



**BUMIARMADA**

**BUMI ARMADA BERHAD**

199501041194 (370398-X)

(Incorporated in Malaysia)

UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE QUARTER ENDED 30 JUNE 2020

**UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

The Board of Directors of Bumi Armada Berhad (“Bumi Armada” or “the Company” or “the Group”) would like to announce the following unaudited condensed consolidated financial statements for the second quarter ended 30 June 2020 which should be read in conjunction with the audited consolidated financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes attached to the unaudited condensed consolidated financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	Note	Individual Quarter Ended			Cumulative Quarters Period Ended		
		30.06.2020 RM'000	30.06.2019 RM'000	+ / (-) %	30.06.2020 RM'000	30.06.2019 RM'000	+ / (-) %
Revenue		<b>606,796</b>	535,641	13	<b>1,159,414</b>	1,027,249	13
Cost of sales		<b>(348,562)</b>	(307,056)		<b>(638,339)</b>	(608,695)	
Gross profit		<b>258,234</b>	228,585		<b>521,075</b>	418,554	
Other operating income		<b>15,208</b>	15,655		<b>41,516</b>	27,992	
Selling and distribution costs		<b>(1,454)</b>	(1,192)		<b>(2,158)</b>	(2,821)	
Administrative expenses		<b>(25,382)</b>	(41,794)		<b>(71,927)</b>	(75,518)	
Operating profit before impairment		<b>246,606</b>	201,254	23	<b>488,506</b>	368,207	33
Impairment		-	-		<b>(314,350)</b>	-	
Operating profit		<b>246,606</b>	201,254	23	<b>174,156</b>	368,207	(53)
Finance costs		<b>(127,869)</b>	(129,224)		<b>(265,115)</b>	(264,804)	
Share of results of joint ventures and associates		<b>(3,983)</b>	30,521		<b>(8,502)</b>	68,926	
Profit/(Loss) before taxation		<b>114,754</b>	102,551	12	<b>(99,461)</b>	172,329	(158)
Taxation	18	<b>(5,390)</b>	(20,429)		<b>(10,722)</b>	(28,852)	
Profit/(Loss) for the financial period		<b>109,364</b>	82,122	33	<b>(110,183)</b>	143,477	(177)
Attributable to:							
- Owners of the Company		<b>119,774</b>	78,208	53	<b>(104,193)</b>	140,421	(174)
- Non-controlling interests		<b>(10,410)</b>	3,914		<b>(5,990)</b>	3,056	
		<b>109,364</b>	82,122		<b>(110,183)</b>	143,477	
Earnings per share (sen)	27						
- Basic		<b>2.04</b>	1.33		<b>(1.77)</b>	2.39	
- Diluted		<b>2.04</b>	1.33		<b>(1.77)</b>	2.39	

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	Individual Quarter Ended		Cumulative Quarters Period Ended	
		30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Profit/(Loss) for the financial period		<b>109,364</b>	82,122	<b>(110,183)</b>	143,477
Other comprehensive (expense)/income					
Items that may be reclassified subsequently to profit or loss					
- Fair value loss on cash flow hedges		<b>(9,175)</b>	(129,443)	<b>(223,775)</b>	(184,896)
- Costs of hedging		<b>(22,989)</b>	2,917	<b>26,006</b>	1,280
- Foreign currency translation differences		<b>(21,666)</b>	35,922	<b>136,160</b>	(3,768)
- Share of other comprehensive income/(expense) of joint ventures		<b>100</b>	(2,574)	<b>(3,850)</b>	(4,232)
Items that will not be reclassified to profit or loss:					
- Financial assets at fair value through other comprehensive income:					
- Gain/(Loss) on fair value change		<b>4,358</b>	4,100	<b>(9,315)</b>	(584)
Other comprehensive expense for the financial period, net of tax		<b>(49,372)</b>	(89,078)	<b>(74,774)</b>	(192,200)
Total comprehensive income/(expense) for the financial period		<b>59,992</b>	(6,956)	<b>(184,957)</b>	(48,723)
Total comprehensive income/(expense) attributable to:					
- Owners of the Company		<b>70,305</b>	(10,487)	<b>(178,596)</b>	(51,117)
- Non-controlling interests		<b>(10,313)</b>	3,531	<b>(6,361)</b>	2,394
		<b>59,992</b>	(6,956)	<b>(184,957)</b>	(48,723)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	11	5,632,876	5,940,608
Investments in joint ventures		1,057,284	1,056,059
Investment in associates		17,807	11,501
Financial assets at fair value through other comprehensive income		14,357	22,986
Finance lease receivables		4,891,799	4,789,815
Accrued lease rental		85,726	81,821
Contract assets		-	24,168
Amount due from a joint venture		24,630	22,857
Amount due from an associate		128,589	122,730
Derivative financial instruments	22	719	6,498
Deferred tax assets		21,852	21,958
		<b>11,875,639</b>	<b>12,101,001</b>
<b>CURRENT ASSETS</b>			
Inventories		2,857	5,635
Finance lease receivables		188,058	171,783
Trade receivables	20	670,842	416,786
Other receivables, deposits and prepayments		102,392	81,496
Contract assets		39,818	28,780
Amounts due from joint ventures		67,148	40,411
Amount due from an associate		54,972	8,739
Derivative financial instruments	22	321	8,888
Tax recoverable		10,891	11,041
Deposits, cash and bank balances		849,534	1,094,376
		<b>1,986,833</b>	<b>1,867,935</b>
Non-current assets classified as held-for-sale		2,587	10,227
<b>TOTAL CURRENT ASSETS</b>		<b>1,989,420</b>	<b>1,878,162</b>
<b>TOTAL ASSETS</b>		<b>13,865,059</b>	<b>13,979,163</b>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)**

	Note	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<b>LESS: CURRENT LIABILITIES</b>			
Trade payables and accruals		178,855	265,982
Other payables and accruals		271,648	282,072
Contract liabilities		55,279	26,395
Amounts due to joint ventures		-	1,550
Amount due to an associate		15,339	725
Lease liabilities		44,318	35,934
Borrowings – others	21	1,725,649	1,145,446
Borrowings – Armada Kraken Pte Ltd	21	-	1,332,047
Derivative financial instruments	22	53,350	10,442
Taxation		34,613	37,654
		<b>2,379,051</b>	<b>3,138,247</b>
<b>NET CURRENT LIABILITIES</b>		<b>(389,631)</b>	<b>(1,260,085)</b>
<b>LESS: NON-CURRENT LIABILITIES</b>			
Other payables and accruals		85,455	92,436
Contract liabilities		7,993	20,640
Lease liabilities		7,872	3,953
Borrowings	21	7,627,256	7,013,168
Derivative financial instruments	22	679,121	449,558
Deferred tax liabilities		48,423	48,021
		<b>8,456,120</b>	<b>7,627,776</b>
<b>NET ASSETS</b>		<b>3,029,888</b>	<b>3,213,140</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>			
Share capital		4,321,351	4,319,029
Reserves		(1,271,234)	(1,092,021)
		<b>3,050,117</b>	<b>3,227,008</b>
<b>NON-CONTROLLING INTERESTS</b>		<b>(20,229)</b>	<b>(13,868)</b>
<b>TOTAL EQUITY</b>		<b>3,029,888</b>	<b>3,213,140</b>
<b>NET ASSETS PER SHARE (RM)</b>		<b>0.51*</b>	<b>0.55</b>

