i) <i>any liability or obligation to be assumed by the Armada Madura Shareholders (and the members of the Group and the SPCL Group) in relation to any such guarantee shall be subject to a financial limit, in the Specified Proportions and on a several basis;</i></p> <p>(ii) <i>where an Armada Madura Shareholder (or a member of the Group or the SPCL Group) (a "Responsible Principal") is demonstrably responsible, for causing an actual liability on the part of the other Armada Madura Shareholder (and/or relevant members of the Group or the SPCL Group) (such Armada Madura Shareholder, together with each relevant member of the Group or the SPCL Group, being the "Other Principals") to crystallise pursuant to such guarantee, the Responsible Principal shall be fully responsible for such liability and undertakes to the Other Principals to indemnify and hold the Other Principals harmless against any resulting losses and expenses; and</i></p>	<p>This term sets out the obligation of the Armada Madura Shareholders in relation to guarantees in favour of third parties which are shared by the JV Partners in the Specified Proportions.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>(iii) no Armada Madura Shareholder may terminate any guarantee given by it without the prior written consent of the other Armada Madura Shareholder, save where such termination is permitted under the underlying obligations of Armada Madura requiring such guarantee.</p> <p>6.2 The JV Partners and Armada Madura acknowledge that a performance bond is required to be given by PT AGN and BAOHL in favour of HCML in the aggregate amount of USD51,494,890.0 under the terms of the Charter Contract. The JV Partners and Armada Madura further acknowledge and agree that Bumi Armada and SPCL (or any member of the Group and the SPCL Group) shall fund and procure, for and on behalf of Armada Madura and in the Specified Proportions, the EPC Performance Bonds, being bank guarantees in the aggregate amount of USD51,494,890.0 in favour of PT AGN (or any third party as PT AGN may nominate in writing) to guarantee the performance of Armada Madura's obligations under the FPSO SPA. The EPC Performance Bonds shall remain in full force and effect until the date falling six (6) months after the final acceptance of the FPSO (in accordance with the provisions of the Charter Contract), and shall be issued in the manner required under the FPSO SPA.</p>	<p>Please refer to the preceding paragraph.</p> <p>The guarantees in relation to the EPC Performance Bonds are reasonable as the guarantees are shared equally by the Armada Madura Shareholders in the Specified Proportions.</p>
<p><b>7. BUMI ARMADA SHAREHOLDERS' APPROVAL</b></p> <p>7.1 Notwithstanding the other provisions in the FPSO Project SHA (other than this paragraph 7), the JV Partners and Armada Madura acknowledge and agree that:</p> <p>(i) the funding and other support obligations to Armada Madura or otherwise in respect of the FPSO Project by each Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) in the Specified Proportions; and</p> <p>(ii) the payment obligations of each Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) to the other Armada Madura Shareholder pursuant to the FPSO Project SHA.</p> <p>shall be limited to an aggregate amount of USD equivalent of RM660.0 million (being for the avoidance of doubt, a cap of USD equivalent of RM330.0 million for each Armada Madura Shareholder) until such time as Bumi Armada's shareholders have passed resolutions at a general meeting of Bumi Armada to approve the funding obligations of BAOHL (and any relevant member of the Group) of an amount in excess of USD equivalent of RM330.0 million pursuant to the FPSO Project SHA and the transactions contemplated hereunder. Upon such approval being obtained, the funding obligations of the Armada Madura Shareholders shall not be subject to any cap.</p>	<p>This term sets out the requirement for Bumi Armada to seek approval from its shareholders (at an EGM of Bumi Armada) in relation to the funding obligations of BAOHL (or any relevant member of the Group) in excess of the USD equivalent of RM330.0 million.</p>



Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>7.2 <i>If the Bumi Armada shareholders' approval described in paragraph 7.1 above is not obtained by 5.00 p.m. on 31 December 2015:</i></p> <p>(i) <i>BAOHL shall be entitled to serve a notice on SPINT to require SPINT to sell to BAOHL (or its nominated person) all of the Armada Madura Shares held by SPINT and assign to BAOHL (or its nominated person) all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura in relation to the FPSO Project, at a price equal to the aggregate amount of funding contribution made by SPINT to Armada Madura and all out-of-pocket expenses reasonably and properly incurred by SPINT in relation to Armada Madura (together with interest on such contributions and expenses, calculated at a rate of 10% per annum), subject to Bumi Armada's shareholders having approved the aforesaid sale and assignment (if required);</i></p> <p>(ii) <i>the JV Partners and Armada Madura shall unwind the arrangements and agreements entered into by any member of the SPCL Group in relation to the FPSO Project;</i></p> <p>(iii) <i>subject to the terms of the FPSO Project SHA, the FPSO Project SHA and any further rights and obligations arising from the FPSO Project SHA shall automatically terminate and cease with immediate effect upon completion of the sale and purchase of the Armada Madura Shares and the assignment of the shareholder loans; and</i></p> <p>(iv) <i>if no notice is served by BAOHL to SPINT during the period described in the FPSO Project SHA, SPCL shall be entitled to serve a notice on BAOHL requiring BAOHL to purchase all of the Armada Madura Shares held by SPINT and receive an assignment of all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura, at a total price equal to the aggregate amount of funding contribution made by SPINT to Armada Madura pursuant to the term of the FPSO Project SHA, subject to Bumi Armada shareholders' approval for the aforesaid sale and purchase of Armada Madura Shares and assignment of the shareholder loans (if required).</i></p>	<p>This term sets out the procedures to be undertaken in the event that the approval of Bumi Armada shareholders is not obtained for the funding obligations of BAOHL (or any relevant member of the Group) in the Joint Venture, to exceed the USD equivalent of RM330.0 million which include steps to unwind the Joint Venture arrangement where:</p> <ul style="list-style-type: none"> <li>• BAOHL shall be entitled to regain total ownership of Armada Madura; and</li> <li>• all funding contributions made by SPCL in Armada Madura shall be repaid and all expenses incurred by SPCL shall be reimbursed together with an interest of 10% per annum on such contributions and expenses.</li> </ul> <p>We note that the interest rate of 10% per annum is consistent with the interest rate charged by financial institutions in India. Hence, we are of the view that this term is reasonable.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p><b>8. LIABILITIES UNDER THE CHARTER CONTRACT</b></p> <p><i>An Armada Madura Shareholder who withholds, or whose nominated director or SC member withholds, its consent giving rise to a Shareholder Reserved Matter Deadlock or SC Deadlock (as defined in paragraph 13 below) shall indemnify the other Armada Madura Shareholder (and its associates), PT AGN and Armada Madura against any claims by HCML under the Charter Contract and losses suffered in connection therewith.</i></p>	<p>This term serves to protect both parties' obligations in the event either one (1) party withholds its consent giving rise to a Shareholder Reserved Matter Deadlock or SC Deadlock resulting in claims by HCML under the Charter Contract.</p>
<p><b>9. PROVISION OF SERVICES BY THE ARMADA MADURA SHAREHOLDERS</b></p> <p><i>The Armada Madura Shareholders agree that one (1) or more members of the Group and one or more members of the SPCL Group may provide certain technical and/or other services including the management services relating to engineering, construction and overall project management for the FPSO Project to Armada Madura.</i></p>	<p>This term is reasonable as the JV Partners will be contributing on the technical aspects and other services to the FPSO Project.</p>
<p><b>10. DISPOSAL OF SHARES</b></p> <p>10.1 <i>Subject to the terms of the FPSO Project SHA, the Armada Madura Shares may not be disposed before the later of (i) the expiry of the tenor of the Financing documents and (ii) the expiry of the Charter Contract ("Restricted Transfer Period").</i></p> <p>10.2 <i>No Armada Madura Shares shall be transferred by an Armada Madura Shareholder unless all Armada Madura Shares held by that Armada Madura Shareholder are transferred and all shareholder loans made by such Armada Madura Shareholder are assigned concurrently to the same transferee.</i></p> <p>10.3 <i>Subject to the terms of the FPSO Project SHA, it shall be a condition to the transfer of any Armada Madura Shares that the transferee enters into a deed of adherence with the JV Partners and Armada Madura and if the proposed transferee is not of a financial standing equivalent to or better than the transferor, the transferee shall procure that a person who is of equivalent or better financial standing to the transferor shall enter into a guarantee substantially in the form set out in the deed of adherence annexed to the FPSO Project SHA.</i></p>	<p>These terms are reasonable as they safeguard the Armada Madura Shareholders' interests.</p> <p>Furthermore, paragraph 10.3 of the salient terms of the FPSO Project SHA serves to ensure that the position of the JV Partners is not compromised by subsequent transfer of any Armada Madura Shares by either party.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p><b>11. PERMITTED TRANSFERS</b></p> <p>11.1 <i>An Armada Madura Shareholder may transfer all of the shares held by it to any other member of the Group and the SPCL Group ("<b>Group Transferee</b>"), provided that the transferring Armada Madura Shareholder and the transferee Armada Madura Shareholder shall be jointly and severally liable for all obligations of the transferee Armada Madura Shareholder under the FPSO Project SHA.</i></p> <p>11.2 <i>Prior to a Group Transferee ceasing to be in the Group or the SPCL Group (as the case may be), a Group Transferee shall transfer all of the Armada Madura Shares held by it, and assign all of its rights in respect of any shareholder loans made by it to Armada Madura, to any other member of the Group or the SPCL Group.</i></p> <p>11.3 <i>Notwithstanding any other provisions of the FPSO Project SHA, no transfer of any Armada Madura Shares shall be permitted unless the Armada Madura Shareholders are satisfied that (i) the transferee (or its respective guarantor under the term of the FPSO Project SHA) has the financial capability to meet all required funding that might be sought by Armada Madura in respect of its activities or imposed or expected to be imposed by the Financial Institutions in connection with the Financing, and (ii) such transfer is in compliance with the terms of any Financing.</i></p>	<p>These terms provide flexibility to both Armada Madura Shareholders to transfer all of the shares held by them to any other member of their respective groups.</p>
<p><b>12. PRE-EMPTION RIGHTS</b></p> <p>12.1 <i>Subject to the terms of the FPSO Project SHA, at any time after the expiry of the Restricted Transfer Period but before an Armada Madura Shareholder ("<b>Proposed Transferor</b>") transfers any Armada Madura Share (but other than in the event of a permitted transfer or default event procedure), the Proposed Transferor shall offer to sell the Armada Madura Shares held by the Proposed Transferor to the other Armada Madura Shareholder ("<b>Non-Transferring Shareholder</b>") in accordance with the terms of the FPSO Project SHA.</i></p> <p>12.2 <i>If the Non-Transferring Shareholder does not give an acceptance notice accepting the offer of the Proposed Transferor or a tag notice requiring the Proposed Transferor to request that the proposed transferee make an offer to purchase all of the Armada Madura Shares held by the Non-Transferring Shareholder within the requisite period, the offered Armada Madura Shares may be transferred to the proposed transferee, provided inter alia that:</i></p> <p>(i) <i>the proposed transferee is not a competitor as described in the FPSO Project SHA;</i></p>	<p>These terms are reasonable as both parties are entitled to the pre-emption rights.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>(ii) <i>the entire legal and beneficial interest in the Armada Madura Shares is transferred; and</i></p> <p>(iii) <i>any regulatory approvals required for such transfer are received and the transfer takes place within the period described in the FPSO Project SHA.</i></p>	<p>} Please refer to the preceding paragraph.</p>
<p><b>13. DEADLOCK</b></p> <p>13.1 <i>A situation of "SC Deadlock" shall be deemed to occur where the SC is unable to agree on any matter within the SC's purview under the FPSO Project SHA (each a "SC Matter") within 30 business days of the date from which the President refers the SC Matter to the SC.</i></p> <p>13.2 <i>A situation of "Shareholders Reserved Matter Deadlock" shall be deemed to occur where any director has issued a request in writing for the Armada Madura Shareholders to consent to one (1) of the Shareholder Reserved Matters and such consent is not given by all the Armada Madura Shareholders within 25 business days of receipt of such request.</i></p> <p>13.3 <i>Not later than ten (10) business days following the date of the occurrence of the SC Deadlock or Shareholders Reserved Matter Deadlock, the Armada Madura Shareholders shall refer the matter which has given rise to the deadlock to the chairman, managing director, chief executive officer or other most senior officer of Bumi Armada and SPINT respectively, and shall procure that such persons meet within 30 business days of the deadlock date to negotiate in good faith with a view to the resolving such matter.</i></p>	<p>} These terms serve to address a situation of deadlock and the procedures to resolve such situation.</p>
<p><b>14. DEFAULT EVENTS</b></p> <p>14.1 <u>Events of Defaults</u></p> <p><i>A default event in relation to an Armada Madura Shareholder means the occurrence, inter alia, of any of the following:</i></p> <p>(i) <i>a change of control of any Armada Madura Shareholder (save that any change of control of Bumi Armada arising from a change to its existing listed status shall not be deemed to be a change of control of BAOHL unless SPINT determines, acting reasonably and in good faith, that such change of control has resulted or will result in a material adverse effect on SPINT);</i></p>	<p>} This term sets out the occurrence of an event of default.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>(ii) <i>an Armada Madura Shareholder committing a material breach of its obligations under the FPSO Project SHA and/or any of the finance documents in relation to the Financing and, in the case of a breach capable of remedy, failing to remedy it to the reasonable satisfaction of the other Armada Madura Shareholder within 20 business days;</i></p> <p>(iii) <i>an Armada Madura Shareholder failing to provide its Specified Proportion of a required Shareholder Funding save as provided in the FPSO Project SHA; and</i></p> <p>(iv) <i>an insolvency event in respect of an Armada Madura Shareholder or a holding company of that Armada Madura Shareholder.</i></p>	<p>Please refer to the preceding paragraph.</p>
<p>14.2 <u>Suspension of the Armada Madura Shareholder rights</u></p> <p><i>If an Armada Madura Shareholder commits or suffers a default event, all of its rights under the FPSO Project SHA and the articles of association of Armada Madura shall be suspended to the maximum extent permitted by applicable laws until the event of default (if capable of remedy) has been remedied.</i></p>	<p>These terms are typical in transactions of this nature, where in the event any Armada Madura Shareholder breaches any material provisions of the FPSO Project SHA and fails to remedy it, all of its rights (but not its obligations) under the FPSO Project SHA shall be suspended and the other party shall be entitled, but not obliged, to undertake the default event procedure pursuant to paragraph 14.3 of the salient terms of the FPSO Project SHA.</p>
<p>14.3 <u>Default Event Procedure</u></p> <p>14.3.1 <i>Where the defaulting Armada Madura Shareholder is SPINT, BAOHL shall be entitled to serve a notice in writing ("<b>Default Option Notice</b>") on SPINT requiring SPINT to (i) sell to BAOHL (or such person as BAOHL may nominate) all of the Armada Madura Shares held by SPINT, and (ii) assign to BAOHL (or such person as BAOHL may nominate) all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura ("<b>SPINT Shareholder's Loans</b>"), at a price equal to 70% of the fair market value per Armada Madura Share plus 70% of the total amount outstanding under the SPINT Shareholder's Loans less all costs incurred by BAOHL in connection with the exercise of rights. If BAOHL wishes to exercise this call option in respect of a failure by SPINT to provide its Specified Proportion of a required Shareholder Funding, such exercise shall occur prior to any dilution of SPINT that would result from its failure to subscribe for further equity in Armada Madura.</i></p>	<p>We understand that this is a commercial term negotiated between the JV Partners. In a default situation, it is common for the defaulting party to be penalised.</p> <p>The terms also safeguard the Armada Madura Shareholders' interests hence we opine that the provisions are reasonable to the JV Partners.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p>14.3.2 Where the defaulting shareholder is BAOHL:</p> <p>(i) SPINT shall be entitled to serve a Default Option Notice on BAOHL requiring BAOHL to (a) purchase all of the Armada Madura Shares held by SPINT, and (b) accept an assignment of all of SPINT's rights in respect of all the SPINT Shareholder's Loans, at a price equal to 130% of the fair market value per Armada Madura Share plus 130% of the total amount outstanding under the SPINT Shareholder's Loans less all costs incurred by SPINT in connection with the said exercise of SPINT's rights; and</p> <p>(ii) if BAOHL fails to complete the purchase of the relevant Armada Madura Shares held by SPINT and accept the assignment of SPINT's rights in respect of the SPINT Shareholder's Loans in accordance with the terms of the FPSO Project SHA, SPINT shall be entitled, to require BAOHL to (a) sell to SPINT all of the Armada Madura Shares held by BAOHL, and (b) assign to SPINT all of BAOHL's rights in respect of all shareholder loans by BAOHL to Armada Madura ("<b>BAOHL Shareholder's Loans</b>"), at a price equal to 70% of the fair market value per Armada Madura Share plus 70% of the total amount outstanding under the BAOHL Shareholder's Loans less all costs incurred by SPINT in connection with the exercise of its rights.</p> <p><b>Note:</b></p> <p><i>From our Company's perspective, the ability of BAOHL to acquire the Armada Madura Shares held by SPINT at a 30% discount to fair market value would be sufficient disincentive against SPINT defaulting on its obligations under the FPSO Project SHA. Conversely, upon BAOHL's default under the FPSO Project SHA, BAOHL could potentially be obliged to acquire the Armada Madura Shares held by SPINT at a 30% premium to fair market value.</i></p> <p><i>The equivalent value of the premium and the discount to fair market value, which the defaulting Armada Madura Shareholder would be obliged to bear, was arrived at following commercial negotiations between the Armada Madura Shareholders, to reflect the spirit of an equal joint venture between the JV Partners.</i></p>	<p>Please refer to the preceding paragraph.</p>

