THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

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.

DAYANG ENTERPRISE HOLDINGS BHD

(Company No. 712243-U)
(Incorporated in Malaysia under the Companies Act, 1965)

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED DISTRIBUTION OF UP TO 292,229,202 ORDINARY SHARES IN PERDANA PETROLEUM BERHAD ("PERDANA") ("PERDANA SHARES"), REPRESENTING APPROXIMATELY 37.5% EQUITY INTEREST IN PERDANA, ON THE BASIS OF APPROXIMATELY 0.30 PERDANA SHARE FOR EACH ORDINARY SHARE HELD IN DAYANG ENTERPRISE HOLDINGS BHD ("DAYANG") TO THE ENTITLED SHAREHOLDERS OF DAYANG BY WAY OF DIVIDEND-IN-SPECIE ("PROPOSED DIVIDEND-IN-SPECIE")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser

Maybank Investment Bank

Maybank Investment Bank Berhad (15938-H)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The resolution pertaining to the Proposed Dividend-In-Specie will be tabled for your consideration at the Extraordinary General Meeting ("**EGM**") of Dayang to be held at Danum 3, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Wednesday, 9 August 2017 at 2.00 p.m. or any adjournment thereof. The Notice of EGM in relation to the Proposed Dividend-In-Specie and the Form of Proxy are enclosed in this Circular.

You are entitled to attend and vote at the EGM or to appoint a proxy or proxies to attend and vote on your behalf. The completed Form of Proxy should be lodged at the office of the share registrar of Dayang, Tricor Investor & Issuing House Services Sdn Bhd at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than 48 hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy	: Monday, 7 August 2017 at 2.00 p.m.
Date and time of the EGM	: Wednesday, 9 August 2017 at 2.00 p.m.

This Circular is dated 25 July 2017

DEFINITIONS

The following definitions apply throughout this Circular unless the context requires otherwise:

Act	:	Companies Act 2016
AHTS(s)	:	Anchor handling tug and supply vessel(s)
AWB(s)	:	Accommodation work barge(s)
Bhp	:	Brake horsepower
Board	:	Board of Directors
Bursa Securities	:	Bursa Malaysia Securities Berhad
Circular	:	This circular to our shareholders in relation to the Proposed Dividend-In-Specie dated 25 July 2017
Dayang or Company	:	Dayang Enterprise Holdings Bhd
Dayang Group or Group	:	Dayang and its subsidiaries, collectively
Dayang Share(s)	:	Ordinary share(s) in Dayang
DESB	:	Dayang Enterprise Sdn Bhd
Dividend Shares	:	Up to 292,229,202 Perdana Shares, representing approximately 37.5% equity interest in Perdana held by our Company to be distributed pursuant to the Proposed Dividend-In-Specie
EGM	:	Extraordinary general meeting
Entitled Shareholders	:	Our shareholders whose names appear in the Record of Depositors of our Company on the Entitlement Date
Entitlement Date	:	A date to be determined and announced later by our Board on which the names of our shareholders must appear in the Record of Depositors of our Company as at 5.00 p.m. in order to be entitled to the Proposed Dividend-In-Specie
EPS	:	Earnings per share
FPE	:	Financial period ended
FYE	:	Financial year ended/ending, as the case may be
IRB	:	Inland Revenue Board
LAT	:	Loss after tax
LBT	:	Loss before tax
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
LPD	:	7 July 2017, being the latest practicable date prior to the printing of this Circular

LPS	:	Loss per share
Maybank IB	:	Maybank Investment Bank Berhad
NA	:	Net assets
O&G	:	Oil and gas
OSV	:	Offshore support vessel
PAT	:	Profit after tax
PBT	:	Profit before tax
Perdana	:	Perdana Petroleum Berhad
Perdana Group	:	Perdana and its subsidiaries, collectively
Perdana Share(s)	:	Ordinary share(s) in Perdana
Petronas	:	Petronas Carigali Sdn Bhd
Proposed Dividend-In-Specie	:	Proposed distribution of the Dividend Shares on the basis of approximately 0.30 Perdana Share for each Dayang Share held to the Entitled Shareholders by way of dividend-in-specie
Record of Depositors	:	A record provided by Bursa Malaysia Depository Sdn Bhd pursuant to Chapter 24 of the Rules of Bursa Depository
RM and sen	:	Ringgit Malaysia and sen, respectively
Rules of Bursa Depository	:	The rules of Bursa Malaysia Depository Sdn Bhd issued pursuant to the Securities Industry (Central Depositories) Act, 1991
SGD	:	Singapore Dollar
USD	:	United States Dollar
WB(s)	:	Work boat(s)
YA	:	Year of assessment

All references to "**you**" in this Circular are to the shareholders of our Company.

Unless specifically referred to, 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, unless otherwise specified.

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

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

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

[The rest of this page has been intentionally left blank]

CONTENTS

DAYANG ENTERPRISE HOLDINGS BHD
(Company No. 712243-U)
(Incorporated in Malaysia under the Companies Act, 1965)

Registered Office
Sublot 5-10, Lot 46, Block 10
Jalan Taman Raja, MCLD
98000 Miri, Sarawak

25 July 2017

Board of Directors
Ali Bin Adai (*Independent Non-Executive Chairman*)
Datuk Ling Suk Kiong (*Executive Deputy Chairman*)
Tengku Dato' Yusof Bin Tengku Ahmad Shahruddin (*Managing Director*)
Joe Ling Siew Loung @ Lin Shou Long (*Deputy Managing Director*)
Jeanita Anak Gamang (*Executive Director*)
Wong Ping Eng (*Non-Independent Non-Executive Director*)
Gordon Kab @ Gudan Bin Kab (*Independent Non-Executive Director*)
Koh Ek Chong (*Independent Non-Executive Director*)
Azlan Shah Bin Jaffril (*Independent Non-Executive Director*)

To: Our Shareholders

Dear Sir / Madam,

PROPOSED DIVIDEND-IN-SPECIE

1. INTRODUCTION

On 12 May 2017, Maybank IB, on behalf of our Board, announced that our Company intends to undertake the Proposed Dividend-In-Specie.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE DETAILS OF THE PROPOSED DIVIDEND-IN-SPECIE AND TO SEEK YOUR APPROVAL FOR THE RESOLUTION PERTAINING TO THE PROPOSED DIVIDEND-IN-SPECIE TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM TOGETHER WITH 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 PERTAINING TO THE PROPOSED DIVIDEND-IN-SPECIE TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED DIVIDEND-IN-SPECIE

2.1 Background information on the Proposed Dividend-In-Specie

As at the LPD:

(i) the issued and paid-up share capital in Perdana is RM389,235,474.50 divided into 778,470,949 Perdana Shares; and

(ii) our Company holds approximately 98.0% equity interest in Perdana, comprising of 763,015,248 Perdana Shares.

We propose to distribute up to 292,229,202 Perdana Shares, representing approximately 37.5% equity interest in Perdana, by way of dividend-in-specie to the Entitled Shareholders.

Upon completion of the Proposed Dividend-In-Specie:

(i) our shareholding in Perdana will reduce to approximately 60.5%; and

(ii) the Entitled Shareholders will hold the Dividend Shares in proportion to their shareholdings in Perdana as at the Entitlement Date.

The Proposed Dividend-In-Specie is to be undertaken on the basis of approximately 0.30 Perdana Share for each Dayang Share held by the Entitled Shareholders. For illustrative purposes only, an Entitled Shareholder holding 1,000 Dayang Shares will be entitled to receive 302 Perdana Shares from the Proposed Dividend-In-Specie.

In determining the Entitled Shareholders' entitlement to the Dividend Shares, fractional entitlements to the Dividend Shares (if any) shall be disregarded and dealt with in such manner or terms as our Board shall in its absolute discretion deems fit, fair and equitable, and in the best interest of our Company. Any residual Dividend Share following the distribution of the Dividend Shares to the Entitled Shareholders will be dealt with in such manner as our Board may deem fit. Accordingly, it is the intention of our Board to retain any residual Dividend Share held by our Company after the Proposed Dividend-In-Specie.

The Proposed Dividend-In-Specie will be paid out of our Company's retained earnings.

Based on the original cost of investment in the Dividend Shares of RM1.55 per Dividend Share, the amount of retained earnings to be utilised by our Company pursuant to the Proposed Dividend-In-Specie would be approximately RM453.0 million. Based on our latest audited consolidated financial statements for the FYE 31 December 2016, our accumulated loss at company level is RM39.62 million while our retained earnings at group level stood at RM570.92 million. As our Company will require additional reserves to facilitate the Proposed Dividend-In-Specie, certain of our subsidiaries will be declaring dividends amounting to approximately RM496.0 million to our Company prior to the implementation of the Proposed Dividend-In-Specie.

For illustrative purposes only, based on our latest audited consolidated financial statements for the FYE 31 December 2016, the balance of our retained earnings at company level after the implementation of the Proposed Dividend-In-Specie would be as follows:

Company level		**RM'000**
Accumulated loss		(39,621)
Add :	Dividends to be declared by our subsidiaries[1]	496,000
		456,379
Less :	Amount to be utilised pursuant to the Proposed Dividend-In-Specie	(452,955)
After the Proposed Dividend-In-Specie		**3,424**

Note:

[1] *Net dividend of approximately RM496.0 million to be declared by two (2) of our subsidiaries is as follows:*

Subsidiary	***RM'million***
DESB	*300.0*
DESB Marine Services Sdn Bhd	*196.0*
Total	***496.0***

After taking into consideration the dividends to be declared by certain of our subsidiaries, we will have adequate retained earnings to declare and undertake the Proposed Dividend-In-Specie.

The Proposed Dividend-In-Specie will result in an adjustment to the share price of Dayang by Bursa Securities.

2.2 Original cost of investment of the Dividend Shares

We had acquired the Dividend Shares through the conditional mandatory take-over offer ("**MGO**") on Perdana undertaken pursuant to Section 218(2) of the Capital Markets and Services Act 2007 ("**CMSA**") and the then Malaysian Code on Take-Overs and Mergers 2010 (which has since been replaced with the Malaysian Code on Take-Overs and Mergers 2016, read together with the Rules on Take-Overs, Mergers and Compulsory Acquisitions).

Our original cost of investment of the Dividend Shares is RM1.55, being the offer price for each Perdana Share pursuant to the MGO, which closed on 13 August 2015.

2.3 Ranking of the Dividend Shares

The Dividend Shares will be distributed free from all encumbrances and shall rank equally in all respects with the other Perdana Shares in issue with all rights and entitlements attached including dividends, rights, allotments and/or other distributions that may be declared, made or paid to shareholders, on or after the date on which the Dividend Shares are credited into the Central Depository System accounts of the Entitled Shareholders.

2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees, to be assumed by the Entitled Shareholders pursuant to the Proposed Dividend-In-Specie.

2.5 Use of proceeds

There will be no proceeds to be raised by our Company from the Proposed Dividend-In-Specie.

3. BACKGROUND INFORMATION ON PERDANA

Perdana was incorporated in Malaysia under the Companies Act, 1965 on 28 December 1995 as a private limited company under the name of Petra Perdana Sdn Bhd and is deemed registered under the Act. On 1 July 1997, Petra Perdana Sdn Bhd was converted into a public limited company under the name of Petra Perdana Berhad and assumed its current name on 7 July 2011. Perdana was listed on the Second Board of Bursa Securities in 2000 and was subsequently transferred to the Main Board of Bursa Securities in 2003.

As at the LPD, the issued share capital in Perdana is RM389,235,474.50 comprising of 778,470,949 Perdana Shares.

Perdana is an investment holding company. It is also engaged in the provision of administrative and management services to its subsidiaries. Perdana, through its subsidiaries, provides marine support services for the O&G industry and leasing business activities in Labuan.

Further information on Perdana is set out in **Appendix I** of this Circular.

4. RATIONALE AND BENEFITS OF THE PROPOSED DIVIDEND-IN-SPECIE

We had stated in the offer document in relation to the MGO on Perdana dated 23 July 2015 that we intend to maintain the listing status of Perdana on the Main Market of Bursa Securities.

Following the completion of the MGO on Perdana which had resulted in the public shareholding spread of Perdana being less than 10%, Bursa Securities had on 30 September 2015 suspended the trading of Perdana's securities. The suspension will only be uplifted by Bursa Securities upon Perdana's full compliance with the public shareholding spread requirement under Paragraph 8.02(1) of the Listing Requirements which requires Perdana to ensure that at least 25% of its total listed shares (excluding treasury shares) are in the hands of public shareholders ("**Public Spread Requirement**") or as may be determined by Bursa Securities.