\* Based on 5,885,895,644 ordinary shares in issue as at 30 June 2020.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000		
<u>2020</u>										
At 1 January 2020	5,876,525	4,319,029	1,203,934	5,289	(113,634)	8,864	(2,196,474)	3,227,008	(13,868)	3,213,140
Loss for the financial period	-	-	-	-	-	-	(104,193)	(104,193)	(5,990)	(110,183)
Other comprehensive income/(expense) for the financial period, net of tax	-	-	136,531	-	(201,619)	(9,315)	-	(74,403)	(371)	(74,774)
Total comprehensive income/(expense) for the financial period, net of tax	-	-	136,531	-	(201,619)	(9,315)	(104,193)	(178,596)	(6,361)	(184,957)
Transaction with owners:										
- Shares issued pursuant to the management incentive plan	9,371	2,322	-	(2,322)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	1,705	-	-	-	1,705	-	1,705
At 30 June 2020	5,885,896	4,321,351	1,340,465	4,672	(315,253)	(451)	(2,300,667)	3,050,117	(20,229)	3,029,888

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)**

	Attributable to Owners of the Company								Non-controlling interests RM'000	Total equity RM'000
	Number of shares '000	Share capital RM'000	Foreign exchange reserve RM'000	Share option reserve RM'000	Hedging reserve RM'000	Other reserves RM'000	Accumulated losses RM'000	Total RM'000		
<u>2019</u>										
At 1 January 2019	5,870,937	4,314,815	1,240,259	10,151	58,275	1,298	(2,261,561)	3,363,237	6,903	3,370,140
Profit for the financial period	-	-	-	-	-	-	140,421	140,421	3,056	143,477
Other comprehensive expense for the financial period, net of tax	-	-	(3,106)	-	(187,848)	(584)	-	(191,538)	(662)	(192,200)
Total comprehensive (expense)/income for the financial period, net of tax	-	-	(3,106)	-	(187,848)	(584)	140,421	(51,117)	2,394	(48,723)
Transactions with owners:										
- Shares issued pursuant to the management incentive plan	5,588	4,214	-	(4,214)	-	-	-	-	-	-
- Management incentive plan granted	-	-	-	1,553	-	-	-	1,553	-	1,553
- Employee share options forfeited	-	-	-	(6,469)	-	-	6,469	-	-	-
At 30 June 2019	5,876,525	4,319,029	1,237,153	1,021	(129,573)	714	(2,114,671)	3,313,673	9,297	3,322,970

**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Period Ended 30.06.2020 RM'000</b>	<b>Period Ended 30.06.2019 RM'000</b>
<b>OPERATING ACTIVITIES</b>		
(Loss)/Profit for the financial period	<b>(110,183)</b>	143,477
Adjustments for non-cash items:		
Share of results of joint ventures and associates	<b>8,502</b>	(68,926)
Gain on disposal of property, plant and equipment and non-current assets held-for-sale	<b>(10,621)</b>	(2,091)
Depreciation of property, plant and equipment	<b>278,817</b>	211,935
Fair value through profit or loss on derivative financial instruments	<b>1,239</b>	(6,961)
Bad debts written off	<b>1</b>	-
Net allowance for impairment losses	<b>373</b>	5,482
Unrealised foreign exchange loss	<b>18,847</b>	383
Share-based payment	<b>1,705</b>	1,553
Impairment of:		
- Property, plant and equipment	<b>314,350</b>	-
Interest income	<b>(11,365)</b>	(15,233)
Interest expense	<b>262,496</b>	271,029
Accretion of interest	<b>1,380</b>	736
Taxation	<b>10,722</b>	28,852
Operating profit before changes in working capital	<b>766,263</b>	570,236
Changes in working capital:		
Inventories	<b>2,818</b>	1,049
Finance lease receivables	<b>49,495</b>	79,221
Trade and other receivables	<b>(156,584)</b>	165,147
Trade and other payables	<b>(125,816)</b>	(163,496)
Joint ventures and associates	<b>(58,288)</b>	6,703
Cash from operations	<b>477,888</b>	658,860
Interest paid	<b>(254,660)</b>	(268,425)
Tax paid	<b>(5,025)</b>	(2,808)
<b>NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES</b>	<b>218,203</b>	387,627
<b>INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	<b>(47,500)</b>	(76,318)
Proceeds from disposal of property, plant and equipment	<b>21,127</b>	27,134
Interest received	<b>12,055</b>	16,928
Proceeds from redemption of redeemable preference shares in a joint venture	<b>21,432</b>	-
<b>NET CASH FLOWS GENERATED FROM/(USED IN) INVESTING ACTIVITIES</b>	<b>7,114</b>	(32,256)
<b>FINANCING ACTIVITIES</b>		
Repayment of borrowings	<b>(796,633)</b>	(3,236,155)
Proceeds from bank borrowings	<b>273,724</b>	2,751,979
Principal elements of operating lease payment	<b>(2,645)</b>	(3,351)
<b>NET CASH FLOWS USED IN FINANCING ACTIVITIES</b>	<b>(525,554)</b>	(487,527)



**UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)**

	<b>Period Ended 30.06.2020 RM'000</b>	<b>Period Ended 30.06.2019 RM'000</b>
<b>NET DECREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(300,237)</b>	<b>(132,156)</b>
<b>CURRENCY TRANSLATION DIFFERENCES</b>	<b>55,395</b>	<b>1,828</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE FINANCIAL PERIOD</b>	<b>1,094,376</b>	<b>1,226,424</b>
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE FINANCIAL PERIOD</b>	<b>849,534</b>	<b>1,096,096</b>
Cash and cash equivalents consist of:		
Deposits with licensed banks	<b>566,170</b>	<b>964,811</b>
Cash and bank balances	<b>283,364</b>	<b>131,285</b>
	<b>849,534</b>	<b>1,096,096</b>

**EXPLANATORY NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020**

**1. BASIS OF PREPARATION**

The unaudited condensed consolidated financial statements have been prepared in accordance with the reporting requirement as set out in Malaysian Financial Reporting Standards (“MFRS”) 134 on “Interim Financial Reporting”, Paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The unaudited condensed consolidated financial statements should be read in conjunction with the Group’s audited financial statements for the financial year ended 31 December 2019 and the accompanying explanatory notes. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the financial year ended 31 December 2019. The results of the joint ventures are based on unaudited management accounts.

