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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.

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DAYANG ENTERPRISE HOLDINGS BHD

(Company No. 712243-U)

(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO THE

PART A

- I. **PROPOSED RENOUNCEABLE RIGHTS ISSUE OF 96,480,983 NEW ORDINARY SHARES IN DAYANG ENTERPRISE HOLDINGS BHD ("DAYANG" OR THE "COMPANY") ("DAYANG SHARE(S)" OR "SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF 1 RIGHTS SHARE FOR EVERY 10 EXISTING DAYANG SHARES BASED ON AN ENTITLEMENT DATE TO BE DETERMINED LATER; AND**
- II. **PROPOSED SUBSCRIPTION OF NEW REDEEMABLE CONVERTIBLE PREFERENCE SHARES ("RCPS") OF UP TO RM455,000,000 IN VALUE IN PERDANA PETROLEUM BERHAD ("PPB") UNDER THE PPB PROPOSED RIGHTS ISSUE OF RCPS TO BE UNDERTAKEN BY PPB ("PROPOSED SUBSCRIPTION")**

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES SDN BHD TO THE NON-INTERESTED SHAREHOLDERS OF DAYANG IN RELATION TO THE PROPOSED SUBSCRIPTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Principal Adviser for Part A

Independent Adviser for Part B

kenanga

Kenanga Investment Bank Berhad
Company No. 15678-H

(A Participating Organisation of Bursa Malaysia Securities Berhad)



MERCURY SECURITIES SDN BHD

(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of Extraordinary General Meeting ("EGM") together with the Form of Proxy are enclosed with this Circular.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Form of Proxy must be lodged at the office of the Company's Share Registrar, 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 less than 48 hours before the time and date stipulated for the EGM as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last day, date and time for lodging the Form of Proxy..... : Sunday, 29 September 2019 at 11.00 a.m.

Day, date and time of the EGM..... : Tuesday, 1 October 2019 at 11.00 a.m.

Venue of the EGM..... : Danum I, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak

This Circular is dated 13 September 2019

DEFINITIONS

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

"Act"	:	Companies Act, 2016
"AGM"	:	Annual General Meeting
"AHTS(s)"	:	Anchor handling tug and supply vessels
"Announcement"	:	Dayang's announcement in relation to the Proposals and the Private Placement dated 17 May 2019
"AWB(s)"	:	Accommodation work barges
"Bhp"	:	Brake horsepower
"BNM"	:	Bank Negara Malaysia
"Board"	:	The Board of Directors of Dayang
"Bursa Depository"	:	Bursa Malaysia Depository Sdn Bhd
"Bursa Securities"	:	Bursa Malaysia Securities Berhad
"CDRC"	:	Corporate Debt Restructuring Committee of BNM
"Circular"	:	This circular to the shareholders of Dayang dated 13 September 2019 comprising Part A, letter to the shareholders of Dayang in relation to the Proposals and the Private Placement, Part B, IAL from Mercury Securities to the non-interested shareholders of Dayang in relation to the Proposed Subscription and the Appendices
"Datin Wong"	:	Datin Wong Siew Hong, an indirect major shareholder of Dayang
"Datuk Amar"	:	Datuk Amar Abdul Hamed Bin Sepawi, an indirect major shareholder of Dayang
"Datuk Hasmi"	:	Datuk Hasmi Bin Hasnan, a Director and an indirect major shareholder of Dayang
"Datuk Ling"	:	Datuk Ling Suk Kiong, a Director and an indirect major shareholder of Dayang
"Dayang" or the "Company"	:	Dayang Enterprise Holdings Bhd
"Dayang Group" or the "Group"	:	Dayang and its subsidiary companies, collectively
"Dayang RCPS Undertaking"	:	Irrevocable written undertaking provided by Dayang vide its letter dated 12 July 2019 that it will subscribe for the RCPS in full for its entitlement of up to RM306,011,322 in value pursuant to the PPB Proposed Rights Issue of RCPS based on its shareholdings in PPB as at an entitlement date to be determined and announced later by PPB

DEFINITIONS (CONT'D)

"Dayang RCPS Additional Undertaking"	:	Additional irrevocable written undertaking provided by Dayang vide its letter dated 12 July 2019 that it will subscribe for additional RCPS that are not taken up or are not validly taken up by other entitled shareholders of PPB and/ or their renounee(s), if any, of up to RM148,988,678 in value by way of excess application pursuant to the PPB Proposed Rights Issue of RCPS
"Dayang Share(s)" or the "Share(s)"	:	Ordinary shares in Dayang
"Director(s)"	:	A natural person who holds directorship in Dayang and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act, 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the Proposed Subscription were agreed upon:- i. a director of Dayang, its subsidiary or holding company; and ii. a chief executive of Dayang, its subsidiary or holding company
"EGM"	:	Extraordinary General Meeting
"Entitled Shareholder(s)"	:	The shareholders of Dayang who are registered as a member and whose names appear in the Record of Depositors of the Company on the Entitlement Date
"Entitlement Date"	:	A date to be determined and announced later by the Board, on which the names of shareholders of the Company must appear in the Record of Depositors of the Company as at 5.00 p.m. in order to participate in the Proposed Rights Issue of Shares
"EPS"	:	Earnings per Share
"FPE"	:	Financial period ended
"FYE"	:	Financial year ended/ ending, as the case may be
"General Mandate"	:	General mandate pursuant to Sections 75 and 76 of the Act which was obtained from Dayang's shareholders in its 13 th AGM convened on 22 May 2019 whereby the Board had been authorised to allot and issue new Dayang Shares not exceeding 10% of the total number of issued Shares in the Company for the time being and that such authority shall continue to be in force until the conclusion of the next AGM of the Company
"HUC"	:	Hook-up and commissioning
"IAL"	:	Independent advice letter dated 13 September 2019 from Mercury Securities for the Proposed Subscription as set out in Part B of this Circular
"Interested Director(s)"	:	Datuk Hasmi, Tengku Dato' Yusof, Datuk Ling and Joe Ling, collectively pursuant to the Proposed Subscription
"Interested Major Shareholder(s)"	:	Naim Holdings, Datuk Amar, Datuk Hasmi, Datuk Ling and Joe Ling, collectively pursuant to the Proposed Subscription

DEFINITIONS (CONT'D)

"Joe Ling"	:	Joe Ling Siew Loung @ Lin Shou Long, a Director and an indirect major shareholder of Dayang
"Kenanga IB" or the "Principal Adviser"	:	Kenanga Investment Bank Berhad
"LBT"	:	Loss before taxation
"Listing Requirements"	:	Main Market Listing Requirements of Bursa Securities
"LPD"	:	30 August 2019, being the latest practicable date prior to the printing and despatch of this Circular
"Major Shareholder(s)"	:	Any person within the preceding 6 months of the date on which the terms of the Proposed Subscription were agreed upon has or had an interest or interests in one or more voting shares in Dayang or its subsidiary or holding company and the number or aggregate number of those shares is:- i. 10% or more of the total number of voting shares in the corporation; or ii. 5% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation. For the purpose of this definition, "interest" shall have the meaning of "interest in shares" given in Section 8 of the Act
"Market Day(s)"	:	Any day from Mondays to Fridays (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
"MCM"	:	Maintenance, construction and modification
"Mercury Securities" or the "Independent Adviser"	:	Mercury Securities Sdn Bhd
"NA"	:	Net assets attributable to ordinary equity holders of the company
"Naim Holdings"	:	Naim Holdings Berhad, a direct major shareholder of Dayang
"O & G"	:	Oil and gas
"PETRONAS"	:	Petroleum Nasional Berhad
"Placement Share(s)"	:	New Dayang Shares to be issued pursuant to the Private Placement
"PPB"	:	Perdana Petroleum Berhad, a 60.48%-owned subsidiary of Dayang
"PPB Group"	:	PPB and its subsidiary companies, collectively
"PPB Proposed Rights Issue of RCPS"	:	The proposed renounceable rights issue of new RCPS of up to RM506,006,117 in value in PPB at an entitlement basis and an issue price to be determined and announced later, which was announced by PPB on 17 May 2019. The PPB Proposed Rights Issue of RCPS will be undertaken on a minimum level of subscription of RCPS of RM455,000,000 in value, based on the RCPS Undertakings

DEFINITIONS (CONT'D)

"PPB Settlement"	:	RM365.0 million to be raised from the Proposed Sukuk Programme which will be advanced by Dayang to PPB for the early redemption of the PPB Sukuk Murabahah prior to the implementation of the PPB Proposed Rights Issue of RCPS. The amount advanced by Dayang is regarded as an amount owing to Dayang by PPB
"PPB Share(s)"	:	Ordinary shares in PPB
"PPB Sukuk Murabahah"	:	An Islamic medium term notes, namely sukuk murabahah of RM635.0 million in nominal value which was issued by PPB on 28 April 2016, and is constituted by a trust deed dated 8 April 2016 entered into between PPB and the trustee for the holders of the said sukuk murabahah. The PPB Sukuk Murabahah is rated AAA(fg) by RAM Rating Services Berhad as at the LPD. The profit rate for the PPB Sukuk Murabahah is set out in Section 2.2.5.2 of Part A of this Circular. As at the LPD, the nominal value outstanding for the PPB Sukuk Murabahah is RM365.0 million
"Private Placement"	:	Private placement of up to 96,480,983 Placement Shares, representing approximately 10% of the total number of issued Dayang Shares as at the LPD, which was announced on 17 May 2019. The Private Placement shall be undertaken pursuant to the General Mandate
"Proposals"	:	The Proposed Rights Issue of Shares and the Proposed Subscription, collectively
"Proposed Rights Issue of Shares"	:	Proposed renounceable rights issue of 96,480,983 Rights Shares on the basis of 1 Rights Share for every 10 existing Dayang Shares held by the Entitled Shareholders on the Entitlement Date. The Proposed Rights Issue will be undertaken on a full subscription level basis
"Proposed Subscription"	:	Proposed subscription of new RCPS of up to RM455,000,000 in value in PPB by Dayang pursuant to the RCPS undertakings under the PPB Proposed Rights Issue of RCPS
"Proposed Sukuk Programme"	:	Proposed issuance of an unrated Islamic medium term notes under a sukuk murabahah programme of up to RM682.5 million in nominal value based on the Shariah principle of Murabahah (via a Tawarruq arrangement) to be undertaken by Dayang and will be primarily subscribed by licensed financial institutions for a tenure of up to 8 years from the date of first issuance pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group currently
"RCPS"	:	Redeemable convertible preference shares to be issued by PPB pursuant to the PPB Proposed Rights Issue of RCPS on a basis and issue price to be determined and announced later by PPB
"RCPS Maximum Scenario"	:	Assuming the PPB Proposed Rights Issue of RCPS is undertaken on a full subscription level basis whereby it is fully subscribed by the entitled shareholders of PPB and/ or their renounee(s), if any
"RCPS Minimum Scenario"	:	Assuming the PPB Proposed Rights Issue of RCPS is undertaken on a minimum subscription level basis whereby it is only subscribed by Dayang pursuant to the RCPS Undertakings
"RCPS Undertakings"	:	Collectively, the Dayang RCPS Undertaking and the Dayang RCPS Additional Undertaking to achieve the minimum level of subscription of the RCPS of RM455,000,000 in value under the PPB Proposed Rights Issue of RCPS, collectively

DEFINITIONS (CONT'D)

"Record of Depositors"	:	A record of depositors established by Bursa Depository pursuant to the Rules of Bursa Depository
"Rights Share(s)"	:	96,480,983 new Dayang shares to be issued pursuant to the Proposed Rights Issue of Shares
"Set-off Arrangement"	:	The direct set-off of up to RM455.0 million from the advances owing to Dayang by PPB against the capital outlay required by Dayang pursuant to the PPB Proposed Rights Issue of RCPS. For avoidance of doubt, Dayang had earlier advanced an amount of RM90.0 million to PPB for the 3 rd tranche of repayment for the PPB Sukuk Murabahah which was due on 26 April 2019 and will further advance an amount of RM365.0 million to PPB for the PPB Settlement upon the issuance of the Proposed Sukuk Programme but prior to the implementation of the PPB Proposed Rights Issue of RCPS
"SC"	:	Securities Commission Malaysia
"Subscription Consideration"	:	The total subscription of up to RM455.0 million for the Proposed Subscription pursuant to the RCPS Undertakings to be satisfied entirely by way of Set-off Arrangement whereby the subscription consideration shall be capitalised against part of the advances owing to Dayang by PPB pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group currently
"TERP"	:	Theoretical ex-rights price
"Tengku Dato' Yusof"	:	YM Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin, a Director and a direct substantial shareholder of Dayang
"Undertakings"	:	Unconditional and irrevocable written undertaking letters dated 17 May 2019 provided by the Undertaking Shareholders that they will not dispose of any of their Dayang Shares following the Announcement up to the Entitlement Date and that they will subscribe in full for their respective entitlements based on their shareholdings on the Entitlement Date pursuant to the Proposed Rights Issue of Shares
"Undertaking Shareholder(s)"	:	Certain substantial shareholders of Dayang, namely Naim Holdings, Datuk Ling, Joe Ling, Datin Wong, Vogue Empire, Datuk Hasmi and Tengku Dato' Yusof who have provided the Undertakings to collectively subscribe for a minimum of 49,778,038 Rights Shares, representing approximately 51.59% of the total Rights Shares available for subscription pursuant to the Proposed Rights Issue of Shares
"Underwriting"	:	Underwriting arrangement for the remaining 46,702,945 Rights Shares, representing approximately 48.41% of the total Rights Shares available for subscription for which no written irrevocable undertaking to subscribe have been obtained pursuant to the Proposed Rights Issue of Shares
"Vogue Empire"	:	Vogue Empire Sdn Bhd, a direct substantial shareholder of Dayang
"VWAMP"	:	Volume weighted average market price
"WB(s)"	:	Work boats

DEFINITIONS (CONT'D)

CURRENCIES

"RM" and "sen" : Ringgit Malaysia and sen, respectively

"SGD" : Singapore Dollar

"USD" : United States Dollar

Words denoting the singular shall, where applicable, include the plural and vice versa. Words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any references to persons shall include corporations, unless otherwise specified.

Any reference to any enactment in this Circular is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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

Part A and Appendix II of this Circular includes forward-looking statements which are subject to uncertainties and contingencies. All statements other than statements of historical facts included in Part A and Appendix II of this Circular including, without limitation, those regarding the Dayang Group's financial position, business strategies, prospects, plans and objectives of the Group for future operations, are forward-looking statements. There can be no assurance that such forward-looking statements will materialise, be fulfilled or be achieved.

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PART A

**LETTER TO THE SHAREHOLDERS OF DAYANG IN RELATION TO THE PROPOSALS
AND THE PRIVATE PLACEMENT**



DAYANG ENTERPRISE HOLDINGS BHD

(Company No. 712243-U)
(Incorporated in Malaysia)

Registered Office

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

13 September 2019

Board of Directors

Datuk Hasmi Bin Hasnan (*Executive Chairman*)
Datuk Ling Suk Kiong (*Executive Deputy Chairman*)
YM Tengku Dato' Yusof Bin Tengku Ahmad Shahrudin (*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*)
Ali Bin Adai (*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: The shareholders of Dayang

Dear Sir/ Madam,

- I. PROPOSED RIGHTS ISSUE OF SHARES; AND**
- II. PROPOSED SUBSCRIPTION**

1. INTRODUCTION

On 17 May 2019, Kenanga IB had, on behalf of the Board, announced that the Company proposes to undertake the Proposals and the Private Placement.

On 28 August 2019, Kenanga IB had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 27 August 2019, resolved to approve the listing of and quotation for 96,480,983 Rights Shares and up to 96,480,983 Placement Shares on the Main Market of Bursa Securities, subject to the conditions as stated in Section 8 of Part A of this Circular.

For shareholders' information purposes, the Private Placement is undertaken pursuant to Sections 75 and 76 of the Act whereby the Company had obtained the approval from the shareholders of Dayang in its 13th AGM convened on 22 May 2019 whereby the Board had been authorised to allot and issue new Dayang Shares not exceeding 10% of the total number of issued shares in the Company for the time being and that such authority shall continue to be in force until the conclusion of the next AGM of the Company. For avoidance of doubt, the details of the Private Placement contained in Section 2.3 of Part A of this Circular are purely for the information of the shareholders of Dayang.

As set out in Section 10 of Part A of this Circular, the Proposed Subscription is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, the Board (save for the Interested Directors) had, on 17 May 2019 appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of the Company on the Proposed Subscription.

The Proposals and the Private Placement are undertaken as part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently.

THE PURPOSE OF PART A OF THIS CIRCULAR IS TO PROVIDE THE SHAREHOLDERS OF DAYANG WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND THE PRIVATE PLACEMENT AS WELL AS TO SEEK THE APPROVAL FROM THE SHAREHOLDERS OF DAYANG FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF EGM AND THE FORM OF PROXY ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

THE SHAREHOLDERS OF DAYANG ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A OF THIS CIRCULAR TOGETHER WITH THE APPENDICES AND THE IAL AS SET OUT IN PART B OF THIS CIRCULAR CONTAINED HEREIN IN RELATION TO THE PROPOSED SUBSCRIPTION, BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSALS AND THE PRIVATE PLACEMENT

2.1 Proposed Rights Issue of Shares

2.1.1 Details of the Proposed Rights Issue of Shares

The Proposed Rights Issue of Shares entails the issuance of 96,480,983 Rights Shares at an indicative issue price of RM0.80 per Rights Share on a renounceable basis of 1 Rights Share for every 10 existing Dayang Shares held by the Entitled Shareholders on the Entitlement Date.

The Proposed Rights Issue of Shares is to be undertaken on a full subscription level basis as detailed in Section 2.1.3 of Part A of this Circular.

As at the LPD, the issued share capital of Dayang is RM672,988,001 comprising 964,809,835 Dayang Shares. Upon completion of the Proposed Rights Issue of Shares, the resultant issued share capital of Dayang will increase to RM750,172,787 comprising 1,061,290,818 Dayang Shares, based on the indicative issue price of RM0.80 per Rights Share.

The Proposed Rights Issue of Shares is renounceable in full or in part. Accordingly, the Entitled Shareholders can subscribe for and/ or renounce their entitlements to the Rights Shares in full or in part. Any unsubscribed Rights Shares will be made available to other Entitled Shareholders and/ or their renounee(s), if any, via the excess Rights Shares application, and are intended to be allocated on a fair and equitable basis.

Fractional entitlements of the Rights Shares arising from the Proposed Rights Issue of Shares, if any, shall be disregarded and dealt with in such manner as the Board, in their absolute discretion deems fit, expedient, and to be in the best interest of the Company.

2.1.2 Basis and justification for the issue price of the Rights Shares

The final issue price of the Rights Shares shall be determined and fixed by the Board at a later date after receipt of all relevant approvals but before the announcement of the Entitlement Date, at a price that is deemed appropriate and after taking into consideration the TERP of Dayang Shares based on the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date.

The final issue price of the Rights Shares shall also be determined by the Board after taking into consideration the following:-

- i. The minimum amount to be raised from the Proposed Rights Issue of Shares of RM77.2 million for the intended proposed utilisation as set out in Section 2.1.6 of Part A of this Circular; and
- ii. The final issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/ or their renounee(s), if any. In any event, the Board shall take into consideration the prevailing market conditions and market prices of Dayang Shares at the price-fixing date, and may fix the issue price of the Rights Shares subject to a maximum allowable discount of not more than 50% to the TERP of Dayang Shares based on the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date.

For illustrative purposes only, the indicative issue price of the Rights Shares is assumed at RM0.80 per Rights Share throughout Part A of this Circular, which represents a discount of RM0.55 or approximately 40.7% to the TERP of Dayang Shares of RM1.35, calculated based on the 5-day VWAMP of Dayang Shares up to and including the LPD of RM1.40.

2.1.3 Substantial shareholders' undertakings and underwriting arrangement

The Board has determined to undertake the Proposed Rights Issue of Shares on a full subscription level basis via the issuance of 96,480,983 Rights Shares. The full subscription level basis has been determined by the Board after taking into consideration the minimum level of funds the Company intends to raise from the Proposed Rights Issue of Shares which will be channelled towards the proposed utilisation of proceeds as set out in Section 2.1.6 of Part A of this Circular. In this regards, the Board intends to raise a gross proceeds of RM77.2 million from the Proposed Rights Issue of Shares based on an indicative issue price of RM0.80 per Rights Share.

The Undertaking Shareholders had, vide their unconditional and irrevocable written undertaking letters dated 17 May 2019, provided the Undertakings to subscribe in full for their entitlements based on their shareholdings on the Entitlement Date pursuant to the Proposed Rights Issue of Shares. The Undertaking Shareholders will collectively subscribe for a minimum of 49,778,038 Rights Shares based on the Undertakings. The Undertaking Shareholders had provided confirmation that they have sufficient financial resources to subscribe in full for their respective entitlements based on their shareholdings on the Entitlement Date. The said confirmations have been verified by Kenanga IB, being the Principal Adviser for the Proposed Rights Issue of Shares.

As the Proposed Rights Issue of Shares will be undertaken on a full subscription level basis, Dayang will procure underwriting arrangement for the remaining portion of 46,702,945 Rights Shares or approximately 48.41% of the total Rights Shares available for subscription for which no unconditional and irrevocable written undertaking to subscribe for the Rights Shares has been obtained from other shareholders of Dayang.

A summary of the Undertakings and the Underwriting are set out below:-

Undertaking Shareholders	Shareholdings as at the LPD		Rights Shares undertaken to be subscribed/underwritten		Shareholdings after the Undertakings/Underwriting		Indicative funding required RM
	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	No. of Shares	% ^{*3}	
Naim Holdings	254,921,952	26.42	25,492,195	26.42	280,414,147	26.42	20,393,756
Datuk Ling	73,254,330	7.59	7,325,433	7.59	80,579,763	7.59	5,860,346
Tengku Dato' Yusof	65,916,675	6.83	6,591,667	6.83	72,508,342	6.83	5,273,334
Vogue Empire	61,218,187	6.35	6,121,818	6.35	67,340,005	6.35	4,897,454
Joe Ling	41,463,825	4.30	4,146,382	4.30	45,610,207	4.30	3,317,106
Datuk Hasmi	960,937	0.10	96,093	0.10	1,057,030	0.10	76,874
Datin Wong	44,500	-*	4,450	-*	48,950	-*	3,560
Total Undertakings	497,780,406	51.59	49,778,038	51.59	547,558,444	51.59	39,822,430
Underwriter	-	-	46,702,945	48.41	46,702,945	4.40	37,362,356
Total	497,780,406	51.59	96,480,983	100.00	594,261,389	55.99	77,184,786^{*4}

Notes:-

* Negligible

*1 Calculated based on the total number of issued shares of the Company as at the LPD of 964,809,835 Dayang Shares

*2 Calculated based on 96,480,983 Rights Shares to be issued under the Proposed Rights Issue of Shares

*3 Calculated based on the enlarged total number of issued shares of the Company after the Proposed Rights Issue of Shares of 1,061,290,818 Dayang Shares

*4 Represent the indicative funding required to finance the full subscription of the Rights Shares to be subscribed by the Undertaking Shareholders and underwritten by the underwriter based on the indicative issue price of RM0.80 per Rights Share

The underwriting arrangement shall be finalised at a later date and shall be subject to an underwriting agreement to be executed between the Company and the underwriter for the Proposed Rights Issue of Shares prior to the announcement of the Entitlement Date. Kenanga IB, as the Principal Adviser for the Proposed Rights Issue of Shares, shall be appointed as the underwriter for the Proposed Rights Issue of Shares, subject to the terms and conditions of the underwriting agreement to be finalised at a later date. The underwriting commissions will be fully borne by Dayang at arm's length and based on commercial terms. Further details of the underwriting agreement will be disclosed in the abridged prospectus to be issued by Dayang at a later date.