As at the LPD, we hold approximately 98.0% equity interest in Perdana with Perdana's public shareholding spread stood at approximately 2.0% only.

Bursa Securities had vide its letter dated 25 May 2017 granted a further extension of time until 30 November 2017 for Perdana to comply with the Public Spread Requirement. Perdana had on 16 May 2017 announced that it proposes to undertake a private placement of up to 10% of the total number of issued Perdana Shares to third party investor(s) who falls under Schedules 6 and/or 7 of the CMSA to be identified at a later date ("**Proposed Private Placement**").

The Proposed Private Placement together with the Proposed Dividend-In-Specie will significantly improve the public shareholding spread of Perdana, allowing Perdana to comply with the Public Spread Requirement and maintaining its listing status.

The Proposed Dividend-In-Specie is also intended to:

(i) reward the Entitled Shareholders for their continuous support by providing them with an opportunity to invest directly in Perdana at no cost;

(ii) unlock shareholders' value by giving them the option to continue participating directly in Perdana or liquidate the same for cash; and

(iii) enable the Entitled Shareholders to potentially benefit directly from the future performance of Perdana as well as from the improved liquidity of Perdana Shares.

Notwithstanding, the Entitled Shareholders will only be able to unlock the value of the Dividend Shares after the suspension on the trading of Perdana Shares has been uplifted. The Entitled Shareholders will be directly exposed to the fluctuation in the future performance of the Perdana Group which may potentially result in the fluctuation in the market price of the Dividend Shares. At the same time, the Entitled Shareholders will be able to benefit from any upside in the market value of the Dividend Shares at no cost.

5. RISK FACTORS

The risk factors (which may not be exhaustive) pertaining to the Proposed Dividend-In-Specie are set out below:

5.1 Completion risk

The Proposed Dividend-In-Specie is conditional upon the approvals set out in Section 9 of this Circular. There can be no assurance that all the approvals/consents can be obtained, failing which, the Proposed Dividend-In-Specie may be aborted or its implementation may be delayed. Our Company will take all reasonable steps to ensure that the approvals/consents are obtained to facilitate the completion of the Proposed Dividend-In-Specie.

5.2 Fluctuation in the value of the Dividend Shares

The market price of the Dividend Shares may fluctuate as a result of a variety of factors. There can be no assurance that the Dividend Shares will trade above the value of the Dividend Shares as at the Entitlement Date if Bursa Securities uplifts the suspension of trading of Perdana's securities upon completion of the Proposed Dividend-In-Specie since the market price of the Dividend Shares may fluctuate as a result of a variety of factors. The value ascribed to the Dividend Shares as at the Entitlement Date may be based on the last traded price of Dayang Shares of RM1.54 prior to its suspension on 30 September 2015.

6. EFFECTS OF THE PROPOSED DIVIDEND-IN-SPECIE

6.1 Share capital and substantial shareholders' shareholdings

The Proposed Dividend-In-Specie will not have any effect on the share capital of our Company and the substantial shareholders' shareholdings in our Company.

[The rest of this page has been intentionally left blank]

6.2 NA per Dayang Share and gearing

For illustrative purposes only, based on the latest audited consolidated statement of financial position of our Company as at 31 December 2016 and on the assumption that the Proposed Dividend-In-Specie had been effected on that date, the proforma effect of the Proposed Dividend-In-Specie on the NA per Dayang Share and gearing of our Group are as follows:

		(I)	(II)
	Audited as at 31 December 2016	After adjustments for subsequent events	After (I) and the Proposed Dividend-In-Specie
	RM'000	RM'000	RM'000
Share capital	438,550	(2)527,663	(4)672,932
Share premium	146,686	(2)145,269	-
Accumulated reserves	570,924	570,924	(5)276,322
Other reserves	114,270	114,270	114,270
Shareholders' funds / NA	**1,270,430**	**1,358,126**	**1,063,524**
Non-controlling interest	7,763	7,763	(6)301,565
Total equity	**1,278,193**	**1,365,889**	**1,365,089**
No. of Dayang Shares in issue ('000)	877,100	964,810	964,810
Total borrowings	1,638,215	(3)1,548,215	(7)1,460,519
NA per Dayang Share (RM)	1.45	1.41	1.10
Gearing (times)(1)	1.28	1.13	1.07

Notes:

(1) *Computed as total borrowings divided by total equity.*

(2) *After taking into consideration the issuance of 87,709,993 Dayang Shares at an issue price of RM1.016 pursuant to the private placement exercise of Dayang (which was completed on 27 April 2017) and the expenses relating to the private placement exercise amounting to approximately RM1.4 million.*

(3) *After taking into consideration the repayment of sukuk amounting to RM90.0 million.*

(4) *The Act, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM145.3 million became part of our Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, our Company may within 24 months from the commencement of the Act, use the amount standing to the credit of our share premium account of RM145.3 million for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

(5) *After deducting about RM293.8 million, being the portion of the NA of the Perdana Group as at 31 December 2016 attributable to non-controlling interest after the Proposed Dividend-In-Specie and RM0.8 million, being the estimated expenses relating to the Proposed Dividend-In-Specie comprising of professional fees, estimated fees payable to the relevant authorities, printing costs, expenses relating to the convening of the EGM, advertising expenses and other incidental expenses.*

[(6)] *After adding about RM293.8 million, being the portion of the NA of the Perdana Group as at 31 December 2016 attributable to non-controlling interest after the Proposed Dividend-In-Specie.*

[(7)] *After taking into consideration the repayment of bank borrowings amounting to RM87.696 million to uplift the charge on part of the Dividend Shares prior to the distribution of the Dividend Shares.*

6.3 Earnings and EPS

Currently, we consolidate 98.0% of the results of the Perdana Group. After the Proposed Dividend-In-Specie, assuming that the financial performance of the Perdana Group remains unchanged, the earnings and EPS of our Group are expected to improve as we will only consolidate approximately 60.5% of the losses of the Perdana Group.

For illustrative purposes only, assuming that the Proposed Dividend-In-Specie was completed on 1 January 2016, being the beginning of the FYE 31 December 2016, the proforma effect of the Proposed Dividend-In-Specie on the earnings and EPS of our Group are as follows:

	FYE 31 December 2016	**After the Proposed Dividend-In-Specie**
	RM'million	**RM'million**
Profit for the year attributable to the owners of our Company	54.5	54.5
Add: Perdana Group's LAT contributed by approximately 37.5% equity interest in the Perdana Group	-	10.5
Less: Estimated expenses relating to the Proposed Dividend-In-Specie	-	(0.8)
Proforma net profit	**54.5**	**64.2**
EPS (sen)[(1)]	6.21	7.32

Note:

[(1)] *Based on the weighted average number of Dayang Shares in issue of 877,099,935.*

However, the Proposed Dividend-In-Specie is not expected to have a material effect on the earnings and EPS of our Group as Perdana will still remain as our subsidiary after the completion of the Proposed Dividend-In-Specie. The actual effects of the Proposed Dividend-In-Specie on the earnings and EPS of our Group can only be determined after the completion of the Proposed Dividend-In-Specie.

6.4 Operational impact

The Proposed Dividend-In-Specie will not have any material impact on our Group's operations because we will still control Perdana which remains as our subsidiary after the completion of the Proposed Dividend-In-Specie. However, going forward, Perdana will be in a position to raise its own funds via the equity capital market when the suspension on the trading of Perdana Shares has been uplifted (after the completion of the Proposed Dividend-In-Specie and Proposed Private Placement), instead of relying heavily on our Group's cash flows for its capital requirements since its business is capital intensive in nature.

6.5 Convertible securities

As at the LPD, we do not have any convertible securities in issue.

7. PROSPECTS OF OUR GROUP AFTER THE PROPOSED DIVIDEND-IN-SPECIE

Crude oil prices is expected to remain volatile in the near future. The measures implemented by the Organisation of Petroleum Exporting Countries ("**OPEC**") and non-OPEC members to curb production output in an attempt to boost crude oil prices is seen to have been nullified by the increase in the production of shale oil.

The challenging operating environment in the O&G industry and volatility of crude oil prices on the financial performance of the Perdana Group has been evident since the acquisition of Perdana Shares by our Company which triggered the MGO on Perdana in 2015. In 2016, Perdana's vessel utilisation declined compared to its vessel utilisation in 2015 due to slower work orders/contracts awarded from oil majors as a result of the continuous decline in crude oil prices during the first half of 2016, which contributed to a decline in revenue by about 16.0%. Nevertheless, our Board is of the view that Perdana is still a good and strategic fit to our business despite the uncertainty in the O&G industry.

Notwithstanding the above, the management of Perdana already has in place strategies to turnaround the financial performance of the Perdana Group amid the challenging operating environment in the O&G industry which include, among others, the following:

(i) securing long-term contracts for its fleet of vessels;

(ii) improving its vessel utilisation through securing contracts both domestically and regionally;

(iii) improving the charter rate of its vessels; and

(iv) reducing interest costs via proceeds to be raised from the Proposed Private Placement to pare down its existing borrowings, which will improve its gearing position.

(Source: Management of Perdana)

Further information on the prospects and strategies to improve the financial performance of the Perdana Group is set out in Section 9 of **Appendix I** of this Circular.

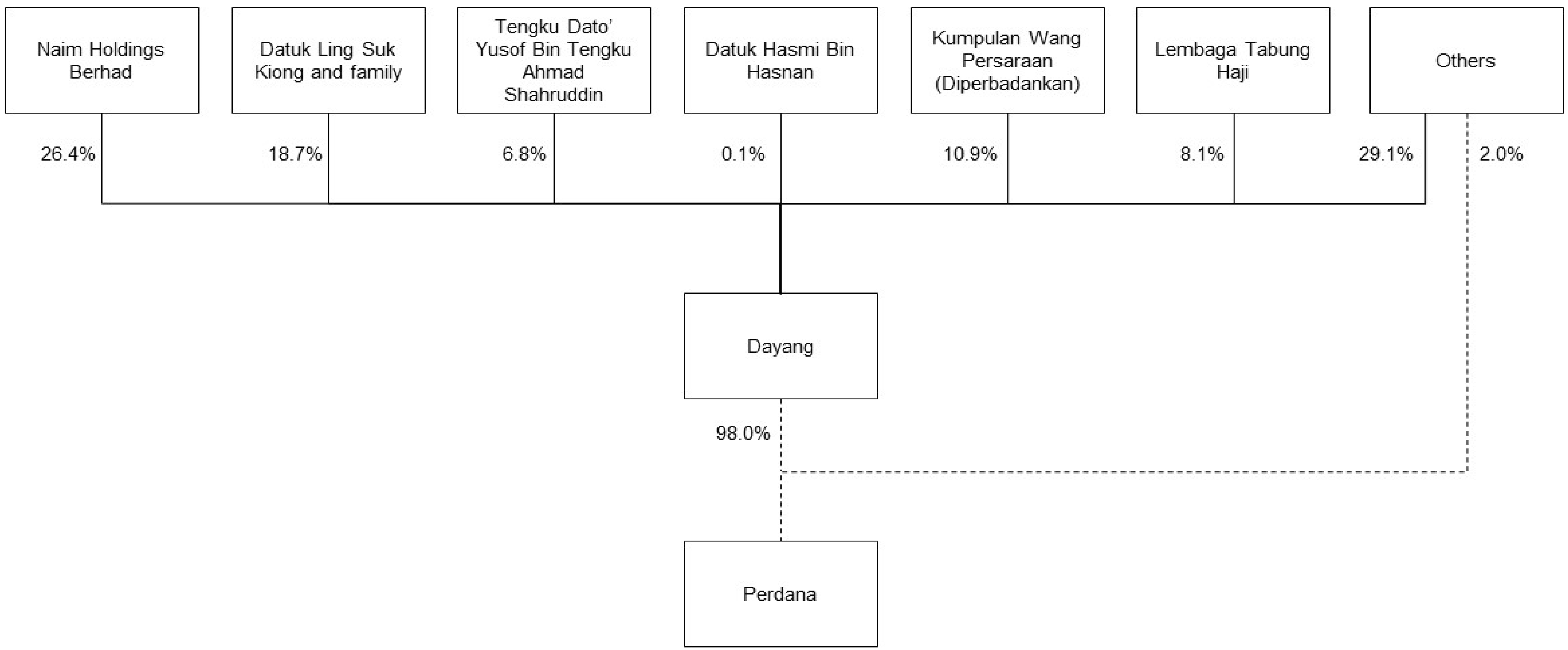
After the implementation of the Proposed Dividend-In-Specie, our Group will only consolidate approximately 60.5% of the results of the Perdana Group but Perdana will still remain a subsidiary of our Company. As such, there will not be any operational impact to our Group as we are still able to influence the business direction and strategy of Perdana moving forward and benefit from our synergistic tie-ups with the Perdana Group.