As at 30 June 2020, the Group’s current liabilities exceeded its current assets by RM389.6 million due to the classification of unsecured term loans of RM679.6 million as current liabilities as the repayment is due within 12 months from the balance sheet date.

A cash flow forecast for the 12 months from the reporting date was prepared to assess and confirm the appropriateness of the going concern basis for the preparation of the financial statements of the Group. The actions taken to address the Group’s debt obligations are disclosed in Note 21.

The significant accounting policies and methods of computation applied in the unaudited condensed consolidated financial statements are consistent with those adopted in the most recent audited annual financial statements for the financial year ended 31 December 2019, other than those disclosed below:

- (a) New amendments to MFRS and interpretations which are applicable to the Group effective on or after 1 January 2020:
- Amendments to References to the Conceptual Framework in MFRS Standards
    - Amendments to MFRS 2 “Share-Based Payment”
    - Amendments to MFRS 3 “Business Combinations”
    - Amendments to MFRS 101 “Presentation of Financial Statements”
    - Amendments to MFRS 108 “Accounting Policies, Changes in Accounting Estimates and Errors”
    - Amendments to MFRS 134 “Interim Financial Reporting”
    - Amendment to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets”
    - Amendment to MFRS 138 “Intangible Assets”
  - Amendments to References to the Conceptual Framework in MFRS Standards
    - Amendment to IC Interpretation 19 “Extinguishing Financial Liabilities with Equity Instruments”
    - Amendment to IC Interpretation 22 “Foreign Currency Transactions and Advance Consideration”
  - Amendments to MFRS 3 “Business Combinations” – Definition of a Business
  - Amendments to MFRS 101 “Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors” – Definition of Material
  - Amendments to MFRS 9, MFRS 139 and MFRS 7 “Interest Rate Benchmark Reform”
  - Amendment to MFRS 16 “Leases” – Covid-19-Related Rent Concessions

The adoption of the above amendments to MFRS and interpretations did not have any significant impact on the financial statements of the Group.

**1. BASIS OF PREPARATION (CONTINUED)**

(b) Amendments to MFRS which are applicable to the Group effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 116 “Property, Plant and Equipment” – Proceeds before Intended Use
- Amendments to MFRS 137 “Provisions, Contingent Liabilities and Contingent Assets” – Onerous Contracts – Costs of Fulfilling a Contract
- Amendments to Annual Improvements to MFRS Standards 2018–2020
- Amendments to References to the Conceptual Framework in MFRS Standards
  - Amendments to MFRS 3 “Business Combinations”

(c) Amendments to MFRS which are applicable to the Group effective for annual periods beginning on or after 1 January 2023:

- Amendments to MFRS 101 “Presentation of Financial Statements” – Classification of Liabilities as Current or Non-current

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

**2. MANAGEMENT COMMENTARY**

**(A) Review of performance for the current year to date (“YTD”) results as compared with the previous YTD**

<b>Financial Indicators</b>	<b>YTD 30.06.2020 RM'000</b>	<b>YTD 30.06.2019 RM'000</b>	<b>Change RM'000</b>
Segment revenue			
FPO <sup>(1)</sup>	<b>983,325</b>	869,173	114,152
OMS <sup>(1)</sup>	<b>176,089</b>	158,076	18,013
Total revenue	<b>1,159,414</b>	1,027,249	132,165
(Loss)/Profit for the financial period	<b>(110,183)</b>	143,477	(253,660)
Finance costs	<b>265,115</b>	264,804	311
Depreciation of property, plant and equipment	<b>278,817</b>	211,935	66,882
Impairment losses on vessels	<b>314,350</b>	-	314,350

The Group generated revenue of RM1,159.4 million for the financial period ended 30 June 2020 (“YTD 2020”), an increase of RM132.2 million compared to the financial period ended 30 June 2019 (“YTD 2019”). Revenue from the FPO segment increased due to improved vessel availability for Armada Kraken FPSO, while revenue from the OMS segment increased due to improved OSV <sup>(2)</sup> vessel utilisation from 45% in YTD 2019 to 56% in YTD 2020.

<b>OSV vessel average utilisation rates for the cumulative quarters ended</b>	<b>YTD 30.06.2020 %</b>	<b>YTD 30.06.2019 %</b>	<b>Change in %</b>
Group’s vessels	<b>56</b>	45	11
- Class A <sup>(3)</sup>	<b>54</b>	40	14
- Class B <sup>(4)</sup>	<b>61</b>	60	1

The Group generated a loss of RM110.2 million for YTD 2020 compared to a profit of RM143.5 million for YTD 2019 mainly due to impairment on vessels recognised in YTD 2020.

With reference to Note 10 Segmental Information, the FPO segment results increased to RM699.4 million for YTD 2020 as compared to RM532.2 million for YTD 2019 mainly due to higher revenue, lower operating costs from Armada Perdana FPSO (disposed in September 2019). The OMS segment results decreased to RM20.8 million for YTD 2020 as compared to RM31.6 million for YTD 2019 mainly due to foreign exchange losses arising from translation of fixed deposits and intercompany balances denominated in foreign currencies, which was offset by improved OSV vessel utilisation in YTD 2020.

Notes:

- (1) FPO – Floating Production and Operations, and OMS – Offshore Marine Services.  
(2) OSV – Offshore Support Vessel.  
(3) Class A represents vessels which are less than 12 years old or more than 8000 brake horsepower and accommodation work barges which are more than 200 pax in capacity.  
(4) Class B represents vessels which are more than 12 years old or less than 8000 brake horsepower and accommodation work barges which are less than 200 pax in capacity.