Salient Terms of the FPSO Project SHA	Kenanga IB's comments
<p><b>15. GUARANTEE</b></p> <p>15.1 <i>SPCL undertakes with BAOHL that SPINT will perform its obligations under the FPSO Project SHA and shall indemnify and keep indemnified BAOHL on demand against all losses and expenses which BAOHL may incur as a result of any breach of SPINT's obligations under the FPSO Project SHA.</i></p> <p>15.2 <i>Bumi Armada undertakes with SPINT that BAOHL will perform its obligations under the FPSO Project SHA and shall indemnify and keep indemnified SPINT on demand against all losses and expenses which SPINT may incur as a result of any breach of BAOHL's obligations under the FPSO Project SHA.</i></p>	<p>These terms express the commitment of the JV Partners in the performance of their obligations to the Joint Venture.</p>
<p><b>16. DURATION</b></p> <p>16.1 <i>Subject to paragraph 7 above, the FPSO Project SHA shall continue in full force and effect until the occurrence of the following, whichever is earlier:</i></p> <ul style="list-style-type: none"> <li><i>(i) the date of commencement of Armada Madura's winding-up; and</i></li> <li><i>(ii) if only one (1) Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) remains holding all the Armada Madura Shares.</i></li> </ul> <p>16.2 <i>Subject to the provisions of the FPSO Project SHA, the termination of the FPSO Project SHA shall not:</i></p> <ul style="list-style-type: none"> <li><i>(i) relieve any Armada Madura Shareholder or any of its associates from any accrued liability or obligation; or</i></li> <li><i>(ii) affect the obligations of the JV Partners and Armada Madura with respect to those terms of the FPSO Project SHA which are expressed to survive termination.</i></li> </ul>	<p>This term sets out the duration of the FPSO Project SHA.</p> <p>This term sets out the liabilities/obligations of the Armada Madura Shareholders, JV Partners and Armada Madura in the event of a termination of the FPSO Project SHA.</p>

Based on our review of the salient terms of the FPSO Project SHA, we are of the view that the overall terms and conditions of the FPSO Project SHA are fair and reasonable, and not detrimental to the non-interested shareholders of Bumi Armada.

## 5.3 Risk Factors of the Joint Venture

In evaluating the Joint Venture, the non-interested shareholders should carefully consider the potential risk factors as set out in Section 8 of Part A of the Circular, summarised as follows:

### **“(i) Risk of default by the JV Partners**

*In the event that SPCL and SPINT commit an event of default under the FPSO Project SHA which cannot be remedied, the Joint Venture may be terminated. This may result in the earnings of our Company under the Charter Contract being impacted due to potential delays in the delivery of the FPSO to HCML. In addition, this may result in compound interest being charged under the Financing, and compensation payable to PT AGN, suppliers, contractors, and other persons engaged in the FPSO Project.*

*However, pursuant to the FPSO Project SHA, in an event of default, BAOHL has a call option to acquire the Armada Madura Shares held by SPCL and all shareholders' loans provided by SPCL to Armada Madura. This will enable BAOHL to undertake the FPSO Project on its own and meet the obligations of the Consortium (where PT AGN will be the Consortium leader) under the Charter Contract. In such an event, our Company and BAOHL shall assume higher funding obligations in relation to the FPSO Project.*

### **(ii) Risk of deadlocks**

*Under the FPSO Project SHA, certain matters are required to be decided by the steering committee of Armada Madura, whilst others are to be decided by the Armada Madura Shareholders (collectively “**Reserved Matters**”). In the event the requisite approval thresholds for the Reserved Matters under the FPSO Project SHA are not obtained, a deadlock situation will arise. This may lead to a disruption to, amongst others, the development and operations of the FPSO Project, and the ability of the Consortium (where PT AGN will be the Consortium leader) to fulfill its obligations under the Charter Contract will be affected.*

*The alignment of the JV Partners' goals in the Joint Venture will reduce the likelihood of a deadlock and our Company will endeavour to maintain constant communication and continually participate in progress meetings with SPCL and closely monitor the development of the construction of the FPSO to avoid or minimise the risk of deadlocks arising.*

### **(iii) Risk associated with the FPSO conversion and construction**

*The conversion and construction of the FPSO involves significant procurement of equipment and supplies and extensive construction management and other activities in order to complete the conversion and deliver the FPSO to PT AGN as per the agreed delivery date. Any procurement difficulties, construction failures or other factors may cause Armada Madura to face delays, or increased costs, in the completion and delivery of the FPSO to PT AGN. A significant delay in the completion and delivery of the FPSO or a significant performance deficiency could in turn, potentially result in the Consortium failing to meet its obligations under the Charter Contract, leading to the imposition of liquidated damages or ultimately, a termination of the Charter Contract by HCML. This could have a material adverse effect on our Company's business, results of operations and financial condition, and may affect our Company's reputation and ability to secure future contracts.*

*In this regard, the JV Partners expect to leverage on their respective expertise and experience, and work closely with each other to ensure the timely construction and delivery of the FPSO.”*



## Our Commentary:

Having evaluated the above risks and the mitigating factors, we are of the view that the risk of default by the JV Partners and risk of deadlocks are acceptable as they are common aspects of any joint venture arrangement. Additionally, with or without the Joint Venture, the Group would be exposed to the risks associated with the conversion and construction of the FPSO, which are inherent in undertaking projects of this nature.

## 5.4 Effects of the Joint Venture

In our evaluation, we have also considered the effects arising from the Joint Venture as set out in Section 9 of Part A of the Circular.

### **“9.1 Issued and paid-up share capital and substantial shareholders’ shareholding**

*The Joint Venture will not have any effect on the issued and paid-up share capital of our Company and our substantial shareholders’ shareholding in our Company.*

### **9.2 EPS, NA per share and gearing**

*As a consequence of SPINT becoming a shareholder of Armada Madura after its subscription of the Armada Madura Shares pursuant to the Initial Subscription, our Group will recognise a gain on loss of controlling interest in Armada Madura of approximately USD5.0 million (equivalent to approximately RM17.8 million) (computed based on BAOHL’s 50% economic interest in Armada Madura) in FYE 2015.*

*Other than the above, the effects of the Joint Venture on the EPS, NA per share and gearing of our Group cannot be reliably ascertained at this juncture due to uncertainty over factors affecting the implementation of the FPSO Project. These include the source, extent and timing (as the case may be) of the Financing and BAOHL’s Shareholder Funding obligations, the final sale price of the FPSO, actual project costs, the timing of implementation of the FPSO Project and other factors beyond the control of Armada Madura.*

*Barring unforeseen circumstances, the implementation of the FPSO Project pursuant to the Joint Venture is not expected to have any material effect on the NA per share of our Group notwithstanding that it is expected to contribute positively to the future EPS of our Group. In the event that our Group decides to finance BAOHL’s Shareholder Funding obligations via external debt, the gearing ratio of our Group may increase. The extent of such increase, if any, would depend on the extent and timing (as the case may be) of the Financing and BAOHL’s Shareholder Funding obligations, as well as the timing and extent of earnings to be recognised by our Group arising from the Joint Venture.”*

## Our Commentary

**As a result of SPINT’s subscription of Armada Madura Shares pursuant to the Initial Subscription, the Group will recognise a gain on loss of controlling interest in Armada Madura of approximately USD5.0 million (equivalent to approximately RM17.8 million) in FYE 2015. Barring unforeseen circumstances, the implementation of the FPSO Project pursuant to the Joint Venture is not expected to have any material effect on the NA per share of the Group, notwithstanding that it is expected to contribute positively to the future EPS of the Group.**

**In the event that BAOHL’s Shareholder Funding obligations are funded via external debt, the gearing ratio of the Group may increase. Nevertheless, we are of the view that the Joint Venture is expected to reduce the impact of higher gearing as illustrated in Section 5.1(a) of this IAL, as Bumi Armada and BAOHL would have to otherwise bear the entire financial commitment with respect to the FPSO Project, in the absence of the Joint Venture.**

## 6. FURTHER INFORMATION

Non-interested shareholders of Bumi Armada are advised to refer to Part A and the appendices of the Circular for further information.

## 7. CONCLUSION AND RECOMMENDATION

In arriving at our recommendation, we have assessed and evaluated the Joint Venture, taking into consideration the various factors discussed in Section 5 of this IAL.

We summarise below our evaluations of the Joint Venture:

- (i) The Joint Venture would allow the Group to mitigate its risk exposure on the FPSO Project and leverage on SPCL's strength, experience and expertise;
- (ii) The salient terms of the FPSO Project SHA are fair and reasonable, and not prejudicial or detrimental to the non-interested shareholders of Bumi Armada; and
- (iii) The risk factors of the Joint Venture, as set out in Sections 5.3(i) and 5.3(ii) of this IAL, which are common in any joint venture arrangements, are acceptable. Further, with or without the Joint Venture, the risks associated with the conversion and construction of the FPSO as set out in Section 5.3(iii) of this IAL are inherent in undertaking projects of this nature.