For shareholders' information purposes, only in the event of shortfall in the number of Rights Shares subscribed (including the Entitled Shareholders and/ or their renounee(s)', if any respective entitlements and any excess Rights Shares applied for) as compared to the maximum number of Rights Shares to be issued of 96,480,983 Rights Shares at the closing date and time of the receipt of applications, the underwriting arrangement shall then crystallise whereby the underwriter shall apply via the excess Rights Shares application (to fulfill its obligation under the underwriting arrangement), to subscribe for all remaining Rights Shares not subscribed by other Entitled Shareholders and/ or their renounee(s), if any.

For avoidance of doubt, the Entitled Shareholders and/ or their renounee(s), if any (excluding the underwriter), shall be given priority and shall first be allocated with all the excess Rights Shares applied for, if any. Upon completion of the allocation of such excess Rights Shares to the Entitled Shareholders and/ or their renounee(s), if any (excluding the underwriter), the underwriter shall then apply and be allocated for the remaining number of unsubscribed Rights Shares, if any. In other words, in the event of an under-subscription pursuant to the Proposed Rights Issue of Shares, all Rights Shares and any excess Rights Shares applied by the Entitled Shareholders and/ or their renounee(s), if any, shall be allocated in full based on their respective application. Therefore, the underwriter shall be allocated the balance number of undersubscribed Rights Shares, if any, pursuant to the underwriting arrangement to be entered into between Dayang and the underwriter.

However, in the event of an over-subscription pursuant to the Proposed Rights Issue of Shares (i.e. the number of Rights Shares and excess Rights Shares, if any, applied for is more than the maximum number of 96,480,983 Rights Shares available for application), Kenanga IB will not subscribe and will not be allocated any Rights Shares. In such circumstances, the Board will allot the excess Rights Shares, if any, on a fair and equitable manner basis and in the following priority:-

- i. Firstly, to minimise the incidents of odd lots;
- ii. Secondly, for allocation to Entitled Shareholders who have applied for excess Rights Shares under the excess Rights Shares application, on a pro-rata basis and in board lot, calculated based on their respective shareholdings in the Company as at the Entitlement Date;
- iii. Thirdly, for allocation to Entitled Shareholders who have applied for excess Rights Shares under the excess Rights Shares application, on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares applied for; and

- iv. Finally, for allocation to renounee(s) who have applied for excess Rights Shares under the excess Rights Shares application, on a pro-rata basis and in board lot, calculated based on the quantum of their respective excess Rights Shares applied for.

In the event there is any remaining balance of excess Rights Shares applied for by the Entitled Shareholders and/ or their renounee(s), if any, who have applied for the excess Rights Shares after carrying out steps (i) to (iv) as set out above, steps (ii) to (iv) will be repeated again in the same sequence to allocate the remaining balance of the excess Rights Shares to the Entitled Shareholders and/ or their renounee(s), if any, who have applied for the excess Rights Shares until such balance is fully allocated.

Nevertheless, the Board reserves the right to allot any excess Rights Shares applied for in such manner as the Board deems fit, expedient and in the best interest of the Company, subject always to such allocation being made on a fair and equitable basis and that the intention of the Board as set out in (i), (ii), (iii) and (iv) above are being obtained. The Board also reserves the rights, at its absolute discretion, to accept in full or in part any applications for the excess Rights Shares without assigning any reason thereof.

As the Proposed Rights Issue of Shares is undertaken on full subscription level basis whereby the underwriting arrangement will be procured by Dayang, the subscription of the Rights Shares by the Undertaking Shareholders will not give rise to any mandatory general offer obligation pursuant to the Malaysian Code on Take-Overs and Mergers, 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisitions.

In addition, the public shareholding spread of Dayang will still be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements upon completion of the Proposed Rights Issue of Shares. For information purposes, the current public shareholding spread of Dayang is 40.5% as at the LPD.

Assuming none of the other Entitled Shareholders and/ or their renounee(s), if any, applied for the excess Rights Shares and the underwriting agreement crystallises, whereby the underwriter shall subscribe for the remaining portion of 46,702,945 Rights Shares not subscribed by other Entitled Shareholders and/ or their renounee(s), if any, the resultant public shareholding spread of Dayang shall remain unchanged at 40.5% upon the completion of the Proposed Rights Issue of Shares.

2.1.4 Ranking of the Rights Shares

The Rights Shares shall, upon allotment and issuance, rank *pari passu* in all respects with the existing Dayang Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotments and/ or any other form of distributions where the entitlement date of such dividends, rights, allotments and/ or any other form of distributions precedes the relevant date of allotment and issuance of the Rights Shares.

2.1.5 Listing of and quotation for the Rights Shares

The approval from Bursa Securities was obtained, vide its letter dated 27 August 2019, for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities.

2.1.6 Utilisation of proceeds from the Proposed Rights Issue of Shares

For illustrative purposes, based on the indicative issue price of RM0.80 per Rights Share, the Proposed Rights Issue of Shares is expected to raise gross proceeds of approximately RM77.2 million which are intended to be utilised in the following manner:-

Description of utilisation	Amount RM'000	Expected time frame for utilisation of proceeds (from the date of listing of the Rights Shares)
Partial repayment of bank borrowing ^{*1}	70,000	Within 3 months
Working capital requirements ^{*2}	4,685	Within 12 months
Estimated expenses for the Proposed Rights Issue of Shares ^{*3}	2,500	Immediately
Total estimated proceeds	77,185	

Notes:-

*1 As at the LPD, the total loans and borrowings of the Dayang Group (excluding the PPB Group), which comprised term loans and revolving credits, stood at about RM360.9 million. Dayang intends to utilise RM70.0 million to partially repay the Group's (excluding the PPB Group) existing bank borrowing as set out below:-

Financier	Type of facility	Purpose of the facility	Tenure (years)	Outstanding amount as at the LPD RM'000
Maybank Islamic Berhad	Commodity Murabahah Term Financing-i (loan)	For the acquisition of PPB Shares and warrants in PPB not already owned by Dayang in 2015	7 (mature in August 2022)	172,591

The partial repayment of the abovementioned bank borrowings is expected to result in interest savings of approximately RM4.3 million per annum based on the interest rate for the abovementioned borrowings of 6.15% per annum as at the LPD.

The above repayment is part of the group-wide debt restructuring exercise currently undertaken by the Dayang Group to review and restructure its loans and debt obligations with its licensed financial institutions.

*2 The Company intends to utilise RM4.7 million of the proceeds for the working capital requirements of the day-to-day operations of Dayang and its wholly-owned subsidiaries in the manner set out below:-

	RM'000
Staff related cost (i.e. wages, salaries, contributions to the Employees Provident Fund and others)	2,500
Rental of premises ^{*a}	1,500
Administrative expenses (i.e. utilities, printing and stationery, as well as office expenses such as general upkeep of office)	685
Total	4,685

Note:-

*a Details of the premises are as set out below:-

Purpose	Location	Aggregate size Square feet	Rental per annum RM'000
Head office	Sublot 5-10, Lot 46, Block 10, Jalan Taman Raja, MLCD, 98000, Miri, Sarawak	9,408	745
Branch office	Lot 2-15-01, 2-15-02, 2-16-01 and 2-16-02, Block 2, VSO Commercial Centre @ PJCC, Block 2, Jalan Utara, 46200 Petaling Jaya, Selangor	16,576	796
Total			<u>1,541</u>

*3 The proceeds earmarked for the estimated expenses in relation to the Proposed Rights Issue of Shares shall be utilised as set out below:-

	RM'000
Professional fees (i.e. advisers, reporting accountant, underwriter (including underwriting commission) and due diligence solicitors)	2,115
Regulatory fees (i.e. Bursa Securities, the SC and the Registrar of Companies Malaysia)	75
Other incidental expenses in relation to the Proposed Rights Issue of Shares such as printing and advertising costs and miscellaneous expenses	310
Total	<u>2,500</u>

In the event that the actual amount varies from the above estimated expenses, the excess or deficit, as the case may be, will be adjusted to/ from the amount earmarked for working capital requirements purposes.

The actual proceeds to be raised from the Proposed Rights Issue of Shares will depend on the final issue price for the Rights Shares. Any variation to the actual proceeds raised will be adjusted against the proceeds allocated for the working capital requirements of Dayang and its wholly-owned subsidiaries.

Pending utilisation of the proceeds raised from the Proposed Rights Issue of Shares for the abovementioned purposes, the proceeds raised will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with the licensed financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital requirements for Dayang and its wholly-owned subsidiaries.

2.1.7 Entitled Shareholder(s) with foreign address

This Circular does not constitute the making available of, an offer of, or an invitation by or on behalf of the Company for the subscription or purchase of any securities.

If the Proposed Rights Issue of Shares is implemented, an abridged prospectus, which will be issued together with the accompanying notice of provisional allotment and rights subscription form (collectively, the "Documents") in connection with the Proposed Rights Issue of Shares are not and will not be made to comply with the laws of any countries or jurisdictions other than Malaysia, and have not and will not be registered under any applicable securities legislation of any jurisdictions other than Malaysia. The Proposed Rights Issue of Shares will not be offered for purchase or subscription in any country other than Malaysia in which such offer would be unlawful prior to registration or qualification under the securities laws of such country or jurisdiction.

The Documents will not be issued, circulated or despatched to foreign-addressed Entitled Shareholders who have not provided an address in Malaysia for the service of the Documents on the Entitlement Date. The Documents will only be sent to the Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in Dayang's Record of Depositors as at the Entitlement Date. Foreign-addressed Entitled Shareholders may, prior to the Entitlement Date, provide an address in Malaysia for service of the Documents.

Alternatively, such foreign addressed Entitled Shareholders may collect the Documents from Dayang's share registrar who shall be entitled to request for such evidence (i.e., identification or authorisation documents) as they deem necessary to satisfy themselves as to the identity and authority of the person collecting the Documents.

Dayang and/ or its share registrar will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in Dayang's Record of Depositors on the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign addressed Entitled Shareholders may only exercise their rights in respect of the Proposed Rights Issue of Shares to the extent that it would be lawful to do so, and Dayang, Dayang's share registrar, Kenanga IB and/ or any of Dayang's advisers would not, in connection with the Proposed Rights Issue of Shares, be in breach of the laws of any country or jurisdiction to which the foreign addressed Entitled Shareholders and/ or their renounee(s) might be subject to.

Foreign addressed Entitled Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and Dayang shall be entitled to be fully indemnified and held harmless by such foreign addressed Entitled Shareholders for any issue, transfer or any other taxes or duties as such person may be required to pay. Such foreign addressed Entitled Shareholders will have no claims whatsoever against Dayang, Dayang's share registrar, Kenanga IB and/ or any of Dayang's advisers in respect of their rights or entitlements under the Proposed Rights Issue of Shares. Such foreign addressed Entitled Shareholders should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Proposed Rights Issue of Shares.

Foreign addressed Entitled Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the foreign addressed Entitled Shareholders in the Proposed Rights Issue of Shares shall be on the basis of a warranty by them that they may lawfully so participate without Dayang, Dayang's share registrar, Kenanga IB and/ or any of Dayang's advisers being in breach of the laws of any jurisdiction.

Neither Dayang, Kenanga IB nor any other advisers to the Proposed Rights Issue of Shares shall accept any responsibility or liability in the event that any acceptance of a foreign addressed Entitled Shareholder of his/ her rights in respect of the Proposed Rights Issue of Shares is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Dayang reserves the right in its discretion to treat any acceptance as being invalid if it believes or has reason to believe that such acceptance may violate applicable legal or regulatory requirements.

2.2 Proposed Subscription

2.2.1 Details of the Proposed Subscription

On 17 May 2019, PPB had announced the PPB Proposed Rights Issue of RCPS to the entitled shareholders of PPB at an entitlement basis and an issue price to be determined and announced later. The PPB Proposed Rights Issue of RCPS is intended to issue RCPS of a minimum of RM455,000,000 in value and/ or a maximum of RM506,006,117 in value.

As at the LPD, Dayang is a major shareholder of PPB holding 470,786,650 PPB Shares, representing 60.48% equity interest in PPB.

In relation to the above, Dayang had, on 12 July 2019, provided its written irrevocable undertakings to PPB for the following:-

- i. Dayang RCPS Undertaking whereby Dayang will subscribe for 1,176,966,625 RCPS to be issued based on an indicative entitlement basis of 5 RCPS for every 2 existing PPB Shares held at an indicative issue price of RM0.26 per RCPS; and
- ii. Dayang RCPS Additional Undertaking whereby Dayang will subscribe for up to an additional 573,033,375 RCPS to be issued based on an indicative issue price of RM0.26 per RCPS.

For illustrative purposes only, Dayang's subscription for its entitlement and application for excess RCPS pursuant to the RCPS Undertakings are set out below:-

Dayang's shareholdings as at the LPD		Dayang RCPS Undertaking ² (A)		Dayang RCPS Additional Undertaking ² (B)		Total RCPS to be subscribed pursuant to the RCPS Undertakings (A + B)		Indicative capital outlay required
No. of PPB Shares	% ^{*1}	No. of RCPS	% ^{*3}	No. of RCPS	% ^{*3}	No. of RCPS	% ^{*3}	RM
470,786,650	60.48	1,176,966,625	67.26	573,033,375	32.74	1,750,000,000	100.00	455,000,000

Notes:-

*1 Calculated based on 778,470,949 issued PPB Shares as at the LPD

*2 The indicative capital outlay required for the subscription of RCPS computed based on the indicative issue price of RM0.26 per RCPS are set out below:-

	Dayang RCPS Undertaking	Dayang RCPS Additional Undertaking	RCPS Undertakings
No. of RCPS	1,176,966,625	573,033,375	1,750,000,000
Indicative capital outlay (RM)	306,011,322	148,988,678	455,000,000

*3 Calculated based on the indicative 1,750,000,000 RCPS to be issued pursuant to the PPB Proposed Rights Issue of RCPS at an indicative entitlement basis of 5 RCPS for every 2 existing PPB Shares held and assuming the PPB Proposed Rights Issue of RCPS is only subscribed by Dayang pursuant to the RCPS Undertakings

For shareholders' information, only in the event of shortfall in the number of RCPS subscribed (including the entitled shareholders and/ or their renounee(s)', if any, respective entitlements and any excess RCPS applied for but excluding the Dayang RCPS Additional Undertaking) as at the closing date and time of the receipt of applications, the Dayang RCPS Additional Undertaking shall then crystallise whereby Dayang shall apply via the excess RCPS application (to fulfil its obligation under the Dayang RCPS Additional Undertaking) to subscribe for additional RCPS not taken up or are not validly taken up by other entitled shareholders and/ or their renounee(s), if any.

The Subscription Consideration will be RM455.0 million under the RCPS Minimum Scenario or RM306.0 million under the RCPS Maximum Scenario pursuant to the RCPS Undertakings.

For shareholders' information, the total advances owing to Dayang by PPB stood at RM280.7 million as at the LPD and will further increase to RM645.7 million prior to the implementation of the PPB Proposed Rights Issue of RCPS, details of which are set out in Section 2.2.5.1 of Part A of this Circular. Hence, the Subscription Consideration of up to RM455.0 million are proposed to be set-off against part of the total advances owing to Dayang by PPB pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group, details of which are set out in Section 3 of Part A of this Circular.

In view of the interests of the Interested Directors and the Interested Major Shareholders, the Proposed Subscription is deemed as a related party transaction pursuant to the provisions of Chapter 10 of the Listing Requirements. The IAL by Mercury Securities pertaining to the Proposed Subscription are set out in Part B of this Circular.

The RCPS Undertakings for the Proposed Subscription will not give rise to any mandatory general offer obligation by Dayang pursuant to the Malaysian Code on Take-Overs and Mergers, 2016 and the Rules on Take-Overs, Mergers and Compulsory Acquisitions as PPB is a 60.48%-owned subsidiary of Dayang as at the LPD. In the event of full conversion of the RCPS by Dayang under the RCPS Minimum Scenario, the shareholdings of Dayang in PPB will increase further from 60.48% to 87.83%.

The public shareholding spread of PPB will still be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements upon completion of the PPB Proposed Rights Issue of RCPS as the issuance and allotment of RCPS will not have any impact on the issued share capital of PPB. However, should the conversion of the RCPS by Dayang into new PPB Shares result in the shareholdings of Dayang exceeding 75% of the enlarged number of PPB Shares in issue, PPB would not be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements.

For information purposes, the public shareholding spread of PPB is 27.0% as at the LPD and may reduce to 8.3% upon full conversion of the RCPS by Dayang under the RCPS Minimum Scenario.

A listed issuer which fails to maintain the public spread requirement as set out above may request for an extension of time to rectify the situation in the manner as may be prescribed by Bursa Securities. If Bursa Securities does not grant the requested extension of time, Bursa Securities may take or impose any type of action or penalty pursuant to Paragraph 16.19 of the Listing Requirements for breach of Paragraph 8.02(1) of the Listing Requirements and may at its discretion, suspend trading in the securities of the listed issuer pursuant to Paragraph 16.02(1) of the Listing Requirements. Notwithstanding this, any non-compliance with the public spread requirement would not automatically result in the delisting of PPB from the Official List of Bursa Securities.

However, Dayang is mindful of the public spread requirement and in this respect, Dayang endeavours to monitor and ensure that its dealing in the conversion of the RCPS into new PPB Shares, if any, and as and when, during the tenure of the RCPS would not result in PPB being in breach of the public spread requirement.

2.2.2 Indicative salient terms of the RCPS

The indicative salient terms of the RCPS are set out in Appendix IV of this Circular.

2.2.3 Basis and justification for the Subscription Consideration

The Subscription Consideration for the RCPS shall not be more than RM455.0 million pursuant to the RCPS Undertakings.

The Subscription Consideration was arrived at after taking into consideration the expected total advances owing to Dayang by PPB of RM645.7 million prior to the implementation of the PPB Proposed Rights Issue of RCPS, details of which are set out in Section 2.2.5.1 of Part A of this Circular. In addition, the Subscription Consideration forms part of the indicative principal terms and conditions for the Proposed Sukuk Programme, wherein RCPS of up to RM455,000,000 in value to be issued by PPB to Dayang are required to be provided by Dayang as collaterals for the Proposed Sukuk Programme.

The indicative principal terms and conditions for the Proposed Sukuk Programme are set out in Appendix V of this Circular and further details of the group-wide debt restructuring exercise of the Dayang Group are set out in Section 3 of Part A of this Circular.

2.2.4 Basis and justification for the issue price of RCPS

The final issue price of the RCPS shall be determined and fixed by PPB at a later date after obtaining all relevant approvals but before the announcement of the entitlement date of the RCPS, at a price that is deemed appropriate by PPB and after taking into consideration the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date.

The final issue price of the RCPS shall also be determined by PPB after taking into consideration the following:-

- i. the minimum amount of RCPS to be issued from the PPB Proposed Rights Issue of RCPS of RM455,000,000 in value; and
- ii. the final issue price of the RCPS shall be deemed sufficiently attractive to encourage the subscription of the RCPS by the entitled shareholders of PPB and/ or their renounee(s), if any. In any event, PPB shall take into consideration the prevailing market conditions and market prices of PPB Shares at the price-fixing date, and may fix the issue price of the RCPS subject to a maximum allowable discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date.

For illustrative purposes only, the indicative issue price of the RCPS is assumed at RM0.26 per RCPS throughout Part A of this Circular, which represents a discount of RM0.05 or approximately 16.1% to the 5-day VWAMP of PPB Shares up to and including the LPD, of RM0.31 per PPB Share.

2.2.5 Source of funding

The Subscription Consideration of up to RM455.0 million by Dayang for the Proposed Subscription will be satisfied entirely via the Set-off Arrangement between Dayang and PPB whereby the capital outlay required by Dayang for the subscription of the RCPS pursuant to the PPB Proposed Rights Issue of RCPS shall be capitalised against the advances owing to Dayang by PPB. As mentioned in Section 2.2.1 of Part A of this Circular, PPB will raise a minimum of RM455.0 million or a maximum of RM506.0 million pursuant to the PPB Proposed Rights Issue of RCPS and its basis for the indicative issue price are set out in Section 2.2.4 of Part A of this Circular.

For avoidance of doubt, there will be no cash outflow from Dayang for the Proposed Subscription as the Subscription Consideration will be capitalised against part of the advances owing to Dayang by PPB of RM455.0 million which have been/ shall be advanced to PPB prior to the implementation of the PPB Proposed Rights Issue of RCPS. The Proposed Subscription will only be implemented upon the completion of the PPB Settlement, details of which are set out in Section 2.2.5.1 of Part A of this Circular.

2.2.5.1 Information on the advances owing to Dayang by PPB

As the PPB Group has been incurring losses in the past few years, PPB has been relying on Dayang for financial support to sustain its operational expenses and loan repayments.

Dayang has advanced a total of RM280.7 million to PPB as at the LPD and will further advance RM365.0 million to PPB upon the issuance of the Proposed Sukuk Programme but prior to the implementation of the PPB Proposed Rights Issue of RCPS, which has been/ will be utilised in the manner set out below:-

Period	Advances by Dayang to PPB RM'000	Interest charges ^{*1} up to the LPD RM'000	Utilisation by the PPB Group	Source of funding by Dayang
As at 31 December 2018	190,661	22,849	Loans repayments and working capital requirements	Bank borrowings and internally-generated funds
April 2019 up to the LPD ^{*2}	90,000 ^{*3}	1,587	3 rd tranche of repayment for the PPB Sukuk Murabahah	Bank borrowings ^{*4}
Upon the issuance of the Proposed Sukuk Programme but prior to the implementation of the PPB Proposed Rights Issue of RCPS	365,000 ^{*3}	-	PPB Settlement (i.e., 4 th and 5 th tranches of repayment for the PPB Sukuk Murabahah)	Proposed Sukuk Programme
Sub-total	645,661	24,486		
Less: Repayment to Dayang by PPB up to the LPD	-	(1,259)	-	-
Total	645,661	23,176		

Notes:-

*1 The advances by Dayang to PPB are subject to interest as set out below:-

FYE 31 December	Interest rate per annum (%)
2017	5.00
2018	5.66
2019	6.00

*2 There were no advances from Dayang to PPB in the 1st quarter of 2019

- *3 A total of RM455.0 million, being the advances owing to Dayang by PPB to be capitalised by PPB against the Subscription Consideration pursuant to the RCPS Undertakings
- *4 Dayang had, in April 2019, secured a short term loan facility of RM90.0 million from a licensed financial institution to bridge the 3rd tranche of repayment for the PPB Sukuk Murabahah of RM90.0 million. The said short term loan facility has been fully drawn-down by Dayang as at the LPD and will be repaid via proceeds to be raised from the Proposed Sukuk Programme. The said short term loan facility will mature on 30 September 2019 or such other period as may be extended by the licensed financial institution

The advances owing to Dayang by PPB subsequent to the PPB Proposed Rights Issue of RCPS are set out below:-

	RCPS Minimum Scenario RM'000	RCPS Maximum Scenario RM'000
<i>Advances owing to Dayang by PPB</i>	645,661	645,661
<i>Less: Set-off Arrangement</i>	(455,000)	(306,011)
<i>Less: Partial repayment to Dayang by PPB via proceeds to be raised from the PPB Proposed Rights Issue of RCPS</i>	-	(148,989)
	<u>190,661</u>	<u>190,661</u>

The remaining advances owing to Dayang by PPB of RM190.7 million after the completion of the PPB Proposed Rights Issue of RCPS will be repaid to Dayang over a period of 7 years on a monthly equal basis at an interest rate of 6.0% per annum via the PPB Group's internally-generated funds. Such repayment is expected to take effect upon completion of the PPB Proposed Rights Issue of RCPS or such other date as may be extended by Dayang. The interests accrued on the advances owing to Dayang by PPB are repayable on demand.