**2. MANAGEMENT COMMENTARY (CONTINUED)**

**(B) Review of performance of the current quarter as compared with the immediate preceding quarter**

<b>Financial Indicators</b>	<b>2nd Quarter 2020 RM'000</b>	<b>1st Quarter 2020 RM'000</b>	<b>Change RM'000</b>
Segment revenue			
FPO	<b>521,219</b>	462,106	59,113
OMS	<b>85,577</b>	90,512	(4,935)
Total revenue	<b>606,796</b>	552,618	54,178
Profit/(Loss) for the financial period	<b>109,364</b>	(219,547)	328,911
Finance costs	<b>127,869</b>	137,246	(9,377)
Depreciation of property, plant and equipment	<b>136,108</b>	142,709	(6,601)
Impairment losses on vessels	-	314,350	(314,350)

The Group generated revenue of RM606.8 million for the quarter ended 30 June 2020 (“Q2 2020”), an increase of RM54.2 million compared to the quarter ended 31 March 2020 (“Q1 2020”). The increase from the FPO segment was due to improved vessel availability for Armada Kraken FPSO, which was offset by a decrease from the OMS segment mainly due to lower OSV vessel utilisation in Q2 2020 as compared to Q1 2020.

<b>OSV vessel average utilisation rates for the quarters ended</b>	<b>2nd Quarter 2020 %</b>	<b>1st Quarter 2020 %</b>	<b>Change in %</b>
Group’s vessels	<b>55</b>	56	(1)
- Class A	<b>54</b>	55	(1)
- Class B	<b>63</b>	60	3

The Group generated a profit of RM109.4 million for Q2 2020 compared to a loss of RM219.5 million in Q1 2020 mainly due to impairment on vessels in Q1 2020.

With reference to Note 10 Segmental Information, the FPO segment results decreased slightly to RM345.0 million for Q2 2020 as compared to RM354.4 million for Q1 2020 mainly due to higher foreign exchange loss arising from translation of intercompany balances and higher operating costs from Armada Olombendo FPSO which was offset by higher revenue from Armada Kraken FPSO. The OMS segment results increased to RM13.9 million for Q2 2020 as compared to RM6.9 million for Q1 2020 mainly due to foreign exchange gains arising from translation of fixed deposits and intercompany balances denominated in foreign currencies as compared to foreign exchange losses in Q1 2020. This was offset by lower revenue and higher operating costs.

**2. MANAGEMENT COMMENTARY (CONTINUED)**

**(C) Review of consolidated statement of financial position**

<b>Financial Indicators</b>	<b>As at 30.06.2020 RM'000</b>	<b>As at 31.12.2019 RM'000</b>	<b>Change RM'000</b>
Total assets	<b>13,865,059</b>	13,979,163	(114,104)
Total liabilities	<b>(10,835,171)</b>	(10,766,023)	(69,148)
Total equity	<b>(3,029,888)</b>	(3,213,140)	183,252

As at 30 June 2020, the Group had total assets of RM13,865.1 million, a decrease of 1% compared to 31 December 2019, mainly due to decrease in property, plant and equipment (“PPE”) and deposits, cash and bank balances which was offset by an increase in finance lease receivables and trade receivables. PPE decreased due to depreciation and impairment charged in YTD 2020. Deposits, cash and bank balances decreased due to repayment of borrowings. Finance lease receivables increased due to the higher valuation of balances denominated in USD due to stronger USD rates in June 2020. The increase in trade receivables was mainly due to lower receipts from customers as compared to billings in YTD 2020.

As at 30 June 2020, the Group had total liabilities of RM10,835.2 million, an increase of 1% compared to 31 December 2019, mainly due to higher derivative financial instruments due to the changes in fair value arising from lower anticipated interest rates in the hedged items, which was offset by repayment of bank borrowings and settlement of trade payables balances.

**(D) Review of consolidated statement of cash flows**

<b>Financial Indicators</b>	<b>YTD 30.06.2020 RM'000</b>	<b>YTD 30.06.2019 RM'000</b>	<b>Change RM'000</b>
Net cash flows generated from operating activities	<b>218,203</b>	387,627	(169,424)
Net cash flows generated from/(used in) investing activities	<b>7,114</b>	(32,256)	39,370
Net cash flows used in financing activities	<b>(525,554)</b>	(487,527)	(38,027)
Net decrease in cash and cash equivalents	<b>(300,237)</b>	(132,156)	(168,081)

The Group had lower net cash flows generated from operating activities in YTD 2020 compared to YTD 2019 mainly due to lower receipts from customers during YTD 2020.

The Group had net cash flows generated from investing activities in YTD 2020 compared to net cash flows used in investing activities in YTD 2019 due to proceeds from redemption of redeemable preference shares in a joint venture and lower purchases of PPE during YTD 2020.

The Group had higher net cash flows used in financing activities in YTD 2020 compared to YTD 2019 due to higher net repayment of borrowings during YTD 2020.

## **2. MANAGEMENT COMMENTARY (CONTINUED)**

### **(E) Critical accounting estimates and judgements**

The Group has continuously assessed the impact of the COVID-19 pandemic on the Group's operations and financial performance during the financial period ended 30 June 2020 ("YTD 2020") through a review of the likelihood of increase in expected credit losses of financial assets, the decline in the recoverable amount of the vessels, the impact on earnings, and increased liquidity risks. Other than the following disclosed financial impact to property, plant and equipment, the Group is not aware of any other material impact on the financial statements. The Group is monitoring the situation closely and will take appropriate and timely actions to minimise the financial impact arising from this situation.

#### Impairment of property, plant and equipment

An assessment was performed during the quarter ended 31 March 2020 ("Q1 2020") on the recoverable amount of certain vessels to determine whether the carrying value of these vessels are recoverable. The review was carried out in accordance with MFRS 136 "Impairment of Assets". In such evaluation, the estimated recoverable amount is determined based on the higher of an asset's value-in-use ("VIU") or fair value less costs to sell ("FV"). The recoverable amount was compared to the carrying value of each asset with identified impairment triggers. If the recoverable amount is lower, the carrying value of the asset is reduced to its estimated recoverable amount and the difference is regarded as an impairment loss. The Group considered each vessel within a segment as a cash-generating unit ("CGU") except for subsea construction assets which are determined to be one CGU. However, they are grouped together for disclosure purposes.

VIU is the present value of the future cash flows expected to be derived from the CGU. The FV represents an estimate of the amount received in the event the vessel is sold on a willing buyer and willing seller basis.

Based on the assessment, an impairment charge of RM314.4 million for property, plant and equipment was recognised for certain OMS vessels. The recoverable amount of OMS vessels was determined based on estimates and judgement with respect to key assumptions such as contracted value, discount rate and residual value; or estimated selling price net of costs of disposal in the event the vessel is expected to be sold on a willing buyer and willing seller basis.

#### Revision of useful life and residual value

In Q1 2020, the Group revised the residual value of certain FPSO and OMS vessels based on the prevailing market conditions and the expected value to be obtained for these vessels at the end of their useful lives. In addition, the Group revised the useful life of certain OMS vessel costs based on the expected period of future economic benefits for the vessel costs. The revisions were accounted for as a change in accounting estimate and was effected on 1 January 2020. As a result, the depreciation charge in YTD 2020 increased by RM47.4 million.