In addition, the resumption of trading of Perdana Shares in the event the suspension of trading is uplifted by Bursa Securities, will allow our Group to hold tradable Perdana Shares and facilitate the Proposed Private Placement at Perdana level, which together with the Proposed Dividend-In-Specie, will allow Perdana to comply the Public Spread Requirement and maintain its listing status.

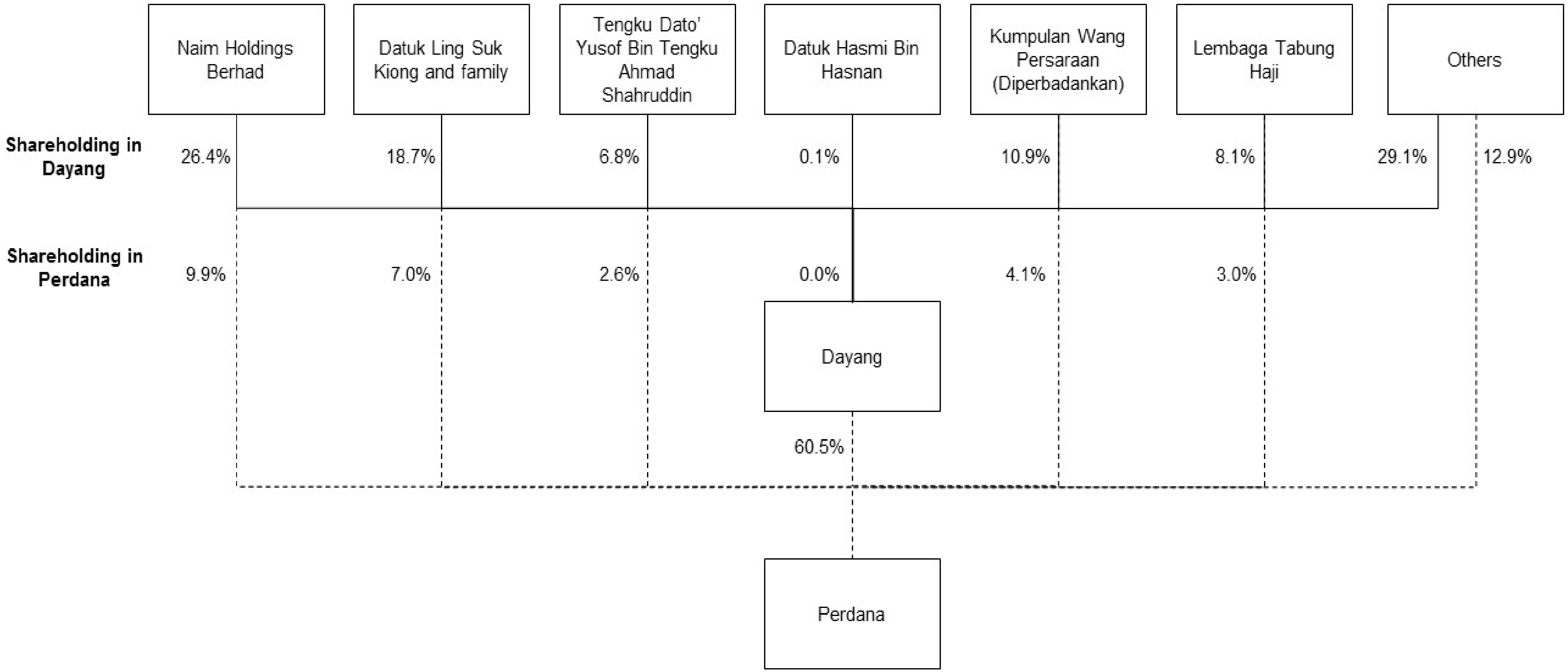
8. CORPORATE AND SHAREHOLDING STRUCTURE OF THE DAYANG GROUP BEFORE AND AFTER THE PROPOSED DIVIDEND-IN-SPECIE

The corporate and shareholding structure of our Group before and after the Proposed Dividend-In-Specie are illustrated in the diagrams below:

<u>Before the Proposed Dividend-In-Specie</u>



After the Proposed Dividend-In-Specie



9. APPROVALS REQUIRED

The Proposed Dividend-In-Specie is subject to the following being obtained:

(i) approval of the shareholders of our Company at the forthcoming EGM;

(ii) approval/consent from the lenders of our Company, if required; and

(iii) approvals/consents of any other relevant authorities, if required.

The Proposed Dividend-In-Specie is not conditional upon any other corporate exercise/scheme of our Company.

10. INTERESTS OF THE DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

None of the Directors, major shareholders of our Company and/or persons connected to them have any interest, direct or indirect, in the Proposed Dividend-In-Specie, save for their respective entitlements to the Dividend Shares as our Company's shareholders, for which all other Entitled Shareholders are similarly entitled to.

11. DIRECTORS' RECOMMENDATION

Our Board, having considered all aspects of the Proposed Dividend-In-Specie including the rationale and effects of the Proposed Dividend-In-Specie, is of the opinion that the Proposed Dividend-In-Specie is in the best interest of our Company.

Accordingly, our Board recommends that you vote in favour of the resolution pertaining to the Proposed Dividend-In-Specie to be tabled at the forthcoming EGM.

12. TENTATIVE TIMETABLE

The tentative timetable in respect of the Proposed Dividend-In-Specie is as follows:

Event	Tentative timing
EGM	9 August 2017
Entitlement Date	End August 2017
Completion of the Proposed Dividend-In-Specie	Early September 2017

13. CORPORATE EXERCISE/SCHEME ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Dividend-In-Specie, there is no other corporate exercise/scheme which has been announced by our Company but pending completion as at the LPD.

14. EGM

The EGM will be held at Danum 3, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Wednesday, 9 August 2017 at 2.00 p.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing the ordinary resolution to give effect to the Proposed Dividend-In-Specie. You are advised to refer to the Notice of EGM and Form of Proxy which are enclosed in this Circular.

If you are unable to attend and vote in person at the EGM, you may appoint a proxy or proxies to attend and vote on your behalf. If you wish to do so, you are requested to complete, sign and deposit the Form of Proxy which is enclosed in this Circular, at the office of the Share Registrar of our Company at Unit 32-01, Level 32, Tower A, Vertical Business Suite, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur not later than 48 hours before the time set for holding the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

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

Yours faithfully,
for and on behalf of the Board of Directors of
DAYANG ENTERPRISE HOLDINGS BHD

DATUK LING SUK KIONG
Executive Deputy Chairman

BACKGROUND INFORMATION ON PERDANA

1. HISTORY AND BUSINESS

Perdana was incorporated in Malaysia under the Companies Act, 1965 on 28 December 1995 as a private limited company under the name of Petra Perdana Sdn Bhd and is deemed registered under the Act. On 1 July 1997, Petra Perdana Sdn Bhd was converted into a public limited company under the name of Petra Perdana Berhad and assumed its current name, Perdana Petroleum Berhad on 7 July 2011. Perdana was listed on the Second Board of Bursa Securities in 2000 and was subsequently transferred to the Main Board of Bursa Securities in 2003.

Perdana is an investment holding company. It is also engaged in the provision of administrative and management services to its subsidiaries. Perdana, through its subsidiaries, provides marine support services for the O&G industry and leasing business activities in Labuan. The types of marine offshore support services provided include the provision of vessels for the upstream O&G industry, ranging from towing and anchoring of non-self propelled marine vessels, transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities on-board.

From just 6 vessels in 2004, Perdana went through a fleet renewal programme between 2008 and 2011 and a fleet expansion programme in 2012. These programmes propelled Perdana to be a major owner-operator of OSV and a key marine services operator for the offshore O&G industry, with a focus on the regional markets covering Malaysia, Indonesia, Thailand, Vietnam and Myanmar.

As at the LPD, the Perdana Group owns and operates 17 vessels with an average age of approximately 7.3 years, comprising 8 AHTSs, 7 AWBs and 2 WBs.

Details of the Perdana Group's existing vessels are as follows:

Name of vessel	Type / Capacity	Brief contract details	Charter-party
Perdana Frontier	AHTS / 5,220 Bhp	Spot charter contract	DESB
Perdana Ranger	AHTS / 5,220 Bhp	Spot charter contract	Hess Exploration and Production Malaysia BV
Perdana Adventurer	AHTS / 10,800 Bhp	In bidding process	-
Perdana Expedition	AHTS / 10,880 Bhp	Long-term contract until December 2017/(18)[(1)]	Petronas
Perdana Horizon	AHTS / 10,880 Bhp	Long-term contract until December 2017/(18)[(1)]	Petronas
Perdana Traveller	AHTS / 10,800 Bhp	Spot charter contract	DESB
Perdana Voyager	AHTS / 10,880 Bhp	Long-term contract until December 2017/(18)[(1)]	Petronas

BACKGROUND INFORMATION ON PERDANA *(Cont'd)*

Name of vessel	Type / Capacity	Brief contract details	Charter-party
Perdana Marathon	AHTS / 12,240 Bhp	Long-term contract until December 2017/(18)*(1)*	Petronas
Perdana Liberty	WB / 170 men	Spot charter contract	DESB
Perdana Sovereign	WB / 170 men	Spot charter contract	DESB
Perdana Enterprise	AWB / 241 men	Intended to be disposed	-
Perdana Emerald	AWB / 300 men	Spot charter contract	DESB
Perdana Endurance	AWB / 300 men	Spot charter contract	DESB
Perdana Excelsior	AWB / 300 men	Long-term contract until August 2018/(19)*(1)*	DESB
Perdana Odyssey	AWB / 300 men	Long-term contract until February 2019/(21)*(2)*	Petronas
Perdana Protector	AWB / 300 men	Long-term contract until February 2019/(20)*(1)*	DESB
Perdana Resolute	AWB / 300 men	Long-term contract until May 2019/(20)*(1)*	DESB

Notes:

(1) *Option for 1 year extension.*

(2) *Option for 2 years extension.*

2. SHARE CAPITAL

The issued and paid-up share capital of Perdana as at the LPD is RM389,235,474.50 comprising of 778,470,949 Perdana Shares.