**After taking into consideration the abovementioned factors and on an overall basis, we are of the opinion that the Joint Venture is FAIR AND REASONABLE and is not detrimental to the interests of the non-interested shareholders of Bumi Armada.**

**Accordingly, we recommend that the non-interested shareholders of Bumi Armada VOTE IN FAVOUR of the ordinary resolution pertaining to the Joint Venture to be tabled at the forthcoming EGM of the Company.**

Yours faithfully,  
For and on behalf of  
**KENANGA INVESTMENT BANK BERHAD**

**ROSLAN HJ TIK**  
Executive Director, Head  
Group Investment Banking

**DATUK CHAY WAI LEONG**  
Managing Director

## SALIENT TERMS OF THE FPSO PROJECT SHA

Save as otherwise defined herein, all the capitalised terms used in Appendices I and II shall bear the same meanings as those set out in the definitions section of this Circular. Unless the context otherwise requires, all references to SPINT set out herein, shall be deemed to include a reference to SPCL, as a result of the Transfer and the execution of the Deed of Adherence.

The salient terms of the FPSO Project SHA include, *inter alia*, the following:

### 1. PARTICIPATION IN THE FPSO PROJECT

Each of SPCL and Bumi Armada agrees to invest in the FPSO Project, whether directly and/or through its associates, where each would hold a 50% economic interest in the FPSO Project and be responsible for 50% of the funding obligations with respect to the FPSO Project and Armada Madura's obligation under the FPSO SPA.

### 2. STEERING COMMITTEE

#### 2.1 Establishment of a Steering Committee

The Armada Madura Shareholders shall establish a steering committee ("SC") for those aspects of the FPSO Project which relate to or affect Armada Madura.

#### 2.2 Responsibilities and composition of the SC

2.2.1 The SC shall have responsibility, *inter alia*, for approving:

- (i) the budgets;
- (ii) the raising of any Financing by Armada Madura; and
- (iii) the issuance of a cash call notice by any director of Armada Madura to the Armada Madura Shareholders.

2.2.2 The SC shall comprise no more than four (4) SC members. BAOHL and SPINT shall each be entitled to appoint two (2) SC members.

#### 2.3 Meetings of the SC

Subject to the terms of the FPSO Project SHA, no decision to approve any SC Matters (as defined in paragraph 13 below) shall be taken at any meeting of the SC unless approved by at least two (2) SC members, including one (1) BAOHL SC member and one (1) SPCL SC member.

### 3. DIRECTORS OF ARMADA MADURA

#### 3.1 Composition of the board of directors

The board of directors of Armada Madura shall comprise four (4) directors (or such other number agreed by all Armada Madura Shareholders). BAOHL and SPINT shall each be entitled to appoint two (2) directors. One (1) of the directors nominated by SPINT shall be the president of Armada Madura ("**President**").

### 3.2 Meetings of the board of directors

Subject to the terms of the FPSO Project SHA, no resolutions shall be passed at any meeting of the board of directors of Armada Madura unless (i) at least two (2) directors, including one (1) BAOHL director and one (1) SPINT director, are present; and (ii) all such resolutions shall be made by the votes of a simple majority of directors of Armada Madura present and voting.

## 4. **ARMADA MADURA SHAREHOLDERS MEETING**

4.1 Subject to the terms of the FPSO Project SHA, no resolution shall be passed at a meeting of the Armada Madura Shareholders unless (i) a representative of BAOHL and a representative of SPINT are attending in person or proxy; and (ii) it is approved by at least 60% of the votes cast at the Armada Madura Shareholder meeting, whereby each Armada Madura Share will carry one (1) vote on both a show of hands and a poll.

4.2 None of the Armada Madura Shareholders' reserved matters as set out in the FPSO Project SHA (which includes *inter alia* any share buy-back by Armada Madura, any issuance of Armada Madura Shares other than pursuant to the Shareholder Funding and any entry by Armada Madura into any agreement with any Armada Madura Shareholder (or its associate) with a value in excess of USD20.0 million) ("**Shareholder Reserved Matters**"), shall be decided or acted upon unless (i) such matter has been approved by each Armada Madura Shareholder at a meeting of the Armada Madura Shareholders properly convened; or (ii) each Armada Madura Shareholder has given its prior written consent to such matter.

## 5. **FINANCING AND FUNDING OBLIGATIONS**

### 5.1 Financing

5.1.1 The JV Partners and Armada Madura acknowledge that the Financing will be raised to part-finance the Project Costs.

5.1.2 The Armada Madura Shareholders shall work together and cooperate (and shall procure that their associates work together and cooperate) with Armada Madura to raise the Financing. The JV Partners and Armada Madura agree that SPINT (or another member of the SPCL Group) shall take the lead in arranging the Financing.

5.1.3 With respect to any proposed Financing which has been approved by the SC, each Armada Madura Shareholder shall (and shall procure that each of its relevant associates shall) take all such steps as are within its power to give effect to the Financing, including without limitation, the provision of any required approvals, consents, security and/or support, in the Specified Proportions including *inter alia*:

- (i) a charge over all the Armada Madura Shares held by the Armada Madura Shareholders (or their associates); and
- (ii) an assignment over the Charter Contract, FPSO SPA and all material contracts, bank accounts and insurance policies benefitting Armada Madura.

5.1.4 All present and future liabilities and obligations of Armada Madura in connection with the Financing shall rank ahead of the claims of the Armada Madura Shareholders against Armada Madura (including in respect of shareholder loans from the Armada Madura Shareholders), and the Armada Madura Shareholders agree, if required by the financial institutions providing the Financing ("**Financial Institutions**"), that such claims shall be subordinated to the rights of such Financial Institutions.

- 5.1.5 The Armada Madura Shareholders agree to cooperate to achieve the Financing terms without the requirement of pre-completion sponsor financial guarantees in favour of the Financial Institutions, whereby such requirement may be substituted by one (1) or more of the means of sponsor support set out in the FPSO Project SHA in favour of the Financial Institutions by the Armada Madura Shareholders and/or their associates in the Specified Proportions such as *inter alia*:
- (i) undertakings to ensure the FPSO Project execution and completion; and
  - (ii) debt service guarantee for a period of up to six (6) months after final acceptance of the FPSO under the terms of the Charter Contract.
- 5.1.6 If the Armada Madura Shareholders are unable to achieve the Financing terms based on the sponsor support referred to in paragraph 5.1.5 above, the Armada Madura Shareholders acknowledge and agree to provide such other support in respect of the liability and obligations of Armada Madura under the Financing as the Financial Institutions may require, and such support shall continue in force for a period of six (6) months after final acceptance of the FPSO under the terms of the Charter Contract or such longer period as required by the Financial Institutions, in each case subject to customary conditions for release of such support under typical FPSO project financing arrangements.

## 5.2 Shareholder Funding

- 5.2.1 Any cash requirements of Armada Madura that are not funded by the Financing shall be funded by the Armada Madura Shareholders in the Specified Proportions in accordance with the provisions of the FPSO Project SHA.
- 5.2.2 If any director of Armada Madura determines that Armada Madura requires additional funding (to the extent that Armada Madura's cash requirements are not funded by the Financing and are provided for in Armada Madura's approved budget), the director of Armada Madura may, subject to the provisions of the FPSO Project SHA, request the SC to approve the issuance by the director of Armada Madura of a written cash call notice to the Armada Madura Shareholders, requiring the Armada Madura Shareholders to contribute through the provision of Shareholder Funding or otherwise in the Specified Proportions.
- 5.2.3 The JV Partners and Armada Madura acknowledge and agree that BAOHL (and/or members of the Group) has, prior and up to the execution of the FPSO Project SHA, advanced sums for and on behalf of Armada Madura for the purpose of funding the Project Costs and the Armada Madura Shareholders agree that a required cash call shall, as soon as reasonably practicable after the date of the FPSO Project SHA, be issued requiring the Armada Madura Shareholders to contribute, in the Specified Proportions, funding of at least equal to the aggregate amount of all advance payments approved by the SC which amount shall, upon receipt by Armada Madura, be paid by Armada Madura to BAOHL as reimbursement of the advance payments.