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2.2.5.2 Information on the PPB Sukuk Murabahah

In 2016, with an objective to reduce PPB's exposure to foreign exchange risk due to the strengthening of USD against RM, PPB converted some of its USD loans amounting to approximately USD150.0 million into Shariah-compliant borrowings via the PPB Sukuk Murabahah. The PPB Sukuk Murabahah was issued by PPB on 28 April 2016 and is constituted by a trust deed dated 8 April 2016 entered between PPB and the trustee for the holders of the PPB Sukuk Murabahah ("Trust Deed"). PPB is required to repay the nominal value of the PPB Sukuk Murabahah for the respective tenures based on the maturity dates as set out below:-

Tranche	Nominal value RM'000	Profit rate %	Maturity date	Status of repayment
1	90,000	4.30	28.04.2017	Repaid on 27.04.2017 via advances from Dayang and the PPB Group's internally-generated funds
2	90,000	4.45	27.04.2018	Repaid on 26.04.2018 via advances from Dayang and the PPB Group's internally-generated funds
3 ^{*1}	90,000	4.60	26.04.2019	Repaid on 26.04.2019 via advances from Dayang
4 ^{*1}	90,000	4.75	28.04.2020	To be repaid upon maturity or early redemption via advances from Dayang
5 ^{*1}	275,000	4.90	28.04.2021	To be repaid upon maturity or early redemption via advances from Dayang
Total	635,000			

Note:-

*1 *The 3rd to 5th tranches of repayment for the PPB Sukuk Murabahah form part of the PPB Group's debt under the CDRC debt restructuring scheme*

The salient terms of the PPB Sukuk Murabahah are set out below:-

- i. Primary bonds' repayment terms under the PPB Sukuk Murabahah contract

Pursuant to the Islamic financing documents in relation to the PPB Sukuk Murabahah, PPB shall be liable to pay the deferred sale price ("Deferred Sale Price"), being the aggregate of the nominal value of the PPB Sukuk Murabahah and the profit margin of the relevant PPB Sukuk Murabahah, payable on a deferred payment basis.

The PPB Sukuk Murabahah issued by PPB shall evidence, amongst others, the entitlement of the holders of the PPB Sukuk Murabahah to receive the Deferred Sale Price. Any non-payment of the nominal value on the respective maturity date would constitute a default under the Trust Deed.

ii. Secondary bonds/ profit payment terms under the PPB Sukuk Murabahah contract

The secondary bonds/ profit payment is the amount calculated on the relevant outstanding PPB Sukuk Murabahah based on the profit rate per annum for the respective tranches.

In relation to each tranche of the PPB Sukuk Murabahah, the date for payment of the periodic profit payments shall be each date falling at the end of consecutive 6 months period commencing the issue date until the maturity date of that tranche of PPB Sukuk Murabahah. Any non-payment would constitute a default under the Trust Deed.

iii. Securities

The payment by PPB for up to the nominal value of the PPB Sukuk Murabahah of RM635.0 million and 1 profit payment thereof, in respect of the first issuance of the PPB Sukuk Murabahah, is guaranteed by an Al-Kafalah facility issued on 28 April 2016 by Danajamin Nasional Berhad ("Danajamin") in favour of PPB ("Al-Kafalah Facility").

As at the LPD, the Al-Kafalah Facility is secured by:-

- a) a charge over the designated securities accounts which include disbursement, revenue, operating and payment disbursement accounts maintained by the PPB Group;
- b) a charge over mortgages of 11 vessels of the PPB Group via a 3rd party 1st priority statutory mortgage of the subsidiaries of PPB;
- c) a charge over all money, revenue, receipts, proceeds or income in relation to the said vessels;
- d) a charge over all policies and contracts of insurance of vessel owners of the said vessels; and
- e) a charge over the said vessels of a 3rd party deeds of covenant prescribed by the trustee and executed by the vessel owners and the relevant corresponding mortgages as security for the repayment of the PPB Sukuk Murabahah.

iv. Guarantee fee

Guarantee fee payable to Danajamin at the rate of 1.55% per annum calculated on the guaranteed amount commencing the date of the first issuance with 30 days claim period of the PPB Sukuk Murabahah, paid annually in advance.

The 3rd tranche of repayment for the PPB Sukuk Murabahah fell due on 26 April 2019. As the PPB Group has been incurring losses in the past few years, it has been relying on Dayang for financial support to sustain its operational expenses and loans repayments. As such, Dayang had, in April 2019, secured a short term loan facility from a licensed financial institution of RM90.0 million to bridge the 3rd tranche repayment for the PPB Sukuk Murabahah. The said facility has been fully drawn-down by Dayang as at the LPD and will be repaid from the proceeds raised from the Proposed Sukuk Programme.

The PPB Settlement is undertaken for the early redemption of the 4th and the final 5th tranches of the PPB Sukuk Murabahah, which forms part of the group-wide debt restructuring exercise of the Dayang Group. It will be funded entirely via proceeds raised from the Proposed Sukuk Programme. The PPB Settlement of RM365.0 million has been determined by the Board after taking into consideration the outstanding nominal value of the PPB Sukuk Murabahah of RM365.0 million as at the LPD.

The PPB Settlement is not subject to any interest charged by Dayang. It will be fully repaid to Dayang via the Set-off Arrangement under the RCPS Minimum Scenario or the combination of the Set-off Arrangement and cash proceeds to be raised from the PPB Proposed Rights Issue of RCPS under the RCPS Maximum Scenario.

The PPB Settlement is subject to the implementation of the Proposed Sukuk Programme. Details on the inter-conditionality of the Proposed Sukuk Programme and the Proposals are set out in Section 9 of Part A of this Circular. In addition, the PPB Settlement will only be undertaken upon PPB obtaining its shareholders' approval for the PPB Proposed Rights Issue of RCPS. In the event the PPB Proposed Rights Issue of RCPS is not approved, the PPB Settlement will not materialise.

The PPB Settlement represents the entire outstanding nominal value of the PPB Sukuk Murabahah as at the LPD and is not proportionate to Dayang's shareholdings of 60.48% equity interest in PPB. Nevertheless, Dayang is currently providing a corporate guarantee for the PPB Sukuk Murabahah. If PPB is unable to service its financial obligations as and when they fall due, an event of default will be triggered and Dayang will be required to repay the indebtedness of PPB to the PPB Sukuk Murabahah's sukukholders. An event of default may also create a cross default of all the banking facilities within the Dayang Group. Any such default by PPB will also have an adverse impact on the financial position of the Dayang Group.

With the PPB Settlement, PPB will be able to reduce its liabilities and at the same time strengthen its cash flow position, which would in turn augur well for the Dayang Group's on-going plan of cost optimisation and debt restructuring. Premised on the above, the Board is of the opinion that the PPB Settlement is in the best interest of the Company.

2.2.6 Liabilities to be assumed

Save for the Subscription Consideration for the RCPS, there are no liabilities, including contingent liabilities and/ or guarantees, to be assumed by Dayang arising from the Proposed Subscription.

2.2.7 Additional financial commitment

Save for the Subscription Consideration for the RCPS of up to RM455.0 million (which comprise RM90.0 million from the total advances owing to Dayang by PPB as at the LPD and RM365.0 million arising from the Proposed Sukuk Programme which will be advanced by Dayang to PPB for the PPB Settlement), there are no additional financial commitment required by Dayang to put the business of PPB on-stream arising from the Proposed Subscription as PPB is an on-going entity with operations.

In addition, Dayang is not required to make any additional cash payment for the conversion of the RCPS into new PPB Shares. The conversion price per new PPB Share shall be an amount equivalent to the issue price of the RCPS multiplied by the conversion ratio, which shall be deemed settled by way of set-off. The indicative salient terms of the RCPS are set out in Appendix IV of this Circular.

2.2.8 Background information on the PPB Group

PPB 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, it was converted into a public limited company under the name of Petra Perdana Berhad and subsequently changed its name to Perdana Petroleum Berhad on 7 July 2011. PPB was listed on the Second Board of Bursa Securities on 16 August 2000 and was subsequently transferred to the Main Board (now known as Main Market) of Bursa Securities on 23 January 2003.

PPB is an investment holding company. PPB, through its subsidiaries, provides marine support services which include the provision of vessels for the upstream O & G industry. PPB owns and operates a fleet of vessels comprising a strategic mix of AHTSs, AWBs and WBs which are capable in the operation of transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities on-board.

As at the LPD, the issued share capital of PPB is RM411,219,267 comprising 778,470,949 PPB Shares. As at the LPD, PPB does not have any convertible securities.

The financial summary of the PPB Group based on the audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2018 and the latest unaudited results for the 6-month FPE 30 June 2019 together with the corresponding preceding financial period, are set out below:-

	← Audited →			← Unaudited →	
	FYE 31 December			6-month FPE 30 June	
	2016	2017	2018	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	191,711	147,787	189,653	64,363	88,544
Loss after taxation attributable to owners of the company	(28,040)	(186,106)	(40,910)	(56,557)	(38,381)
Shareholders' funds/ NA	743,427	494,483	460,705	433,854	422,977
Net loss per share (sen)	(3.60)	(23.91)	(5.26)	(7.27)	(4.93)
NA per share (RM)	0.95	0.64	0.59	0.56	0.54
Total borrowings	895,919	734,277	633,252	623,643	547,400
Gearing (times)	1.20	1.48	1.37	1.44	1.29

Further information on the PPB Group is set out in Appendix II of this Circular.

2.2.9 Percentage ratios under Paragraph 10.02(g) of the Listing Requirements

The highest percentage ratio applicable for the Proposed Subscription pursuant to Paragraph 10.02(g) of the Listing Requirements is 40.50%, derived from the aggregate value of the Subscription Consideration of RM455.0 million compared with the latest audited consolidated NA of Dayang for the FYE 31 December 2018.

2.3 Private Placement

2.3.1 Details of the Private Placement

The Private Placement is undertaken pursuant to Sections 75 and 76 of the Act which was obtained from the shareholders of Dayang in its 13th AGM convened on 22 May 2019 whereby the Board had been authorised to allot and issue new Dayang Shares not exceeding 10% of the total number of issued shares in the Company for the time being and that such authority shall continue to be in force until the conclusion of the next AGM of the Company.

Further to the above, pursuant to Paragraph 6.03(1) of the Listing Requirements, the aggregate number of Shares to be issued under the General Mandate must not exceed 10% of the total number of issued shares of Dayang during the preceding 12 months. For avoidance of doubt, Dayang had not issued any Shares under the General Mandate during the preceding 12 months from the date of Part A of this Circular.

As such, details of the Private Placement as disclosed in this section are for shareholders' information purposes only.

2.3.2 Placement size

The Private Placement involves the issuance of up to 96,480,983 Placement Shares, representing approximately 10% of the total number of Dayang Shares in issue as at the LPD.

For avoidance of doubt, the Private Placement is intended to be implemented after the completion of the Proposed Rights Issue of Shares.

2.3.3 Placement arrangement

The Placement Shares are intended to be placed out to third party investor(s) to be identified at a later date and who qualify under Schedule 6 and Schedule 7 of the Capital Markets and Services Act, 2007.

In accordance with Paragraphs 6.04(c) and 6.06(1) of the Listing Requirements, the Placement Shares are not intended to be placed out to the following parties:-

- i. the director, major shareholder or chief executive of Dayang or a holding company of Dayang;
- ii. any person connected with the abovementioned director, major shareholder or chief executive; and
- iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Private Placement may be implemented in 1 or more tranches within a period of 6 months from the date of the approval from Bursa Securities for the Private Placement or any extended period as may be approved by Bursa Securities, subject to the prevailing market conditions and to provide the Company with the flexibility to secure interested investors. As such, there may be several price-fixing dates depending on the number of tranches and timing of implementation.

The issue price for each tranche of the Placement Shares shall be determined separately in accordance with the basis as stated in Section 2.3.4 of Part A of this Circular.

2.3.4 Basis and justification of arriving at the issue price of the Placement Shares

The issue price of each tranche of the Placement Shares, where applicable, shall be determined and fixed separately and announced by the Company at a later date following the receipt of all relevant approval for the Private Placement. In accordance to Paragraph 6.04(a) of the Listing Requirements, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date.

As mentioned in Section 2.3.2 of Part A of this Circular, the Private Placement is intended to be implemented after the completion of the Proposed Rights Issue of Shares.

For illustrative purposes only, the indicative issue price of the Placement Shares is assumed at RM1.22 per Placement Share, which represents a discount of RM0.13 or 9.63% to the TERP of Dayang Shares of RM1.35 calculated based on the 5-day VWAMP of Dayang Shares up to and including the LPD of RM1.40 per Dayang Share.

2.3.5 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issuance, rank *pari passu* in all respects with existing Dayang Shares, save and except that the holders of the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other form of distributions where the entitlement date of such dividends, rights, allotments and/ or any other form of distributions precedes the relevant date of allotment and issuance of the Placement Shares.

2.3.6 Listing of and quotation for the Placement Shares

The approval from Bursa Securities was obtained, vide its letter dated 27 August 2019, for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.3.7 Utilisation of proceeds from the Private Placement

The Company is unable to determine the actual amount of proceeds to be raised from the Private Placement at this juncture as the amount to be raised will depend on the actual issue price and the actual number of Placement Shares to be issued.

Based on the indicative issue price of RM1.22 per Placement Share, the Private Placement is expected to raise gross proceeds of approximately RM117.7 million. The proceeds are intended be utilised by Dayang and its wholly-owned subsidiaries in the manner as set out below:-

Description of utilisation	Amount RM'000	Expected time frame for utilisation of proceeds (from the date of listing of the Placement Shares)
Partial repayment for the Proposed Sukuk Programme ¹	75,000	Immediately
Capital expenditure ²	22,000	Within 24 months
Working capital requirements ³	18,207	Within 12 months
Estimated expenses for the Private Placement ⁴	2,500	Immediately
Total estimated proceeds	117,707	

Notes:-

*1 Pursuant to the Proposed Sukuk Programme, a nominal amount of up to RM682.5 million will be raised. The Company intends to utilise RM75.0 million from the proceeds raised from the Private Placement to partly repay the principal amount and coupon/ profit payments as the partial repayment forms part of the indicative principal terms and conditions for the Proposed Sukuk Programme to be established by Dayang pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group. Further details of the Proposed Sukuk Programme are set out in Section 3 of Part A of this Circular. The indicative principal terms and conditions for the Proposed Sukuk Programme are set out in Appendix V of this Circular.

*2 The Company intends to utilise up to RM22.0 million of the proceeds raised for capital expenditure purposes of the Company and its wholly-owned subsidiaries in the manner as set out below:-

	RM'000
Purchase of vessel ^a	18,500
Acquisition of land ^b	3,500
Total	<u>22,000</u>

Notes:-

*a The Company's wholly-owned subsidiary is in the midst of identifying 1 unit of WB as an additional vessel for the existing business of the Company and its wholly-owned subsidiaries. The WB will be used to provide accommodation for the personnel of the Company and its wholly-owned subsidiaries to facilitate the provision of their supporting products and services.

The estimated cost of the said WB ranges from RM60.0 million to RM100.0 million per unit. The Company intends to utilise RM18.5 million of the proceeds for partial payment for the purchase of the vessel and the remaining balance will be funded via internally-generated funds and bank borrowings.

The Company's wholly-owned subsidiary has not commenced any negotiation with any party in relation to the purchase of the WB as at the LPD.

*b The Company's wholly-owned subsidiary had, on 4 July 2019, executed a sale and purchase agreement for the acquisition of a parcel of a leasehold land measuring approximately 5 acres in Bintulu, Sarawak for a cash consideration of approximately RM3.4 million and the Company intends to utilise RM3.4 million of the proceeds to fund the said acquisition. The Company had also earmarked an additional RM0.1 million for incidental expenses in relation to the acquisition. The acquisition is expected to be completed by the 4th quarter of 2019.

Thereafter, the Company plans to construct a warehouse to store the raw materials and equipment of the Company and its wholly-owned subsidiary on the said land, of which the estimated construction cost for the warehouse has not been determined at this juncture. The construction cost may be funded via internally-generated funds and/ or bank borrowings.

*3 The Company intends to utilise up to RM18.2 million of the proceeds for the working capital requirements of the day-to-day operations of Dayang and its wholly-owned subsidiaries in the manner set out below:-

	RM'000
Payment to trade creditors	10,000
Rental of equipment and vessels	3,500
Administrative expenses (i.e. finance cost, utilities, administrative overheads such as staff related cost, printing and stationery, as well as office expenses such as general upkeep of office)	4,707
Total	<u>18,207</u>

*4 The proceeds earmarked for the estimated expenses in relation to the Private Placement shall be utilised in the manner set out below:-

	RM'000
Professional fees ^a	2,470
Regulatory fees (i.e. Bursa Securities)	30
Total	<u>2,500</u>

Note:-

*a Further breakdown of the professional fees is set out below:-

	RM'000
Placement fees (in tandem with the amount of proceeds raised from the Private Placement)	2,400
Advisory fees	70
Total	<u>2,470</u>

The actual proceeds to be raised from the Private Placement will depend on the actual issue price and the actual number of Placement Shares to be issued. In the event the actual amount raised is lower than the intended amount of proceeds of RM117.7 million, the actual proceeds will be allocated in the following priority:-

- i. Partial repayment for the Proposed Sukuk Programme;
- ii. Capital expenditure; and
- iii. Working capital requirements.

In the event of a shortfall in the actual amount of proceeds raised and that such proceeds arising therefrom are not sufficient to be utilised for any of the purposes above, the Company shall seek for other source of financing such as bank borrowings.

Pending utilisation of the proceeds raised from the Private Placement for the abovementioned purposes (save for the proceeds earmarked for the partial repayment for the Proposed Sukuk Programme), the proceeds raised will be placed in deposits with licensed financial institutions or short-term money market instruments. The interests derived from the deposits with the licensed financial institutions or any gains arising from the short-term money market instruments will be used as additional working capital requirements for the Company and its wholly-owned subsidiaries. Pending utilisation, the proceeds earmarked for the partial repayment for the Proposed Sukuk Programme will be placed in the Dayang Revenue Account operated by a security agent (i.e., a licensed financial institution) to be appointed under the Proposed Sukuk Programme and any income derived from it will be used according to the cash flow priority application of the Dayang Revenue Account, details of which are set out in Appendix V of this Circular.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSALS AND THE PRIVATE PLACEMENT

Dayang Group is currently embarking on a group-wide debt restructuring exercise involving Dayang as well as PPB which comprises:-

- i. the Proposals, the Proposed Sukuk Programme and the Private Placement; and
- ii. the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS.

The group-wide debt restructuring exercise of the Dayang Group aims to restructure its loans and debt to strengthen the financial position of the Group and put in place an efficient and optimal capital structure amid the recovery in the O & G industry. With an efficient capital structure, the Company will have the flexibility to tap into the capital market for future fund raising for its future expansion.

The establishment of the Proposed Sukuk Programme, which forms an integral part of Dayang's group-wide debt restructuring exercise, aims to restructure the existing borrowings of the Dayang Group (including the PPB Group). The Proposed Sukuk Programme has an indicative tenure of up to 8 years and part of the proceeds to be raised from the Proposed Sukuk Programme, an amount of RM317.5 million, will be utilised to partially retire the existing borrowings of the Dayang Group (excluding the PPB Group) and the remaining RM365.0 million will be advanced to PPB for the early redemption of the PPB Sukuk Murabahah. The details of the PPB Sukuk Murabahah are set out in Section 2.2.5.2 of Part A of this Circular. The Company wishes to highlight that the principal terms and conditions for the Proposed Sukuk Programme have not been finalised as at the date of this Circular. Further details of the Proposed Sukuk Programme will be made to Bursa Securities upon lodgement with the SC pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework. The indicative principal terms for the Proposed Sukuk Programme are set out in Appendix V of this Circular.

The Proposals and the Private Placement combined with the debt restructuring exercise will provide the Dayang Group a stronger financial position to capitalise on the opportunities which are now emerging in the O & G industry arising from the gradual recovery of the crude oil price and premised on the outlook of the O & G industry in Malaysia as set out in Section 4.2 of Part A of this Circular. The improved activity in the O & G industry is evidenced by the improved financial performance of the Dayang Group in the FYE 31 December 2018 as well as the 6-month FPE 30 June 2019 as set out in Section 4.3 of Part A of this Circular.

PPB Group's debt restructuring scheme involves restructuring of the PPB Group's existing borrowings (comprising the PPB Sukuk Murabahah, 3 term loan facilities, a revolving credit facility and a lease arrangement) with its licensed financial institutions as set out below:-

PPB borrowings	Group's Before the debt restructuring scheme	After the debt restructuring scheme
Early redemption of the PPB Sukuk Murabahah	The outstanding nominal value of the PPB Sukuk Murabahah of RM455.0 million as at 31 December 2018 would be due in April 2019, April 2020 and April 2021, respectively, in accordance with the repayment schedule as set out in Section 2.2.5.2 of Part A of this Circular.	<ul style="list-style-type: none"> • The 3rd tranche of repayment for the PPB Sukuk Murabahah of RM90.0 million due in April 2019 was funded via advances from Dayang (via a short term loan facility secured by Dayang to bridge the said repayment); and • The 4th and 5th tranches of the PPB Sukuk Murabahah of RM365.0 million will be early redeemed via the PPB Settlement.

PPB Group's borrowings	Before the debt restructuring scheme	After the debt restructuring scheme
Extension of tenure for 2 term loans denominated in USD	The 2 term loans will be due for full repayment in October 2019 and June 2020, respectively.	The tenure of the 2 term loans is expected to be extended for a maximum period of 48 months effective from the finalisation of the restructured terms with the respective lenders in the 4 th quarter of 2019.
Refinancing of a term loan denominated in USD	The balance owing to the lender was due for full repayment in November 2018.	The outstanding amount of the term loan has been fully settled and refinanced into a new Islamic facility denominated in RM over a tenure of 7 years effective August 2019.
Extension of tenure for a revolving credit facility	The revolving credit facility is repayable upon demand.	The repayment of the revolving credit facility has been extended for a maximum period of 24 months effective October 2019.
Restructuring of a lease arrangement	<ul style="list-style-type: none"> • In January 2011, Perdana Jupiter Ltd ("PJL") (a wholly-owned subsidiary of PPB) had entered into a lease arrangement with Mount Santubong Ltd ("MSL") to lease MSL's 2 vessels, with an option to purchase the said vessels upon expiry of the lease term in June 2019 and December 2019, respectively. The outstanding amount in relation to the lease arrangement was USD30.1 million (equivalent to RM124.7 million) as at 31 December 2018. • On 23 May 2019, PPB announced that PJL had entered into a share sale agreement with NFC Shipping Fund C LLC to acquire the entire equity interest in MSL for a total cash consideration of USD1. The acquisition was completed on 5 July 2019. • The outstanding borrowings of MSL stood at USD15.15 million (equivalent to RM64.0 million) as at the LPD. 	<p>The lease arrangement between PJL and MSL has been terminated as MSL is currently a wholly-owned subsidiary of PPB and the PPB Group will continue to fulfil the debt obligations of MSL following the completion of the acquisition of MSL in July 2019.</p> <p>The tenure of MSL's term loan has been extended over a period of 7 years effective October 2019.</p>
Reduction in interest rates for the PPB Group's borrowings (excluding the PPB Sukuk Murabahah)	The interest rates ranged between 3.8% and 7.3% as at 31 December 2018.	The revised interest rates are expected to range between 2.0% and 4.7%.

PPB Group's debt restructuring scheme is expected to be completed in the 4th quarter of 2019.

3.1 Proposed Rights Issue of Shares

The Proposed Rights Issue of Shares is undertaken to raise proceeds to be utilised in the manner as set out in Section 2.1.6 of Part A of this Circular. After due consideration of the various options available to the Company, the Board is of the opinion that the Proposed Rights Issue of Shares is an appropriate option as:-

- i. it will enable the Company to raise funds without incurring interest expense as compared to bank borrowings;
- ii. it will involve the issuance of new Dayang Shares without diluting the existing shareholders' percentage shareholdings provided that all the Entitled Shareholders subscribe in full for their respective entitlements pursuant to the Proposed Rights Issue of Shares;
- iii. it will provide the Entitled Shareholders with an opportunity to participate in an equity offering in the Company on a pro rata basis and ultimately, participate in the prospects and future growth of the Dayang Group by subscribing to the Rights Shares; and
- iv. it will strengthen the Dayang Group's financial position with enhanced shareholders' funds which is expected to facilitate the continuous long term growth and expansion plans of the Dayang Group.