3. DIRECTORS

The directors of Perdana and their respective shareholdings in Perdana as at the LPD are as follows:

			Direct		Indirect	
Name	**Nationality**	**Designation**	**No. of Perdana Shares**	**%**	**No. of Perdana Shares**	**%**
Datuk Ling Suk Kiong	Malaysian	Executive Chairman	-	-	-	-
Bailey Kho Chung Siang	Malaysian	Executive Director	-	-	-	-
Alias Bin Mat Lazin	Malaysian	Non-Independent Non-Executive Director	-	-	-	-
Chin Chee Kong	Malaysian	Non-Independent Non-Executive Director	-	-	-	-
Wong Ping Eng	Malaysian	Non-Independent Non-Executive Director	-	-	-	-
Datuk Dr Abd Hapiz Bin Abdullah	Malaysian	Independent Non-Executive Director	-	-	-	-
Datuk Mohd Jafni Bin Mohd Alias	Malaysian	Independent Non-Executive Director	-	-	-	-
Datuk Selva Kumar A/L Mookiah	Malaysian	Independent Non-Executive Director	-	-	-	-
Dato' Gerald Hans Isaac	Malaysian	Independent Non-Executive Director	-	-	-	-
Baharudin Bin Bahari	Malaysian	Independent Non-Executive Director	-	-	-	-

4. SUBSTANTIAL SHAREHOLDER

The substantial shareholder of Perdana and its shareholding in Perdana as at the LPD is as follows:

		Direct		Indirect	
Name	**Country of incorporation**	**No. of Perdana Shares**	**%**	**No. of Perdana Shares**	**%**
Dayang	Malaysia	763,015,248	98.0	-	-

5. SUBSIDIARIES AND ASSOCIATED COMPANIES

The subsidiaries of Perdana as at the LPD are as follows:

Name	Date/Place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Intra Oil Services Berhad	25 August 1980 / Malaysia	RM7,500,000	100	Provision of marine support services for the O&G industry
Ampangship Marine Sdn Bhd	20 November 2002 / Malaysia	RM31,000,000	100	Provision of marine support services for the O&G industry
Perdana Nautika Sdn Bhd	19 November 2010 / Malaysia	RM500,000	100	Provision of marine support services for the O&G industry
Petra Offshore Limited	14 August 2006 / Federal Territory of Labuan, Malaysia	USD48,071,683*	100	Provision of leasing business activities in Labuan
Perdana Jupiter Limited	12 May 2009 / Federal Territory of Labuan, Malaysia	USD67,271,057	100	Provision of leasing business activities in Labuan
Perdana Neptune Limited	23 June 2009 / Federal Territory of Labuan, Malaysia	USD26,845,673	100	Provision of leasing business activities in Labuan
Perdana Pluto Limited	12 August 2009 / Federal Territory of Labuan, Malaysia	USD2,950,001	100	Provision of leasing business activities in Labuan
Perdana Saturn Limited	12 August 2009 / Federal Territory of Labuan, Malaysia	USD14,664,508	100	Provision of leasing business activities in Labuan
Perdana Earth Limited	18 September 2013 / Federal Territory of Labuan, Malaysia	USD4,890,572	100	Provision of leasing business activities in Labuan
Perdana Mars Limited	19 June 2014 / Federal Territory of Labuan, Malaysia	USD1	100	Provision of leasing business activities in Labuan
Odin Explorer Navigation Limited	9 June 2004 / The British Virgin Islands	USD1,000	100	Dormant
Geoseas Technologies Limited	26 May 2004 / The British Virgin Islands	USD5,000	51	Dormant

BACKGROUND INFORMATION ON PERDANA *(Cont'd)*

Name	Date/Place of incorporation	Issued and paid-up share capital	Effective equity interest (%)	Principal activities
Perdana Marine Offshore Pte Ltd	22 August 1998 / The Republic of Singapore	SGD4,500,000	100	Dormant
Perdana Mercury Limited	4 October 2006 / The Republic of the Marshall Islands	USD1,000	100	Dormant
Perdana Venus Limited	5 April 2007 / The Republic of the Marshall Islands	USD1,000	100	Dormant
Perdana Uranus Limited	9 July 2013 / Federal Territory of Labuan, Malaysia	USD1	100	Dormant

Note:

* *The issued and paid-up share capital of Petra Offshore Limited is USD48,071,683, of which USD2,500,000 is made up of 2,500,000 ordinary shares and USD45,571,683 is made up of 44,919,718 preference shares.*

As at the LPD, Perdana does not have any associated company.

6. MATERIAL COMMITMENTS AND CONTINGENT LIABILITES

6.1 Material commitments

As at the LPD, the board of directors of Perdana is not aware of any material commitments incurred or known to be incurred by Perdana and/or any of its subsidiaries which may have a material impact on the profits and/or NA of the Perdana Group.

6.2 Contingent liabilities

Save as disclosed below, as at the LPD, the board of directors of Perdana is not aware of any contingent liabilities which, upon becoming enforceable, may have a material impact on the profits and/or NA of the Perdana Group:

	Group (RM'000)	Company (RM'000)
Contingent liabilities not considered remote*		
Corporate guarantees given to licensed banks and financial institutions for credit facilities granted to subsidiaries	-	245,473
Bank guarantee granted to third parties for benefit of a subsidiary	4,800	4,800
	4,800	250,273

Note:

* *The IRB has requested the Perdana Group to revise its tax computations for YA 2011 and subsequent years. The Perdana Group has engaged a tax consultant to assist in the matter and assess the tax impact. In February 2017, the Perdana Group responded to the IRB that it disagrees with applying the same computation method used for the earlier tax audit exercise based on reasonable technical grounds. The Perdana Group may need to provide for additional tax payable, if any, arising from any revision of the tax computations for YA 2011 and subsequent years, the outcome of which cannot be ascertained at this present stage.*

7. MATERIAL CONTRACTS

There is no material contract (including contract not reduced into writing), not being contracts entered into the ordinary course of business, entered into by Perdana and/or any of its subsidiaries within the two (2) years immediately preceding the LPD.

8. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, Perdana and/or any of its subsidiaries are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and the board of directors of Perdana is not aware of any proceedings, pending or threatened, against Perdana and/or any of its subsidiaries or of any facts likely to give rise to any proceedings which may materially affect the business or financial position of the Perdana Group:

(i) Tengku Dato' Ibrahim bin Tengku Petra, Wong Fook Heng and Tiong Young Kong (collectively "**the Applicants**") have applied for leave to appeal to the Federal Court against the decision of the Court of Appeal on 25 August 2015. The Federal Court had on 1 March 2016 allowed the leave applications by the Applicants and the Applicants proceeded to file the appeal papers for Case Management and the hearing dates were fixed on 10 October 2016 and 2 February 2017. On 2 February 2017, the Federal Court heard all of the parties for the hearing and deferred the decision to a later date which has yet to be determined.

(ii) Petra Offshore Limited ("**POL**") had on 1 December 2016 sent a notification to Nam Cheong International Ltd ("**NCIL**") for the cancellation of the Memorandum of Agreement ("**MoA**") on the acquisition of the accommodation work barge identified as Vessel Hull No. SK 317 ("**Vessel**") as NCIL had not fulfilled the conditions of delivery of the Vessel in accordance with the terms and conditions of the MoA. POL had on 9 December 2016 through its solicitor issued a letter of demand to NCIL for the return of the deposit paid of USD8.4 million ("**Deposit**"). Subsequently, POL had on 22 December 2016 received from the solicitor of NCIL a Notice of Arbitration dated 22 December 2016 that NCIL had filed with the Kuala Lumpur Regional Centre for Arbitrations as Claimant against POL as the Respondent in respect of disputes arising out of the MoA. NCIL was seeking, *inter alia*, the relief that POL's purported termination of the MoA on 1 December 2016 was wrongful and unwarranted and the forfeiture of the Deposit together with damages arising from failure and/or refusal and/or neglect of POL to take delivery of the Vessel. On 18 January 2017, POL had via its solicitor issued a Response to Notice of Arbitration to NCIL and counterclaimed that NCIL's claim against POL was misconceived and erroneous as the Vessel was not in every respect physically ready for delivery and therefore the relief or remedy sought by NCIL did not arise and the cancellation of the MoA by POL was valid. POL continues to seek the immediate return of the Deposit paid. The date of the arbitration has yet to be fixed.

9. FINANCIAL INFORMATION

The summary financial information of Perdana based on the audited consolidated financial statements of Perdana for the past three (3) FYE 31 December 2014 to 2016 and the unaudited consolidated interim results of Perdana for the three-month FPE 31 March 2016 and 31 March 2017 is as follows:

	Audited			**Unaudited**	
	FYE 31 December			**3-month FPE 31 March**	
	2014	**2015**	**2016**	**2016**	**2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	347,217	228,194	191,711	42,013	18,928
Gross profit/(loss)	184,045	59,900	37,339	5,963	(20,750)
PBT/(LBT)	92,293	(114,927)	(35,948)	(11,785)	(45,888)
PAT/(LAT)	90,824	(118,468)	(28,046)	(11,965)	(45,912)
Shareholders' funds/NA	689,084	744,400	743,427	673,767	689,037
Total equity	688,807	744,543	743,563	673,913	689,172
Issued and paid-up share capital	369,285	389,235	389,235	389,235	389,235
Gross EPS/(LPS) (sen)	12.33	(15.77)	(3.60)	(1.54)	(5.89)
Net EPS/(LPS) (sen)	11.93	(15.77)	(3.60)	(1.54)	(5.89)
NA per PPB Share (RM)	0.93	0.96	0.95	0.87	0.89
Current ratio (times)(1)	0.96	0.26	0.41	0.24	0.46
Total borrowings	953,579	998,804	895,919	873,762	881,283
Gearing (times)(2)	1.38	1.34	1.20	1.30	1.28

Notes:

(1) Calculated as current assets divided by current liabilities.

(2) Calculated as total borrowings divided by total equity.

[The rest of this page has been intentionally left blank]

Operational review and commentaries on financial performance:

There were no exceptional and/or extraordinary items affecting assets, liabilities, equity or cash flows during the financial years/period under review, except for other expenses and other comprehensive expenses arising from foreign exchange gains/losses as well as foreign currency translation of investment in Labuan subsidiaries denominated in USD, as summarised below:

	Audited			Unaudited
	FYE 31 December			3-month FPE 31 March
	2014	2015	2016	2017
	RM'000	RM'000	RM'000	RM'000
Realised foreign exchange gain/(loss)	24,639	(16,113)	(19,260)	(2,068)
Unrealised foreign exchange gain/(loss)	(5,288)	(1,142)	75,615	(6,032)
Foreign currency translation differences	14,247	145,541	26,800	(8,541)

There were no audit qualifications on the audited consolidated financial statements of Perdana for the FYE 31 December 2014 to 2016.

There were no accounting policies adopted in the preparation of Perdana's consolidated financial statements which are peculiar to the Perdana Group and its business operations.

FYE 31 December 2014

Operational review

For the FYE 31 December 2014, Pedana owned and operated 17 vessels which comprised of 8 AHTSs, 7 AWBs and 2 WBs in undertaking a mix of greenfield and brownfield charters.

Perdana continued to focus on stronger operational excellence and took advantage of the monsoon period (which is a low activity period) to bring forward the scheduled dry docking and interim maintenance for three (3) vessels. In doing so, Perdana was able to leverage on maximum charter period during the high activity period.

Financial review

Revenue increased by RM72.5 million or approximately 26.4% from the FYE 31 December 2013 mainly attributable to higher vessel utilisation from 80% to 92% due to the full year impact of long-term contracts secured in 2014 and an increase in the number of Perdana's vessels from 14 vessels to 16 vessels.

PBT increased by RM26.9 million or approximately 41.1% from the FYE 31 December 2013 in line with the increase in revenue.

FYE 31 December 2015

Operational review

For the FYE 31 December 2015, Perdana owned and operated the same fleet of 17 vessels. Due to the decline in demand for OSVs, the average vessel utilisation rates fell from 92% for the FYE 31 December 2014 to 63% for the FYE 31 December 2015. Two (2) additional 500-men capacity AWBs were ordered in June 2014 and were supposed to be added to Perdana's fleet in 2016. However, accepting the delivery of these vessels would give rise to additional operating costs and finance costs for loan servicing, putting unnecessary strain on the Perdana Group's balance sheet and cash flows, especially if these new vessels remain idle for a prolonged period. In view of market conditions at that point in time, the Perdana Group had written off the 20% down payment (amounting to USD8.4 million) for one of the AWBs in 2015.

Notwithstanding efforts to reduce operating costs, the Perdana Group was able to maintain its health, safety and environmental record of 7,858,220 man-hours without lost time incident ("**LTI**") since the last LTI in November 2012.

Financial review

Revenue declined by RM119.0 million or 34.3% from the FYE 31 December 2014 mainly attributable to the lower vessel utilisation at 63% for the FYE 31 December 2015 as compared to 92% for the FYE 31 December 2014 as a result of slower work orders/contracts awarded from the oil majors affected by the decline in crude oil prices.

PBT declined by RM207.2 million or 224.5% from the FYE 31 December 2014 to a LBT of RM114.9 million for the FYE 31 December 2015 mainly due to property, plant and equipment written off of RM36.5 million (pursuant to the termination of the memorandum of agreement for one work barge, having hull number SK316 that was due for delivery on 28 February 2016), impairment loss of RM28.1 million on the net book value of the Perdana Group's vessels, net losses on foreign exchange of RM17.3 million as well as voluntary separation scheme costs of RM7.3 million.

FYE 31 December 2016

Operational review

Perdana maintained its fleet of 17 vessels in 2016. For the FYE 31 December 2016, Perdana's vessel utilisation stood at 58% as compared to 63% for the FYE 31 December 2015 due to slower work orders/contracts awarded by the oil majors.

Perdana also secured a contract worth RM67.0 million from Petronas in September 2016 for the supply of one (1) unit of floating accommodation vessel. The contract runs for three (3) years from 17 September 2016, being the on-hire date, with extension options for two years. For the FYE 31 December 2016, Perdana has total job tenders worth RM265.9 million.