**3. PROSPECTS FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2020**

Oil prices are expected to remain subdued due to low demand as a result of the ongoing economic turmoil and continuing uncertainties from the COVID-19 pandemic. The Group expects the FPO business to remain relatively stable through 2020, while the OMS business is anticipated to be weaker.

The Group continues to focus on the following areas to improve the prospects for the organisation:

- Corporate and operational HSSEQ;
- Optimise performance across the FPO fleet;
- Cost efficiency and debt reduction;
- Secure charters for the OMS vessels; and
- Monetise selective assets.

**4. QUALIFICATION OF PRECEDING AUDITED FINANCIAL STATEMENTS**

There was no qualification to the audited financial statements for the preceding financial year ended 31 December 2019.

**5. SEASONALITY OR CYCLICALITY OF OPERATIONS**

The businesses of the Group were not materially affected by any seasonal or cyclical fluctuations during the financial period ended 30 June 2020.

**6. ITEMS OF UNUSUAL NATURE, SIZE OR INCIDENCE**

There were no items of an unusual nature, size or incidence affecting the assets, liabilities, equity, net income or cash flow of the Group during the current quarter.

**7. CHANGES IN ESTIMATES**

There were no changes in estimates of amounts reported in prior financial years that have a material effect on the unaudited condensed consolidated financial statements of the Group, except as disclosed in Note 2(E).

**8. ISSUANCE OR REPAYMENT OF DEBT AND EQUITY SECURITIES**

There were no issuances or repayments of debt securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current quarter.

**9. DIVIDENDS PAID**

There were no dividends paid in the current financial period ended 30 June 2020.



**10. SEGMENTAL INFORMATION**

The Group is organised into 2 core business segments based on the type of activities carried out by its vessels. The information of each of the Group's business segments for the individual and cumulative quarters ended 30 June 2020 and 30 June 2019 are as follows:

<b>Individual Quarter Ended 30.06.2020</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	<b>521,219</b>	<b>85,577</b>	-	-	<b>606,796</b>
Inter-segment revenue			<b>22,871</b>	<b>(22,871)</b>	-
Results					
Segment results	<b>345,004</b>	<b>13,899</b>	<b>9,528</b>	-	<b>368,431</b>
Depreciation of property, plant and equipment	<b>(90,884)</b>	<b>(44,212)</b>	<b>(1,012)</b>	-	<b>(136,108)</b>
Net allowance for impairment losses	-	<b>(925)</b>	-	-	<b>(925)</b>
Share of results of joint ventures and associates	<b>(3,983)</b>	-	-	-	<b>(3,983)</b>
Subtotal	<b>250,137</b>	<b>(31,238)</b>	<b>8,516</b>	-	<b>227,415</b>
Other operating income					<b>15,208</b>
Finance costs					<b>(127,869)</b>
Taxation					<b>(5,390)</b>
Profit for the financial period					<b>109,364</b>

<b>Individual Quarter Ended 30.06.2019</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	443,608	92,033	-	-	535,641
Inter-segment revenue	-	-	14,895	(14,895)	-
Results					
Segment results	278,450	22,529	(8,754)	-	292,225
Depreciation of property, plant and equipment	(71,261)	(33,925)	(1,440)	-	(106,626)
Share of results of joint ventures and associate	30,188	333	-	-	30,521
Subtotal	237,377	(11,063)	(10,194)	-	216,120
Other operating income					15,655
Finance costs					(129,224)
Taxation					(20,429)
Profit for the financial period					82,122

**10. SEGMENTAL INFORMATION (CONTINUED)**

<b>Cumulative Quarters Period Ended 30.06.2020</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	<b>983,325</b>	<b>176,089</b>	-	-	<b>1,159,414</b>
Inter-segment revenue	-	-	<b>39,333</b>	<b>(39,333)</b>	-
Results					
Segment results	<b>699,425</b>	<b>20,810</b>	<b>5,946</b>	-	<b>726,181</b>
Depreciation of property, plant and equipment	<b>(177,257)</b>	<b>(99,406)</b>	<b>(2,154)</b>	-	<b>(278,817)</b>
Bad debts written off	-	<b>(1)</b>	-	-	<b>(1)</b>
Net allowance for impairment losses	-	<b>(373)</b>	-	-	<b>(373)</b>
Impairment	-	<b>(314,350)</b>	-	-	<b>(314,350)</b>
Share of results of joint ventures and associates	<b>(8,502)</b>	-	-	-	<b>(8,502)</b>
Subtotal	<b>513,666</b>	<b>(393,320)</b>	<b>3,792</b>	-	<b>124,138</b>
Other operating income					<b>41,516</b>
Finance costs					<b>(265,115)</b>
Taxation					<b>(10,722)</b>
Loss for the financial period					<b>(110,183)</b>

<b>Cumulative Quarters Period Ended 30.06.2019</b>	<b>FPO RM'000</b>	<b>OMS RM'000</b>	<b>Corporate and others RM'000</b>	<b>Elimination RM'000</b>	<b>Group RM'000</b>
Revenue	869,173	158,076	-	-	1,027,249
Inter-segment revenue	-	-	43,967	(43,967)	-
Results					
Segment results	532,177	31,569	(6,114)	-	557,632
Depreciation of property, plant and equipment	(140,026)	(68,570)	(3,339)	-	(211,935)
Net allowance for impairment losses	(5,482)	-	-	-	(5,482)
Share of results of joint ventures	68,338	588	-	-	68,926
Subtotal	455,007	(36,413)	(9,453)	-	409,141
Other operating income					27,992
Finance costs					(264,804)
Taxation					(28,852)
Profit for the financial period					143,477

Segmental revenue for FPO and OMS is mainly denominated in USD.

**11. VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

As at 30 June 2020, all property, plant and equipment were stated at cost less accumulated depreciation and accumulated impairment losses.

**12. MATERIAL EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL PERIOD**

No material events have arisen in the interval between the end of this reporting period end and the date of this report.

**13. CHANGES IN THE COMPOSITION OF THE GROUP**

There were no changes in the composition of the Group arising from business combinations, acquisitions or disposals of subsidiaries and long-term investments, restructurings, and discontinued operations for the current quarter under review, except as follows:

Armada Regasification Services Malta Ltd (“ARSM”), a wholly-owned subsidiary of Bumi Armada Offshore Holdings Limited (“BAOHL”) which in turn is a wholly-owned subsidiary of BAB has filed a notice of final scheme of distribution dated 16 March 2020 with the Registrar of Companies in Malta. ARSM was deemed to be liquidated on 15 June 2020 being the expiry of three months from the date of notice of the final scheme of distribution. The voluntary liquidation of ARSM is in line with the BAB Group’s streamlining exercise and is not expected to have any material impact on the earnings or net assets of BAB Group for the financial year ending 31 December 2020.