3.2 Proposed Subscription

As at the LPD, the total advances owing to Dayang by PPB stood at RM280.7 million. In addition, upon completion of the PPB Settlement, the total advances owing to Dayang by PPB will increase by RM365.0 million to RM645.7 million, details of which are set out in Section 2.2.5.1 of Part A of this Circular. Further, the details of the additional advances of RM365.0 million are set out in Section 2.2.5.2 of Part A of this Circular.

Dayang intends to restructure the total advances owing by PPB via the Proposed Subscription which enables the capitalisation of up to RM455.0 million of the advances owing by PPB into RCPS. Upon completion of the Proposed Subscription, the remaining advances owing to Dayang by PPB will be repaid to Dayang on a staggered basis pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group, details of which are set out in Section 2.2.5.1 of Part A of this Circular.

The Board (save for the Interested Directors) is of the view that the Proposed Subscription is an appropriate option for Dayang to:-

- i. partially capitalise the advances owing to Dayang by PPB via the subscription of the RCPS. For avoidance of doubt, Dayang is not required to make any additional cash payment for the conversion of the RCPS into new PPB Shares. The conversion price per new PPB Share shall be an amount equivalent to the issue price of the RCPS multiplied by the conversion ratio, which shall be deemed settled by way of set-off; and
- ii. increase its equity participation in PPB through the conversion of the RCPS into new PPB Shares during the tenure of the RCPS, if any. The resultant shareholdings of Dayang in PPB upon conversion of RCPS by Dayang is set out in Section 2.2.1 of Part A of this Circular. The indicative salient terms of the RCPS are set out in Appendix IV of this Circular.

The Proposed Subscription will enable the PPB Group to preserve its cash for its working capital requirements for future business expansion.

3.3 Private Placement

The Private Placement will:-

- i. enable the Company to raise additional funds without incurring interest expense as compared to bank borrowings for purposes as set out in Section 2.3.7 of Part A of this Circular;
- ii. provide the Company an expeditious way of raising funds from the capital market as opposed to other forms of fund raising; and
- iii. enable the Company to further strengthen the financial position and capital base of the Group and reduce the Group's gearing ratio.

4. INDUSTRY OUTLOOK AND FUTURE PROSPECTS

4.1 Overview and outlook of the Malaysian economy

The Malaysian economy expanded at a more moderate pace of 4.7% in 2018 (2017: 5.9%). Despite a positive start to 2018, the economy subsequently was confronted with several external and domestic challenges. Major policy and political shifts, arising partly from the global trade tensions and the historic change of Government in Malaysia, became sources of uncertainty for the economy. Unanticipated supply disruptions in the mining and agriculture sectors, as well as commodity exports adversely affected Malaysia's economic performance, resulting in a larger-than-expected moderation in growth.

Against the backdrop of a challenging global environment, the Malaysian economy is expected to sustain its growth momentum, expanding by 4.3% – 4.8% in 2019 (2018: 4.7%). Domestic demand will remain the anchor of growth, underpinned by continued expansion in private sector activity. Private consumption growth is expected to moderate, but remain firm supported by stable labour market conditions and continued wage growth. The implementation of several government measures, particularly aimed at alleviating rising cost of living, is expected to further support consumption spending, especially by lower income households. Private investment activity will be supported by the implementation of on-going multi-year projects, particularly in the manufacturing and services sectors. The normalisation of destocking activities by firms after the strong demand during the tax holiday period in 2018 will serve as an additional support to growth. Public sector expenditure, however, is expected to weigh on growth. The projected contraction in public investment will be due mainly to lower investment by public corporations following the completion of large-scale projects, while the expectations for a moderate growth in public consumption reflect the continued reprioritisation of government spending.

(Source: Annual Report 2018, BNM)

Gross domestic product registered a higher growth of 4.9% in the 2nd quarter of 2019 (1st quarter of 2019: 4.5%), supported by continued expansion in domestic demand. On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 1.0% (1st quarter of 2019: 1.1%).

(Source: Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter of 2019, BNM)

4.2 Overview and outlook of the O & G industry in Malaysia

Since the last update of the PETRONAS Activity Outlook 2018-2020, oil prices have exhibited greater volatility despite improvement in price level. In 2018, Dated Brent has averaged USD72 per barrel (as at 7 December 2018), compared to average 2017 price of USD54 per barrel, a 33% annual increase. Oil prices have been fluctuating in 2018 from year-high of USD86.2 per barrel in early October to lowest of USD57 per barrel in end November as the global oil market turned from tight to oversupply. Extension of production cut by OPEC+ (consists of Organisation of the Petroleum Exporting Countries ("OPEC") and Non-OPEC) to end 2018 has managed to stabilise the global oil market. Commercial oil inventories for the Organisation for Economic Cooperation and Development ("OECD") countries have declined sharply to below the 5-year average of 2.8 billion barrels in March 2018. However, towards the end of 2018, the global oil market turned into surplus resulting in oil prices weakening to below USD60 per barrel. This was driven by demand concern and increased supply from the United States of America ("US"). Production from the US continue to grow, hitting a record-high of 11.7 million barrels per day in November 2018 to average 10.9 million barrels per day in 2018. OECD oil stocks increased by 63 million barrels from March 2018 to 2.9 billion barrels at the end of 3rd quarter of 2018, indicating a surplus market. On December 2018, OPEC+ pledged to extend the production cut to June 2019 with participating members in OPEC reducing output by 800 kilobarrels per day and non-OPEC by 400 kilobarrels per day, with the intent to stabilise the oil market. However, the growth of US tight oil production and expectation of global oil demand growth, amidst the concern on trade war and weakening emerging markets' currencies will influence the global oil market in 2019.

Since January 2017, OPEC+ have extended the production cut timeline twice to end in December 2018. OPEC+ maintained to cover supply shortage from Iran and Venezuela from countries with spare capacity such as Saudi Arabia, United Arab Emirates, Kuwait and Russia. The market remains concerned over OPEC's ability to cushion the impact of shortage. This could increase volatility and magnify the risk premium in oil prices.

Oil demand growth is expected to be at risk as soaring oil prices and weakening emerging markets currencies could lead to higher oil import bill. There is also a risk of demand erosion due to escalation of trade disputes between US and China.

(Source: PETRONAS Activity Outlook 2019 – 2021)

In the mining sector, growth contracted by 1.5% in 2018, attributable mainly to the decline in natural gas production as operations in East Malaysia were affected by pipeline repairs and unplanned maintenance shutdown. Growth in the mining sector is projected to register a turnaround in 2019 (0.8%). The recovery in natural gas production in East Malaysia will support growth in the mining sector. This will more than offset the decline in crude oil output due to production constraints and extension of voluntary supply adjustments by PETRONAS.

(Source: Annual Report 2018, BNM)

Growth in the mining sector rebounded to 2.9% (1st quarter of 2019: -2.1%), the first positive growth since the 3rd quarter of 2017. The turnaround was supported mainly by the recovery in natural gas output following the pipeline disruptions in 2018. This had more than offset the continued drag to growth posed by lower oil production amid the planned facility shutdowns in East Malaysia.

(Source: Economic and Financial Developments in the Malaysian Economy in the 2nd Quarter of 2019, BNM)

4.2.1 HUC and MCM segment

HUC ties in all components of the facilities including all functioning tests and start-up of facilities.

MCM covers activities related to the repair and maintenance of existing topside facilities. Typically, a MCM campaign will be executed every 5 to 8 years to ensure production sustainability.

Both HUC and offshore MCM are grouped together, as they generally have similar manpower and equipment requirements. Given that both activities are labour intensive, activity outlook is stated in man-hour units.

3-year outlook	No. of man-hours (millions)			Remarks
	2019	2020	2021	
HUC	4.9	3.6	5.4	Most activities accounted are for brownfield HUC. HUC activities are expected to remain stable over the next 3 years
MCM	17.7	17.6	18.7	Activity is expected to remain stable over the next 3 years

Post 2021, steady outlook can be expected for HUC as brownfield HUC will persist due to the increasing number of projects and ageing facilities; despite continuous effort to reduce cost via scope optimisation. Positive outlook can be expected for MCM activities due to the cyclical nature of maintenance activities; inclusion of less priority scope and increase of oil price has contributed to the demand for MCM work. However, cost pressure will continue to drive further scope optimisation/ prioritisation.

(Source: PETRONAS Activity Outlook 2019 – 2021)

4.2.2 Marine vessels segment

Marine vessels offer a wide range of support services for exploration and development drilling, installation, HUC and production. AHTS is one of the most widely used vessel types.

3-year outlook		No. of vessels		
		2019	2020	2021
AHTS > 100 metric tonnes	High case*1	44	42	42
	Low case*2	38	38	38
AHTS =< 100 metric tonnes	High case*1	72	65	66
	Low case*2	67	60	62

Notes:-

*1 High case refers to activities with lower probability of occurrence; lower project maturity and certainty of requirement

*2 Low case refers to activities with high probability of occurrence; high project maturity and certainty of requirement

Post 2021, positive outlook is expected for AHTS to fulfil the increase in development activity, especially for drilling and production.

(Source: PETRONAS Activity Outlook 2019 – 2021)

4.3 Prospects of the Dayang Group

Dayang is an investment holding company and through its subsidiaries, provides offshore topside maintenance services, minor fabrication works, offshore HUC services for O & G companies, and chartering of marine vessels.

Despite the challenging operating environment in the O & G industry due to volatile crude oil prices as well as external macro headwinds due to the US-China trade tension, the Dayang Group continues to focus on delivering the work orders from the contracts secured and pursue better operational excellence in delivering the HUC and topside maintenance services. Dayang Group had also over the years embarked on an effort to streamline its business via various cost optimisation measures. These cost optimisation measures coupled with a pickup in business activities has improved financial performance in the FYE 31 December 2018 as well as the 6-month FPE 30 June 2019 of the Dayang Group. The Group recorded an audited profit attributable to owners of the Company of RM160.2 million in the FYE 31 December 2018 compared to an audited loss attributable to owners of the Company of RM144.9 million in the FYE 31 December 2017.

Dayang Group's business operations in 2018 witnessed a steady improvement throughout the year as business activities picked up substantially in the 2nd half of 2018 as the work orders from MCM and pan HUC contract came in. The Group has been focusing on execution and ensuring smooth and timely delivery of its jobs to key clients of the Dayang Group as track record is of utmost importance in the competitive O & G industry.

After the slow start during the 1st quarter of 2018 as inclement weather slowed down work progress resulting in low vessel utilisation, the Dayang Group experienced a more robust work flow in the remaining of 2018. Vessel utilisation of PPB improved from a low of 27% in the 1st quarter of 2018 to 73% in the 4th quarter of 2018. On a full-year basis, vessel utilisation was stronger at 64% in 2018 as compared to 52% in 2017.

Throughout 2018, the Dayang Group has deployed its resources to support its clients in executing the HUC contract, engineering, procurement, construction and commissioning, and maintenance works, including the vessels which are sourced from its subsidiaries, namely the PPB Group and DESB Marine Services Sdn Bhd. Dayang Group's diversified portfolio of client profile has helped to offset the impact of a slower 1st half of 2018 and more work orders started to flow stemming from more maintenance activities in the 2nd half of 2018.

Moving forward, the Group will remain focused on its core businesses. The Group will continue to carry out cash flow management as well as cost optimisation measure to further strengthen the efficiency level within the Group. The positive results of cost optimisation were also reflected in 2018 as the Group enjoyed economies of scale which expanded the Group's profitability given the Group's relatively low fixed cost despite much higher revenue.

As at the LPD, the key contracts secured by the Group (excluding the PPB Group) are as set out below:-

Awarded by	Scope of work	Commencement date	Expiry date	Option to extend for a period of 1 year
PETRONAS Carigali Sdn Bhd	Provision of HUC and topside major maintenance services - Peninsular (not an Angsi platform and onshore gas terminal, onshore slug catcher and Terengganu gas terminal related works)	August 2019	November 2020	-
Gujurly Inzener	Provision of facilities maintenance support in Turkmenistan operated by Petronas Carigali (Turkmenistan) Sdn Bhd	January 2019	December 2021	Yes
PETRONAS Carigali Sdn Bhd	Provision of MCM Services Package A (Offshore) – Sarawak Oil	September 2017	September 2022	Yes
Repsol Oil & Gas Malaysia Limited	Provision of Pan Malaysia MCM	July 2018	June 2023	Yes
Murphy Sarawak Oil Co. Ltd and Murphy Sabah Oil Co. Ltd	Provision of Pan Malaysia MCM	July 2018	July 2023	Yes
Kebabangan Petroleum Operating Company Sdn Bhd	Provision of Pan Malaysia MCM	July 2018	July 2023	Yes
JX Nippon Oil & Gas Exploration (Malaysia) Limited	Provision of Pan Malaysia MCM	July 2018	July 2023	Yes
SEA Hibiscus Sdn Bhd	Provision of Pan Malaysia MCM	November 2018	July 2023	Yes
Roc Oil (Sarawak) Sdn Bhd	Provision of procurement, construction, installation, HUC services for Roc Oil Sipro/ Infill Drilling Campaign	May 2019	July 2023	Yes

The actual value of the contracts above is not available as these contracts are based on work orders issued by the contractors throughout the contract duration. However, the contracts are expected to last between 2020 and 2023. As such, the management believes that the Dayang Group will continue to deliver a positive performance in 2019.

The synergies tie-up with PPB has ensured the Dayang Group with access to adequate and reliable vessel supply to position itself to take on engineering and construction projects as the combined expertise of Dayang and PPB will further enhance the Group's competitive advantage. This could also help to set the platform for the Group's future strategic venture into engineering projects, offering integrated offshore services to its valued customers.

PPB Group expects to improve its financial performance in 2019 arising from an improvement to their vessel utilisation rate as compared to 2018. Both the Dayang Group and the PPB Group have established synergistic tie-up since Dayang became the controlling shareholder of PPB in 2015. A number of the PPB Group's vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts with various oil majors, whilst increase in drilling activities for more wells is expected to increase vessel utilisation for the AHTS segment. PPB Group expects the crude oil price recovery (i.e. from a 5-year low of USD26 per barrel in 2016 to USD55 per barrel as at the LPD (*Source: Bloomberg*)) to boost the general sentiment for the oil majors and lead to more overall offshore support vessel chartering opportunities for PPB.

The provision of AWB and WB are services associated with the HUC works. Premised on the outlook of the HUC segment as set out in Section 4.2.1 of Part A of this Circular, the Board is of the view that steady outlook is expected for AWB and WB in the near and medium term.

PPB Group have been continuously replenishing its work orders and had announced that it had secured a total of 6 key work orders with tenure above 180 days for the past 2 years up to the LPD as set out below:-

Awarded by	Scope of work	Commencement date ¹	Tenure of work orders	
			Initial ¹	Option to extend ¹
ROC Oil (Sarawak) Sdn Bhd	Provision of 1 AHTS	September 2018	380 days	30 days
Dayang Enterprise Sdn Bhd ²	Provision of 2 AWBs	1 st AWB March 2019	1 st AWB 120 days	1 st AWB Subject to negotiation
		2 nd AWB April 2019	2 nd AWB 200 days	2 nd AWB Up to 30 days
DESB Marine Services Sdn Bhd ²	Provision of 1 WB	April 2019	180 days	Up to 150 days
PETRONAS Carigali Sdn Bhd	Provision of 1 AHTS	March 2019	184 days	Up to 182 days
PETRONAS Carigali Sdn Bhd	Provision of 2 AHTS	May 2019	180 days	Up to 180 days
PETRONAS Carigali Sdn Bhd	Provision of 2 AWBs	1 st AWB July 2019	1 st AWB 183 days	1 st AWB Up to 100 days
		2 nd AWB July 2019	2 nd AWB 155 days	2 nd AWB Up to 100 days

Notes:-

*1 *Based on work orders awarded*

*2 *Wholly-owned subsidiaries of Dayang*

The average utilisation rate of the PPB Group's vessels for the FYEs 31 December 2016, 2017, 2018 and as at the LPD is 58%, 52%, 64% and 66% respectively.

In addition to the business and industry prospects, PPB is presently undertaking a comprehensive debt restructuring exercise under the auspices of the CDRC, with its licensed financial institutions. The admission by PPB into the CDRC is consistent with PPB's strategy to streamline its operations and optimise its financial resources and formed part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently.

Financial commentary of the Dayang Group for the latest unaudited results for the 6-month FPE 30 June 2019

	← Unaudited →	
	6-month FPE 30 June	
	2018	2019
	RM'000	RM'000
Revenue	370,060	403,587
Gross profit	118,515	140,408
Profit before taxation	21,055	63,924
Profit after taxation attributable to owners of the company	17,744	50,955
Shareholders' funds/ NA	975,121	1,174,911
Number of Dayang Shares ('000)	964,810	964,810
EPS (sen)	1.84	5.28
NA per Share (RM)	1.01	1.22

For the 6-month FPE 30 June 2019, the Dayang Group recorded revenue of RM403.6 million, which represents an increase of RM33.5 million or 9.1% as compared to RM370.1 million in the preceding financial period. The increase in revenue was mainly due to higher value of work orders received and performed under the topside maintenance contracts and higher vessel utilisation rate at 57% (6-month FPE 30 June 2018: 48%) as compared to the preceding financial period.

Dayang Group recorded a gross profit of RM140.4 million for the 6-month FPE 30 June 2019, which represents an increase of RM21.9 million or 18.5% as compared to RM118.5 million in the preceding financial period. The increase in gross profit was mainly due to higher revenue as explained above.

Dayang Group recorded a higher profit before taxation of RM63.9 million for the 6-month FPE 30 June 2019, which represents an increase of RM42.8 million or 202.8% as compared to RM21.1 million in the preceding financial period. The higher profit before taxation was mainly due to:-

- i. higher gross profit of RM140.4 million for the 6-month FPE 30 June 2019, which represents an increase of RM21.9 million or 18.5% as compared to RM118.5 million in the preceding financial period as explained above;
- ii. reversal of impairment loss on property, plant and equipment of RM2.8 million as compared to an allowance of impairment loss on property, plant and equipment of RM7.1 million in the preceding financial period as a result of higher estimated recoverable amounts of the Dayang Group's 3 vessels as compared to their carrying amounts based on an impairment assessment performed by the Dayang Group following the strengthening demand for its vessels;

- iii. absence of amortisation of intangible asset during the 6-month FPE 30 June 2019 as compared to an amortisation of intangible asset of RM6.2 million in the preceding financial period as a result of the purchase price allocation accounting treatment arising from the acquisition of PPB which was fully amortised in the FYE 31 December 2018; and
- iv. lower net foreign exchange loss of RM0.4 million as compared to RM2.8 million in the preceding financial period due to favourable movement of USD against RM from USD1:RM4.0 in the 6-month FPE 30 June 2018 to USD:RM4.1 in the 6-month FPE 30 June 2019.

Financial commentary of the PPB Group for the latest unaudited results for the 6-month FPE 30 June 2019

	← Unaudited →	
	6-month FPE 30 June	
	2018	2019
	RM'000	RM'000
Revenue	64,363	88,544
Gross loss	(12,100)	(6,431)
LBT	(55,007)	(37,454)
Loss after taxation attributable to owners of the company	(56,557)	(38,381)
Shareholders' funds/ NA	433,854	422,977
Number of PPB Shares ('000)	778,471	778,471
Net loss per PPB Share (sen)	(7.27)	(4.93)
NA per Share (RM)	0.56	0.54

For the 6-month FPE 30 June 2019, the PPB Group recorded revenue of RM88.5 million, which represents an increase of RM24.1 million or 37.4% as compared to RM64.4 million in the preceding financial period. PPB Group's gross loss reduced to RM6.4 million for the 6-month FPE 30 June 2019, which represents a decrease of RM5.7 million or 47.1% as compared to RM12.1 million in the preceding financial period. PPB Group recorded a lower LBT of RM37.5 million for the 6-month FPE 30 June 2019, which represents a decrease of RM17.5 million or 31.8% as compared to RM55.0 million in the preceding financial period. Further details on the financial information of the PPB Group are set out in Section 11 of Appendix II of this Circular.

5. RISK FACTORS

Dayang is an investment holding company and through its subsidiaries, provides offshore topside maintenance services, minor fabrication works, offshore HUC services for O & G companies, and chartering of marine vessels. PPB, a 60.48%-owned subsidiary of Dayang, is an investment holding company and through its subsidiaries, provides marine support services which include the provision of vessels for the upstream O & G industry. As such, the Group is already exposed to the risks inherent in the O & G industry. The Board (save for the Interested Directors) does not foresee any material change to the risk profile of the Group's business as a consequence of the Proposed Subscription. Further information of PPB is set out in Appendix II of this Circular.

5.1 Risks relating to the O & G industry

5.1.1 Fluctuation in crude oil prices

Fluctuation in crude oil prices has an indirect impact on the business of the Dayang Group as oil majors may vary their activities relating to the development and production of offshore O & G fields. This will, in turn, creates uncertainty in the number of contracts available for tenders.

Crude oil prices have historically been volatile and may continue to be volatile in the future. Crude oil prices have a direct bearing on the levels of activity in the O & G industry, including the HUC and MCM activities as well as vessels chartering activities. Prices for crude oil fluctuate in response to a variety of factors including, but not limited to:-

- i. the level of demand for crude oil, which closely correlates with global economic growth;
- ii. costs pertaining to the exploration, development, production and delivery of crude oil;
- iii. technological advances in exploration, development and production;
- iv. output level of crude oil by non-OPEC countries, the ability of OPEC countries to set and maintain oil production levels and crude oil prices and the level of crude inventories and the availability of excess production capacity;
- v. competition from alternative fossil fuels, including but not limited to shale oil and gas, oil sands and gas to liquids;
- vi. government policies, including those related to the exploration, development and production of their oil and natural gas reserves and policies relating to energy security and environmental regulations;
- vii. adverse global weather conditions and natural disasters;
- viii. global political and economic conditions;
- ix. shifts in end-client preferences toward fuel efficiency;
- x. progress in development of alternative energy, including but not limited to renewable energy; and
- xi. continuous discovery of hydrocarbon reserves globally.

Drop in global crude oil price prices may lead to O & G companies reducing capital expenditure until such time global crude oil price prices increased and stabilised. Significant and continuous cuts in capital expenditure by oil majors have a significant impact on the Group's revenue and financial position. Drop in the level of capital expenditure in the market would have an impact in the Group's business as the number of activities leading to contracting would correspondingly reduce. Nevertheless, the Dayang Group will continue to replenish its work orders and secure additional long-term contracts.

Premised on the outlook of the O & G industry as set out in Section 4.2 of Part A of this Circular, the Dayang Group is cautiously optimistic to secure additional long-term contracts.

5.1.2 Dependency on the level of activities in the offshore O & G industry

As the Group's overall business focus strategy is to provide offshore platform services, the Group's services are dependent on the level of activities in the offshore O & G industry which are affected by, amongst others, the level of exploration, development and production (including maintenance) activities and the corresponding level of expenditure on such activities which, in turn, is influenced by crude oil prices. Prolonged low crude oil prices may reduce the level of activities in the offshore O & G industry as spending on exploration, development and production activities would be scaled back which may result in a reduced demand for the Group's services to reduce.

The Group seeks to limit these risks through, inter alia, securing long-term contracts, maintaining close working relationships with clients, exploring new and additional tender opportunities and effective cost optimisation measures. However, no assurance can be given that any volatility in crude oil prices will not have a materially adverse effect on the Group's business.

5.1.3 Political, socio-political, economic and regulatory conditions

The Group's business, operating results and financial condition may be adversely affected by any adverse development or change in the political or socio-political landscape and economic uncertainties in Malaysia.

Political, socio-political or regulatory changes such as introduction of new laws and regulations, imposition of capital or foreign exchange controls and changes in interest rates or taxes will impact the Group's business, operating results, financial condition and prospects. Other adverse political and economic situations include the risks of war, global economic downturn, terrorism and expropriation which may also affect the performance of the Group.

