



BUMI ARMADA

25 May 2023

Badan Pengawas Pemegang Saham Minoriti Berhad
(Minority Shareholders Watch Group)
Level 23, Unit 23-2, Menara AIA Sentral
No. 30, Jalan Sultan Ismail
50250 Kuala Lumpur

Attention: Mr Devanesan Evanson, Chief Executive Officer

Dear Sir,

**BUMI ARMADA BERHAD (“BAB” or the “GROUP”)
- Twenty-Seventh Annual General Meeting (“27th AGM”)**

Thank you for your letter dated 15 May 2023.

Please find our response to the questions raised by you, which will also be highlighted to those who attend our 27th AGM scheduled to be held on 25 May 2023:

No.	Question	BAB's Response
Financial Matters		
1.	<p>The Group's administrative expenses reduced by RM12.1 million, or 12.5% in FY 2022 (RM84.8 million) as compared to FY 2021 (RM96.9 million)</p> <p>The Group's revenue however increased by RM243 million or 11.2% from RM2,163 million in FY 2021 to RM2,406 million in FY 2022. (Page 131 of AR)</p> <p>(a) Please explain how the Group was able to reduce administrative expenses in FY 2022 while expanding the growth of its revenue.</p> <p>(b) Please name the three expenses within the administrative expenses that have recorded the lowest increase in FY 2022 as compared to FY 2021.</p> <p>(c) What are the strategies the Group had implemented to ensure the administrative expenses do not rise drastically in FY 2023?</p>	<p>The reduction in administrative expenses in FY2022 was mainly due to unrealised foreign exchange gains. Excluding net foreign exchange gains, our administrative expenses would have increased by RM32.9 million (33.6% increase).</p> <p>Administrative expenses that have the lowest increase are travel expenses, depreciation and professional fees.</p> <p>Stringent budgetary and cost control processes are in place. Notwithstanding that these processes are in place; market prices continue to increase post- pandemic due to external factors which are beyond the control of the management.</p>

No.	Question	BAB's Response
Operational and Financial Matters		
2.	<p>The Group's investment in two joint ventures namely Armada C7 and PT AGN reported losses after tax of RM3.3 million and RM13.3 million respectively in FY 2022 as compared to profit after tax of RM46.0 million and RM77.5 million respectively in FY 2021. (Pages 175 & 176 of AR).</p> <p>Armada C7 reported a much lower revenue of RM36.6 million in FY 2022 as compared to RM87.9 million in FY 2021. Similarly, PT AGN also reported a much lower revenue of RM244.9 million in FY 2022 as compared to RM285.6 million in FY 2021.</p> <p>(a) Why did Armada C7's revenue drop drastically in FY 2022?</p> <p>(b) What actions have been taken to address the drop in revenue of both Armada C7 and PT AGN respectively?</p> <p>(c) What is the outlook for these two companies in FY 2023?</p>	<p>The decrease in revenue for Armada C7 is due to the revision of residual value ("RV") in FY 2022.</p> <p>The decrease in revenue for Armada C7 and PT AGN is due to the revision of RV in FY 2022.</p> <p>The RV for the vessels have been revised downwards to their expected scrap values at the end of their useful lives and lease terms. This is a one-off adjustment and is not expected to recur in future years.</p> <p>Please refer to Note 14 page 177 of the Annual Report FY 2022 for details on the revision of RV.</p>
3.	<p>The Group had recorded consistent higher net profit for the past 4 financial years since FY 2019. The RM721.6 million net profit recorded in FY 2022 was the Group's highest net profit since the company was listed on Bursa. FY 2019 net profit was RM58.6 million. (Page 10 of AR)</p> <p>The Group has also actively reduced its borrowings, further improving the Group's financial position.</p> <p>The Board has not recommended the payment of any dividend for FY 2022 and the past few years. The last dividend paid was in FY 2016.</p> <p>(a) Please explain the reasons why the Board does not recommend any dividend to be paid for FY 2022 as it is in a stronger financial position now.</p> <p>(b) When will be the board consider declaring dividends to shareholders?</p>	<p>(a) We are currently focused on improving the balance sheet by reducing debt, especially at the corporate level. This is particularly important given that interest rates continue to increase. Weighted contractual interest rates of borrowings increased more than 2x compared to the preceding year. Interest expense was reduced only by 8% even though borrowings were reduced by 20% compared to the preceding year.</p> <p>Improving the Group's financial position will enhance its flexibility to bid for new projects.</p> <p>As such, no dividend is recommended to the shareholders for FY 2022.</p> <p>(b) We will continue to review the Company's plans and growth opportunities versus distributing profits to shareholders in the form of dividends.</p>

No.	Question	BAB's Response
Operational and Financial Matters		
4.	<p>The Group has deposits, cash and bank balances denominated in Russian Ruble of an equivalent of RM5.66 million in FY 2022 as compared to RM56.6 million in FY 2021. (Page 120 of AR).</p> <p>Does the Group foresee any difficulty in withdrawing its Russian Ruble in view that US and European Countries have imposed sanctions on Russian due to the Russia-Ukraine war?</p>	<p>As set out in Note 42 (page 216 of the Annual Report FY 2022), the Group's day-to-day operations in Russia continue without being materially affected during FY 2022.</p> <p>The deposits, cash and bank balances in Russia will be used to continue to fund the Group's operations in Russia. In addition, the Company intends to bid for new contracts utilising the vessels located in Russia which will also utilise existing Rubles on hand.</p>

We trust the above clarifies. Kindly acknowledge receipt of this letter by signing and returning to us the duplicate copy of the same.

Thank you.

Yours faithfully
for **BUMI ARMADA BERHAD**



SHAMSUL SHAHRINA BINTI MOHD HUSSEIN
Joint Company Secretary / Head
Corporate Secretarial Services