Financial review

Revenue declined by RM36.5 million or 16.0% from the FYE 31 December 2015 mainly attributable to the lower vessel utilisation at 58% for the FYE 31 December 2016 as compared to 63% for the FYE 31 December 2015 as a result of the continued decline in crude oil prices during the first half of 2016.

LBT improved from RM114.9 million for the FYE 31 December 2015 to RM35.9 million for the FYE 31 December 2016 mainly due to net gain on foreign exchange of RM56.4 million as well as RM22.5 million (approximately 59.3%) reduction in administrative expenses arising from cost reduction initiative which yielded positive results.

FPE 31 March 2017 vs. FPE 31 March 2016

For the FPE 31 March 2017, the Perdana Group recorded a revenue of RM18.9 million and a LBT of RM45.9 million, as compared to a revenue of RM42.0 million and LBT of RM11.8 million in the FPE 31 March 2016.

The decline in revenue and increase in LBT in the FPE 31 March 2017 was mainly due to lower vessel utilisation at 24% compared to 50% in the FPE 31 March 2016. The lower vessel utilisation is a result of slower work orders/contracts awarded from the oil majors which were affected by the decline in crude oil prices as well as the monsoon season. In addition, LBT in the FPE 31 March 2017 also took into account expenses such as realised and unrealised foreign exchange losses of RM2.1 million and RM6.0 million respectively.

10. PROSPECTS AND STRATEGIES TO IMPROVE FINANCIAL PERFORMANCE OF THE PERDANA GROUP

The business environment in the O&G industry is expected to remain challenging in 2017 as the situation of vessel oversupply remains unresolved. Oil majors continue to maintain low operating and capital expenditures which may lead to slow contract awards to marine service providers and contractors. In addition, the instability in crude oil prices is expected to result in more uncertainties in the OSV market. The global market for offshore vessels charter is forecasted to be very challenging in 2017 as operators and owners will find it difficult to achieve high utilisation when large number of vessels are competing for limited jobs at substantially lower charter rates.

On the domestic scene, however, the number of marine vessels requirement is projected to be stable over the next few years based on the Petronas Activity Outlook report in the O&G industry for the years 2017 to 2019. As Perdana's fleet of vessels is now included under the Petronas' pool of vessel resources, its fleet utilisation is expected to improve. Further, the Perdana Group will also continue to rely on and maintain its synergistic tie-ups with us via engineering and maintenance contracts. About half of its fleet continues to be chartered through our topside maintenance and hook-up, construction and commissioning contracts as activities in these areas are anticipated to increase from the second quarter of 2017 onwards. Amidst the tough operating environment, the board of directors of Perdana remains vigilant in its pursuit for more long-term charter opportunities and will continue to exercise due care in its endeavours.

In its bid to improve financial performance, the management of Perdana already has in place strategies to turnaround the financial performance of the Perdana Group amid the challenging operating environment in the O&G industry which include:

(i) securing long-term contracts for its fleet of vessels;

(ii) improving its vessel utilisation through securing contracts both domestically and regionally;

(iii) improving the charter rate of its vessels;

(iv) condensing the costs of the Perdana Group's operations and administration; and

(v) reducing interest costs via proceeds to be raised from the Proposed Private Placement to pare down its existing borrowings, which will improve its gearing position.

Perdana expects to further improve its vessel utilisation for the FYE 31 December 2017 in view of the healthy oil price recovery and the award of the umbrella contract for vessel charters with Petronas, which may lead to more jobs for Perdana. Perdana's fleet of vessels is technically qualified and would be included in a pool of vessel resources for Petronas to call upon to work as and when required.

(Source: Management of Perdana)

[The rest of this page has been intentionally left blank]

Perdana Petroleum Berhad

(Company No. 372113 - A)

(Incorporated in Malaysia)

and its subsidiaries

Financial statements
for the year ended 31 December 2016

Perdana Petroleum Berhad
(Company No. 372113 - A)
(Incorporated in Malaysia)
and its subsidiaries

Directors' report for the year ended 31 December 2016

The Directors hereby submit their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

Principal activities

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements. There has been no significant change in the nature of these activities during the financial year.

Results

	Group RM'000	Company RM'000
Loss for the year attributable:		
Owners of the Company	(28,040)	(117,031)
Non-controlling interest	(6)	-
	(28,046)	(117,031)

Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year under review, other than as disclosed in Note 18 to the financial statements.

Dividends

The Directors do not recommend any dividend to be paid for the financial year under review.

Company No.
372113 - A

Directors of the Company

Directors who served since the date of the last report are:

Alias bin Mat Lazin
Baharudin Bin Bahari
Bailey Kho Chung Siang
Chin Chee Kong
Dato' Gerald Hans Isaac
Datuk Dr. Hapiz Bin Abdullah
Datuk Ling Suk Kiong
Datuk Mohd Jafni Bin Mohd Alias
Datuk Selva Kumar A/L Mookiah
Wong Ping Eng
Nor Azman Bin Abdullah (resigned on 15 August 2016)

Directors' interest in shares

The interests of the Directors, including the interests of their spouses or children who themselves are not directors of the Company, in the shares of the Company and of its related corporations (other than wholly-owned subsidiaries) as recorded in the Register of Directors' Shareholdings are as follows:

	Number of ordinary shares of RM0.50 each			
	At 01.01.2016	**Bought**	**Sold**	**At 31.12.2016**
Interests in the holding company				
Datuk Ling Suk Kiong				
- own	77,279,130	-	-	77,279,130
- others	102,726,512	-	-	102,726,512
Bailey Kho Chung Siang				
- own	327,500	-	-	327,500
Alias bin Mat Lazin				
- own	89,800	20,000	-	109,800

The other Directors had no interests in the shares of the Company and of its related corporations during and at the end of the financial year.

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements or the fixed salary of a full time employee of the Company or of related corporations) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than certain Directors who have substantial financial interests in companies which traded with certain companies in the Group in the ordinary course of business as disclosed in Note 29 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Issue of shares and debentures

There were neither changes in the authorised, issued and paid-up capitals of the Company, nor issuances of debentures by the Company during the financial year.

Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the financial year.

Other statutory information

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

i) all known bad debts have been written off and adequate provision made for doubtful debts; and

ii) any current assets which were unlikely to be realised in the ordinary course of business have been written down to an amount which they might be expected so to realise.

Other statutory information (continued)

At the date of this report, the Directors are not aware of any circumstances:

i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts, in the Company inadequate to any substantial extent, or

ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or

iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or

iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist:

i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or

ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, other than the effect of the impairment loss on property, plant and equipment, investments in subsidiaries and other receivables as disclosed in Note 3, 5 and 9 respectively to the financial statements, the financial performance of the Group and of the Company for the financial year ended 31 December 2016 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Significant events

The details of the significant events are disclosed in Note 30 to the financial statements.

Auditors

The auditors, KPMG PLT (converted from a conventional partnership, KPMG, on 27 December 2016), have indicated their willingness to accept re-appointment.

The auditors' remuneration is disclosed in Note 18 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors:

....

Datuk Ling Suk Kiong
Director

....

Bailey Kho Chung Siang
Director

Kuala Lumpur,

Date: 10 April 2017

Perdana Petroleum Berhad

(Company No. 372113 - A)
(Incorporated in Malaysia)

and its subsidiaries

Statements of financial position as at 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Assets					
Property, plant and equipment	3	1,529,235	1,596,247	1,914	2,116
Intangible assets	4	10,724	10,724	-	-
Investments in subsidiaries	5	-	-	520,893	589,915
Deposits	6	48,809	75,358	-	-
Deferred tax assets	7	15,143	46	46	46
Derivative asset	8	190	-	-	-
Other receivables	9	-	-	593,459	-
Total non-current assets		1,604,101	1,682,375	1,116,312	592,077
Inventories	10	1,368	1,331	-	-
Trade and other receivables	9	25,220	47,745	24,142	39,277
Deposits and prepayments	11	4,753	11,304	200	518
Current tax assets		6,205	1,328	4,294	-
Cash and cash equivalents	12	74,295	46,697	58,877	7,866
Total current assets		111,841	108,405	87,513	47,661
Total assets		1,715,942	1,790,780	1,203,825	639,738
Equity					
Share capital	13.1	389,235	389,235	389,235	389,235
Reserves	13.2	354,192	355,165	(23,417)	93,614
Equity attributable to owners of the Company		743,427	744,400	365,818	482,849
Non-controlling interests		136	143	-	-
Total equity		743,563	744,543	365,818	482,849

Company No.
372113 - A

Statements of financial position as at 31 December 2016 (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Liabilities					
Loans and borrowings	14	693,089	625,295	518,797	-
Deferred tax liabilities	7	3,202	4,213	-	-
Derivative liability	8	-	77	-	-
Total non-current liabilities		696,291	629,585	518,797	-
Loans and borrowings	14	202,830	373,509	96,587	20,000
Trade and other payables	15	73,198	42,817	222,623	136,607
Current tax liabilities		60	326	-	282
Total current liabilities		276,088	416,652	319,210	156,889
Total liabilities		972,379	1,046,237	838,007	156,889
Total equity and liabilities		1,715,942	1,790,780	1,203,825	639,738

The notes on pages 18 to 102 are an integral part of these financial statements.

Perdana Petroleum Berhad
(Company No. 372113 - A)
(Incorporated in Malaysia)
and its subsidiaries

Statements of profit or loss and other comprehensive income for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	16	191,711	228,194	2,333	12,358
Cost of services		(154,372)	(168,294)	-	-
Gross profit		37,339	59,900	2,333	12,358
Other income	17	77,427	3,593	447	649
Selling and distribution costs		-	(3,283)	-	-
Administrative expenses		(15,405)	(37,896)	(3,639)	(18,942)
Other expenses	17	(74,795)	(82,956)	(99,396)	(188)
Results from operating activities	18	24,566	(60,642)	(100,255)	(6,123)
Finance income		2,203	2,273	20,173	444
Finance costs		(62,717)	(56,558)	(29,372)	(1,180)
Net finance costs	19	(60,514)	(54,285)	(9,199)	(736)
Loss before tax		(35,948)	(114,927)	(109,454)	(6,859)
Taxation	20	7,902	(3,541)	(7,577)	(3,348)
Loss for the year		(28,046)	(118,468)	(117,031)	(10,207)

Company No.
372113 - A

Statements of profit or loss and other comprehensive income for the year ended 31 December 2016 (continued)

	Note	Group 2016 RM'000	Group 2015 RM'000	Company 2016 RM'000	Company 2015 RM'000
Other comprehensive income, net of tax					
Items that are or may be reclassified subsequently to profit or loss					
Foreign currency translation differences		26,799	145,512	-	-
Cash flow hedge		267	385	-	-
Other comprehensive income for the year		27,066	145,897	-	-
Total comprehensive (expense)/ income for the year		(980)	27,429	(117,031)	(10,207)
Loss attributable to:-					
Owners of the Company		(28,040)	(118,917)	(117,031)	(10,207)
Non-controlling interest		(6)	449	-	-
Loss for the year		(28,046)	(118,468)	(117,031)	(10,207)
Total comprehensive (expense)/ income attributable:-					
Owners of the Company		(973)	27,009	(117,031)	(10,207)
Non-controlling interest		(7)	420	-	-
Total comprehensive (expense)/ income for the year		(980)	27,429	(117,031)	(10,207)
Earnings per share (sen)					
- basic	22	(3.60)	(15.77)		
- diluted	22	(3.60)	(15.77)		

The notes on pages 18 to 102 are an integral part of these financial statements.