Further, pursuant to the Petroleum Development Act 1974, PETRONAS is vested with exclusive ownership to Malaysian O & G reserves. Companies can only undertake the exploration and extraction of crude O & G in Malaysia via a Production Sharing Contract ("PSC") with PETRONAS.

Any new terms that may have an adverse impact to the regular terms of a PSC such as reduction of profit sharing of contractors under the PSC may affect the production activities as contractors will be less motivated to carry out crude oil exploration and extraction activities in Malaysia as well as preclude investors from future ventures. This reduction in level of crude oil exploration and extraction will lower the demand for products and services provided by O & G support companies such as the Group.

In mitigating such risk, the Group will continue to review its business strategies in response to the changes in the political, socio-political, economic and regulatory conditions in Malaysia.

5.2 Business risks relating to the Group

5.2.1 Competition

The Group's work contracts are awarded based on open tenders that are highly competitive in nature given the numerous local and foreign service providers in the O & G industry. Generally, track record, reputation, experience, prompt delivery/ completion, sufficient technical capacity, personnel and pricing are major factors in most tender awards. If the Group is not able to compete with other companies, this may lead to the Group not being able to secure new contracts, which may have a material adverse effect on its business, operating results and financial condition.

Whilst the Group faces competition from the other existing local and foreign service providers in the O & G industry, the threat of new entrants is mitigated to a certain extent by the barriers to entry in terms of initial capital investment and working capital resources, technical expertise, skilled workforce and the requirements for licences and registrations with, amongst others, PETRONAS and the Ministry of Finance Malaysia. However, there is no guarantee that the Group is insulated from competition from newly appointed licensed service providers.

Notwithstanding the above, the Group is constantly keeping itself abreast with the latest technologies to remain competitive in the O & G industry. However, there can be no assurance that competitive pricing by competitors would not materially affect the Group's business, operating results and financial condition.

5.2.2 Dependency on major customers

The Group derives a significant amount of its revenue from major O & G customers including national oil companies and international oil majors. Any termination (with or without cause) of existing contracts with them may significantly affect the Group's operations, performance and profitability.

For the FYEs 31 December 2016 to 2018, PETRONAS Carigali Sdn Bhd has been the largest customer of the Group. As PETRONAS Carigali Sdn Bhd is a major PSC contractor in Malaysia, dependency is a common feature among other larger operators in the O & G industry in Malaysia, especially those servicing the upstream O & G sector. Therefore, it is inevitable that PETRONAS Carigali Sdn Bhd would constitute a major source of revenue for service providers like the Group. The Group has been a provider of a wide range of offshore platform services to PETRONAS Carigali Sdn Bhd for approximately 28 years.

The Group has established long standing business relationships with its major customers. However, there is no guarantee that the Group can continuously secure new contracts from these major customers. The discontinuation of any one or more contracts awarded by these major customers, if not replaced, would result in potential loss of significant sources of revenue to the Group. Further, there can be no assurance that the loss of any one or more of the Group's major customers would not have a material adverse effect on the Group's business, operating results and financial condition in the future.

5.2.3 Dependency on award of new contracts

The Group's revenue is largely derived from medium-term (i.e., work orders of more than 6 months) to long-term contracts (i.e., work orders of more than 1 year). It is generally difficult to predict whether and when the Group will be awarded such contracts as the bidding and selection process is often lengthy and complex. In addition, the bidding costs associated with tendering for new contracts may not necessarily result in the award of new contract. The Group's business, operating results and financial condition may be adversely affected if the Group is unable to secure new contracts on a continuous basis.

Nonetheless, the Group believes that its established track record which is associated with quality, reliability, technical expertise and service excellence, good health, safety and environment record as well as its long-standing relationships with its major customers will provide the Group a key advantage when submitting its tenders for new contracts. This is evident via the awarding of several contracts to the Group by major O & G players as set out in Section 4.3 of Part A of this Circular. However, there can be no assurance that failure to secure new contracts would not adversely affect the Group's future financial performance.

5.2.4 Dependency on licenses and registrations

The Group's qualification to tender for and secure various O & G projects in Malaysia is dependent on various licenses and registration issued by various approving authorities such as PETRONAS. All these licences and registrations are valid for certain periods of time with the renewal based on the compliance with those requirements imposed by the relevant authorities. Non-compliance with such requirements may result in fines, penalties and vessel seizure, confiscation, detention or termination or non-renewal of licenses, all of which may result in adverse effects to the Group's operations, performance and financial condition.

PETRONAS is the main licensor governing the Group's operations in the Malaysian O & G industry. The licences issued by PETRONAS enable the Group to provide certain maintenance and marine vessel services and are subject to conditions on its shareholding structure and various employment and operating conditions. In the future, fundamental changes may occur to PETRONAS's policy with regards to the regulation of the O & G industry. These changes may have an adverse or favourable impact the operations of the Group either by restricting or liberalising the regulations governing the O & G industry.

There is no assurance that the licenses and registrations of the Group will be renewed when they expire. However, the Group will continue to ensure that it always complies with the relevant requirements to obtain the necessary renewals.

5.2.5 Operating in a strict environmental regime

The Group is subject to increasingly stringent laws and regulations relating to environmental protection in conducting the majority of its operations, such as in the generation, storage, handling, treatment and disposal of waste materials. The Group incurs and expects to continue to incur capital and operating costs to comply with environmental laws and regulations as its business involves working around and with volatile, toxic and hazardous substances and other highly regulated materials.

Although the Group has not contravened any environmental regulations to-date, it is subject to potential material liabilities relating to claims alleging personal injury or property damage as a result of exposures to, or releases of hazardous substances or as a result of accidents or other incidents resulting from its operations, all of which could have a material adverse effect on its financial conditions and results of operations.

5.2.6 Dependence on key management and skilled personnel

The Group's continued success depends largely on the abilities and continued efforts of existing directors and key management. A change in the Board and/ or key management may adversely affect the Group's future business operations and/ or financial performance.

To that end, the directors presently have in place human resource strategies which include providing competitive performance-based remuneration, adopting succession planning for key positions and providing employees with a variety of on-going training programmes to upgrade their knowledge and capabilities.

However, there is no assurance that the above measures will be successful in attracting and retaining key personnel or ensuring a smooth transition should changes occur.

5.2.7 Repair and maintenance of the Group's key assets, equipment and facilities

Dayang Group's operations are dependent on the operating efficiency and reliability of its key assets, equipment and facilities through scheduled and unscheduled repair and maintenance. The Group's repair and maintenance programme is an important part of its business operations and involves substantial expenditure and results in loss of opportunity from downtime of its equipment and facilities. Repair and maintenance performed after any breakdown of its key assets, equipment and facilities can be costly and time-consuming and, in certain cases, can be more costly and time consuming than anticipated, any or both of which could result in significant tangible and intangible losses to the Group.

Unexpected breakdowns, non-performance or loss of key assets, equipment and facilities are by their nature unpredictable. In the event of downtime or loss of its key assets, equipment and facilities, it may incur additional costs and losses arising from the disruption of its workflow and scheduled activities. Rectification of breakdown or non-performance of this type, depending on its severity, may also require replacement or repair of key components, the procurement of which may entail long lead-times. Rectification on the affected key assets, equipment and facilities may require it to incur substantial expenditures, which may result in the affected key assets, equipment and facilities being out of service and unable to generate revenue for extended periods of time.

The occurrence of any of the above developments may potentially disrupt the operation of the Group's affected key assets, equipment or facilities and may result in it being unable to meet its contractual obligations with its customers or may otherwise have a material adverse effect on its business, results of operations and cash flows. The loss of such key assets, equipment or facilities may have a material adverse effect on its business, results of operations and cash flows.

To mitigate this risk, the Group will continue to undertake the repair and maintenance programme for its key assets, equipment and facilities to ensure the smooth operation of the key assets, equipment and facilities. The Group also undertakes to reduce its downtime in an effort to reduce the cost and time consumed as a result of any unexpected breakdowns of its key assets, equipment and facilities.

5.2.8 Operational, health, safety and environmental risks

The Group may be exposed to major operational, health, safety and environmental risks inherent in the O & G industry such as accidents, uncontrolled fire-breakouts and explosions which may occur on the offshore platforms and/ or pollution and other damage to environment as a result of spillage of chemicals used in operations. These risks may result in substantial losses due to injury and loss of life, severe damage to property, equipment and the environment as well as suspension of operations, termination of contracts and potential legal proceedings.

In this regard, the Group has purchased insurances covering its equipment, general third parties' liabilities (such as injury, loss or property damage) and other liabilities relating to its business which it deems are adequate to protect it against liability for such events.

Further, the Group seeks to limit these operational, health, safety and environmental risks through the implementation of risk management practices such as emphasising health and safety throughout all levels of operations as well as compliance with customers' various manuals, undertaking continuous health and safety training for its employees, developing and implementing emergency response plans to cater for any accidents at any of its offices or operational facilities, ensuring that its marine vessels meet all the safety requirements set out in various licenses and placing significant emphasis on quality and adherence to stringent quality standards.

Although the Group has taken reasonable steps to mitigate operational, health, safety and environmental risks as described above, there can be no assurance that the above measures taken will be adequate in the event of an emergency and that it will not have adverse effects on the Group's business, prospects or profitability.

5.2.9 Adequacy of insurance coverage

The operation of the Group's facilities involves inherent risks and occupational hazards. If it incurs substantial liability from uninsurable or uninsured risks or insufficient insurance coverage, it could have a material adverse effect on the Group's operations and financial performance.

The Group maintains insurance at the customary levels in the O & G industry to protect against various losses and liabilities and the Directors will use their best endeavours to ensure that an adequate level of insurance coverage is maintained. However, there can be no assurance that the insurance coverage of the Group will be adequate to cover all losses and liabilities which might occur in the future.

5.3 Risks relating to Dayang's group-wide debt restructuring exercise

As mentioned in Section 3 of Part A of this Circular, Dayang's group-wide debt restructuring exercise comprises:-

- i. the Proposed Rights Issue of Shares, the Proposed Sukuk Programme (which includes the PPB Settlement and the Proposed Subscription) and the Private Placement; and
- ii. the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS.

The risk factors relating to Dayang's group-wide debt restructuring exercise include, but not limited to, the following:-

5.3.1 Non-completion

The completion of Dayang's group-wide debt restructuring exercise is conditional upon conditions precedent such as the approval of Dayang's shareholders for the Proposals. In the event any of the conditions precedent is not fulfilled or waived, the group-wide debt restructuring exercise of Dayang may be delayed or terminated and all the potential benefits arising therefrom may not materialise. There can be no assurance that all of the conditions are able to be fulfilled or waived.

The Proposed Rights Issue of Shares and the Proposed Subscription are subject to approval being obtained from shareholders of the Company and conditional upon the lodgement of the necessary documents to the SC for the Proposed Sukuk Programme undertaken by Dayang. In the event the Proposed Sukuk Programme is not implemented, in turn, the PPB Settlement will not be undertaken. Accordingly, the Proposed Subscription will not be materialised. In addition, the Proposed Subscription will be undertaken in conjunction with the PPB Proposed Rights Issue of RCPS, which is subject to approval being obtained from the shareholders of PPB for the PPB Proposed Rights Issue of RCPS. Accordingly, there can be no assurance that the Proposed Subscription will be completed.

In the event the requisite approvals are not obtained, the Dayang's group-wide debt restructuring exercise (including the Proposed Subscription) may not be completed, which may result in the failure of Dayang to achieve the intended objectives of the group-wide debt restructuring exercise.

Nevertheless, Dayang will endeavour to procure the necessary approvals or to meet the necessary conditions required for the completion of the group-wide debt restructuring exercise.

5.3.2 Fulfilling debt obligations in the event of a delay or non-completion of Dayang's group-wide debt restructuring exercise

The debt restructuring exercise of the PPB Group is expected to be completed in the 4th quarter of 2019. In addition, the 4th tranche of the principal repayment of the PPB Sukuk Murabahah of RM90.0 million will be due on 28 April 2020.

The proceeds of the Proposed Sukuk Programme will be utilised for part repayment of the Dayang Group's borrowings, including the PPB Settlement. In the event the completion of the Dayang's group-wide debt restructuring exercise is delayed or is not completed within the expected timeframe, and assuming the lenders have not approved the deferment of part of the borrowings due, the Group may not be able to generate sufficient cash flows or obtain alternative sources of funding to meet its repayment obligations as and when they are due. In such an event, there is a risk that the Group's lenders may impose penalties, additional interests and/ or fees on the borrowings, or call an event of default, which may lead to acceleration or termination of such financing facilities and borrowings and cross defaults under other indebtedness, all of which could adversely affect the Group's business, operating results and financial condition.

Notwithstanding the above, Dayang will use its best endeavours to take all reasonable and necessary steps to ensure completion of its group-wide debt restructuring exercise.

5.3.3 Ranking of the sukukholders for the Proposed Sukuk Programme

The Sukuk Murabahah issued under the Proposed Sukuk Programme constitute direct, unconditional, secured and unsubordinated obligations of Dayang, ranking *pari passu* without any discrimination, preference or priority among themselves, and *pari passu* with all other present and future unconditional, secured and unsubordinated obligations of the Company and save as otherwise provided under any applicable laws or regulations. As such, the Sukuk Murabahah issued under the Proposed Sukuk Programme will rank above the Dayang Shares in the ranking of securities of the Company.

Thus, in the event of liquidation and/ or winding up of the Company, the sukukholders for the Proposed Sukuk Programme will be paid ahead of the shareholders and the amount recovered by the shareholders may not be sufficient to compensate the shareholders' initial cost of investment.

Notwithstanding the above, the Board will take all reasonable steps to ensure that the Company will continue as a going concern and will not be wound up and/ or liquidated.

5.4 Risk relating to the increased exposure to the PPB Group

5.4.1 Non-compliance with public shareholding spread

The public shareholding spread of PPB will still be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements upon completion of the PPB Proposed Rights Issue of RCPS.

However, the conversion of the RCPS by Dayang into new PPB Shares under the RCPS Minimum Scenario may result in the shareholdings of Dayang exceeding 75% of the enlarged number of PPB Shares in issue, in which case, PPB would not be in compliance with the minimum public shareholding spread of 25% pursuant to Paragraph 8.02(1) of the Listing Requirements. For information purposes, the public shareholding spread of PPB is 27.0% as at the LPD and may reduce to 8.3% upon full conversion of the RCPS by Dayang under the RCPS Minimum Scenario.

However, Dayang is mindful of the public spread requirement and in this respect, Dayang endeavours to monitor and ensure that its dealing in the conversion of the RCPS into new PPB Shares, if any, and as and when, during the tenure of the RCPS would not result in PPB being in breach of the public spread requirement.

6. EFFECTS OF THE PROPOSALS AND THE PRIVATE PLACEMENT

As mentioned in Section 3 of Part A of this Circular, Dayang's group-wide debt restructuring exercise comprises:-

- i. the Proposed Rights Issue of Shares, the Proposed Sukuk Programme (which includes the PPB Settlement and the Proposed Subscription) and the Private Placement; and
- ii. the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS.

6.1 Issued share capital

The Proposed Sukuk Programme, the PPB Settlement and the Proposed Subscription will not have any effect on the issued share capital of Dayang as they do not involve the issuance of new Dayang Shares.

The pro forma effects of the Proposed Rights Issue of Shares and the Private Placement on the issued share capital of Dayang are set out below:-

	No. of Dayang Shares	RM
Issued share capital as at the LPD	964,809,835	672,988,001
Issuance of the Rights Shares	96,480,983	77,184,786 ^{*1}
	1,061,290,818	750,172,787
Issuance of the Placement Shares	96,480,983	117,706,799 ^{*2}
Enlarged issued share capital	1,157,771,801	867,879,586

Notes:-

*1 Calculated based on the number of Rights Shares multiplied by the indicative issue price of RM0.80 per Rights Share

*2 Calculated based on the number of Placement Shares multiplied by the indicative issue price of RM1.22 per Placement Share

6.2 NA and gearing

The proceeds raised from the Proposed Sukuk Programme of RM682.5 million will be utilised to repay part of Dayang Group's (excluding the PPB Group) existing borrowings of RM317.5 million and the remaining balance will be advanced to PPB for the redemption of the PPB Sukuk Murabahah of RM365.0 million (i.e., PPB Settlement). As such, the Proposed Sukuk Programme and the PPB Settlement will not have a material effect on the NA and gearing of the Dayang Group on a consolidated basis.

The Proposed Subscription will not have any effect on the NA and gearing of the Dayang Group as it involves the subscription of RCPS of PPB, which is a 60.48%-owned subsidiary of Dayang, the effects of which will be eliminated after consolidation at the Dayang Group level.

The PPB Group's debt restructuring exercise (save for the PPB Settlement and the restructuring of the PPB Group's lease arrangement as mentioned in Section 3 of Part A of this Circular) is not expected to have any material effect on the NA and gearing of the Dayang Group as it involves mainly the extension of tenure, refinancing and/ or reduction in interest rates of the PPB Group's remaining borrowings.

The pro forma effects of the Proposed Rights Issue of Shares and the Private Placement on the NA and gearing of the Dayang Group based on the audited consolidated financial statements of Dayang as at 31 December 2018 are set out below:-

	Audited as at 31 December 2018 RM'000	(I) After subsequent event up to and including the LPD ^{*1} RM'000	(II) After (I) and the Proposed Rights Issue of Shares RM'000	(III) After (II) and the Private Placement RM'000
Share capital	672,988	672,988	750,173 ^{*2}	867,880 ^{*5}
Retained earnings	393,155	413,042	410,542 ^{*3}	408,042 ^{*6}
Other reserves	57,415	58,744	58,744	58,744
Shareholders' funds/ NA	1,123,558	1,144,774	1,219,459	1,334,666
No. of Dayang Shares in issue ('000)	964,810	964,810	1,061,291	1,157,772
NA per Dayang Share (RM)	1.16	1.19	1.15	1.15
Total borrowings (RM'000)	1,089,180	1,025,961	955,961 ^{*4}	955,961
Gearing (times)	0.97	0.90	0.78	0.72

Notes:-

- *1 After taking into account the acquisition of Mount Santubong Ltd by Perdana Jupiter Ltd (a wholly-owned subsidiary of PPB) which was completed on 5 July 2019. The said acquisition was undertaken as part of the PPB Group's debt restructuring scheme to restructure the PPB Group's existing lease arrangement, details of which are set out in Section 3 of Part A of this Circular
- *2 Computed based on 96,480,983 Rights Shares issued at an indicative issue price of RM0.80 per Rights Share
- *3 After deducting the estimated expenses in relation to the Proposed Rights Issue of Shares amounting to RM2.5 million
- *4 After the partial repayment of Dayang's bank borrowings amounting to RM70.0 million from the utilisation of proceeds as set out in Section 2.1.6 of Part A of this Circular
- *5 Computed based on 96,480,983 Placement Shares issued at an indicative issue price of RM1.22 per Placement Share
- *6 After deducting the estimated expenses in relation to the Private Placement amounting to RM2.5 million

6.3 Earnings and EPS

Save for the interest expense savings arising from the partial repayment of bank borrowings as highlighted in Section 2.1.6 of Part A of this Circular, the Proposed Rights Issue of Shares and the Private Placement are not expected to have a material effect on the earnings of the Group for the FYEs 31 December 2019 and 2020. However, the EPS of the Group may be diluted as a result of the increase in the number of Dayang Shares to be issued upon completion of the Proposed Rights Issue of Shares and the Private Placement.

Notwithstanding the above, the proceeds from the Proposed Rights Issue of Shares and the Private Placement may contribute positively to the earnings of the Group for the ensuing financial years, when the benefits of the utilisation of proceeds are realised.

Purely for illustrative purposes, assuming the Proposed Rights Issue of Shares and the PPB Group's debt restructuring scheme have been effected on 1 January 2018, being the beginning of the latest audited FYE 31 December 2018 of Dayang, the pro forma effects on the earnings and EPS of the Group are set out below:-

	Audited as at 31 December 2018 RM'000	(I) After subsequent event up to and including the LPD ¹ RM'000	(II) After (I) and the reduction in interest rates ² RM'000	(III) After (II) and the Proposed Rights Issue of Shares RM'000
Profit after taxation attributable to owners of the company	160,150	166,854	168,253	172,558 ³
No. of Dayang Shares in issue ('000)	964,810	964,810	964,810	1,061,291
EPS (RM)	0.17	0.17	0.17	0.16

Notes:-

- *1 After taking into account the estimated interest savings of approximately RM6.7 million per annum pursuant to the completion of the restructuring of the PPB Group's lease arrangement following the acquisition of Mount Santubong Ltd by Perdana Jupiter Ltd (a wholly-owned subsidiary of PPB) which was completed on 5 July 2019. The said restructuring of lease arrangement and acquisition of Mount Santubong Ltd form part of the PPB Group's debt restructuring scheme, details of which are set out in Section 3 of Part A of this Circular
- *2 After taking into account the estimated interest savings of approximately RM1.4 million per annum pursuant to the expected reduction in interest rate for the PPB Group's borrowings (excluding the PPB Sukuk Murabahah and the abovementioned restructuring of the PPB Group's lease arrangement) from between 3.8% and 7.3% to between 2.0% and 4.7% per annum under the PPB Group's debt restructuring scheme, details of which are set out in Section 3 of Part A of this Circular
- *3 After taking into account the partial repayment of Dayang's bank borrowings amounting to RM70.0 million from the utilisation of proceeds as set out in Section 2.1.6 of Part A of this Circular which is expected to result in an estimated interest savings of RM4.3 million per annum

For shareholders' information, the profit rate in relation to the Proposed Sukuk Programme has not been determined as at the LPD. However, secondary bonds/ profit payment arising from the Proposed Sukuk Programme is expected to be offset by the estimated savings on secondary bonds/ profit payment pursuant to the early redemption of the PPB Sukuk Murabahah (i.e., PPB Settlement) of RM25.9 million per annum based on an effective profit rate of 7.1% per annum. As such, the Proposed Sukuk Programme and the PPB Settlement are not expected to have a material effect on the earnings and EPS of the Group. The Proposed Subscription will not have any effect on the earnings and EPS of the Dayang Group as it is merely a set-off against the advances owing to Dayang by PPB.

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6.4 Substantial shareholders' shareholdings

The pro forma effects of the Proposed Rights Issue of Shares and the Private Placement on the substantial shareholders' shareholdings in Dayang as at the LPD are set out below:-

Name	Shareholdings as at the LPD				(I) After the Proposed Rights Issue of Shares				(II) After (I) and the Private Placement			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Naim Holdings	254,921,952	26.42	-	-	280,414,147	26.42	-	-	280,414,147	24.22	-	-
Datuk Ling	73,254,330	7.59	102,726,512 ^{*1}	10.65	80,579,763	7.59	112,999,162 ^{*1}	10.65	80,579,763	6.96	112,999,162 ^{*1}	9.76
Urusharta Jamaah Sdn Bhd	76,367,600	7.92	-	-	76,367,600	7.20	-	-	76,367,600	6.60	-	-
Tengku Dato' Yusof	65,916,675	6.83	-	-	72,508,342	6.83	-	-	72,508,342	6.26	-	-
Vogue Empire	61,218,187	6.35	-	-	67,340,005	6.35	-	-	67,340,005	5.82	-	-
Joe Ling	41,463,825	4.30	134,517,017 ^{*2}	13.94	45,610,207	4.30	147,968,718 ^{*2}	13.94	45,610,207	3.94	147,968,718 ^{*2}	12.78
Datuk Hasmi	960,937	0.10	254,921,952 ^{*3}	26.42	1,057,030	0.10	280,414,147 ^{*3}	26.42	1,057,030	0.09	280,414,147 ^{*3}	24.22
Datuk Amar	-	-	254,921,952 ^{*3}	26.42	-	-	280,414,147 ^{*3}	26.42	-	-	280,414,147 ^{*3}	24.22
Datin Wong	44,500	.*	175,936,342 ^{*4}	18.24	48,950	.*	193,529,975 ^{*4}	18.24	48,950	.*	193,529,975 ^{*4}	16.72

Notes:-

- * Negligible
- *1 Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Vogue Empire and Dayang Shares held by his spouse, Datin Wong, and his son, Joe Ling
- *2 Deemed interested pursuant to Section 8 of the Act by virtue of Dayang Shares held by Vogue Empire and his parents, Datuk Ling and Datin Wong
- *3 Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Naim Holdings
- *4 Deemed interested pursuant to Section 8 of the Act by virtue of her substantial shareholdings in Vogue Empire and Dayang Shares held by her spouse, Datuk Ling, and her son, Joe Ling

The Proposed Sukuk Programme, the PPB Settlement and the Proposed Subscription will not have any effect on the substantial shareholders' shareholdings of Dayang as they do not involve the issuance of new Shares.