### 5.3 Default in the Shareholder Funding

5.3.1 If an Armada Madura Shareholder fails to fund all of its Specified Proportion of the Shareholder Funding by the due date for the same ("**Non-Contributing Armada Madura Shareholder**"), then:

- (i) Armada Madura shall allot and issue to BAOHL such number of Armada Madura Shares at par value as is necessary such that BAOHL and SPINT each holds 50% of the total Armada Madura Shares in issue immediately following such issuance;

**Note:**

*The number of Armada Madura Shares to be issued can only be determined upon the occurrence of a funding default, as this is dependent on the Armada Madura Shares in issue at such point in time.*

- (ii) the other Armada Madura Shareholder ("**Contributing Armada Madura Shareholder**") may elect to contribute all of the shortfall amount to Armada Madura by way of, (a) subscription for the Armada Madura Shares; or (b) the provision of a shareholder loan to Armada Madura;
- (iii) if the Contributing Armada Madura Shareholder elects to fund the shortfall amount by way of subscription for the Armada Madura Shares, the Non-Contributing Armada Madura Shareholder's holding of the Armada Madura Shares shall be diluted accordingly and its Specified Proportion correspondingly reduced; and

**Note:**

*The number (and percentage) of Armada Madura Shares to be issued to the Contributing Armada Madura Shareholder cannot be determined at this juncture. These figures are dependent on (a) the manner in which the Contributing Armada Madura Shareholder elects to fund the shortfall arising from the Non-Contributing Armada Madura Shareholder's failure to fund; and (b) the amount of such shortfall, and these can only be determined upon the occurrence of a funding default by the Non-Contributing Armada Madura Shareholder.*

- (iv) if the Contributing Armada Madura Shareholder elects to fund the shortfall amount by way of a shareholder loan (an "**Excess Loan**"):
  - (a) the Contributing Armada Madura Shareholder shall be entitled to interest on such Excess Loan at a rate equivalent to 13% above the London interbank offered rate for the offering of deposits in USD per annum;
  - (b) the principal amount of any Excess Loan (and any interest thereon) shall be repaid to the Contributing Armada Madura Shareholder prior to any other shareholder loans being repaid to the Armada Madura Shareholders and prior to the payment of any dividend or making of any other distribution by Armada Madura; and
  - (c) where the Contributing Armada Madura Shareholder elects to fund the shortfall by way of an Excess Loan, a default event shall be deemed to have occurred in respect of the Non-Contributing Armada Madura Shareholder.

#### 5.4 Repayment of Shareholder loans

Subject to paragraph 5.3.1(iv) above, any repayments of any shareholder loan made to Armada Madura by the Armada Madura Shareholders shall be made simultaneously and in such proportions so as to ensure (so far as possible) that immediately following any such repayment, the total amount of the remaining outstanding shareholder loans made to Armada Madura by the Armada Madura Shareholders is in the Specified Proportions.

### 6. GUARANTEES IN FAVOUR OF THIRD PARTIES

6.1 If the Armada Madura Shareholders agree to provide (or procure that members of the Group and the SPCL Group provide) any guarantees in respect of the obligations of Armada Madura in connection with the FPSO Project (other than those required under the Financing), then the JV Partners and Armada Madura agree *inter alia* that:

- (i) any liability or obligation to be assumed by the Armada Madura Shareholders (and the members of the Group and the SPCL Group) in relation to any such guarantee shall be subject to a financial limit, in the Specified Proportions and on a several basis;
- (ii) where an Armada Madura Shareholder (or a member of the Group or the SPCL Group) (a "**Responsible Principal**") is demonstrably responsible, for causing an actual liability on the part of the other Armada Madura Shareholder (and/or relevant members of the Group or the SPCL Group) (such Armada Madura Shareholder, together with each relevant member of the Group or the SPCL Group, being the ("**Other Principals**") to crystallise pursuant to such guarantee, the Responsible Principal shall be fully responsible for such liability and undertakes to the Other Principals to indemnify and hold the Other Principals harmless against any resulting losses and expenses; and
- (iii) no Armada Madura Shareholder may terminate any guarantee given by it without the prior written consent of the other Armada Madura Shareholder, save where such termination is permitted under the underlying obligations of Armada Madura requiring such guarantee.

6.2 The JV Partners and Armada Madura acknowledge that a performance bond is required to be given by PT AGN and BAOHL in favour of HCML in the aggregate amount of USD51,494,890.0 under the terms of the Charter Contract. The JV Partners and Armada Madura further acknowledge and agree that Bumi Armada and SPCL (or any member of the Group and the SPCL Group) shall fund and procure, for and on behalf of Armada Madura and in the Specified Proportions, the EPC Performance Bonds, being bank guarantees in the aggregate amount of USD51,494,890.0 in favour of PT AGN (or any third party as PT AGN may nominate in writing) to guarantee the performance of Armada Madura's obligations under the FPSO SPA. The EPC Performance Bonds shall remain in full force and effect until the date falling six (6) months after the final acceptance of the FPSO (in accordance with the provisions of the Charter Contract), and shall be issued in the manner required under the FPSO SPA.

### 7. BUMI ARMADA SHAREHOLDERS' APPROVAL

7.1 Notwithstanding the other provisions in the FPSO Project SHA (other than this paragraph 7), the JV Partners and Armada Madura acknowledge and agree that:

- (i) the funding and other support obligations to Armada Madura or otherwise in respect of the FPSO Project by each Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) in the Specified Proportions; and

- (ii) the payment obligations of each Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) to the other Armada Madura Shareholder pursuant to the FPSO Project SHA,

shall be limited to an aggregate amount of USD equivalent of RM660.0 million (being for the avoidance of doubt, a cap of USD equivalent of RM330.0 million for each Armada Madura Shareholder) until such time as Bumi Armada's shareholders have passed resolutions at a general meeting of Bumi Armada to approve the funding obligations of BAOHL (and any relevant member of the Group) of an amount in excess of USD equivalent of RM330.0 million pursuant to the FPSO Project SHA and the transactions contemplated hereunder. Upon such approval being obtained, the funding obligations of the Armada Madura Shareholders shall not be subject to any cap.

7.2 If the Bumi Armada shareholders' approval described in paragraph 7.1 above is not obtained by 5.00 p.m. on 31 December 2015:

- (i) BAOHL shall be entitled to serve a notice on SPINT to require SPINT to sell to BAOHL (or its nominated person) all of the Armada Madura Shares held by SPINT and assign to BAOHL (or its nominated person) all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura in relation to the FPSO Project, at a price equal to the aggregate amount of funding contribution made by SPINT to Armada Madura and all out-of-pocket expenses reasonably and properly incurred by SPINT in relation to Armada Madura (together with interest on such contributions and expenses, calculated at a rate of 10% per annum), subject to Bumi Armada's shareholders having approved the aforesaid sale and assignment (if required);
- (ii) the JV Partners and Armada Madura shall unwind the arrangements and agreements entered into by any member of the SPCL Group in relation to the FPSO Project;
- (iii) subject to the terms of the FPSO Project SHA, the FPSO Project SHA and any further rights and obligations arising from the FPSO Project SHA shall automatically terminate and cease with immediate effect upon completion of the sale and purchase of the Armada Madura Shares and the assignment of the shareholder loans; and
- (iv) if no notice is served by BAOHL to SPINT during the period described in the FPSO Project SHA, SPCL shall be entitled to serve a notice on BAOHL requiring BAOHL to purchase all of the Armada Madura Shares held by SPINT and receive an assignment of all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura, at a total price equal to the aggregate amount of funding contribution made by SPINT to Armada Madura pursuant to the term of the FPSO Project SHA, subject to Bumi Armada's shareholders' approval for the aforesaid sale and purchase of Armada Madura Shares and assignment of the shareholder loans (if required).

## **8. LIABILITIES UNDER THE CHARTER CONTRACT**

An Armada Madura Shareholder who withholds, or whose nominated director or SC member withholds, its consent giving rise to a Shareholder Reserved Matter Deadlock or SC Deadlock (as defined in paragraph 13 below) shall indemnify the other Armada Madura Shareholder (and its associates), PT AGN and Armada Madura against any claims by HCML under the Charter Contract and losses suffered in connection therewith.



## 9. PROVISION OF SERVICES BY THE ARMADA MADURA SHAREHOLDERS

The Armada Madura Shareholders agree that one or more members of the Group and one (1) or more members of the SPCL Group may provide certain technical and/or other services including the management services relating to engineering, construction and overall project management for the FPSO Project to Armada Madura.

## 10. DISPOSAL OF SHARES

- 10.1 Subject to the terms of the FPSO Project SHA, the Armada Madura Shares may not be disposed before the later of (i) the expiry of the tenor of the Financing documents and (ii) the expiry of the Charter Contract ("**Restricted Transfer Period**").
- 10.2 No Armada Madura Shares shall be transferred by an Armada Madura Shareholder unless all Armada Madura Shares held by that Armada Madura Shareholder are transferred and all shareholder loans made by such Armada Madura Shareholder are assigned concurrently to the same transferee.
- 10.3 Subject to the terms of the FPSO Project SHA, it shall be a condition to the transfer of any Armada Madura Shares that the transferee enters into a deed of adherence with the JV Partners and Armada Madura and if the proposed transferee is not of a financial standing equivalent to or better than the transferor, the transferee shall procure that a person who is of equivalent or better financial standing to the transferor shall enter into a guarantee substantially in the form set out in the deed of adherence annexed to the FPSO Project SHA.