Perdana Petroleum Berhad
(Company No. 372113 - A)
(Incorporated in Malaysia)
and its subsidiaries

Consolidated statement of changes in equity for the year ended 31 December 2016

	Attributable to owners of the Company										
	Non-distributable							*Distributable*			
	Share capital RM'000	**Share premium RM'000**	**Share application monies RM'000**	**Warrant reserve RM'000**	**Translation reserve RM'000**	**Cash flow hedge reserve RM'000**	**Other capital reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Group											
At 1 January 2015	369,285	8,404	10	5,213	(34,370)	(462)	1,635	339,369	689,084	(277)	688,807
Foreign currency translation differences	-	-	-	-	145,541	-	-	-	145,541	(29)	145,512
Cash flows hedge	-	-	-	-	-	385	-	-	385	-	385
Total other comprehensive income for the year	-	-	-	-	145,541	385	-	-	145,926	(29)	145,897
Loss for the year	-	-	-	-	-	-	-	(118,917)	(118,917)	449	(118,468)
Total comprehensive income for the year	-	-	-	-	145,541	385	-	(118,917)	27,009	420	27,429
Contributions by and distributions to owners of the Company											
- Warrants exercised	19,950	13,580	-	(5,213)	-	-	-	-	28,317	-	28,317
- Share application	-	-	(10)	-	-	-	-	-	(10)	-	(10)
Total transactions with owners of the Company	19,950	13,580	(10)	(5,213)	-	-	-	-	28,307	-	28,307
At 31 December 2015	389,235	21,984	-	-	111,171	(77)	1,635	220,452	744,400	143	744,543
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)				

Company No.
372113 - A

Consolidated statement of changes in equity for the year ended 31 December 2016 (continued)

	Attributable to owners of the Company								
	Non-distributable					*Distributable*			
	Share capital RM'000	**Share premium RM'000**	**Translation reserve RM'000**	**Cash flow hedge reserve RM'000**	**Other capital reserve RM'000**	**Retained earnings RM'000**	**Total RM'000**	**Non-controlling interest RM'000**	**Total equity RM'000**
Group									
As at 1 January 2016	389,235	21,984	111,171	(77)	1,635	220,452	744,400	143	744,543
Foreign currency translation differences	-	-	26,800	-	-	-	26,800	(1)	26,799
Cash flows hedge	-	-	-	267	-	-	267	-	267
Total other comprehensive income for the year	-	-	26,800	267	-	-	27,067	(1)	27,066
Loss for the year	-	-	-	-	-	(28,040)	(28,040)	(6)	(28,046)
Total comprehensive income for the year	-	-	26,800	267	-	(28,040)	(973)	(7)	(980)
At 31 December 2016	389,235	21,984	137,971	190	1,635	192,412	743,427	136	743,563
	(Note 13)	(Note 13)	(Note 13)	(Note 13)	(Note 13)				

The notes on pages 18 to 102 are an integral part of these financial statements.

Company No.
372113 - A

Statement of changes in equity for the year ended 31 December 2016

	Non-distributable				*Distributable*	
Company	**Share capital RM'000**	**Share premium RM'000**	**Share application monies RM'000**	**Treasury shares RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total equity RM'000**
At 1 January 2015	369,285	8,404	10	5,213	81,837	464,749
Loss/Total comprehensive expense for the year	-	-	-	-	(10,207)	(10,207)
Contributions by and distributions to owners of the Company						
- Warrants exercised	19,950	13,580	-	(5,213)	-	28,317
- Share application	-	-	(10)	-	-	(10)
Total transactions with owners of the Company	19,950	13,580	(10)	(5,213)	-	28,307
At 31 December 2015	389,235	21,984	-	-	71,630	482,849
	(Note 13)	(Note 13)	(Note 13)	(Note 13)		

Company No.
372113 - A

Statement of changes in equity for the year ended 31 December 2016 (continued)

	Non-distributable		*Distributable*	
Company	**Share capital RM'000**	**Share premium RM'000**	**Retained earnings/ (Accumulated losses) RM'000**	**Total equity RM'000**
At 31 December 2015/ 1 January 2016	389,235	21,984	71,630	482,849
Loss/Total comprehensive expense for the year	-	-	(117,031)	(117,031)
At 31 December 2016	389,235	21,984	(45,401)	365,818
	(Note 13)	(Note 13)		

The notes on pages 18 to 102 are an integral part of these financial statements.

Perdana Petroleum Berhad
(Company No. 372113 - A)
(Incorporated in Malaysia)
and its subsidiaries

Statements of cash flows for the year ended 31 December 2016

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from operating activities					
Loss before tax		(35,948)	(114,927)	(109,454)	(6,859)
Adjustments for:					
Impairment loss on property, plant and equipment	3	5,769	28,065	-	-
Impairment loss on receivables	9	37,695	-	-	-
Impairment loss on investments in subsidiaries		-	-	69,022	-
Bad debts written off	18	39	2	-	-
Depreciation of property, plant and equipment	3	87,668	83,801	267	188
Interest expense	19	62,717	56,558	29,372	1,180
Property, plant and equipment written off	3	-	36,554	-	-
Gain on disposal of property, plant and equipment	18	-	(39)	-	-
Gain on settlement of refundable deposits		(1,065)	-	-	-
Interest income		(2,203)	(2,273)	(20,173)	(444)
Unrealised (gain)/loss on foreign exchange	18	(75,615)	1,142	4,211	(649)

Company No.
372113 - A

Statements of cash flows for the year ended 31 December 2016 (continued)

		Group		Company	
	Note	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Operating profit/(loss) before changes in working capital		79,057	88,883	(26,755)	(6,584)
Changes in working capital:					
Inventories		(37)	457	-	-
Trade and other receivables, deposits and prepayments		17,373	18,564	(578,399)	(14,751)
Trade and other payables		95,087	378	49,630	(9,271)
Cash generated from/ (used in) operations		191,480	108,282	(555,524)	(30,606)
Income tax paid		(9,683)	(1,906)	(11,315)	(18)
Net cash from/(used in) operating activities		181,797	106,376	(566,839)	(30,624)
Cash flows from investing activities					
Interest received		2,203	900	741	444
Additional investments in subsidiaries		-	-	-	(10,950)
Proceeds from disposal of property, plant and equipment		-	198	-	-
Refundable deposits refunded		25,653	-	-	-
Purchase of property, plant and equipment	3	(352)	(21,904)	(65)	(514)
Placement of fixed deposits pledged		(37,982)	(3,714)	-	-
Net cash (used in)/from investing activities		(10,478)	(24,520)	676	(11,020)

Company No.
372113 - A

Statements of cash flows for the year ended 31 December 2016 (continued)

	Group		Company	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Cash flows from financing activities				
Drawdown of sukuk bonds	635,000	-	635,000	-
Proceeds from issuance of shares through warrant exercise	-	28,307	-	28,307
Repayment of term loans	(578,664)	(124,170)	-	-
Repayment of revolving credit	(2,000)	(15,000)	(2,000)	-
Repayment of finance lease liability obligations	(163,701)	(23,425)	-	-
Interest paid	(34,376)	(56,558)	(1,104)	(1,180)
Coupon paid	(14,883)	-	(14,883)	-
Net cash (used in)/from financing activities	(158,624)	(190,846)	617,013	27,127
Net increase/(decrease) in cash and cash equivalents	12,695	(108,990)	50,850	(14,517)
Effect of exchange rate movements	(23,079)	52,769	161	649
Cash and cash equivalents at 1 January	26,751	82,972	7,866	21,734
Cash and cash equivalents at 31 December	16,367	26,751	58,877	7,866

Company No.
372113 - A

Statements of cash flows for the year ended 31 December 2016 (continued)

Note

Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts in the statements of financial position:

	Group		Company	
	2016 RM'000	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Deposits placed with licensed banks	67,548	22,266	57,929	750
Cash on hand and at banks	6,747	24,431	948	7,116
Sub-total (Note 12)	74,295	46,697	58,877	7,866
Less: Deposits pledged as security	(57,928)	(19,946)	-	-
Cash and cash equivalents	16,367	26,751	58,877	7,866

The notes on pages 18 to 102 are an integral part of these financial statements.

Perdana Petroleum Berhad
(Company No. 372113 - A)
(Incorporated in Malaysia)
and its subsidiaries

Notes to the financial statements

Perdana Petroleum Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The Company's shares have been suspended from trading on the said bourse pending compliance with the public spread requirement. The address of its registered office is Unit 2-18-01, Tower 2, VSQ @ PJCC, Jalan Utara, 46200 Petaling Jaya, Selangor.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2016 comprise the Company and its subsidiaries (together referred to as the "Group" and individually referred to as "group entities").

The Company is principally an investment holding company and is also engaged in the provision of administrative management services to its subsidiaries. The principal activities of the subsidiaries are as stated in Note 5 to the financial statements.

The holding company as well as the ultimate holding company is Dayang Enterprise Holdings Berhad. The company is a public listed company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

These financial statements were authorised for issue by the Board of Directors on 10 April 2017.

1. Basis of preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. These financial statements also comply with the applicable disclosure provisions of the Listing Requirements of Bursa Malaysia Securities Berhad.

The following are the accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board but have not been adopted by the Group and the Company:

MFRS / Amendment / Interpretation	**Effective date**
Amendments to MFRS 12, *Disclosure of Interests in Other Entities (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2017
Amendments to MFRS 107, *Statement of Cash Flows - Disclosure Initiative*	1 January 2017

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

MFRS / Amendment / Interpretation	Effective date
Amendments to MFRS 112, *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
MFRS 9, *Financial Instruments (2014)*	1 January 2018
MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
Clarifications to MFRS 15, *Revenue from Contracts with Customers*	1 January 2018
IC Interpretation 22, *Foreign Currency Transactions and Advance Consideration*	1 January 2018
Amendments to MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 2, S*hare-based payment- Classification and Measurement of Share-based Payment Translation*	1 January 2018
Amendments to MFRS 4, *Insurance Contracts-Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts*	1 January 2018
Amendments to MFRS 128, *Investments in Associates and Joint Venture (Annual Improvements to MFRS Standards 2014-2016 Cycle)*	1 January 2018
Amendments to MFRS 140, *Investment Property – Transfers of Investment property*	1 January 2018
MFRS 16, *Leases*	1 January 2019
Amendments to MFRS 10, *Consolidated Financial* Statements and MFRS 128, *Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

The Group and the Company plan to apply:

- from the annual period beginning on 1 January 2017, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2017, except for Amendments to MFRS 12, which is assessed as presently not applicable to the Group.

- from the annual period beginning on 1 January 2018, those accounting standards, amendments or interpretations that are effective for annual periods beginning on or after 1 January 2018, except for Amendments to MFRS 2, Amendments to MFRS 4, Amendments to MFRS 128 and Amendments to MFRS 140, which are assessed as presently not applicable to the Group.

- from the annual period beginning on 1 January 2019 Amendments to MFRS 16 which is effective for annual periods beginning on or after 1 January 2019.

1. Basis of preparation (continued)

(a) Statement of compliance (continued)

The initial application of the accounting standards, amendments or interpretations are not expected to have any material financial impacts to the current period and prior period financial statements of the Group and the Company except as mentioned below:

(i) MFRS 15, *Revenue from Contracts with Customers* and Clarifications to MFRS 15, *Revenue from Contracts with Customers*

MFRS 15 replaces the guidance in MFRS 111, *Construction Contracts*, MFRS 118, *Revenue*, IC Interpretation 13, *Customer Loyalty Programmes*, IC Interpretation 15, *Agreements for Construction of Real Estate*, IC Interpretation 18, *Transfers of Assets from Customers* and IC Interpretation 131, *Revenue Barter Transactions Involving Advertising Services.*

The adoption of MFRS 15 will result in a change in accounting policy. The Group and the Company are currently assessing the financial impact of adopting MFRS 15 and Clarifications to MFRS 15.

(ii) MFRS 9, *Financial Instruments*

MFRS 9 replaces the guidance in MFRS 139, *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets and financial liabilities, and on hedge accounting.

The adoption of MFRS 9 will result in change in accounting policy. The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 9.

(iii) MFRS 16, *Leases*

MFRS 16 replaces the guidance in MFRS 117, *Leases,* IC Interpretation 4, *Determining whether an Arrangement contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127*, Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

The Group and the Company are currently assessing the financial impact that may arise from the adoption of MFRS 16.

1. Basis of preparation (continued)

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis, other than as disclosed in Note 2.

The Group and the Company have prepared its financial statements on a going concern basis, notwithstanding that the current liabilities exceeded its current assets by RM164 million and RM232 million respectively as at the end of the financial year. Thge Group and the Company recorded net losses of RM28 million and RM117 million respectively for the current financial year ended. In addition, the Group has significant borrowings amounting to RM896 million as at the end of the reporting period (see Note 14 to the financial statements), with an estimated repayment amounting to RM228 million due in the next financial year. This gives rise to concerns about whether the Group and the Company have sufficient cash flows to meet their obligations for the next twelve months from the end of the reporting period.

The validity of the going concern assumption is dependent on the ultimate holding company to provide continuous financial backing to support the Group and the Company to meet their obligations when due.