6.5 Convertible Securities

As at the LPD, the Company does not have any convertible securities.

7. HISTORICAL SHARE PRICES

The monthly highest and lowest last transacted market prices of Dayang Shares as traded on Bursa Securities for the 12 months from September 2018 to August 2019 are set out below:-

	High RM	Low RM
<u>2018</u>		
September	0.780	0.685
October	0.815	0.505
November	0.710	0.505
December	0.620	0.510
<u>2019</u>		
January	0.610	0.515
February	1.020	0.590
March	1.710	1.180
April	1.580	1.340
May	1.430	0.885
June	1.190	0.925
July	1.500	1.250
August	1.520	1.350
Last transacted market price on 16 May 2019 (being the last transacted date prior to the Announcement) (RM)		1.130
Last transacted market price on the LPD (RM)		1.390

(Source: Bloomberg)

8. APPROVALS REQUIRED/ OBTAINED

The Proposals and the Private Placement are subject to the following approvals being obtained:-

- i. Bursa Securities for the listing of and quotation for:-
 - a) 96,480,983 Rights Shares to be issued pursuant to the Proposed Rights Issue of Shares; and
 - b) up to 96,480,983 Placement Shares to be issued pursuant to the Private Placement,

on the Main Market of Bursa Securities.

The approval of Bursa Securities was obtained vide its letter dated 27 August 2019 and is subject to the following conditions:-

Condition	Status of compliance
Dayang and Kenanga IB must full comply with the relevant provisions under the Listing Requirements pertaining the implementation of the Proposed Rights Issue of Shares and the Private Placement	To be complied
Dayang or Kenanga IB to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders of Dayang in general meeting approving the Proposed Rights Issue of Shares prior to the listing and quotation of the new Dayang Shares to be issued pursuant to the Proposed Rights Issue of Shares	To be complied
Dayang and Kenanga IB to inform Bursa Securities upon completion of the Proposed Rights Issue of Shares and the Private Placement	To be complied
Dayang and Kenanga IB to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue of Shares and the Private Placement are completed	To be complied
ii. the shareholders of Dayang, for the Proposals at the forthcoming EGM of the Company to be convened; and	
iii. any other relevant authorities, if required.	

The Company had obtained the approval from its shareholders for the General Mandate at its 13th AGM convened on 22 May 2019. As such, the Private Placement will be implemented under the General Mandate which authorises the Board to issue new Dayang Shares from time to time upon such terms and conditions and for such purposes as the Board may in its absolute discretion deem fit provided that the aggregate number of Dayang Shares to be issued does not exceed 10% of the total number of issued shares of the Company. The General Mandate is valid until the conclusion of the next AGM.

The voting on the resolutions pertaining to the Proposals at the EGM shall be taken via poll, of which the result of the poll will be validated by an independent scrutineer to be appointed.

9. INTER-CONDITIONALITY OF THE PROPOSALS AND THE PRIVATE PLACEMENT

The Proposals and the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework are inter-conditional upon each other. As the Proposals, the Private Placement and the Proposed Sukuk Programme form part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently, the Proposals, the Private Placement and the Proposed Sukuk Programme should be viewed as a whole.

The Private Placement is undertaken pursuant to the General Mandate. As such, the Private Placement is not conditional upon the Proposals and the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework and vice versa. However, the Private Placement is intended to be implemented after the completion of the Proposed Rights Issue of Shares.

Save as disclosed above, the Proposals and the Private Placement are not conditional upon any other corporate exercise undertaken or to be undertaken by the Company.

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

None of the Directors and/ or major shareholders of Dayang and/ or persons connected to them (as defined in the Listing Requirements) have any interest in the Proposed Rights Issue of Shares and the Private Placement, whether direct or indirect, save for their respective entitlements as shareholders of the Company under the Proposed Rights Issue of Shares including the right to apply for additional Rights Shares under the excess Rights Shares application, which are also available to all existing shareholders of the Company.

Save as disclosed below, none of the Directors and/ or major shareholders of Dayang and/ or persons connected to them (as defined in the Listing Requirements) have any interest, whether direct or indirect, in the Proposed Subscription:-

- i. Datuk Hasmi is an Interested Director and Interested Major Shareholder by virtue of him being:-
 - a) the Executive Chairman of Dayang and a Non-Independent Non-Executive Director of PPB; and
 - b) an indirect Major Shareholder of both Dayang and PPB through his direct equity interest in Dayang, his direct equity interest in PPB, as well as his direct and indirect equity interest in Naim Holdings (which in turn has direct equity interest in both Dayang and PPB). As at the LPD, he holds directly 11.13% equity interest and indirectly 27.01% equity interest in Naim Holdings as well as directly 0.04% equity interest and indirectly 70.37% equity interest in PPB;
- ii. Datuk Ling is an Interested Director and Interested Major Shareholder by virtue of him being:-
 - a) the Executive Deputy Chairman of Dayang and the Executive Chairman of PPB; and
 - b) an indirect Major Shareholder of Dayang and PPB through his direct and indirect equity interest in Dayang, as well as his direct and indirect equity interest in PPB. As at the LPD, he holds directly less than 0.01% equity interest and indirectly 60.48% equity interest in PPB;
- iii. Joe Ling is an Interested Director and Interest Major Shareholder by virtue of him being:-
 - a) the Deputy Managing Director of Dayang and the son of Datuk Ling; and
 - b) an indirect Major Shareholder of Dayang and PPB through his direct and indirect equity interest in Dayang, as well as his indirect equity interest in PPB. As at the LPD, he holds indirectly 60.48% equity interest in PPB and does not have direct equity interest in PPB;
- iv. Tengku Dato' Yusof is an Interested Director by virtue of him being:-
 - a) the Managing Director of Dayang; and
 - b) a direct substantial shareholder of Dayang and an indirect Major Shareholder of PPB through his direct equity interest in Dayang, as well as his direct and indirect equity interest in PPB. As at the LPD, he holds directly 2.56% equity interest and indirectly 60.48% equity interest in PPB;

- v. Naim Holdings is an Interested Major Shareholder by virtue of it being a Major Shareholder of Dayang and an indirect Major Shareholder of PPB. As at the LPD, Naim Holdings holds directly 9.89% equity interest and indirectly 60.48% equity interest in PPB;
- vi. Datuk Amar is an Interested Major Shareholder by virtue of him being an indirect Major Shareholder of both Dayang and PPB through his direct and indirect equity interest in Naim Holdings (which in turn has direct equity interest in both Dayang and PPB). As at the LPD, he holds directly 6.50% equity interest and indirectly 18.67% equity interest in Naim Holdings. He does not hold any direct equity interest in both Dayang and PPB;
- vii. Datin Wong is a person connected to Datuk Ling and Joe Ling by virtue of her being:-
- a) the spouse of Datuk Ling and the mother of Joe Ling; and
 - b) an indirect major shareholder of Dayang through her direct equity interest in Dayang, her direct equity interest in Vogue Empire (which is a substantial shareholder of Dayang), as well as Datuk Ling's and Joe Ling's direct and indirect equity interests in Dayang; and
- viii. Vogue Empire is a person connected to Datuk Ling, Datin Wong and/ or Joe Ling by virtue of it being a corporation substantially held and controlled by Datuk Ling and Datin Wong.

For shareholders' information, Datuk Ling, Tengku Dato' Yusof and Joe Ling are persons associated with each other.

The direct and indirect shareholdings of the Interested Major Shareholders, the Interested Directors and persons connected to the Interested Major Shareholders and/ or the Interested Directors in Dayang as at the LPD are set out below:-

	Direct No. of Shares	%	Indirect No. of Shares	%
<u>Interested Directors and Interested Major Shareholders</u>				
Datuk Hasmi	960,937	0.10	254,921,952 ^{*1}	26.42
Datuk Ling	73,254,330	7.59	102,726,512 ^{*2}	10.65
Joe Ling	41,463,825	4.30	134,517,017 ^{*3}	13.94
<u>Interested Director</u>				
Tengku Dato' Yusof	65,916,675	6.83	-	-
<u>Interested Major Shareholder</u>				
Naim Holdings	254,921,952	26.42	-	-
Datuk Amar	-	-	254,921,952 ^{*1}	26.42
<u>Persons connected to the Interested Major Shareholders and/ or Interested Directors</u>				
Datin Wong	44,500	-*	175,936,342 ^{*4}	18.24
Vogue Empire	61,218,187	6.35	-	-

Notes:-

- * *Negligible*
- *1 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Naim Holdings*
- *2 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Vogue Empire and Dayang Shares held by his spouse, Datin Wong, and his son, Joe Ling*
- *3 *Deemed interested pursuant to Section 8 of the Act by virtue of Dayang Shares held by Vogue Empire, and his parents, Datuk Ling and Datin Wong*
- *4 *Deemed interested pursuant to Section 8 of the Act by virtue of her substantial shareholdings in Vogue Empire and Dayang Shares held by her spouse, Datuk Ling, and her son, Joe Ling*

Premised on the above and in compliance with Paragraph 10.08(6) of the Listing Requirements, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Subscription. In view of the inter-conditionality of the Proposals as set out in Section 9 above, the Interested Directors have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings in respect of the Proposed Rights Issue of Shares.

The Interested Directors and the Interested Major Shareholders will abstain from voting in respect of their direct and/ or indirect shareholdings in Dayang, if any, on the resolutions pertaining to the Proposals at the forthcoming EGM of the Company to be convened.

The Interested Directors and the Interested Major Shareholders have also undertaken to ensure that persons connected with them will abstain from voting in respect of their direct and/ or indirect shareholdings in Dayang, on the resolutions pertaining to the Proposals at the forthcoming EGM of the Company to be convened.

The Proposed Sukuk Programme and the PPB Settlement form part of the group-wide debt restructuring of the Dayang Group. For shareholders' information, none of the Directors, major shareholders and persons connected to them has any interest in Dayang's group-wide debt restructuring exercise which comprises the Proposed Sukuk Programme and the PPB Settlement.

11. CORPORATE EXERCISES ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals (being the subject matter of this Circular) and the Private Placement, there are no other corporate exercises which have been announced by Dayang but have yet to be completed as at the date of this Circular.

In addition, the Proposed Sukuk Programme has yet to be completed as the principal terms and conditions for the Proposed Sukuk Programme have yet to be finalised as at the date of this Circular.

12. TRANSACTION WITH THE SAME RELATED PARTY

Save for the Proposed Subscription and the recurrent related party transaction which was entered into pursuant to the shareholders' mandate obtained at the Company's AGM held on 24 May 2018 and 22 May 2019, there are no other transactions entered into with the Interested Major Shareholders, the Interested Directors and/ or PPB for the preceding 12 months prior to the date of this Circular.

13. INDEPENDENT ADVISER

In view of the interests of the Interested Directors and the Interested Major Shareholders as set out in Section 10 of Part A of this Circular, the Proposed Subscription is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, Mercury Securities has been appointed by the Board (save for the Interested Directors) to act as the Independent Adviser to advise:-

- i. whether the Proposed Subscription is fair and reasonable in so far as the non-interested shareholders are concerned;
- ii. whether the Proposed Subscription is detrimental to the non-interested shareholders; and
- iii. whether the non-interested shareholders should vote in favour of the Proposed Subscription.

The IAL from Mercury Securities is set out in Part B of this Circular. Non-interested shareholders of the Company are advised to read and consider carefully the contents of the IAL before voting on the resolution pertaining to the Proposed Subscription at the forthcoming EGM of the Company.

14. STATEMENT BY THE AUDIT COMMITTEE

The Audit Committee, having considered the evaluation of the Independent Adviser and all aspects including the rationale and justification as well as the effect of the Proposed Subscription, is of the opinion that the Proposed Subscription is:-

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

15. DIRECTORS' RECOMMENDATION

The Board (save for the Interested Directors), having considered all aspects including the rationale and justification as well as the effect of the Proposed Rights Issue of Shares, is of the opinion that the Proposed Rights Issue of Shares is in the best interests of the Company. Accordingly, the Board (save for the Interested Directors) recommends the shareholders of Dayang to vote in favour for the resolution pertaining to the Proposed Rights Issue of Shares to be tabled at the forthcoming EGM of the Company.

The Board (save for the Interested Directors), having considered the evaluation of the Independent Adviser and all aspects including the rationale and justification as well as the effect of the Proposed Subscription, is of the opinion that the Proposed Subscription is:-

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

As such, the Board (save for the Interested Directors) recommends the shareholders of Dayang to vote in favour for the resolution pertaining to the Proposed Subscription to be tabled at the forthcoming EGM of the Company.

16. ESTIMATED TIMEFRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

Barring any unforeseen circumstances and subject to all required approvals being obtained, the Proposals and the Private Placement are expected to be completed by the 4th quarter of 2019 and the 1st quarter of 2020, respectively.

The tentative timetable in relation to the Proposals and the Private Placement are set out below:-

Tentative date	Events
1 October 2019	<ul style="list-style-type: none">• Convening of EGM to obtain approval for the Proposals
Early November 2019	<ul style="list-style-type: none">• Announcement on the price-fixing of issue price for the Rights Shares• Announcement on the Entitlement Date for the Proposed Rights Issue of Shares
Mid November 2019	<ul style="list-style-type: none">• Issuance of the Sukuk Murabahah under the Proposed Sukuk Programme• PPB Settlement• Entitlement Date for the Proposed Rights Issue of Shares• Issuance of abridged prospectus in relation to the Proposed Rights Issue of Shares
Early December 2019	<ul style="list-style-type: none">• Closing date of acceptances and applications for the Proposed Rights Issue of Shares
Mid December 2019	<ul style="list-style-type: none">• Listing of and quotation for the Rights Shares on the Main Market of Bursa Securities
End December 2019	<ul style="list-style-type: none">• Completion of the Proposed Subscription
Mid February 2020	<ul style="list-style-type: none">• Announcement of price-fixing of issue price for the Placement Shares
End February 2020	<ul style="list-style-type: none">• Listing of and quotation for the Placement Shares on the Main Market of Bursa Securities

17. EGM

The EGM, the notice of which is enclosed in this Circular, is scheduled to be held at Danum I, Level 5, Imperial Hotel, Lot 827, Jalan Pos, 98000 Miri, Sarawak on Tuesday, 1 October 2019 at 11.00 a.m. for the purpose of considering and if thought fit, passing the resolutions to give effect to the Proposals.

If the shareholder of Dayang is unable to attend, participate, speak and vote in person at the forthcoming EGM, shareholders of Dayang are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein as soon as possible and in any event, to be deposited at the office of the Company's Share Registrar, 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 less than 48 hours before the stipulated time for holding the EGM. The lodging of the Form of Proxy shall not preclude the shareholder of Dayang from attending, participating, speaking and voting in person at the EGM should the shareholder of Dayang subsequently wish to do so.

18. FURTHER INFORMATION

Shareholders of Dayang are advised to refer to the Appendices as set out in this Circular for further information.

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

KOH EK CHONG
Independent Non-Executive Director

PART B

INDEPENDENT ADVICE LETTER FROM MERCURY SECURITIES TO THE NON-INTERESTED SHAREHOLDERS OF DAYANG IN RELATION TO THE PROPOSED SUBSCRIPTION

EXECUTIVE SUMMARY

All definitions used in this Executive Summary shall have the same meaning as the words and expressions defined in the "Definitions" section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to "we", "us" or "our" in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Subscription.

This Executive Summary summarises this IAL. You are advised to read and understand this IAL in its entirety, together with the letter to the shareholders of Dayang in relation to the Proposals and the Private Placement in Part A of the Circular and the accompanying appendices for other relevant information and not to rely solely on this Executive Summary in forming an opinion on the Proposed Subscription.

You are also advised to carefully consider the recommendations contained in both the letters before voting on the ordinary resolution to give effect to the Proposed Subscription to be tabled at the forthcoming EGM.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

1. INTRODUCTION

On 17 May 2019, Kenanga IB had, on behalf of the Board, announced that the Company proposes to undertake the Proposals and the Private Placement. The Proposals and the Private Placement are undertaken as part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently. The group-wide debt restructuring exercise involving Dayang as well as PPB comprises:-

- (i) the Proposals, the Proposed Sukuk Programme and the Private Placement; and
- (ii) the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS.

Further details of the group-wide debt restructuring exercise are set out in Sections 2 and 3, Part A of the Circular.

In view of the interests of the Interested Directors and the Interested Major Shareholders in the Proposed Subscription (*see Section 10, Part A of the Circular for their interests and course of actions in relation to the Proposed Subscription*), the Proposed Subscription is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, the Board (*save for the Interested Directors*) had on 17 May 2019 appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dayang on the Proposed Subscription.

We take note of the inter-conditionality as set out in Section 9, Part A of the Circular whereby:-

- (i) the Proposals are inter-conditional upon the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC's Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework ("**Sukuk Lodgement**"); and
- (ii) although the Private Placement is undertaken as part of the group-wide debt restructuring exercise, the Private Placement is not conditional upon the Proposals and the Sukuk Lodgement and vice versa as the Private Placement is undertaken pursuant to the General Mandate. However, the Private Placement is intended to be implemented after the completion of the Proposed Rights Issue of Shares.

Further, the PPB Settlement is subject to the implementation of the Proposed Sukuk Programme and will only be undertaken upon PPB obtaining its shareholders' approval for the PPB Proposed Rights Issue of RCPS. In the event the PPB Proposed Rights Issue of RCPS is not approved, the PPB Settlement will not materialise.

The purpose of this IAL is to provide the non-interested shareholders of Dayang with an independent evaluation on the fairness and reasonableness of the Proposed Subscription and whether the Proposed Subscription is detrimental to the non-interested shareholders of Dayang together with our recommendation on whether the non-interested shareholders of Dayang should vote in favour of the Proposed Subscription. Notwithstanding that, in our evaluation of the Proposed Subscription, we have considered the group-wide debt restructuring exercise as a whole.

2. EVALUATION OF THE PROPOSED SUBSCRIPTION

Consideration factors	Section	Our evaluation
(i) Rationale and justification for the group-wide debt restructuring scheme	3.1	<p>The rationale and justification for the group-wide debt restructuring scheme (<i>including the Proposed Subscription, the RCPS Undertakings and the PPB Settlement</i>) is fair and reasonable based on the following:-</p> <ul style="list-style-type: none"> (i) PPB Group is a strategic fit to the Dayang Group in its pursuance of regional expansion and to becoming one of the largest integrated hook-up, construction and commissioning players in the local market; (ii) the low crude oil price environment that occurred since mid-2014 which impacted the entire O & G industry had resulted in a decline in offshore activities and lower demand for offshore support vessels, which adversely affected the PPB Group's financial performance and its ability to pare down its existing large borrowings; (iii) over the years, Dayang has been extending financial support to the PPB Group when many financiers reduced credit exposures in the O & G industry and the PPB Settlement (<i>which forms part of the group-wide debt restructuring exercise</i>) is a continuation of Dayang's financial support to the PPB Group; (iv) the capitalisation of part of the advances owing to Dayang by PPB of up to RM455.0 million by way of Set-off Arrangement against the Subscription Consideration is mutually beneficial; and (v) post debt restructuring exercise, the Dayang Group will be better positioned to capitalise on any emerging opportunities amidst the current gradual recovery in the O & G industry.

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
<p>(ii) Basis and justification of the:-</p> <p>(a) issue price for the Rights Shares ("Rights Issue Price") and Placement Shares ("Placement Issue Price")</p> <p>(b) issue price, redemption price and conversion price for the RCPS ("PPB RCPS Issue Price", "PPB RCPS Redemption Price" and "PPB RCPS Conversion Price" respectively)</p>	<p>3.2</p>	<p>We are of the view that the basis and justification of the Rights Issue Price, Placement Issue Price, PPB RCPS Issue Price, PPB RCPS Redemption Price and PPB RCPS Conversion Price are fair and reasonable after taking into consideration the following factors:-</p> <p>(i) in determining the final Rights Issue Price, the Board takes into consideration the following:-</p> <p>(a) the minimum amount to be raised from the Proposed Rights Issue of Shares of RM77.2 million for the intended proposed utilisation as set out in Section 2.1.6, Part A of the Circular; and</p> <p>(b) the final issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s), if any. In any event, the Board shall take into consideration the prevailing market conditions and market prices of Dayang Shares at the price-fixing date, and may fix the issue price of the Rights Shares subject to a maximum allowable discount of not more than 50% to the TERP of Dayang Shares based on the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date;</p> <p>(ii) all the Entitled Shareholders are given the same opportunity to subscribe for the Rights Shares at identical terms with the same level of discount, proportionate to their respective shareholdings on the Entitlement Date. Any unsubscribed Rights Shares will be subscribed by the Undertaking Shareholders pursuant to the Undertakings and/or the underwriter pursuant to the Underwriting;</p> <p>(iii) the Placement Issue Price in respect of the Private Placement (<i>which is intended to be implemented after the completion of the Proposed Rights Issue of Shares</i>) will be determined based on a discount of not more than 10% to the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date. This level of discount (<i>which is in accordance with Paragraph 6.04(a) of the Listing Requirements</i>) provides more flexibility to the Company in pricing the Placements Shares in order to attract investors;</p> <p>(iv) in determining the final PPB RCPS Issue Price, PPB takes into consideration the following:-</p> <p>(a) the minimum amount of RCPS to be issued from the PPB Proposed Rights Issue of RCPS of RM455.0 million in value; and</p> <p>(b) the final issue price of the RCPS shall be deemed sufficiently attractive to encourage the subscription of the RCPS by the entitled shareholders of PPB and/or their renounee(s), if any. In any event, PPB shall take into consideration the prevailing market conditions and market prices of PPB Shares at the price-fixing date, and may fix the issue price of the RCPS subject to a maximum allowable discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date.</p> <p>The PPB RCPS Redemption Price and PPB RCPS Conversion Price shall be equivalent to the PPB RCPS Issue Price.</p>

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
(iii) Indicative salient terms of the RCPS	3.3	<p>(v) the entitlements for the PPB Proposed Rights Issue of RCPS are proportionate to the respective shareholdings on the entitled shareholders of PPB on the entitlement date.</p> <p>Pursuant to the RCPS Undertakings, Dayang has undertaken to subscribe for new RCPS of up to RM455.0 million in value to achieve the minimum level of subscription of the RCPS under the PPB Proposed Rights Issue of RCPS, which shall be at terms identical to all other entitled shareholders.</p> <p>However, should all the other entitled shareholders and/or their renouncee(s), if any, subscribe in full their entitlements under the PPB Proposed Rights Issue of RCPS, Dayang will only be subscribing for its entitlement of RM306.0 million; and</p> <p>(vi) the discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date in respect of the PPB RCPS Issue Price coupled with the indicative salient terms of the RCPS (see our evaluation in Section 3.3 of this IAL) should encourage subscription of the RCPS by the entitled shareholders of PPB. For information purposes, the price-to-book ratio ("PBR") of PPB as at the LPD is 0.56 times vis-à-vis those of the Selected Comparable Companies (as set out in Section 3.1 of this IAL) which range from 0.23 times to 1.01 times, with a simple average of 0.63 times.</p>
		<p>The indicative salient terms of the RCPS are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Dayang.</p>