## 11. PERMITTED TRANSFERS

- 11.1 An Armada Madura Shareholder may transfer all of the shares held by it to any other member of the Group and the SPCL Group ("**Group Transferee**"), provided that the transferring Armada Madura Shareholder and the transferee Armada Madura Shareholder shall be jointly and severally liable for all obligations of the transferee Armada Madura Shareholder under the FPSO Project SHA.
- 11.2 Prior to a Group Transferee ceasing to be in our Group or the SPCL Group (as the case may be), a Group Transferee shall transfer all of the Armada Madura Shares held by it, and assign all of its rights in respect of any shareholder loans made by it to Armada Madura, to any other member of the Group or the SPCL Group.
- 11.3 Notwithstanding any other provisions of the FPSO Project SHA, no transfer of any Armada Madura Shares shall be permitted unless the Armada Madura Shareholders are satisfied that (i) the transferee (or its respective guarantor under the term of the FPSO Project SHA) has the financial capability to meet all required funding that might be sought by Armada Madura in respect of its activities or imposed or expected to be imposed by the Financial Institutions in connection with the Financing, and (ii) such transfer is in compliance with the terms of any Financing.

## 12. PRE-EMPTION RIGHTS

- 12.1 Subject to the terms of the FPSO Project SHA, at any time after the expiry of the Restricted Transfer Period but before an Armada Madura Shareholder ("**Proposed Transferor**") transfers any Armada Madura Share (but other than in the event of a permitted transfer or default event procedure), the Proposed Transferor shall offer to sell the Armada Madura Shares held by the Proposed Transferor to the other Armada Madura Shareholder ("**Non-Transferring Shareholder**") in accordance with the terms of the FPSO Project SHA.

- 12.2 If the Non-Transferring Shareholder does not give an acceptance notice accepting the offer of the Proposed Transferor or a tag notice requiring the Proposed Transferor to request that the proposed transferee make an offer to purchase all of the Armada Madura Shares held by the Non-Transferring Shareholder within the requisite period, the offered Armada Madura Shares may be transferred to the proposed transferee, provided *inter alia* that:
- (i) the proposed transferee is not a competitor as described in the FPSO Project SHA;
  - (ii) the entire legal and beneficial interest in the Armada Madura Shares is transferred; and
  - (iii) any regulatory approvals required for such transfer are received and the transfer takes place within the period described in the FPSO Project SHA.

### 13. DEADLOCK

- 13.1 A situation of “**SC Deadlock**” shall be deemed to occur where the SC is unable to agree on any matter within the SC’s purview under the FPSO Project SHA (each a “**SC Matter**”) within 30 business days of the date from which the President refers such SC Matter to the SC.
- 13.2 A situation of “**Shareholders Reserved Matter Deadlock**” shall be deemed to occur where any director has issued a request in writing for the Armada Madura Shareholders to consent to one (1) of the Shareholder Reserved Matters and such consent is not given by all the Armada Madura Shareholders within 25 business days of receipt of such request.
- 13.3 Not later than ten (10) business days following the date of the occurrence of the SC Deadlock or Shareholders Reserved Matter Deadlock, the Armada Madura Shareholders shall refer the matter which has given rise to the deadlock to the chairman, managing director, chief executive officer or other most senior officer of Bumi Armada and SPINT respectively, and shall procure that such persons meet within 30 business days of the deadlock date to negotiate in good faith with a view to resolving such matter.

### 14. DEFAULT EVENTS

#### 14.1 Events of Defaults

A default event in relation to an Armada Madura Shareholder means the occurrence, *inter alia*, of any of the following:

- (i) a change of control of any Armada Madura Shareholder (save that any change of control of Bumi Armada arising from a change to its existing listed status shall not be deemed to be a change of control of BAOHL unless SPINT determines, acting reasonably and in good faith, that such change of control has resulted or will result in a material adverse effect on SPINT);
- (ii) an Armada Madura Shareholder committing a material breach of its obligations under the FPSO Project SHA and/or any of the finance documents in relation to the Financing and, in the case of a breach capable of remedy, failing to remedy it to the reasonable satisfaction of the other Armada Madura Shareholder within 20 business days;
- (iii) an Armada Madura Shareholder failing to provide its Specified Proportion of a required Shareholder Funding save as provided in the FPSO Project SHA; and
- (iv) an insolvency event in respect of an Armada Madura Shareholder or a holding company of that Armada Madura Shareholder.

## 14.2 Suspension of the Armada Madura Shareholder rights

If an Armada Madura Shareholder commits or suffers a default event, all of its rights under the FPSO Project SHA and the articles of association of Armada Madura shall be suspended to the maximum extent permitted by applicable laws until the event of default (if capable of remedy) has been remedied.

## 14.3 Default Event Procedure

14.3.1 Where the defaulting Armada Madura Shareholder is SPINT, BAOHL shall be entitled to serve a notice in writing ("**Default Option Notice**") on SPINT requiring SPINT to (i) sell to BAOHL (or such person as BAOHL may nominate) all of the Armada Madura Shares held by SPINT, and (ii) assign to BAOHL (or such person as BAOHL may nominate) all of SPINT's rights in respect of all shareholder loans made by SPINT to Armada Madura ("**SPINT Shareholder's Loans**"), at a price equal to 70% of the fair market value per Armada Madura Share plus 70% of the total amount outstanding under the SPINT Shareholder's Loans less all costs incurred by BAOHL in connection with the exercise of BAOHL's rights. If BAOHL wishes to exercise this call option in respect of a failure by SPINT to provide its Specified Proportion of a required Shareholder Funding, such exercise shall occur prior to any dilution of SPINT that would result from its failure to subscribe for further equity in Armada Madura.

14.3.2 Where the defaulting shareholder is BAOHL:

- (i) SPINT shall be entitled to serve a Default Option Notice on BAOHL requiring BAOHL to (a) purchase all of the Armada Madura Shares held by SPINT, and (b) accept an assignment of all of SPINT's rights in respect of all the SPINT Shareholder's Loans, at a price equal to 130% of the fair market value per Armada Madura Share plus 130% of the total amount outstanding under the SPINT Shareholder's Loans less all costs incurred by SPINT in connection with the said exercise of SPINT's rights; and
- (ii) if BAOHL fails to complete the purchase of the relevant Armada Madura Shares held by SPINT and accept the assignment of SPINT's rights in respect of the SPINT Shareholder's Loans in accordance with the terms of the FPSO Project SHA, SPINT shall be entitled, to require BAOHL to (a) sell to SPINT all of the Armada Madura Shares held by BAOHL, and (b) assign to SPINT all of BAOHL's rights in respect of all shareholder loans made by BAOHL to Armada Madura ("**BAOHL Shareholder's Loans**"), at a price equal to 70% of the fair market value per Armada Madura Share plus 70% of the total amount outstanding under the BAOHL Shareholder's Loans less all costs incurred by SPINT in connection with the exercise of its rights.

### **Note:**

*From our Company's perspective, the ability of BAOHL to acquire the Armada Madura Shares held by SPINT at a 30% discount to fair market value would be sufficient disincentive against SPINT defaulting on its obligations under the FPSO Project SHA. Conversely, upon BAOHL's default under the FPSO Project SHA, BAOHL could potentially be obliged to acquire the Armada Madura Shares held by SPINT at a 30% premium to fair market value.*

*The equivalent value of the premium and the discount to fair market value, which the defaulting Armada Madura Shareholder would be obliged to bear, was arrived at following commercial negotiations between the Armada Madura Shareholders, to reflect the spirit of an equal joint venture between the JV Partners.*

**15. GUARANTEE**

- 15.1 SPCL undertakes with BAOHL that SPINT will perform its obligations under the FPSO Project SHA and shall indemnify and keep indemnified BAOHL on demand against all losses and expenses which BAOHL may incur as a result of any breach of SPINT's obligations under the FPSO Project SHA.
- 15.2 Bumi Armada undertakes with SPINT that BAOHL will perform its obligations under the FPSO Project SHA and shall indemnify and keep indemnified SPINT on demand against all losses and expenses which SPINT may incur as a result of any breach of BAOHL's obligations under the FPSO Project SHA.

**16. DURATION**

- 16.1 Subject to paragraph 7 above, the FPSO Project SHA shall continue in full force and effect until the occurrence of the following, whichever is earlier:
- (i) the date of commencement of Armada Madura's winding-up; and
  - (ii) if only one (1) Armada Madura Shareholder (and any relevant members of the Group or the SPCL Group) remains holding all the Armada Madura Shares.
- 16.2 Subject to the provisions of the FPSO Project SHA, the termination of the FPSO Project SHA shall not:
- (i) relieve any Armada Madura Shareholder or any of its associates from any accrued liability or obligation; or
  - (ii) affect the obligations of the JV Partners and Armada Madura with respect to those terms of the FPSO Project SHA which are expressed to survive termination.