**14. CONTINGENT LIABILITIES AND CONTINGENT ASSETS**

The Group’s contingent liabilities comprising bank guarantees extended to third parties amounted to RM85.4 million as at 30 June 2020 as compared to RM80.1 million as at 31 December 2019. There are no material contingent assets to be disclosed.

**15. CAPITAL COMMITMENTS**

Capital expenditure for property, plant and equipment approved by the Directors and not provided for in the unaudited condensed consolidated financial statements as at 30 June 2020 and 31 December 2019 are as follows:

	<b>As at 30.06.2020 RM’000</b>	<b>As at 31.12.2019 RM’000</b>
- authorised and contracted	<b>1,046</b>	41,210
- authorised but not contracted	<b>37,471</b>	44,873
	<b><u>38,517</u></b>	<u>86,083</u>

**16. SIGNIFICANT RELATED PARTY DISCLOSURES**

The significant related party transactions undertaken during the financial period are described below:

	<b>Cumulative Quarters Period Ended 30.06.2020 RM'000</b>	<b>Cumulative Quarters Period Ended 30.06.2019 RM'000</b>
(a) Management fees and engineering assistance services receivable from joint ventures and an associate		
- revenue	<b>1,444</b>	5,213
- other operating income	<b>17,196</b>	-
(b) Payment on behalf of joint ventures	<b>291</b>	163
(c) Telecommunication expenses to Maxis Berhad <sup>(1)</sup>	<b>(132)</b>	(227)
(d) Rental to Malaysian Landed Property Sdn Bhd <sup>(2)</sup>	<b>(2,286)</b>	(2,832)
(e) Transaction with UTSB Management Sdn Bhd <sup>(3)</sup>		
- management fees	<b>(3,790)</b>	(3,530)
(f) Transaction with Mezzanine Equities N.V. <sup>(3)</sup>		
- Interest expense	<b>(10,581)</b>	-
(g) Transaction with an associate		
- Interest income	<b>3,144</b>	-
(h) Key management personnel compensation		
- Non-Executive Directors' fees	<b>(1,145)</b>	(1,140)
- salaries, bonus and allowances and other staff related costs	<b>(5,456)</b>	(7,412)
- defined contribution plan	<b>(200)</b>	(207)
- share-based payment	<b>(1,584)</b>	(937)

Usaha Tegas Sdn Bhd ("UTSB") is a party related to the Company by virtue of its substantial equity interest in Objektif Bersatu Sdn Bhd ("OBSB"), a substantial shareholder of the Company. The ultimate holding company of UTSB is PanOcean Management Limited ("PanOcean"). PanOcean is the trustee of a discretionary trust, the beneficiaries of which are members of the family of Ananda Krishnan Tatparanandam ("TAK") and foundations including those for charitable purposes. Although PanOcean and TAK are deemed to have interest in the shares of the Company through UTSB's deemed interest in OBSB, they do not have any economic or beneficial interest in the shares as such interest is held subject to the terms of the discretionary trust.

Notes:

<sup>(1)</sup> Subsidiary of a joint venture, in which UTSB has a significant equity interest.

<sup>(2)</sup> Subsidiary of a company in which TAK has 100% equity interest.

<sup>(3)</sup> Subsidiary of UTSB, a substantial shareholder of the Company.

**17. PROFIT FORECAST OR PROFIT GUARANTEE**

This is not applicable as the Group did not publish any profit forecast or issue any profit guarantee.

**18. TAXATION**

Taxation comprises the following:

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2020 RM'000	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2019 RM'000
Income tax:				
- Current year	8,951	6,595	15,442	13,020
- Prior year	(3,198)	4,946	(3,193)	5,020
Deferred tax	(363)	8,888	(1,527)	10,812
Total	5,390	20,429	10,722	28,852

The Group's effective tax rates for the individual and cumulative quarters ended 30 June 2020 were positive 5% and negative 11%. The difference in the effective tax rate and the Malaysian statutory tax rate of 24% is mainly due to income not subject to tax, non-deductible expenses and tax effect of different tax rate in other countries.

**19. STATUS OF CORPORATE PROPOSALS ANNOUNCED**

There were no corporate proposals announced but not completed as at the date of this report other than the announcement on 13 August 2013 that a USD1.5 billion Multi Currency Euro Medium Term Note Programme ("EMTN Programme") has been established on 6 August 2013 by a wholly-owned subsidiary, Bumi Armada Capital Offshore Ltd. To date, no medium term notes have been issued under the EMTN Programme.

**20. TRADE RECEIVABLES**

The credit terms of trade receivables ranged from 0 to 60 days. Ageing analysis of trade receivables as at 30 June 2020 and 31 December 2019 is as follows:

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
Current	579,792	331,128
Less than 30 days past due	57,843	62,908
Between 31 and 60 days past due	7,907	15,083
Between 61 and 90 days past due	3,257	2,175
Between 91 days and 1 year past due	20,959	3,376
More than 1 year past due	1,084	2,116
	<u>670,842</u>	<u>416,786</u>

Trade receivables which are past due as listed above, are not impaired as the Group has assessed these balances and believes that they are recoverable.

**21. BORROWINGS**

	As at 30.06.2020			As at 31.12.2019			As at 30.06.2019		
	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000	Denominated in USD RM'000	Denominated in RM RM'000	Total RM'000
<b>SHORT-TERM DEBTS</b>									
<b>Secured:</b>									
Term loans – others	1,015,345	-	1,015,345	813,240	-	813,240	952,642	-	952,642
Term loans – Armada Kraken Pte Ltd <sup>(1)</sup>	-	-	-	1,332,047	-	1,332,047	1,568,389	-	1,568,389
<b>Unsecured:</b>									
Sukuk Murabahah – current	-	30,655	30,655	-	30,655	30,655	-	30,654	30,654
Term loans <sup>(2)</sup>	679,649	-	679,649	301,551	-	301,551	3,531	-	3,531
<b>Total short-term debts</b>	<b>1,694,994</b>	<b>30,655</b>	<b>1,725,649</b>	<b>2,446,838</b>	<b>30,655</b>	<b>2,477,493</b>	<b>2,524,562</b>	<b>30,654</b>	<b>2,555,216</b>
<b>LONG TERM DEBTS</b>									
<b>Secured:</b>									
Term loans	4,413,175	-	4,413,175	3,222,717	-	3,222,717	3,152,708	-	3,152,708
<b>Unsecured:</b>									
Sukuk Murabahah	-	1,499,561	1,499,561	-	1,499,491	1,499,491	-	1,499,422	1,499,422
Term loans	1,714,520	-	1,714,520	2,290,960	-	2,290,960	2,684,327	-	2,684,327
Total long-term debts	6,127,695	1,499,561	7,627,256	5,513,677	1,499,491	7,013,168	5,837,035	1,499,422	7,336,457
<b>Total borrowings</b>	<b>7,822,689</b>	<b>1,530,216</b>	<b>9,352,905</b>	<b>7,960,515</b>	<b>1,530,146</b>	<b>9,490,661</b>	<b>8,361,597</b>	<b>1,530,076</b>	<b>9,891,673</b>