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EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
(iv) Effects of the group-wide debt restructuring scheme	3.4	<p>The pro forma effects of the group-wide debt restructuring scheme (see Section 6, Part A of the Circular and Section 3.4 of this IAL for further details) are as follows:-</p> <ul style="list-style-type: none"> (i) an increase in the issued share capital of Dayang due to the issuance of Rights Shares and Placement Shares; (ii) pursuant to their Undertakings, the substantial shareholders subscribing in full for their respective entitlements under the Proposed Rights Issue of Shares will maintain their shareholdings in Dayang. Meanwhile, after the Private Placement, the substantial shareholders' shareholdings in Dayang will be proportionately diluted by the issuance of the Placement Shares; (iii) notwithstanding the dilution in NA per Share (which is mainly due to the discount on the Rights Issue Price), the entitlements for the Proposed Rights Issue of Shares are proportionate to the respective shareholdings of the Entitled Shareholders on the Entitlement Date. Accordingly, should all the Entitled Shareholders subscribe in full their respective entitlements under the Proposed Rights Issue of Shares, there will not be any dilution to the percentage of shareholdings held by all the Entitled Shareholders and ultimately, their share of NA of the Dayang Group following the Proposed Rights Issue of Shares; (iv) the gearing of the Dayang Group will reduce due to:- <ul style="list-style-type: none"> (a) the enlarged NA of the Dayang Group upon completion of the Proposed Rights Issue of Shares and Private Placement; and (b) the lower borrowings of the Dayang Group upon the partial repayment of bank borrowings using the proceeds from the Proposed Rights Issue of Shares as well as the restructuring of the PPB Group's existing lease arrangement; and (v) as illustrated in Section 6.3, Part A of the Circular, the EPS of Dayang may be slightly diluted as a result of the increase in weighted average number of Dayang Shares in issue upon issuance of the Rights Shares. <p>Notwithstanding the above, the group-wide debt restructuring scheme may contribute positively to the future earnings of the Group upon realisation of the benefits from the restructuring exercise.</p>

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
(v) Prospects of the Dayang Group (including the PPB Group) in the O & G industry	3.5	<p>According to the Short-Term Energy Outlook by the U.S. Energy Information Administration, Brent spot prices are forecasted to average at USD60 per barrel in the 4th quarter of 2019 and USD62 per barrel in 2020. Currently, the benchmark Brent crude oil is in the price region of approximately USD55 per barrel to USD65 per barrel. With a clearer indication of the floor price for the crude oil, this provides a level of certainty to O & G companies in making their decisions to resume investments in fields which are commercially viable, resulting in an increased exploration and development activities globally.</p> <p>Against the backdrop of current gradual recovery in the O & G industry, the Dayang Group is expected to be better positioned to capitalise on any emerging opportunities post debt restructuring which will allow the Group more flexibility to tap into the capital market for future fund raising.</p> <p>In view of the above and after taking into consideration the past experience and track record of the Dayang Group (including the PPB Group) in the O&G industry, we are of the view that the future prospects of the Dayang Group (including PPB Group) appear to be positive.</p>
(vi) Risk factors	3.6	<p>The risk factors are set out in Section 5, Part A of the Circular.</p> <p>The Proposed Subscription entails Dayang (pursuant to the RCPS Undertakings) subscribing for new RCPS of up to RM455.0 million in value to achieve the minimum level of subscription of the RCPS under the PPB Proposed Rights Issue of RCPS. Depending on the PPB RCPS Issue Price as well as the level of subscription by other entitled shareholders of PPB and/or their renounee(s), if any, the subscription of the RCPS and thereafter, the conversion into new PPB Shares by Dayang may increase its existing shareholding in PPB. In the event that only Dayang subscribes for the RCPS, the shareholding of Dayang in PPB may increase from the existing 60.48% to close to 90% upon full conversion of the RCPS. Dayang is mindful of the public spread requirement and in this respect, Dayang endeavours to monitor and ensure that any conversion of the RCPS into new PPB Shares during the tenure of the RCPS would not result in PPB being in breach of the public spread requirement.</p> <p>Notwithstanding a corresponding increase in exposure to the existing business risks associated with the PPB Group pursuant to the said increased shareholding in PPB, the Proposed Subscription will not result in the Dayang Group assuming any new business risks since PPB is already a 60.48%-owned subsidiary of Dayang and the Dayang Group is currently involved in the provision of marine offshore support services.</p>

EXECUTIVE SUMMARY (cont'd)

Consideration factors	Section	Our evaluation
		Further, notwithstanding the risk factors set out in Section 5, Part A of the Circular, the group-wide debt restructuring scheme (<i>including the Proposed Subscription</i>) is important to the Dayang Group as a whole based on the rationale and justification set out in Section 3.1 of this IAL.

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Subscription. Based on our evaluation in Section 3 of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Subscription is **fair and reasonable** and is **not detrimental** to the non-interested shareholders of Dayang.

Accordingly, we recommend that you **vote in favour** of the ordinary resolution to give effect to the Proposed Subscription to be tabled at the forthcoming EGM.

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Mercury Securities Sdn. Bhd. (113193-W)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Headquarters:

Ground, 1st, 2nd and 3rd Floor
Wisma UMNO
Lorong Bagan Luar Dua
12000 Butterworth
Seberang Perai

13 September 2019

To: The non-interested shareholders of Dayang

Dear Sir / Madam,

DAYANG ENTERPRISE HOLDINGS BHD (“DAYANG” OR THE “COMPANY”)

INDEPENDENT ADVICE LETTER IN RELATION TO THE PROPOSED SUBSCRIPTION

This IAL is prepared for inclusion in the Circular to the shareholders of Dayang. All definitions used in this IAL shall have the same meaning as the words and expressions defined in the “Definitions” section of the Circular, except where the context otherwise requires or where otherwise defined in this IAL. All references to “we”, “us” or “our” in this IAL are references to Mercury Securities, being the Independent Adviser for the Proposed Subscription.

1. INTRODUCTION

On 17 May 2019, Kenanga IB had, on behalf of the Board, announced that the Company proposes to undertake the Proposals and the Private Placement. The Proposals and the Private Placement are undertaken as part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently. The group-wide debt restructuring exercise involving Dayang as well as PPB comprises:-

- (i) the Proposals, the Proposed Sukuk Programme and the Private Placement; and
- (ii) the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS.

Further details of the group-wide debt restructuring exercise are set out in Sections 2 and 3, Part A of the Circular.

In view of the interests of the Interested Directors and the Interested Major Shareholders in the Proposed Subscription (*see Section 10, Part A of the Circular for their interests and course of actions in relation to the Proposed Subscription*), the Proposed Subscription is deemed as a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements. Accordingly, pursuant to Paragraph 10.08(2)(c) of the Listing Requirements, the Board (*save for the Interested Directors*) had on 17 May 2019 appointed Mercury Securities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders of Dayang on the Proposed Subscription.

We take note of the inter-conditionality as set out in Section 9, Part A of the Circular whereby:-

- (i) the Proposals are inter-conditional upon the lodgement with the SC of the required information and documents in respect of the Proposed Sukuk Programme pursuant to the SC’s Guidelines on Unlisted Capital Market Products under the Lodge and Launch Framework (“**Sukuk Lodgement**”); and

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Kuala Lumpur - L-7-2, No. 2, Jalan Solaris, Solaris Mont’ Kiara 50480 Kuala Lumpur. Tel: 03-62037227 Fax: 03-62037117 E-mail: mercurykl@mersec.com.my
Melaka - No. 81, Ground Floor, 81A & 81B, Jalan Merdeka, Taman Melaka Raya, 75000 Melaka. Tel: 06-2921898 Fax: 06-2926898
Penang - 2nd Floor, Standard Chartered Bank Chambers, 2 Lebuhr Pantai, 10300 Penang. Tel: 04-2639118 Fax: 04-2612118
Johor Bahru - Menara Pelangi, Suite 17.1, Level 17, Jalan Kuning, Taman Pelangi, 80400 Johor Bahru, Johor. Tel: 07-3316992 Fax: 07-3322693

- (ii) although the Private Placement is undertaken as part of the group-wide debt restructuring exercise, the Private Placement is not conditional upon the Proposals and the Sukuk Lodgement and vice versa as the Private Placement is undertaken pursuant to the General Mandate. However, the Private Placement is intended to be implemented after the completion of the Proposed Rights Issue of Shares.

Further, the PPB Settlement is subject to the implementation of the Proposed Sukuk Programme and will only be undertaken upon PPB obtaining its shareholders' approval for the PPB Proposed Rights Issue of RCPS. In the event the PPB Proposed Rights Issue of RCPS is not approved, the PPB Settlement will not materialise.

The purpose of this IAL is to provide the non-interested shareholders of Dayang with an independent evaluation on the fairness and reasonableness of the Proposed Subscription and whether the Proposed Subscription is detrimental to the non-interested shareholders of Dayang together with our recommendation on whether the non-interested shareholders of Dayang should vote in favour of the Proposed Subscription. Notwithstanding that, in our evaluation of the Proposed Subscription, we have considered the group-wide debt restructuring exercise as a whole.

Nonetheless, the non-interested shareholders of Dayang should rely on their own evaluation of the merits of the Proposed Subscription before making a decision on the course of action to be taken at the forthcoming EGM.

This IAL is prepared solely for the use of the non-interested shareholders of Dayang to consider the Proposed Subscription and should not be used or relied upon by any other party for any other purposes whatsoever.

YOU ARE ADVISED TO READ AND UNDERSTAND BOTH THIS IAL AND THE LETTER TO THE SHAREHOLDERS OF DAYANG IN RELATION TO THE PROPOSALS AND THE PRIVATE PLACEMENT AS SET OUT IN PART A OF THE CIRCULAR TOGETHER WITH THE ACCOMPANYING APPENDICES, AND TO CAREFULLY CONSIDER THE RECOMMENDATIONS CONTAINED IN BOTH THE LETTERS BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED SUBSCRIPTION TO BE TABLED AT THE FORTHCOMING EGM.

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

2. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED SUBSCRIPTION

Mercury Securities was not involved in any formulation of or any deliberations and negotiations on the terms and conditions pertaining to the group-wide debt restructuring exercise involving Dayang as well as PPB. The terms of reference of our appointment as the Independent Adviser for the Proposed Subscription are in accordance with the requirements relating to independent adviser as set out in Paragraph 10.08(3) of the Listing Requirements and the Best Practice Guide in relation to Independent Advice Letters ("**IAL Guide**") issued by Bursa Securities.

Our terms of reference as the Independent Adviser are limited to expressing an independent opinion on the fairness and reasonableness of the Proposed Subscription and whether the Proposed Subscription is detrimental to the non-interested shareholders of Dayang together with our recommendation on whether the non-interested shareholders of Dayang should vote in favour of the Proposed Subscription based on information and documents made available to us as set out below:-

- (i) information contained in Part A of the Circular and the accompanying appendices;
- (ii) other relevant information, documents, confirmations and representations furnished to us by the Board, management and/or representatives of Dayang; and

- (iii) other relevant publicly available information.

We have relied on Dayang as well as its Directors, management and/or representatives to take due care in ensuring that all information, documents, confirmations and representations provided to us to facilitate our evaluation and which had been used, referred to and/or relied upon in this IAL have been fully disclosed to us, are accurate, valid and complete in all material aspects.

The Board has seen, reviewed and accepted this IAL. The Board, collectively and individually, accepts full responsibility for the accuracy of the information contained in this IAL (*save for the assessment, evaluation and opinion of Mercury Securities*) and confirms, after having made all reasonable enquiries, that to the best of their knowledge, there are no other facts not contained in this IAL, the omission of which would make any information in this IAL misleading.

The responsibility of the Board in respect of:-

- (i) the information relating to the PPB Group and the PPB Proposed Rights Issue of RCPS is limited to ensuring that such information is accurately reproduced in this IAL; and
- (ii) the independent advice and expression of opinion by Mercury Securities in relation to the Proposed Subscription is limited to ensuring that accurate information in relation to the Dayang Group has been provided to Mercury Securities for its evaluation of the Proposed Subscription and to ensure that all information in relation to the Dayang Group that are relevant to Mercury Securities' evaluation of the Proposed Subscription have been completely disclosed to Mercury Securities and that there is no material fact, the omission of which would make any information provided to Mercury Securities false or misleading.

We are satisfied that sufficient information has been disclosed to us in enabling us to formulate our recommendation. After making all reasonable enquiries and undertaking reasonableness check and corroborating such information with independent sources, where possible, to the best of our knowledge and belief, the information used is reasonable, accurate, complete and free from material omission.

In rendering our advice, we have taken note of the pertinent matters, which we believe are necessary and of importance to an assessment of the implications of the Proposed Subscription and therefore are of general concern to the non-interested shareholders of Dayang to consider and form their views thereon. Notwithstanding the foregoing:-

- (i) it is not within our terms of reference to express any opinion on legal, accounting and taxation issues relating to the Proposed Subscription; and
- (ii) we have not given consideration to the specific investment objectives, risk profiles, financial situations and particular needs of any individual non-interested shareholder of Dayang or any specific group of non-interested shareholders of Dayang. We recommend that any individual non-interested shareholder of Dayang or group of non-interested shareholders of Dayang who is / are in doubt as to the action to be taken or require advice in relation to the Proposed Subscription in the context of their investment objectives, risk profiles, financial situations and particular needs to consult their respective stockbrokers, bank managers, solicitors, accountants or other professional advisers immediately.

Our views expressed in this IAL are, amongst others, based on economic, market and other conditions prevailing, and the information and/or documents made available to us as at the LPD or such other period as specified herein. It should be noted that our evaluation and opinion expressed in this IAL do not take into account the information, events or conditions arising after the LPD or such other period as specified herein, as the case may be.

We shall notify the non-interested shareholders of Dayang if, after the despatch of this IAL, we become aware of the following:-

- (i) significant change affecting the information contained in this IAL;
- (ii) there is a reasonable ground to believe that the statements in this IAL are misleading / deceptive; and
- (iii) there is a material omission in this IAL.

The followings are disclosure made pursuant to the IAL Guide:-

- (i) We confirm that we are not aware of any circumstances that exist or are likely to exist which would give rise to a possible conflict of interest situation that may affect our ability to act independently and objectively as the Independent Adviser for the Proposed Subscription;
- (ii) Save for our appointment as the Independent Adviser for the Proposed Subscription, we do not have any other professional relationship with Dayang in the past 2 years; and
- (iii) We are a holder of Capital Markets Services Licence issued by the SC as a principal adviser who is permitted to carry on the regulated activity of advising on corporate finance under the Capital Markets and Services Act, 2007. The corporate finance department of Mercury Securities supports clients in the areas of take-overs, mergers and acquisitions, initial public offerings, reverse take-overs, secondary equity issuance, capital markets coverage as well as independent advisory services. Our corporate finance team comprises experienced personnel with the requisite qualification and experience to provide, amongst others, independent advice and render opinion on fairness and reasonableness of transactions relating to acquisitions, disposals and take-over offers.

Amongst others, our experience and credentials as independent adviser include the following:-

- (a) independent adviser to the non-interested shareholders of Grand-Flo Berhad ("**Grand-Flo**") in relation to the unconditional mandatory take-over offer by YBG Yap Consolidated Sdn Bhd to acquire all the remaining ordinary shares in Grand-Flo not already owned by YBG Yap Consolidated Sdn Bhd, joint ultimate offerors and persons acting in concert with them, whereby our independent advice circular was issued on 29 August 2019;
- (b) independent adviser to the non-interested shareholders of LTKM Berhad ("**LTKM**") in relation to the conditional voluntary take-over offer by Ladang Ternakan Kelang Sdn Berhad, YBJ Capital Sdn Bhd, Datuk Tan Kok, Datin Lim Hooi Tin, Tan Yee Boon, Tan Yee Siong and Tan Chee Huey to acquire all the remaining ordinary shares in LTKM not already held by the joint offerors and any new ordinary shares in LTKM that may be issued and allotted prior to the closing date of the offer arising from the exercise of outstanding option under the employees' share option scheme in LTKM, whereby our independent advice circular was issued on 23 August 2019;
- (c) independent adviser to the non-interested shareholders of D.B.E. Gurney Resources Berhad ("**DBE**") in relation to the proposed joint development of a mixed development project involving the interests of related parties, whereby our independent advice letter was issued on 5 July 2019;

- (d) independent adviser to the non-interested shareholders of Tasek Corporation Berhad (“**Tasek**”) in relation to the unconditional voluntary take-over offer by HL Cement (Malaysia) Sdn Bhd and Ridge Star Limited (*collectively, the “Tasek Joint Offerors”*) to acquire all the remaining ordinary shares (*excluding treasury shares*) and preference shares in Tasek not already held by the Tasek Joint Offerors, whereby our independent advice circular was issued on 28 June 2019;
- (e) independent adviser to the non-interested shareholders of DBE in relation to the proposed participation in the development and assumption of the development rights to an ongoing development project involving the interests of related parties, whereby our independent advice letter was issued on 10 April 2019;
- (f) independent adviser to the entitled shareholders of Suiwah Corporation Bhd (“**SCB**”) in relation to the proposed selective capital reduction and repayment exercise of SCB pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 8 April 2019;
- (g) independent adviser to the non-interested shareholders of Lion Industries Corporation Berhad in relation to the proposed disposal of its entire shareholding in Angkasa Amsteel Pte Ltd involving the interests of related parties, whereby our independent advice letter was issued on 31 January 2019;
- (h) independent adviser to the disinterested shareholders of Selangor Properties Berhad (“**SPB**”) in relation to the proposed selective capital reduction and repayment exercise of SPB pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 22 January 2019;
- (i) independent adviser to the non-interested shareholders of Daiman Development Berhad (“**Daiman**”) in relation to the proposed selective capital reduction and repayment exercise of Daiman pursuant to Section 116 of the Act, whereby our independent advice letter was issued on 16 November 2018; and
- (j) independent adviser to the non-interested shareholders of Sapura Energy Berhad (“**SEB**”) in relation to the proposed exemption for Permodalan Nasional Berhad, Amanah Saham Bumiputera and persons acting in concert with them from the obligation to undertake a mandatory take-over offer for all the remaining ordinary shares, warrants and Islamic redeemable convertible preference shares in SEB not already owned by them pursuant to Paragraphs 4.08(1)(b) and 4.08(1)(c) of the Rules on Take-overs, Mergers and Compulsory Acquisitions, whereby our independent advice letter was issued on 7 November 2018.

3. EVALUATION OF THE PROPOSED SUBSCRIPTION

In our evaluation of the Proposed Subscription, we have considered the following factors:-

Consideration factors	Section in this IAL
(i) Rationale and justification for the group-wide debt restructuring scheme	3.1
(ii) Basis and justification of the:-	3.2
(a) issue price for the Rights Shares (“ Rights Issue Price ”) and Placement Shares (“ Placement Issue Price ”)	
(b) issue price, redemption price and conversion price for the RCPS (“ PPB RCPS Issue Price ”, “ PPB RCPS Redemption Price ” and “ PPB RCPS Conversion Price ” respectively)	
(iii) Indicative salient terms of the RCPS	3.3
(iv) Effects of the group-wide debt restructuring scheme	3.4
(v) Prospects of the Dayang Group (<i>including the PPB Group</i>) in the O & G industry	3.5
(vi) Risk factors	3.6

3.1 Rationale and justification for the group-wide debt restructuring scheme

We have considered the rationale and justification for the Proposals and the Private Placement set out in Section 3, Part A of the Circular and our commentaries are summarised below.

We view the rationale and justification for the group-wide debt restructuring scheme (including the Proposed Subscription, the RCPS Undertakings and the PPB Settlement) to be fair and reasonable based on the following:-

- (i) PPB Group is a strategic fit to the Dayang Group in its pursuance of regional expansion and to becoming one of the largest integrated HUC players in the local market;
- (ii) the low crude oil price environment that occurred since mid-2014 which impacted the entire O & G industry had resulted in a decline in offshore activities and lower demand for offshore support vessels, which adversely affected the PPB Group's financial performance and its ability to pare down its existing large borrowings;
- (iii) over the years, Dayang has been extending financial support to the PPB Group when many financiers reduced credit exposures in the O & G industry and the PPB Settlement (*which forms part of the group-wide debt restructuring exercise*) is a continuation of Dayang's financial support to the PPB Group;
- (iv) the capitalisation of part of the advances owing to Dayang by PPB of up to RM455.0 million by way of Set-off Arrangement against the Subscription Consideration is mutually beneficial; and
- (v) post debt restructuring exercise, the Dayang Group will be better positioned to capitalise on any emerging opportunities amidst the current gradual recovery in the O & G industry.

Further details of the abovesaid points are elaborated below.

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(i) **PPB Group is a strategic fit to the Dayang Group in its pursuance of regional expansion and to becoming one of the largest integrated HUC players in the local market**

The PPB Group is an owner-operator of offshore support vessels and a marine services operator for the offshore O & G industry. The types of marine support services offered by the PPB Group include the provision of vessels for upstream O & G industry, ranging from towing, mooring and anchoring of non-self propelled marine vessels as well as transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities on-board.

Through various fleet renewal / expansion programmes since 2008, the PPB Group's fleet of vessels have grown from only 6 vessels in 2004 to the PPB Group currently owning and operating a fleet of 16 vessels comprising a strategic mix of 8 AHTSs, 6 AWBs and 2 WBs (with an average age of approximately 8 years up to the LPD).

The details of the vessels are as set out below:-

Type	Name of vessel	Capacity	Gross/ Net tonnage	Year built
AHTS	(1) Perdana Horizon	10,880 Bhp	2,532 / 759 ton	2008
	(2) Perdana Traveller	10,800 Bhp	2,310 / 693 ton	2008
	(3) Perdana Adventurer	10,800 Bhp	2,310 / 693 ton	2008
	(4) Perdana Frontier	5,220 Bhp	1,706 / 511 ton	2008
	(5) Perdana Voyager	10,880 Bhp	2,532 / 759 ton	2009
	(6) Perdana Expedition	10,880 Bhp	2,532 / 759 ton	2009
	(7) Perdana Ranger	5,220 Bhp	1,706 / 511 ton	2009
	(8) Perdana Marathon	12,240 Bhp	2,921 / 876 ton	2010
AWB	(1) Perdana Odyssey	300 men	10,159 / 3,047 ton	2011
	(2) Perdana Endurance	300 men	10,445 / 3,133 ton	2013
	(3) Perdana Excelsior	300 men	10,445 / 3,133 ton	2013
	(4) Perdana Protector	300 men	10,445 / 3,133 ton	2013
	(5) Perdana Resolute	300 men	10,445 / 3,133 ton	2014
	(6) Perdana Emerald	300 men	10,445 / 3,133 ton	2014
WB	(1) Perdana Liberty	169 men	3,265 / 979 ton	2009
	(2) Perdana Sovereign	169 men	3,265 / 979 ton	2010

Further information on the PPB Group is set out in Appendix II of the Circular.

As part of Dayang's plan to expand and diversify its business to mitigate the shortfall of vessels, Dayang acquired a strategic stake of 10% in PPB by way of a private placement towards the end of 2011 and had since then been increasing its shareholding in PPB via acquisitions from open market and direct business transactions. With the increased shareholding in PPB, PPB became an associate of Dayang in 2013 and subsequently, a subsidiary of Dayang in 2015⁽¹⁾.

Note:-

(1) In addition to various acquisitions of PPB Shares in 2015, Dayang undertook a conditional mandatory take-over offer to acquire (i) all the remaining PPB Shares not already owned by Dayang and such number of new PPB Shares that may be issued pursuant to the exercise of any outstanding warrants in PPB (“PPB Warrants”) prior to the close of the take-over offer as well as (ii) all the remaining PPB Warrants not already owned by Dayang. Arising from the take-over offer (including the full conversion of PPB Warrants held by Dayang after the take-over offer), the shareholding of Dayang in PPB was approximately 98% as at the end of 2015.

With the PPB Group’s offshore support vessel operations complementing the Dayang Group’s business, the PPB Group is a strategic fit to the Dayang Group in its pursuance of regional expansion and to becoming one of the largest integrated HUC players in the local market. The synergistic tie-up with PPB has ensured the Dayang Group with access to adequate and reliable vessel supply, putting the Dayang Group on a stronger bargaining power in bidding for larger scale and/or more challenging engineering and construction projects with the combined expertise and resources.