## SALIENT TERMS OF THE FPSO SPA

The salient terms of the FPSO SPA include, *inter alia*, the following:

### 1. SALE AND PURCHASE OF THE FPSO

Subject to the terms of the FPSO SPA, Armada Madura agrees to sell and PT AGN agrees to purchase from Armada Madura the FPSO.

### 2. SALE PRICE

2.1 Subject to the terms of the FPSO SPA, the aggregate purchase price ("**Sale Price**") to be paid by PT AGN to Armada Madura for the FPSO is USD500.0 million (equivalent to approximately RM1,780.8 million) provided that such amount may be subject to increase to be mutually agreed between Armada Madura and PT AGN based on the following factors:

- (i) at any time prior to delivery of the FPSO, HCML requires any alterations and/or additions to the FPSO, and in such event, any increase to the Sale Price due to any such variation and/or addition shall be adjusted at the time of delivery of the FPSO; and
- (ii) any inflation costs, fiscal compliance, and other cost escalation factors due to any change in applicable laws, unforeseen economic and force majeure events, and adverse weather conditions.

**Note:**

*The Sale Price was arrived at after taking into account, among others, the Project Costs and a reasonable profit margin of up to circa 10% to compensate Armada Madura for the construction risks assumed by it in relation to the FPSO Project.*

2.2 The Sale Price shall be paid in full (in USD) on the Delivery Date of the FPSO (as defined in paragraph 6 below).

### 3. GUARANTEE

Armada Madura agrees, promptly after the execution of the FPSO SPA, to obtain and deliver to PT AGN two (2) bank guarantees for the aggregate amount of USD51,494,890.0 (equivalent to approximately RM183,399,050.7) in favour of PT AGN or any third party as PT AGN shall nominate in writing, and PT AGN agrees and accepts that such bank guarantees will be issued on behalf of Armada Madura by its indirect shareholders, comprising:

- (i) a bank guarantee for the amount of USD25,747,445.0 (equivalent to approximately RM91,699,525.3), to be issued by a bank acceptable to PT AGN, to be procured by a potential investor in Armada Madura to be identified and notified to PT AGN in writing; and
- (ii) a bank guarantee for the amount of USD25,747,445.0 (equivalent to approximately RM91,699,525.4), to be issued by a bank acceptable to PT AGN, to be procured by Bumi Armada.

Each such bank guarantee shall be issued in a form acceptable to PT AGN, as guarantee and security for the performance of Armada Madura's obligations under the FPSO SPA, and shall remain in full force and effect until the date falling six (6) months after the date of final acceptance of the FPSO in accordance with the provisions of the Charter Contract.

#### 4. ARMADA MADURA'S REPRESENTATIONS

Armada Madura represents to PT AGN, *inter alia*, that:

- (i) Armada Madura is the legal and beneficial owner of the FPSO; and
- (ii) notwithstanding delivery of the FPSO to PT AGN, Armada Madura shall remain responsible for commissioning and performance of the acceptance tests of the FPSO until final acceptance of the FPSO in accordance with the provisions of the Charter Contract.

#### 5. CONDITION PRECEDENT

The obligations of Armada Madura and PT AGN to consummate the transactions under the FPSO SPA is subject to the approval by the respective boards of directors of Armada Madura and PT AGN, within three (3) business days of the signing of the FPSO SPA.

**Note:**

*This condition precedent has been satisfied.*

#### 6. TIME OF DELIVERY

The FPSO is expected to be delivered on 14 August 2016, but in any case, no later than the third quarter of 2016. Any delivery of the FPSO beyond the third quarter of 2016 is subject to mutual agreement between Armada Madura and PT AGN pursuant to the terms of the FPSO SPA ("**Delivery Date of the FPSO**").

#### 7. CANCELLATION

- 7.1 In the event that the Sale Price is not paid in accordance with the terms of the FPSO SPA, Armada Madura may cancel the FPSO SPA and shall be entitled to claim compensation for its losses and for all expenses incurred together with interest.
- 7.2 In the event that Armada Madura fails to provide a notice stipulating that the FPSO is ready for delivery within the time prescribed in the FPSO SPA, or fails to be ready to validly complete a legal transfer within such time, Armada Madura shall compensate PT AGN for their loss and for all expenses together with interest, whether or not PT AGN cancels the FPSO SPA.

## 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 false or misleading statements or facts which, if omitted, would make any statement in this Circular false or misleading.

Information on SPCL and SPINT were obtained from the management of SPCL, SPINT and/or publicly available information. The only responsibility of our Directors is to ensure that such information is accurately reproduced in this Circular.

### 2. WRITTEN CONSENTS AND CONFLICT OF INTEREST

#### 2.1 CIMB

CIMB, being the Adviser to our Company for the Joint Venture, has given and has not subsequently withdrawn its consent to the inclusion of its name in this Circular and all references thereto, in the form and context in which they appear.

CIMB, its subsidiaries and associated companies, as well as its holding company, CIMB Group Holdings Berhad and the subsidiaries and associated companies of its holding company ("**CIMB Group**") form a diversified financial group and are engaged in a wide range of investment and commercial banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. The CIMB Group has engaged and may in the future, engage in transactions with and perform services for our Company and/or our affiliates, in addition to the roles as set out in this Circular. In addition, in the ordinary course of business, any member of the CIMB Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of our Group or our shareholders or their affiliates or any other entity or person, hold long or short positions, and may trade or otherwise effect transactions for its own account or the account of its customers in debt or equity securities or senior loans of our Company and our affiliates. This is a result of the businesses of the CIMB Group generally acting independent of each other, and accordingly there may be situations where parts of the CIMB Group and/or its customers now have or in the future, may have interest in or take actions that may conflict with the interests of our Company.

As at the LPD, the CIMB Group has extended credit facilities to our Group. The credit facilities comprise term loans, trade and hedging facilities.

CIMB Group is of the view that the abovementioned extension of credit facilities does not result in a conflict of interest situation in respect of its capacities as set out in this Circular as these facilities are not material when compared to the audited total assets of the CIMB Group of RM414.2 billion as at 31 December 2014. Furthermore, the extension of such credit facilities arose in the ordinary course of business of the CIMB Group in view of the CIMB Group's extensive participation in the Malaysian capital market and banking industry.

Save as disclosed above, CIMB is not aware of any possible conflict of interest which exists or is likely to exist, in its capacity as the Adviser to our Company for the Joint Venture.

## 2.2 Kenanga IB

Kenanga IB, being the Independent Adviser for the Joint Venture, has given and has not subsequently withdrawn its consent to the inclusion of its name and the Independent Advice Letter in this Circular and all references thereto, in the form and context in which they appear.

Kenanga IB is also not aware of any possible conflict of interest which exists or is likely to exist in relation to its capacity as the Independent Adviser for the Joint Venture.

## 3. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES

### 3.1 Material commitments

The material commitments contracted or known to be contracted by our Group as at 31 December 2014 are as follows:

	<u>RM 000</u>
Capital expenditure for property, plant and equipment not provided for in our audited consolidated financial statements as at 31 December 2014:	
- authorised and contracted	892,420
- authorised but not contracted	7,673,842
	<u>8,566,262</u>
Commitments for amounts payable under operating leases for rental of premises:	
- payable within one (1) year	13,678
- payable later than one (1) year and not later than five (5) years	39,342
- payable later than five (5) years	10,180
	<u>63,200</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 31 December 2014 which may have a material effect on our Group's financial position.

### 3.2 Contingent liabilities

The contingent liabilities of our Group as at 31 December 2014 are as follows:

	<u>RM 000</u>
Bank guarantees extended to third parties	679,757

Save as disclosed above, our Directors are not aware of any other contingent liabilities of our Group as at 31 December 2014 which, upon crystallisation, may have a material effect on our Group's financial position.



#### 4. 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 EGM:

- (i) our existing Memorandum and Articles;
- (ii) the Articles of Incorporation of Armada Madura;
- (iii) our audited consolidated financial statements for the FYE 31 December 2013 and FYE 31 December 2014;
- (iv) the letters of consent referred to in Section 2 of this Appendix;
- (v) the FPSO Project SHA (including the Deed of Adherence); and
- (vi) the FPSO SPA.