**21. BORROWINGS (CONTINUED)**

- (1) As at 31 December 2019, non-current borrowings for Armada Kraken Pte Ltd (“AKPL”) of RM1,332.0 million was classified as current liabilities due to existing non-compliances by AKPL under this loan, in particular the Armada Kraken FPSO project not achieving final acceptance by the scheduled date, where project lenders have the right to issue, but have not issued, a notice for full prepayment of the loan. Thus, AKPL did not have an unconditional right to defer payment of the non-current borrowings for at least 12 months after the balance sheet date.

In February 2020, the project lenders agreed to remove the risk of having to prepay the loan. Accordingly, the non-current borrowings was reclassified as non-current liabilities.

- (2) In April 2019, the Group signed a facility agreement with respect to the grant of unsecured term loans (“Loans”) to refinance the Group’s unsecured term loans and revolving credit facilities (“Facility Agreement”). The loan repayment requirements under the Facility Agreement include the following salient terms:
- (i) The Loans comprise a Tranche 1 facility of RM1,074.3 million and a Tranche 2 facility of RM1,652.8 million repayable over 24 months and 60 months respectively, from the Loans distribution date of 23 May 2019;
  - (ii) Disposal of the OMS business together with certain idle FPO vessels assuming commercially acceptable sale terms can be obtained; and
  - (iii) Surplus funds from operations and part of the net proceeds from certain strategic initiatives including from asset monetisation and new project financing, are to be used to repay the Loans.

As at 30 June 2020, RM679.6 million was classified as current liabilities as the repayment of the Tranche 1 facility is due within 12 months from the balance sheet date. The Group expects the progress of asset monetisation initiatives to be delayed due to weakened business sentiments and travel restrictions imposed globally following the COVID-19 pandemic. The Group remains committed to meeting its repayment obligations under the Facility Agreement, and is currently in discussion with lenders regarding the Tranche 1 outstanding balance.

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

- Pursue collections from customers; and
- Optimise cost structure.

As at 30 June 2020, the proportion of borrowings between floating interest rates and fixed interest rates is 84%:16%. The term loan facility that has floating interest rate has been partially hedged using Interest Rate Swap, while Sukuk Murabahah has been hedged using Cross Currency Interest Rate Swap, as disclosed in Note 22.

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

	<b>30.06.2020</b>	<b>31.12.2019</b>	<b>30.06.2019</b>
	%	%	%
Term loans	<b>3.79</b>	5.37	5.86
Sukuk Murabahah	<b>6.35</b>	6.35	6.35

Borrowings as at 30 June 2020 decreased by 1% as compared to 31 December 2019 mainly due to repayment of bank borrowings which was offset by higher valuation of borrowings denominated in USD due to stronger USD rates in June 2020.

## 22. DERIVATIVE FINANCIAL INSTRUMENTS

Details of derivative financial instruments outstanding as at 30 June 2020 and 31 December 2019 are as set out below:

Types of Derivative	As at 30.06.2020		As at 31.12.2019	
	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000	Contract/ Notional amount RM'000	Fair value assets/ (liabilities) RM'000
Derivatives used for hedging:				
Interest rate swaps				
- Less than 1 year	681,790	(44,111)	1,469,601	3,940
- 1 to 3 years	1,299,593	(75,270)	513,800	(8,412)
- More than 3 years	1,656,575	(60,437)	1,582,561	(11,536)
	<u>3,637,958</u>	<u>(179,818)</u>	<u>3,565,962</u>	<u>(16,008)</u>
Cross currency interest rate swaps				
- Less than 1 year	-	(8,918)	-	(5,494)
- 1 to 3 years	-	(28,652)	-	(18,374)
- More than 3 years	1,500,000	(514,043)	1,500,000	(404,738)
	<u>1,500,000</u>	<u>(551,613)</u>	<u>1,500,000</u>	<u>(428,606)</u>

There have been no changes since the end of the previous financial year ended 31 December 2019 in respect of the following:

- the credit risk associated with the derivatives as these are used for hedging purposes;
- the cash requirements of the derivatives;
- the policies in place for mitigating or controlling the risks associated with the derivatives; and the related accounting policies.

As at 30 June 2020, the net derivative financial liabilities of the Group amounted to RM731.4 million (31 December 2019: RM444.6 million) on re-measuring the fair values of the derivative financial instruments. The increase of RM286.8 million from the previous financial year ended 31 December 2019, was included in the cost of hedging reserve and cash flow hedge reserve (collectively "hedging reserve") attributable to the Group. Share of hedging reserve in the joint ventures of RM3.9 million was included in the hedging reserve.

RM87.9 million was reclassified to the statements of profit or loss to offset the foreign exchange gain which arose from the weakening of RM against USD, and RM1.2 million was recycled to profit or loss which was included in finance cost. This has resulted in an increase in the balance of hedging reserve as at 30 June 2020 by RM201.6 million.

The Group's hedging reserve as at 30 June 2020 represents the effective portion of the deferred fair value losses relating to the derivative financial instruments which qualified for hedge accounting. The gains and losses recognised in the hedging reserve will be released to the profit or loss within finance costs over the period of the underlying borrowings.



## 23. FAIR VALUE HIERARCHY

The Group uses the following hierarchy for determining the fair value of all financial instruments carried at fair value and amortised cost, the different levels have been identified as follows:

- Level 1 - Quoted prices (unadjusted in active markets for identical assets or liabilities)
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as price) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

### (a) Financial instruments carried at amortised cost

The carrying amounts of financial assets and liabilities of the Group approximated their fair values as at 30 June 2020 and 31 December 2019 except as set out below, measured using Level 3 valuation technique:

	As at 30.06.2020		As at 31.12.2019	
	Carrying amount RM'000	Fair value RM'000	Carrying amount RM'000	Fair value RM'000
Finance lease receivables	5,079,857	5,764,037	4,961,598	5,622,626
Amount due from a joint venture	24,630	61,212	22,857	58,423
Amount due from an associate	128,589	125,532	122,730	116,032
Sukuk Murabahah	1,530,215	1,556,862	1,530,146	1,548,652

### (b) Financial instruments carried at fair value

The table below analyses financial instruments carried at fair value as at 30 June 2020 and 31 December 2019, by valuation method.