In addition, the ultimate holding company will synergise its activities such as hook up and commissioning and topside structural maintenance mainly for the brownfield market, which have been less adversely affected by the current volatile low oil landscape.

As at the end of the reporting period and as at the date these financial statements were authorised for issue, the Directors believe that there is no material uncertainty that exists over the ability of the Group and the Company to continue on a going concern basis. Accordingly, the financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary if the Group and the Company are unable to continue as a going concern.

(c) Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency. These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency and presentation currency. All financial information is presented in RM and has been rounded to the nearest thousand, unless otherwise stated.

1. Basis of preparation (continued)

(d) Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed in the following notes:

- Note 3.4 – impairment testing of property, plant and equipment;
- Note 4 – impairment testing of intangible assets;
- Note 5 – impairment testing of investment in subsidiaries; and
- Note 7 – recognition of deferred tax assets.

2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by Group entities, unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has the right, to variable returns from its involvement with the entity and has the ability to affect those returns by virtue of its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has *de facto* power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(i) Subsidiaries (continued)

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

(ii) Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects to measure the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

2. Significant accounting policies (continued)

(a) Basis of consolidation (continued)

(iv) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income or expense for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(vi) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2. Significant accounting policies (continued)

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except that those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments or a financial instrument designated as a hedge of currency risk, which are recognised in other comprehensive income.

In the consolidated financial statements, when settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the foreign currency translation reserve ("FCTR") in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the exchange rates at the end of the reporting period, except for goodwill and fair value adjustments arising from business combinations before 1 January 2011 (the date when the Group first adopted MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations are translated to RM at the exchange rates at the dates of the transactions.

2. Significant accounting policies (continued)

(b) Foreign currency (continued)

(ii) Operations denominated in functional currencies other than Ringgit Malaysia (continued)

Foreign currency differences are recognised in other comprehensive income and accumulated in the FCTR in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests.

(c) Financial instruments

(i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the instrument.

A financial instrument is recognised initially at its fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract and the host contract is not categorised at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(ii) Financial instrument categories and subsequent measurement

The Group and the Company categorise financial instruments as follows:

Financial assets

(a) Financial assets at fair value through profit or loss

Fair value through profit or loss category comprises financial assets that are held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial assets that are specifically designated into this category upon initial recognition.

Financial assets categorised as fair value through profit or loss are subsequently measured at fair values with the gain or loss recognised in profit or loss.

(b) Held-to-maturity investments

Held-to-maturity investments category comprises debt instruments that are quoted in an active market and the Group or the Company has the positive intention and ability to hold them to maturity.

Financial assets categorised as held-to-maturity investments are subsequently measured at amortised cost using the effective interest method.

(c) Loans and receivables

Loans and receivables category comprises debt instruments that are not quoted in an active market.

Financial assets categorised as loans and receivables are subsequently measured at amortised cost using the effective interest method.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(i) Financial instrument categories and subsequent measurement (continued)

Financial assets (continued)

(d) Available-for-sale financial assets

Available-for-sale category comprises investment in equity and debt securities instruments that are not held for trading.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. Other financial assets categorised as available-for-sale are subsequently measured at their fair values with the gain or loss recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses arising from monetary items and gains and losses of hedged items attributable to hedge risks of fair value hedges which are recognised in profit or loss. On derecognition, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss. Interest calculated for a debt instrument using the effective interest method is recognised in profit or loss.

All financial assets, except for those measured at fair value through profit or loss, are subject to review for impairment [see Note 2(i)(i)].

Financial liabilities

All financial liabilities are subsequently measured at amortised cost other than those categorised as fair value through profit or loss.

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(iii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

(iv) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

(a) the recognition of an asset to be received and the liability to pay for it on the trade date, and

(b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

(v) *Hedge accounting*

Fair value hedge

A fair value hedge is a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or an identified portion of such an asset, liability or firm commitment, that is attributable to a particular risk and could affect the profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Fair value hedge (continued)

In a fair value hedge, the gain or loss from remeasuring the hedging instrument at fair value or the foreign currency component of its carrying amount translated at the exchange rate prevailing at the end of the reporting period is recognised in profit or loss. The gain or loss on the hedged item, except for hedge item categorised as available-for-sale, attributable to the hedged risk is adjusted to the carrying amount of the hedged item and recognised in profit or loss. For a hedge item categorised as available-for-sale, the fair value gain or loss attributable to the hedge risk is recognised in profit or loss.

Fair value hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective or the hedge designation is revoked.

Cash flow hedge

A cash flow hedge is a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect the profit or loss. In a cash flow hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affect profit or loss. If the hedge item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss.

Cash flow hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated or exercised, the hedge is no longer highly effective, the forecast transaction is no longer expected to occur or the hedge designation is revoked. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss recognised in other comprehensive income on the hedging instrument is reclassified from equity into profit or loss.

2. Significant accounting policies (continued)

(c) Financial instruments (continued)

(v) Hedge accounting (continued)

Hedge of a net investment

A hedge of a net investment is a hedge in the interest of the net assets of a foreign operation. In a net investment hedge, the portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income and the ineffective portion is recognised in profit or loss. The cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss on disposal of the foreign operation.

(vi) Derecognition

A financial asset or a part thereof is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part thereof is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss.

(d) Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(i) Recognition and measurement (continued)

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the assets to working condition for their intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs [see Note 2(m)]. Cost also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other income" or "other expenses" respectively in profit or loss.

(ii) Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Dry docking expenditures are capitalised.

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

2. Significant accounting policies (continued)

(d) Property, plant and equipment (continued)

(iii) Depreciation (continued)

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment from the date that they are available for use. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Assets under construction are not depreciated until the assets are ready for their intended use.

The depreciation rates of the other assets for the current and comparative periods are as follows:

Marine vessels	4%
Vessel equipment	4% - 10%
Dry docking	20%
Leasehold buildings	2%
Cabin, field and workshop equipment	10% - 20%
Motor vehicles	20%
Office equipment, furniture and fittings	10% - 20%
Others	10% - 50%

Depreciation methods, useful lives and residual values are reviewed and adjusted as appropriate at the end of the reporting period.

(e) Leased assets

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, a leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

2. Significant accounting policies (continued)

(e) Leased assets (continued)

(i) Finance lease (continued)

Leasehold land which in substance is a finance lease is classified as property, plant and equipment or as investment property if held to earn rental income or for capital appreciation or for both.

(ii) Operating lease

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and the leased assets are not recognised on the statement of financial position.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid lease payments.

(f) Goodwill

Goodwill arises on business combinations is measured at cost less any accumulated impairment losses.

(g) Inventories

Inventories are measured at the lower of cost and net realisable value.

Cost of inventories is measured based on first-in-first out basis, and includes expenditure incurred in acquiring the inventories, production or in bringing them to their existing location and condition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

2. Significant accounting policies (continued)

(h) Cash and cash equivalents

Cash and cash equivalents as presented in the statement of financial position consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less, and are used by the Group or the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(i) Impairment

(i) Financial assets

All financial assets (except for financial assets categorised as fair value through profit or loss and investments in subsidiaries) are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset. Losses expected as a result of future events, no matter how likely, are not recognised. For an investment in an equity instrument, a significant or prolonged decline in the fair value below its cost is an objective evidence of impairment. If any such objective evidence exists, then the impairment loss of financial asset is estimated.

An impairment loss in respect of loans and receivables and held-to-maturity investments is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of available-for-sale financial assets is recognised in profit or loss and is measured as the difference between the asset's acquisition cost (net of any principal repayment and amortisation) and the asset's current fair value, less any impairment loss previously recognised. Where a decline in the fair value of an available-for-sale financial asset has been recognised in the other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity and recognised to profit or loss.

An impairment loss in respect of unquoted equity instrument that is carried at cost is recognised in profit or loss and is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(i) Financial assets (continued)

Impairment losses recognised in profit or loss for an investment in an equity instrument is not reversed through profit or loss.

If, in a subsequent period, the fair value of a debt instrument increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed, to the extent that the asset's carrying amount does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss.

(ii) Other assets

The carrying amounts of other assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs of disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash generating unit.

2. Significant accounting policies (continued)

(i) Impairment (continued)

(ii) Other assets (continued)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the cash-generating unit (or groups of cash-generating units) on a *pro rata* basis.

Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(j) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) State plans

Contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

2. Significant accounting policies (continued)

(j) Employee benefits (continued)

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the end of the reporting period, then they are discounted.

(k) Revenue and other income

(i) Chartered vessel income

Chartered vessel income is recognised upon rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(ii) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's or the Company's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

(iii) Management fees income

Management fees income is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iv) Rental income

Rental income from investment property is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

(v) Interest income

Interest income is recognised in profit or loss as it accrues using the effective interest method, except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with the accounting policy on borrowing costs.

2. Significant accounting policies (continued)

(l) Income tax

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for temporary differences arising from the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced by the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

2. Significant accounting policies (continued)

(m) Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

Capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(n) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statements of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(o) Earnings per ordinary share

The Group presents basic and diluted earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of dilutive potential ordinary shares arising from warrants issued.

2. Significant accounting policies (continued)

(p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Executive Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

(q) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

(i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

(ii) Ordinary shares

Ordinary shares are classified as equity.

(iii) Warrants

Proceeds, net of issue costs, from the issuance of warrants are allocated between the new ordinary shares issued and the warrants based on their relative fair values at the date of issue in accordance with FRSIC Consensus 9 – Accounting for Rights Issue with Free Warrants. The warrant reserve is non-distributable. The warrant reserve is transferred to the share premium reserve upon the exercise or lapse of the warrants.

(r) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

2. Significant accounting policies (continued)

(r) Fair value measurements (continued)

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value are categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Company No.
372113 - A

3. Property, plant and equipment

Group	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Cost											
At 1 January 2015	1,540,990	10,634	36,200	1,860	78	950	3,989	916	58,825	4,069	1,658,511
Additions	4,206	836	16,216	-	-	-	113	16	-	517	21,904
Disposals	-	-	-	-	-	(166)	(12)	(212)	-	(95)	(485)
Write-offs	-	-	-	-	-	-	(127)	(271)	(36,070)	(1,123)	(37,591)
Effect of movements in exchange rate	331,216	1,965	9,360	-	-	23	16	60	13,314	150	356,104
At 31 December 2015/ 1 January 2016	1,876,412	13,435	61,776	1,860	78	807	3,979	509	36,069	3,518	1,998,443
Additions	-	-	33	-	-	-	31	1	-	287	352
Reclassification (Note 3.3)	-	-	-	-	-	-	-	-	(37,695)	-	(37,695)
Effect of movements in exchange rate	65,626	35	1,114	-	-	-	-	-	1,626	-	68,401
At 31 December 2016	1,942,038	13,470	62,923	1,860	78	807	4,010	510	-	3,805	2,029,501

Company No.
372113 - A

3. Property, plant and equipment (continued)

Group (continued)	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Depreciation and impairment loss											
At 1 January 2015	210,418	5,850	12,402	344	60	344	3,282	652	-	3,407	236,759
Depreciation for the year (Note 18)	70,599	1,439	10,960	37	5	159	236	71	-	295	83,801
Impairment loss (Note 18)	28,065	-	-	-	-	-	-	-	-	-	28,065
Disposals	-	-	-	-	-	(165)	(2)	(96)	-	(63)	(326)
Write-offs	-	-	-	-	-	-	(67)	(174)	-	(796)	(1,037)
Effect of movements in exchange rate	49,902	1,258	3,617	-	-	23	6	30	-	98	54,934
At 31 December 2015											
Accumulated depreciation	330,919	8,547	26,979	381	65	361	3,455	483	-	2,941	374,131
Accumulated impairment loss	28,065	-	-	-	-	-	-	-	-	-	28,065

Company No.
372113 - A

3. Property, plant and equipment (continued)

Group (continued)	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Depreciation and impairment loss (continued)											
At 31 December2015/ 1 January 2016	358,984	8,547	26,979	381	65	361	3,455	483	-	2,941	402,196
Depreciation for the year (Note 18)	73,990	1,572	11,368	37	5	160	196	8	-	332	87,668
Impairment loss (Note 18)	5,769	-	-	-	-	-	-	-	-	-	5,769
Effect of movements in exchange rate	4,119	(24)	538	-	-	-	-	-	-	-	4,633
At 31 December 2016											
Accumulated depreciation	409,028	10,095	38,885	418	70	521	3,651	491	-	3,273	466,432
Accumulated impairment loss	33,834	-	-	-	-	-	-	-	-	-	33,834
	442,862	10,095	38,885	418	70	521	3,651	491	-	3,273	500,266