# BUMI ARMADA

## BUMI ARMADA BERHAD

(Company No. 370398-X)

(Incorporated in Malaysia under the Companies Act, 1965)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of Bumi Armada Berhad (“**Bumi Armada**” or “**Company**”) will be held at **11.30 a.m. on Monday, 8 June 2015 at Conference Halls 1, 2 & 3, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia** or immediately after the conclusion or the adjournment (as the case may be) of the Nineteenth Annual General Meeting of the Company which will be held at the same venue and on the same day to commence at 10.00 a.m., whichever is later, for the purpose of considering and if thought fit, passing the following resolution, with or without modifications:

#### ORDINARY RESOLUTION

#### **FORMATION OF A JOINT VENTURE WITH SHAPOORJI PALLONJI AND COMPANY PRIVATE LIMITED (“SPCL”) AND SHAPOORJI PALLONJI INTERNATIONAL FZE (“SPINT”), AN INDIRECT WHOLLY-OWNED SUBSIDIARY OF SPCL, TO UNDERTAKE THE ENGINEERING, PROCUREMENT, CONVERSION AND CONSTRUCTION OF A FLOATING PRODUCTION, STORAGE AND OFFLOADING VESSEL**

1. That approval be and is given for the Company, and its wholly-owned subsidiary Bumi Armada Offshore Holdings Limited (“**BAOHL**”), to fully implement a joint venture with SPCL and SPINT in connection with the engineering, design, acquisition, conversion, development, construction, fitting out, completion, mobilisation, transportation, installation, hook-up, testing, commission and integration of a floating production, storage and offloading facility (“**FPSO**”) and all equipment thereon at the Madura BD Field in the Madura Strait, Offshore East Java, Indonesia (“**Joint Venture**”) to be carried out by the joint venture entity Armada Madura EPC Limited (“**Armada Madura**”) in accordance with the terms of a shareholders’ agreement dated 10 April 2015 entered into between the Company, BAOHL, SPCL, SPINT and Armada Madura (“**FPSO Project SHA**”) the salient terms of which are set out in Section 2 and Appendix I of the Company’s Circular to Shareholders dated 22 May 2015 (“**Circular**”);
2. That approval be and is given for the Company, together with BAOHL, to carry out and implement all such things necessary to give full effect to the Joint Venture including the sale of the fully converted and completed FPSO vessel by Armada Madura to PT Armada Gema Nusantara (“**PT AGN**”) (a joint venture company of BAOHL and PT Gema Marine Service) upon the terms and conditions set out in the FPSO sale and purchase agreement dated 10 April 2015 entered into between Armada Madura and PT AGN (“**FPSO SPA**”) the salient terms of which are set out in Appendix II of the Circular;
3. That all prior acts and things done by the Directors of the Company to give effect to the Joint Venture, the FPSO Project SHA and the FPSO SPA, be and are approved and confirmed; and
4. That authority be and is given for the Board of Directors of the Company, and to BAOHL, to do all such acts and things, and to enter into or execute, on behalf of the Company, all such transactions, arrangements and agreements as the Directors of the Company may deem fit, necessary and/or expedient in order to give full effect to the Joint Venture, the FPSO Project SHA and the FPSO SPA, with full power and authority to accept or assent to any condition, modification, variation and/or amendment in any manner as the Directors of the Company may deem fit, necessary and/or expedient for the implementation of the Joint Venture, the FPSO Project SHA and the FPSO SPA.

**BY ORDER OF THE BOARD OF DIRECTORS OF BUMI ARMADA BERHAD**

**Noor Hamiza binti Abd Hamid**  
(MAICSA 7051227)  
Company Secretary

**Kuala Lumpur**  
22 May 2015

**Notes:**

1. *A member of the Company entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote for him/her provided that the number of proxies appointed shall not be more than two (2) except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 (the "Act") shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.*
2. *Where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.*
3. *The instrument appointing a proxy shall:*
  - (i) *in the case of an individual, be signed by the appointor or by his/her attorney; and*
  - (ii) *in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.*
4. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.*
5. *The instrument appointing a proxy must be lodged at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia**, by 11.45 a.m. on Sunday, 7 June 2015, which is not less than 24 hours before the time appointed for the taking of the poll at the EGM; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Fax copies of the duly executed Form of Proxy are not acceptable.*
6. *A proxy may vote on a show of hands and on a poll. If the Form of Proxy is returned without an indication as to how the proxy shall vote on any particular matter, the proxy may exercise his discretion as to whether to vote on such matter and if so, how.*
7. *The lodging of a Form of Proxy does not preclude a member from attending and voting in person at the meeting should the member subsequently decide to do so. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting and the instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.*
8. *For the purpose of determining members who shall be entitled to attend the EGM, only the Company's members whose names appear on the Record of Depositors of the Company maintained by Bursa Malaysia Depository Sdn Bhd as at **4 June 2015** shall be entitled to attend the said meeting or appoint proxies to attend and vote on their behalf.*



# BUMI ARMADA

## FORM OF PROXY

BUMI ARMADA BERHAD (370398-X)  
(Incorporated in Malaysia)

\*I/\*We \_\_\_\_\_ \*NRIC (new and old)/\*Passport/  
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

\*Company No. \_\_\_\_\_ of \_\_\_\_\_  
(COMPULSORY) (ADDRESS)

\_\_\_\_\_  
(ADDRESS)

\_\_\_\_\_ and  
(ADDRESS)

telephone no. \_\_\_\_\_ being a member of Bumi Armada Berhad (the "Company"),

hereby appoint \_\_\_\_\_ \*NRIC/\*Passport No.  
(FULL NAME IN BLOCK LETTERS)

\_\_\_\_\_ of \_\_\_\_\_  
(COMPULSORY) (ADDRESS)

\_\_\_\_\_  
(ADDRESS)

and/or \_\_\_\_\_ \*NRIC/\*Passport No. \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS) (COMPULSORY)

of \_\_\_\_\_  
(ADDRESS)

\_\_\_\_\_  
(ADDRESS)

or failing \*him/\*her, THE CHAIRMAN OF THE MEETING as \*my/\*our \*proxy/\*proxies to vote for \*me/\*us on \*my/\*our behalf at the **Extraordinary General Meeting ("EGM") of the Company to be held at 11.30 a.m. on Monday, 8 June 2015 at Conference Halls 1, 2 & 3, Level 3, Kuala Lumpur Convention Centre, Kuala Lumpur City Centre, 50088 Kuala Lumpur, Malaysia** or immediately after the conclusion or the adjournment (as the case may be) of the Nineteenth Annual General Meeting of the Company which will be held at the same venue and on the same day to commence at 10.00 a.m., whichever is later or any adjournment thereof. \*I/\*We have indicated with an "X" in the spaces below how \*I/\*we wish \*my/\*our vote to be cast:

No.	Ordinary Resolution	For	Against
1.	Joint Venture		

Subject to the abovestated voting instructions, \*my/\*our \*proxy/\*proxies may vote and abstain from voting on any resolutions as \*he/\*she/\*they may think fit.

If appointment of proxy by an individual or a corporation is under hand	No. of shares held :	The proportions of *my/*our holding to be represented by *my/*our proxies are as follows :
	Securities Account No. (CDS Account No.) (Compulsory)	
Signed by *individual member/*officer or attorney of member/*authorised nominee of	Date :	<b>First Proxy</b> No. of shares : _____ Percentage : _____ %
(beneficial owner)		



If appointment of proxy by a corporation is under seal  The Common Seal of _____  was affixed hereto in accordance with its Articles of Association in the presence of :-  Director _____ *Director/*Secretary  in its capacity as *member/*attorney of member/*authorised nominee of _____  (beneficial owner)	Seal  No. of shares held : _____  Securities Account No. (CDS Account No.) (Compulsory)  Date : _____	<b>Second Proxy</b> No. of shares : _____ Percentage : _____%

\* Delete if not applicable

**Notes:**

1. A member of the Company entitled to attend and vote at this meeting is entitled to appoint one (1) or more proxies to attend and vote for him/her provided that the number of proxies appointed shall not be more than two (2) except in the circumstances set out in Note 2. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(b) of the Companies Act, 1965 (the "Act") shall not apply to the Company. There shall be no restriction as to the qualification of the proxy.
2. Where a member of the Company is an authorised nominee, it may appoint at least one (1) proxy in respect of each securities account it holds to which ordinary shares in the Company are credited. Each appointment of proxy by an authorised nominee shall be by a separate instrument of proxy which shall specify the securities account number and the name of the beneficial owner for whom the authorised nominee is acting. For an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
3. The instrument appointing a proxy shall:
  - (i) in the case of an individual, be signed by the appointor or by his/her attorney; and
  - (ii) in the case of a corporation, be either under its common seal or signed by its attorney or by an officer on behalf of the corporation.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her holdings to be represented by each proxy.
5. The instrument appointing a proxy must be lodged at the office of the **Company's Share Registrars, Symphony Share Registrars Sdn Bhd at Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, Malaysia**, by 11.45 a.m. on Sunday, 7 June 2015, which is not less than 24 hours before the time appointed for the taking of the poll at the EGM; otherwise the instrument of proxy shall not be treated as valid and the person so named shall not be entitled to vote in respect thereof. Fax copies of the duly executed Form of Proxy are not acceptable.
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Fold this flap for sealing

Then fold here

**THE SHARE REGISTRARS OF  
BUMI ARMADA BERHAD**  
(Company No. 370398-X)

AFFIX  
STAMP

**Symphony Share Registrars Sdn Bhd**  
Level 6, Symphony House  
Pusat Dagangan Dana 1  
Jalan PJU 1A/46  
47301 Petaling Jaya  
Selangor Darul Ehsan  
Malaysia

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