	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>As at 30.06.2020</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	14,357	-	-	14,357
Derivatives used for hedging				
- Cross currency interest rate swaps	-	1,040	-	1,040
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(179,818)	-	(179,818)
- Cross currency interest rate swaps	-	(552,653)	-	(552,653)
<b>As at 31.12.2019</b>				
Financial assets:				
Financial assets at fair value through other comprehensive income	22,986	-	-	22,986
Derivatives used for hedging				
- Interest rate swaps	-	13,300	-	13,300
- Cross currency interest rate swaps	-	2,086	-	2,086
Financial liabilities:				
Derivatives used for hedging				
- Interest rate swaps	-	(29,308)	-	(29,308)
- Cross currency interest rate swaps	-	(430,692)	-	(430,692)

**23. FAIR VALUE HIERARCHY (CONTINUED)**

**(b) Financial instruments carried at fair value (continued)**

The fair value of financial instruments traded in an active market is based on quoted market price at the statement of financial position date. This instrument is included in Level 1.

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques, such as estimated discounted cash flows. These valuation techniques are used to determine the fair value of derivative financial instruments. The fair value of cross currency interest rate swaps and interest rate swaps are calculated as the present value of the estimated future cash flows based on forward interest rates and exchange rates from observable yield curves.

No transfers between any levels of the fair value estimation took place during the current year and the comparative year. There were also no changes in the purpose of any financial instruments that subsequently caused a change in classification of those instruments.

**24. NOTES TO THE CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

	<b>Individual Quarter Ended 30.06.2020 RM'000</b>	<b>Individual Quarter Ended 30.06.2019 RM'000</b>	<b>Cumulative Quarters Period Ended 30.06.2020 RM'000</b>	<b>Cumulative Quarters Period Ended 30.06.2019 RM'000</b>
Profit/(Loss) before taxation is arrived at after (crediting)/charging:				
(a) Other operating income				
- Interest income	<b>(3,854)</b>	(6,863)	<b>(11,365)</b>	(15,233)
- Gain on disposal of property, plant and equipment	<b>(10,220)</b>	(315)	<b>(10,621)</b>	(2,091)
- Management fees charged to a joint venture	-	-	<b>(17,196)</b>	-
- Others	<b>(1,134)</b>	(8,477)	<b>(2,334)</b>	(10,668)
(b) Interest expense	<b>127,221</b>	140,120	<b>262,496</b>	271,029
(c) Accretion of receivables	<b>702</b>	392	<b>1,380</b>	736
(d) Depreciation of property, plant and equipment	<b>136,108</b>	106,626	<b>278,817</b>	211,935
(e) Bad debts written off	-	-	<b>1</b>	-
(f) Net allowance for impairment losses				
- Trade receivables	<b>925</b>	-	<b>373</b>	-
- Amount due from a joint venture	-	-	-	5,482
(g) Impairment of				
- Property, plant and equipment	-	-	<b>314,350</b>	-
(h) Net foreign exchange (gain)/loss				
- realised	<b>(22,051)</b>	(1,200)	<b>(6,547)</b>	(14,266)
- unrealised	<b>19,780</b>	(2,713)	<b>18,847</b>	383
(i) Fair value through profit and loss on derivative financial instruments	<b>(54)</b>	(11,288)	<b>1,239</b>	(6,961)
(j) Retrenchment expenses	<b>130</b>	1	<b>130</b>	35

Other than as presented in the statements of income and as disclosed above, there was no allowance for and write-off of inventories, gain or loss on disposal of quoted or unquoted investments or properties and other exceptional items for the current quarter ended 30 June 2020.

## **25. MATERIAL LITIGATION**

Save for the following, as at 30 June 2020, neither our Company nor any of our subsidiaries was involved in any material litigation, claims or arbitration, and our Company and our subsidiaries are not aware of any material litigation, claims or arbitration pending or threatened against our Company and our subsidiaries:

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

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

On 14 March 2016, ABPL commenced a writ action in the Supreme Court of Western Australia (“Supreme Court”) against WEJ for, inter alia, (i) a declaration that WEJ was in repudiatory breach of the Contract and (ii) damages for WEJ’s breach of the Contract. The trial for this matter commenced at the Supreme Court on 18 February 2019 and concluded on 27 March 2019. Judgment was delivered by the Supreme Court on 24 January 2020 as summarised below:

1. The Supreme Court ruled in favour of WEJ on ABPL’s main claim of repudiation of the Contract.
2. ABPL was found to be entitled to a payment of USD2,000,050 for unpaid milestone claims and AUD341,165.29 for unpaid invoices. ABPL was found to be required to pay WEJ AUD1,567,302.20 for reimbursement of miscellaneous charges.

The Supreme Court issued the final orders on the judgment on 20 February 2020. ABPL filed an appeal against the Supreme Court’s decision at the Court of Appeal on 11 March 2020.

## **26. DIVIDENDS**

No dividend was declared or recommended for the current financial period ended 30 June 2020.

**27. EARNINGS PER SHARE**

The basic earnings per share (“EPS”) is calculated by dividing the Group’s profit attributable to Owners of the Company by the average number of ordinary shares in issue during the financial period.

Diluted EPS adjusts the figures used in the determination of basic EPS to take into account:

- the after income tax effect of interest and other financing costs associated with the Management Incentive Plan (“MIP”); and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares from the MIP.

The MIP shares awarded were not dilutive for the period ended 30 June 2020 as there is one vesting condition to be satisfied before Quarter 2, 2020. Hence, the calculation of diluted earnings per share does not assume the vesting of the MIP.

	Individual Quarter Ended		Cumulative Quarters Period Ended	
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
Profit/(Loss) attributable to Owners of the Company (RM’000)	<b>119,774</b>	78,208	<b>(104,193)</b>	140,421
Weighted average/adjusted weighted average number of ordinary shares in issue for basic EPS (’000)	<b>5,879,639</b>	5,872,871	<b>5,879,639</b>	5,872,871
Basic EPS (sen)	<b>2.04</b>	1.33	<b>(1.77)</b>	2.39
Diluted EPS (sen)	<b>2.04</b>	1.33	<b>(1.77)</b>	2.39

BY ORDER OF THE BOARD

NOREEN MELINI BINTI MUZAMLI (LS 0008290)  
NOOR HAMIZA BINTI ABD HAMID (MAICSA 7051227)  
Joint Company Secretaries

Kuala Lumpur  
28 August 2020