3. Property, plant and equipment (continued)

Group (continued)	Marine vessels RM'000	Vessel equipment RM'000	Dry docking RM'000	Leasehold buildings RM'000	Cabin, field and workshop equipment RM'000	Motor vehicles RM'000	Office equipment RM'000	Furniture and fittings RM'000	Assets under construction RM'000	Others RM'000	Total RM'000
Carrying amount											
At 31 December 2015	1,517,428	4,888	34,797	1,479	13	446	524	26	36,069	577	1,596,247
At 31 December 2016	1,499,176	3,375	24,038	1,442	8	286	359	19	-	532	1,529,235

3. Property, plant and equipment (continued)

Company	Note	Leasehold buildings RM'000	Office equipment RM'000	Furniture and fittings RM'000	Others RM'000	Total RM'000
Cost						
At 1 January 2015		1,860	301	284	2,048	4,493
Additions		-	31	14	469	514
Disposal		-	-	-	(10)	(10)
At 31 December 2015/ 1 January 2016		1,860	332	298	2,507	4,997
Additions		-	-	-	65	65
At 31 December 2016		1,860	332	298	2,572	5,062
Accumulated depreciation						
At 1 January 2015		344	209	270	1,880	2,703
Depreciation for the year	18	38	34	7	109	188
Disposal		-	-	-	(10)	(10)
At 31 December 2015/ 1 January 2016		382	243	277	1,979	2,881
Depreciation for the year	18	38	34	6	189	267
At 31 December 2016		420	277	283	2,168	3,148
Carrying amount						
At 31 December 2015		1,478	89	21	528	2,116
At 31 December 2016		1,440	55	15	404	1,914

3.1 Carrying amount of property, plant and equipment under finance lease liabilities

Two (2015: Four) marine vessels with a total carrying amount of RM176 million (2015: RM344 million) are under finance lease liabilities.

3.2 Security - Group

Fifteen (2015: Thirteen) marine vessels with a total carrying amount of RM1.3 billion (2015: RM1.2 billion) are pledged to licensed banks or financial institutions for certain banking facilities granted to the Group (see Note 14).

3. Property, plant and equipment (continued)

3.3 Assets under construction

The Group had entered into two memoranda of agreement with a third party on 23 June 2014 to purchase two units of work barge amounting to USD42 million each. The Group had paid 20% of the purchase price of each work barge amounting to USD8.4 million each as deposit.

On 28 March 2016, the Group formally informed the third party that it decided not to take delivery of one of the two units of work barge which resulted in the forfeiture of the deposits placed of USD8.4 million, equivalent to RM36.1 million (see Note 30.3). The forfeited deposit has been written off to the profit or loss in the financial year ended 31 December 2015 (see Note 17).

On 1 December 2016, the Group cancelled the second Memorandum of Agreement ("MOA") on the purchase of the second work barge as the third party had not fulfilled the condition of delivery of the vessel in accordance with the terms and conditions of the MOA. Accordingly, the Group had sought for the immediate return of the deposit paid of USD8.4 million and reclassified the said deposit to other receivables due to the change in nature of the deposit paid.

3.4 Impairment testing of property, plant and equipment

The Group's main customers are from oil and gas companies involved in upstream exploration activities. Crude oil prices in 2016 continued to affect the business activities of the industry in which the Group operates.

In the current financial year, the Group has evaluated whether the property, plant and equipment, i.e. marine vessels and dry docking used in the operations are stated in excess of their recoverable amounts. The Group has applied the value-in-use approach on the basis that the vessels will continue to be in use up to the expected useful lives of the respective vessels. The value-in-use has been calculated by forecasting and discounting future cash flows to be generated by the respective marine vessels based on the following key assumptions:

(a) Average utilisation rate ranging from 70% to 90% (2015: 70% to 95%);
(b) Average daily charter rate ranging from RM28,000 to RM73,000 (2015: RM28,000 to RM73,000);
(c) Daily operating costs ranging from RM8,000 to RM13,000 (2015: RM8,000 to RM13,000);
(d) Growth rate of 5% (2015: 5%) in both daily charter rate and cost in every five years;
(e) Salvage value based on market value of scrap steel plates at USD550 per tonne multiplied by the lightweight of the vessels; and
(f) Pre-tax discount rate of 10% (2015: 10%).

The values assigned to the key assumptions are based on historical data from both external sources and internal sources as well as management's assessment of future trends in the industry.

Following the assessment, the Group recognised impairment losses of RM5.8 million (2015: RM28.1 million) (see Note 17) on five (2015: four) vessels in the profit or loss, as the estimated recoverable amounts of these vessels are lower than their carrying amounts.

3. Property, plant and equipment (continued)

3.4 Impairment testing of property, plant and equipment (continued)

Impairment loss sensitivity analysis

This analysis is based on utilisation rate and discount rate variances that the Group considered to be reasonably possible at the end of the reporting period.

The value-in-use estimates are particularly sensitive in the following areas:

- An increase of 1 percentage point in the discount rate used would have increased the impairment loss by RM53 million (2015: RM47 million).
- A 5% decrease in utilisation rate used would have increased the impairment loss by RM61 million (2015: RM54 million).

4. Intangible assets

Group	Goodwill RM'000
Cost	
At 1 January 2015, 31 December 2015/ 1 January 2016 and 31 December 2016	27,507
Impairment losses	
At 1 January 2015, 31 December 2015/ 1 January 2016 and 31 December 2016	(16,783)
Carrying amount	
At 1 January 2015, 31 December 2015/1 January 2016 and 31 December 2016	10,724

In the previous financial years, the Group recognised impairment losses of RM16.8 million based on the estimated recoverable amount of the goodwill. The recoverable amounts are estimated using value-in-use calculation. In the current financial year under review, the Group has reassessed the goodwill on a similar basis and concluded there is no further impairment to the goodwill.

4. Intangible assets (continued)

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the CGUs acquired at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to the CGUs are as follows:

	2016 RM'000	2015 RM'000
CGU 1	10,701	10,701
CGU 2	23	23
Total	10,724	10,724

CGU 1

The recoverable amount of CGU 1 was estimated using the value-in-use calculation. The value-in-use calculation was based on the key assumptions as detailed in Note 3.4.

CGU 2

No impairment testing is performed on CGU 2, in view of the immaterial carrying amount to the Group.

5. Investments in subsidiaries

	Company	
	2016 RM'000	**2015 RM'000**
At cost		
Unquoted shares		
- in Malaysia	668,567	668,567
- outside Malaysia	21,176	21,176
Less: impairment loss	(168,850)	(99,828)
	520,893	589,915

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows:

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Intra Oil Services Berhad	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Ampangship Marine Sdn. Bhd.	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Perdana Nautika Sdn. Bhd.	Malaysia	Provision of marine support services for the oil and gas industry	100	100
Petra Offshore Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Jupiter Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Neptune Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Pluto Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Saturn Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Earth Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100
Perdana Mars Limited	Federal Territory of Labuan, Malaysia	Provision of leasing business activities in Labuan	100	100

5. Investments in subsidiaries (continued)

Details of the subsidiaries are as follows: (continued)

Name of company	Place of incorporation	Principal activities	Effective ownership interest and voting interest 2016 %	2015 %
Odin Explorer Navigation Limited	The British Virgin Island	Dormant	100	100
Geoseas Technologies Limited	The British Virgin Island	Dormant	51	51
Perdana Marine Offshore Pte. Ltd.**	The Republic of Singapore	Provision of marine support services for the oil and gas industry	100	100
Perdana Mercury Limited	The Republic of the Marshall Island	Provision of marine support services for the oil and gas industry	100	100
Perdana Venus Limited	The Republic of the Marshall Island	Provision of marine support services for the oil and gas industry	100	100
Perdana Uranus Limited	Federal Territory of Labuan, Malaysia	Dormant	100	100

**: Not audited by member firms of KPMG International.

As the Group does not have material non-controlling interest, the financial information of non-controlling interest is not disclosed in these financial statements.

Impairment testing for investments in subsidiaries

The recoverable amounts of respective subsidiaries were estimated using the value-in-use calculation. This calculation uses pre-tax cash flow projections based on the financial budgets approved by management and cash flows expected from the continuing use of assets. The value-in-use calculation was based on the key assumptions as detailed in Note 3.4.

Following the assessment, the Group recognised impairment loss of RM69 million (2015: Nil) (see Note 17) on two (2015: Nil) subsidiaries in the profit or loss, as the estimated recoverable amounts of these subsidiaries are lower than their carrying amounts.

6. Deposits

	Note	Group 2016 RM'000	Group 2015 RM'000
Refundable deposits	(a)	47,463	71,177
Deposits in Retention Account	(b)	1,346	4,181
		48,809	75,358

(a) Refundable deposits are deposits held by lessors of marine vessels of a subsidiary which is refundable to the Group upon expiry of the respective leases. During the year, the Group settled two of the leases whereby RM24 million has been refunded by the lessor.

(b) Deposits in Retention Account represents a cash amount of USD300,000 per vessel placed with a financier and will be released upon the settlement of the respective loans owed to the financier. During the year, certain deposits in the Retention Account have been so released.

Company No.
372113 - A

7. Deferred tax

Recognised deferred tax assets/(liabilities)

Deferred tax assets and liabilities are attributable to the following:-

	Assets		Liabilities		Net	
Group	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**	**2016 RM'000**	**2015 RM'000**
Property, plant and equipment	112	-	(4,071)	(16,384)	(3,959)	(16,384)
Capital allowances carried forward	11,396	11,641	-	-	11,396	11,641
Tax losses carried forward	3,329	576	-	-	3,329	576
Other provisions	1,175	-	-	-	1,175	-
Tax assets/(liabilities)	16,012	12,217	(4,071)	(16,384)	11,941	(4,167)
Set off of tax	(869)	(12,171)	869	12,171	-	-
Net tax assets/(liabilities)	15,143	46	(3,202)	(4,213)	11,941	(4,167)

Company No.
372113 - A

7. **Deferred tax** (continued)

Movements in deferred tax assets and liabilities during the year are as follows:

Group	**At 1.1.2015 RM'000**	**Recognised in profit or loss RM'000**	**At 31.12.2015/ 1.1.2016 RM'000**	**Recognised in profit or loss RM'000**	**At 31.12.2016 RM'000**
Property, plant and equipment	(17,093)	709	(16,384)	12,425	(3,959)
Capital allowances carried forward	11,470	171	11,641	(245)	11,396
Tax losses carried forward	975	(399)	576	2,753	3,329
Other provisions	116	(116)	-	1,175	1,175
	(4,532)	365	(4,167)	16,108	11,941
		(Note 20)		(Note 20)	

7. Deferred tax (continued)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group and Company	
	2016	**2015**
	RM'000	**RM'000**
Unabsorbed capital allowances	262	139
Unutilised tax losses	7,435	7,435
	7,697	7,574

Deferred tax assets of the Group and the Company of RM1.8 million (2015: RM1.8 million) have not been recognised in respect of the above temporary differences because it is not certain if sufficient future taxable profits will be available against which the affected group entities can utilise the benefits therefrom.

Unabsorbed capital allowances carried forward and unutilised tax losses carried forward of group entities incorporated in Malaysia do not expire under the current Malaysian tax legislation except that in the case of a dormant company, such allowances and losses will not be available to the company if there is a substantial change of 50% or more in the shareholdings thereof.

8. Derivative asset/liability

	Contractual/ Notional amount		Group	
	2016	**2015**	**2016**	**2015**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Derivative used for hedging				
Interest rate swap	53,850	68,704	190	(77)

On 21 October 2014, the Group entered into an interest rate swap to hedge the variability in cash flows arising from interest rate risk in relation to the floating interest rate of a term loan. The interest rate swap has been designated as the hedging instrument of a cash flow hedge.

The swap entitles the Group to receive a floating interest equal to 3-month USD-LIBOR + 3.10% per annum, pays a fixed rate of 4.18% per annum (if LIBOR is less than or equals to 2.00%) or a 3-month USD-LIBOR + 2.35% per annum (if LIBOR is more than 2.00%).

The swap has the same maturity date as that of the term loan.