Over the years, the entities have established synergistic tie-up, as evident in the number of PPB Group’s vessels chartered to help serve contracts secured by the Dayang Group as set out below:-

Date of announcement	Date of award	Charter-party	Brief contract details	Estimated contract value (RM'million)	Tenure of contract	Extension option
23.05.2013	23.05.2013	Dayang Enterprise Sdn Bhd	Charter of 5 AWBs and 1 WB	705.0	5 years, commencing in various stages from July 2013	1 year extension
09.01.2018	09.01.2018	Dayang Enterprise Sdn Bhd	Charter of 2 AWBs and 2 AHTSs	41.8	9 months, commencing from March 2018	3 monthly extensions
21.03.2019	20.03.2019 and 21.03.2019	Dayang Enterprise Sdn Bhd	Charter of 2 AWBs	17.7	<u>AWB 1</u> 120 days, commencing on March 2019 <u>AWB 2</u> 200 days, commencing from April 2019	<u>AWB 1</u> Extension subject to negotiation <u>AWB 2</u> Up to 30 days extension
23.04.2019	15.04.2019	DESB Marine Services Sdn Bhd	Charter of 1 WB	8.5	180 days, commencing from April 2019	Up to 150 days extension

(Source: Announcements on Bursa Securities)

For the FYE 31 December 2018, approximately 60% of the PPB Group’s revenue was contributed by contracts awarded by the Dayang and its wholly-owned subsidiaries, while the remaining 40% was attributable to contracts secured from third parties.

(II) **The low crude oil price environment that occurred since mid-2014 which impacted the entire O & G industry had resulted in a decline in offshore activities and lower demand for offshore support vessels, which adversely affected the PPB Group's financial performance and its ability to pare down its existing large borrowings**

The PPB Group's marine offshore support services business is capital intensive in nature, owing to the high upfront capital expenditure required for the investment in marine vessels. Following various fleet renewal / expansion programmes (with the newest addition to the PPB Group's fleet being delivered in 2014), the PPB Group has invested significantly in its fleet of 16 vessels, whereby the audited carrying amount of the vessels as at 31 December 2018 of RM1.19 billion constitutes approximately 87% of the PPB Group's audited total assets of RM1.37 billion. Meanwhile, the audited total loans and borrowings (including interest-bearing advances from Dayang) of the PPB Group as at 31 December 2018 stood at RM0.82 billion.

The PPB Group's loans and borrowings (including interest-bearing advances from Dayang) as well as its gearing ratio since the FYE 31 December 2014 are as set out below:-

	Audited as at 31 December				
	2018 (RM'million)	2017 (RM'million)	2016 (RM'million)	2015 (RM'million)	2014 (Restated) (RM'million)
Loans and borrowings					
(1) <u>Non-current</u>					
- Sukuk	-	-	518.8	-	-
- Term loan	-	-	34.5	349.8	544.2
- Finance lease liabilities	-	113.5	139.8	275.5	245.8
	-	113.5	693.1	625.3	790.0
(2) <u>Current</u>					
- Sukuk	438.6	518.8	78.6	-	-
- Term loans	68.0	82.9	92.7	325.7	107.9
- Finance lease liabilities	124.7	13.1	13.5	27.8	20.7
- Revolving credits	2.0	6.0	18.0	20.0	35.0
- Amount due to a related company	190.7	134.7	18.0	-	-
	824.0	755.5	220.8	373.5	163.6
Total interest-bearing loans and borrowings					
(D) = (1) + (2)	824.0	869.0	913.9	998.8	953.6
(E) Total equity	460.8	494.6	743.6	744.5	688.8
Gearing ratio (times) (D)/(E)	1.79	1.76	1.23	1.34	1.38

As shown in the table above, notwithstanding net repayment of loans and borrowings over the years, the PPB Group's gearing ratio has increased from 1.38 times as at 31 December 2014 to 1.79 times (which is also at the highest) as at 31 December 2018. The said increase was mainly due to lower total equity arising from losses incurred by the PPB Group attributable to lower revenue and recognition of various impairment losses amidst declining vessels utilisation level and charter rates due to the subdued demand for offshore support vessels in the low crude oil price environment.

This is not uncommon for offshore support vessel players in view that some other players (as shown below, E.A. Technique (M) Berhad and ICON Offshore Berhad) within the industry have similarly demonstrated an increase in their gearing ratios. Set out below is the historical gearing ratio of other companies listed on Bursa Securities which are principally involved in the provision of marine support services for the O & G industry and have a market capitalisation of below RM500.0 million as at the LPD ("Selected Comparable Companies"):-

Name of Selected Comparable Companies	Market capitalisation as at the LPD (RM'million)	Size of fleet based on latest publicly available information up to the LPD	Gearing ratio as at 31 December				
			2018 (times)	2017 (times)	2016 (times)	2015 (times)	2014 (times)
E.A. Technique (M) Berhad	209.2	45	1.76	2.86	2.51	2.15	1.23
ICON Offshore Berhad	58.9	32	9.23	1.33	1.24	1.01	0.62
Alam Maritim Resources Berhad	90.9	39	0.31	0.25	0.21	0.22	0.39
Sealink International Berhad	145.0	33	0.39	0.49	0.55	0.65	0.76
PPB Group	237.4	16	1.79	1.76	1.23	1.34	1.38

The compilation above is solely for information purposes only as there is no company listed on Bursa Securities which is directly comparable to the PPB Group in view of differences in terms of amongst others, composition of business and scale of operations, track record, market capitalisation, desired capital structure, future prospects and risk profile.

In 2014, the benchmark Brent crude oil price plunged from a peak of approximately USD116 per barrel in June 2014 to a low of USD27 per barrel in January 2016. With the Organization of the Petroleum Exporting Countries (“OPEC”) and non-OPEC countries undertaking production cuts to address the global supply glut, the O & G industry has been going through a slow process of rebalancing, with the demand-supply balance tightening and crude oil price slowly rising. Currently, the benchmark Brent crude oil is in the price region of approximately USD55 per barrel to USD65 per barrel.

The prolonged low crude oil price had resulted in national oil companies and oil majors making cutbacks on their capital expenditure and operating expenditure budgets, thereby reducing demand and hence, utilisation level for offshore support vessels in the South East Asian market. This had led to a very challenging operating environment across the industry as offshore support vessel players compete for limited jobs at a substantially lower charter rates.

The excess capacity and margins contraction industry-wide have adversely affected the PPB Group’s financial performance (*losses since the FYE 31 December 2015*) and its ability to service its existing large borrowings (*interest cover ratio of less than 1 time since the FYE 31 December 2015*).

A summary of the PPB Group’s historical financial performance and interest cover ratio for the past 5 financial years are set out below:-

Historical financial performance of PPB Group

	Audited for the FYE 31 December				
	2018	2017	2016	2015	2014 (Restated)
	(RM'million)	(RM'million)	(RM'million)	(RM'million)	(RM'million)
Average vessels utilisation rate (%)	64	52	58	63	92
Revenue	189.7	147.8	191.7	228.2	347.2
Gross profit / (loss)	9.2	(7.6)	37.3	59.9	184.0
(Loss) / Profit after tax	(40.9)	(186.1)	(28.0)	(118.5)	90.8
Gross profit / (loss) margin (%)	4.8	(5.1)	19.5	26.2	53.0
(Loss) / Profit after tax margin (%)	(21.6)	(125.9)	(14.6)	(51.9)	26.2
(Loss) / Profit after tax is arrived at after amongst others the following major items:-					
• net gain / (loss) on foreign exchange	11.5	(52.0)	56.4	(17.3)	19.4
• reversal of impairment loss / (impairment loss) on:-					
(i) property, plant and equipment	6.7	(51.1)	(5.8)	(28.1)	-
(ii) goodwill / intangible assets	-	(10.7)	-	-	(16.8)
(iii) receivables	(0.3)	(1.4)	(37.7)	-	-
(iv) non-current assets classified as held for sale	-	-	-	-	(2.1)
• property, plant and equipment written off	-	-	-	(36.6)	-
Adjusted (loss) / profit after tax (excluding major items above)	(58.8)	(70.9)	(40.9)	(36.5)	90.3

Interest cover ratio of PPB Group

	Audited for the FYE 31 December				
	2018	2017	2016	2015	2014 (Restated)
	(RM'million)	(RM'million)	(RM'million)	(RM'million)	(RM'million)
(A) Profit / (Loss) before net finance costs and taxation	15.1	(130.3)	24.6	(60.6)	142.8
<u>Finance costs:-</u>					
- Sukuk (coupon)	32.8	38.7	28.1	-	-
- Term loans	4.2	5.8	15.6	31.3	29.1
- Finance lease liabilities	9.1	10.6	17.7	23.9	21.4
- Revolving credits	0.2	0.7	1.1	1.4	1.7
- Related company advances	10.2	4.4	0.2	-	-
(B) Finance costs	56.5	60.2	62.7	56.6	52.2
Interest cover ratio (times) (A)/(B)	0.27	(2.16)	0.39	(1.07)	2.74

The weaker financial performance of the PPB Group in recent years (*despite its cost optimisation initiatives including the right-sizing of work force as well as the divestment and cancellation of purchase of 2 offshore support vessels which are deemed surplus to its operational requirements*) had adversely affected its ability to pare down its existing large borrowings.

- (III) **Over the years, Dayang has been extending financial support to the PPB Group when many financiers reduced credit exposures in the O & G industry and the PPB Settlement (*which forms part of the group-wide debt restructuring exercise*) is a continuation of Dayang's financial support to the PPB Group**

Against the backdrop of uncertainties surrounding developments within the O & G industry following the plunge in crude oil price in 2014, many lenders had downgraded the risk profiles of O & G companies and reduced credit exposures in the O & G industry, by amongst others, not renewing credit facilities and not extending new borrowings. Coupled with the weaker financial performance of the PPB Group, this has taken a toll on its financial position and as a result, the PPB Group has been dependent on the financial support from Dayang (*being the controlling shareholder of PPB*) to weather various challenges during the downturn cycle of the O & G industry. For the avoidance of doubt, PPB has not raised any funds and/or obtained any financial support from its other shareholders since 2015.

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On 28 April 2016, PPB (currently a 60.48%-owned subsidiary of Dayang) had issued the PPB Sukuk Murabahah with a nominal value of RM635.0 million, mainly for the refinancing of some of its USD loans amounting to approximately USD150.0 million undertaken by the PPB Group for the purchase of certain chartered vessels with an objective to reduce PPB's exposure to foreign exchange risk due to the strengthening of USD against RM. PPB is required to repay the nominal value of the PPB Sukuk Murabahah for the respective tenures based on the following maturity dates (over a period of 5 years from the date of issuance):-

Tranche	Nominal value (RM'million)	Profit rate per annum ⁽¹⁾ (%)	Maturity date	Status of payment
1	90.0	4.30	28.04.2017	Repaid on 27.04.2017 via advances from Dayang and the PPB Group's internally-generated funds
2	90.0	4.45	27.04.2018	Repaid on 26.04.2018 via advances from Dayang and the PPB Group's internally-generated funds
3	90.0	4.60	26.04.2019	Repaid on 26.04.2019 via advances from Dayang ⁽²⁾
4	90.0	4.75	28.04.2020	To be repaid upon maturity or early redemption via advances from Dayang
5	275.0	4.90	28.04.2021	To be repaid upon maturity or early redemption via advances from Dayang
Total	635.0			

Notes:-

- (1) In relation to each tranche of the PPB Sukuk Murabahah, the date for payment of the periodic profit payments shall be each date falling at the end of consecutive 6 months' period commencing from the issue date until the maturity date of that tranche of PPB Sukuk Murabahah.
- (2) In April 2019, Dayang secured a short term loan facility from a licensed financial institution of RM90.0 million to bridge the 3rd tranche repayment for the PPB Sukuk Murabahah. The said short term loan facility will mature on 30 September 2019 or such other period as may be extended by the licensed financial institution.

Further details on the PPB Sukuk Murabahah are set out in Section 2.2.5.2, Part A of the Circular.

As part of the group-wide debt restructuring exercise, Dayang will raise gross proceeds of up to RM682.5 million via the Proposed Sukuk Programme, of which a sum of RM365.0 million will be advanced by Dayang to PPB for the early redemption of the outstanding PPB Sukuk Murabahah pursuant to the PPB Settlement. The amount advanced by Dayang is regarded as an amount owing to Dayang by PPB (see Section 3.1(IV) of this IAL for the terms of repayment to Dayang by PPB).

The PPB Settlement represents the entire outstanding nominal value of the PPB Sukuk Murabahah as at the LPD and is not proportionate to Dayang's shareholdings of 60.48% equity interest in PPB. Nevertheless, Dayang is currently providing a corporate guarantee for the PPB Sukuk Murabahah. If PPB is unable to service its financial obligations as and when they fall due, an event of default will be triggered and Dayang will be required to repay the indebtedness of PPB to the PPB Sukuk Murabahah's sukukholders. An event of default may also create a cross default of all the banking facilities within the Dayang Group.

In the event that the PPB Group defaults in repayment of the PPB Sukuk Murabahah and/or other loans and borrowings as and when such financial obligations fall due, the lenders have the rights to amongst others, (a) exercise the cross default provision under such facilities for other banking facilities of the PPB Group, which may lead to acceleration or termination of such facilities and/or (b) enforce on the securities created under such facilities which include a charge over certain vessels of the PPB Group. As some of these vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts for various oil majors, the enforcement of such securities (*the vessels*) by the lenders will also have a direct impact to Dayang's business and operations. Ultimately, the financial performance and financial position of the Dayang Group will be adversely impacted.

Hence, it is crucial to prevent the crystallisation of such an event and for this purpose, Dayang shall provide the requisite financial support to the PPB Group.

PPB is presently undertaking a comprehensive debt restructuring exercise with its licensed financial institutions. The admission of PPB into the CDRC is consistent with PPB's strategy to streamline its operations and optimise its financial resources and forms part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently. PPB Group's debt restructuring scheme is expected to be completed in the 4th quarter of 2019. Further details of the PPB Group's debt restructuring scheme are set out in Section 3, Part A of the Circular and the pro forma effects of the scheme are set out in Section 6, Part A of the Circular.

(IV) The capitalisation of part of the advances owing to Dayang by PPB of up to RM455.0 million by way of Set-off Arrangement against the Subscription Consideration is mutually beneficial

As at the LPD, the total advances owing to Dayang by PPB stood at RM280.7 million. In addition, upon completion of the PPB Settlement and prior to the implementation of the PPB Proposed Rights Issue of RCPS, the total advances owing to Dayang by PPB will increase by RM365.0 million to RM645.7 million, details of which are set out in Section 2.2.5.1, Part A of the Circular.

Dayang intends to restructure the total advances owing by PPB via the Proposed Subscription which enables the capitalisation of up to RM455.0 million⁽¹⁾ of the advances owing by PPB into RCPS. Upon completion of the Proposed Subscription, the remaining advances owing to Dayang by PPB will be repaid to Dayang on a staggered basis pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group.

Note:-

(1) On 17 May 2019, PPB had announced the PPB Proposed Rights Issue of RCPS which is intended to raise minimum gross proceeds of RM455.0 million and maximum gross proceeds of RM506.0 million. As set out in the said announcement, the proceeds are envisaged to be used in the following manner:-

Description of utilisation	Expected time frame for utilisation (from the date of listing of the RCPS)	RCPS Minimum Scenario (RM'million)	RCPS Maximum Scenario (RM'million)
Repayment of advances owing to Dayang	Within 3 months	455.0 ^(a)	455.0 ^(b)
Working capital	Within 12 months	-	49.7
Estimated expenses for the proposals	Immediately	-	1.3
Total estimated proceeds		455.0	506.0

Notes:-

- (a) Under the RCPS Minimum Scenario, the advances owing to Dayang of up to RM455.0 million will be directly set off against the Subscription Consideration due from Dayang pursuant to the RCPS Undertakings.
- (b) Under the RCPS Maximum Scenario, the advances owing to Dayang of up to RM306.0 million will be directly set off against the Subscription Consideration due from Dayang pursuant to the Dayang RCPS Undertaking, whilst the balance of RM149.0 million will be settled from the cash proceeds to be raised from the PPB Proposed Rights Issue of RCPS.

The advances owing to Dayang by PPB subsequent to the PPB Proposed Rights Issue of RCPS are set out below:-

	RCPS Minimum Scenario (RM'million)	RCPS Maximum Scenario (RM'million)
Advances owing to Dayang by PPB	645.7	645.7
Less: Set-off Arrangement	(455.0)	(306.0)
Less: Partial repayment to Dayang by PPB via proceeds to be raised from the PPB Proposed Rights Issue of RCPS	-	(149.0)
	190.7	190.7

The remaining advances owing to Dayang by PPB of RM190.7 million after the completion of the PPB Proposed Rights Issue of RCPS will be repaid to Dayang over a period of 7 years on a monthly equal basis at an interest rate of 6.0% per annum via the PPB Group's internally-generated funds. Such repayment is expected to take effect upon completion of the PPB Proposed Rights Issue of RCPS or such other date as may be extended by Dayang. The interests accrued on the advances owing to Dayang by PPB are repayable on demand.

The capitalisation of part of the advances owing to Dayang by PPB of up to RM455.0 million by way of Set-off Arrangement against the Subscription Consideration is mutually beneficial whereby, amongst others:-

- (a) such Set-off Arrangement will enable the PPB Group to reduce its liabilities while preserving its cash for working capital requirements for future business expansion;
- (b) the capitalisation into new RCPS instead of PPB Shares will allow PPB to maintain the required public shareholding spread (*which was recently rectified in March 2019*) pursuant to Paragraph 8.02 of the Listing Requirements to ensure its continued listing on the Main Market of Bursa Securities as the issuance and allotment of RCPS will not have any impact on the total number of issued PPB Shares until the RCPS is converted into new PPB Shares. For information purposes, the public shareholding spread of PPB is 27.0% as at the LPD;
- (c) the PPB's option to redeem the RCPS at 100% of the PPB RCPS Issue Price (*in whole or in part*) at any time during the tenure of the RCPS will provide PPB the flexibility to manage its share base when its financial position improves; and
- (d) the convertibility as well as tradability / transferability of the RCPS to be received by Dayang as part satisfaction of the total advances owing by PPB will give Dayang an option to either (1) increase its equity participation in PPB through conversion of the RCPS into new PPB Shares or (2) monetise the RCPS and/or the new PPB Shares arising from the conversion of the RCPS in the open market.

For avoidance of doubt, Dayang is not required to make any additional cash payment for the conversion of the RCPS into new PPB Shares. The conversion price per new PPB Share shall be an amount equivalent to the issue price of the RCPS multiplied by the conversion ratio, which shall be deemed settled by way of set-off.

In addition, the Subscription Consideration forms part of the indicative principal terms and conditions for the Proposed Sukuk Programme, wherein RCPS of up to RM455.0 million in value to be issued by PPB to Dayang are required to be provided by Dayang as collaterals for the Proposed Sukuk Programme. The indicative principal terms and conditions for the Proposed Sukuk Programme are set out in Appendix V of the Circular and further details of the group-wide debt restructuring exercise of the Dayang Group are set out in Section 3, Part A of the Circular.

Please refer to our evaluation of the indicative salient terms of the RCPS in Section 3.3 of this IAL.

(V) Post debt restructuring exercise, the Dayang Group will be better positioned to capitalise on any emerging opportunities amidst the current gradual recovery in the O & G industry

The group-wide debt restructuring exercise undertaken by the Dayang Group aims to restructure its loans and debt to strengthen the financial position of the Group (*including the PPB Group*) and put in place an efficient and optimal capital structure to allow for flexibility to tap into the capital market to raise funds for its future expansion, amidst the current gradual recovery in the O & G industry.

The PPB Settlement, the debt restructuring of the PPB Group and the PPB Proposed Rights Issue of RCPS are expected to contribute to a firmer financial footing for the PPB Group to operate sustainably going forward.

Meanwhile, at the Dayang Group level, the debt restructuring exercise is expected to strengthen the Group's financial position as a total amount of RM827.5 million to be raised is for the purpose of restructuring (*via the Proposed Sukuk Programme⁽¹⁾ which will be primarily subscribed by licensed financial institutions for a tenure of up to 8 years from the date of first issuance under the Proposed Sukuk Programme*) and/or reducing the Group's loans and borrowings.

Note:-

(1) *For information purposes, as set out in Section 3, Part A of the Circular, the principal terms and conditions of the Proposed Sukuk Programme have not been finalised as at the date of the Circular. The indicative principal terms and conditions for the Proposed Sukuk Programme are set out in Appendix V of the Circular.*

The intended utilisation of proceeds of the respective proposals is as follows:-

- (a) the proceeds to be raised from the Proposed Sukuk Programme of RM682.5 million which will be utilised to partially retire the existing borrowings of the Dayang Group (*excluding PPB Group*) of RM317.5 million and the remaining RM365.0 million will be advanced by Dayang to PPB for the early redemption of the outstanding PPB Sukuk Murabahah;

- (b) based on the indicative issue price of RM0.80 per Rights Share, the Proposed Rights Issue of Shares is expected to raise gross proceeds of approximately RM77.2 million which are intended to be utilised mainly for:-
- (1) partial repayment of bank borrowing (RM70.0 million) which is expected to result in interest savings of approximately RM4.3 million per annum based on the interest rate of 6.15% per annum as at the LPD; and
 - (2) working capital requirements (RM4.7 million) for the day-to-day operations of Dayang and its wholly-owned subsidiaries;
- (c) based on the indicative issue price of RM1.22 per Placement Share, the Private Placement is expected to raise gross proceeds of approximately RM117.7 million which are intended to be utilised mainly for, in the following priority:-
- (1) partial repayment for the Proposed Sukuk Programme (RM75.0 million) for the principal amount and coupon / profit payments as the partial repayment forms part of the indicative principal terms and conditions for the Proposed Sukuk Programme to be established by Dayang pursuant to the group-wide debt restructuring exercise undertaken by the Dayang Group. The indicative principal terms and conditions for the Proposed Sukuk Programme are set out in Appendix V of the Circular;
 - (2) capital expenditure purposes of the Company and its wholly-owned subsidiaries (RM22.0 million) to part finance the purchase of 1 WB as an additional vessel for the existing business of the Company and its wholly-owned subsidiaries as well as to finance the acquisition of a parcel of leasehold land in Sarawak for the purpose of construction of a warehouse thereon; and
 - (3) working capital requirements (RM18.2 million) for the day-to-day operations of Dayang and its wholly-owned subsidiaries.

Post debt restructuring exercise, the Dayang Group will be better positioned to capitalise on any emerging opportunities amidst the current gradual recovery in the O & G industry. Please refer to our evaluation of the prospects of the Dayang Group (*including the PPB Group*) in the O & G industry in Section 3.5 of this IAL.

Based on the above, we are of the view that the rationale and justification for the group-wide debt restructuring scheme (*including the Proposed Subscription, the RCPS Undertakings and the PPB Settlement*) is fair and reasonable.

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3.2 Basis and justification of the Rights Issue Price, Placement Issue Price, PPB RCPS Issue Price, PPB RCPS Redemption Price and PPB RCPS Conversion Price

3.2.1 Evaluation of the Rights Issue Price and Placement Issue Price

The basis and justification for the Rights Issue Price and Placement Issue Price are set out in Sections 2.1.2 and 2.3.4, Part A of the Circular respectively.

As the Rights Issue Price and Placement Issue Price have yet to be determined and fixed, our evaluation is based on a range of issue prices after taking into consideration the maximum allowable discount for the Rights Issue Price (50%) and Placement Issue Price (10%) to the TERP⁽¹⁾ of Dayang Shares based on the 5-day VWAMP of Dayang Shares up to the LPD ("LPD Dayang TERP").

Note:-

(1) Computed after taking into account the Proposed Rights Issue of Shares as follows:-

$$TERP = \frac{(A \times X) + (B \times Y)}{A + B}$$

A = Number of existing Dayang Shares

B = Number of Rights Shares

X = 5-day VWAMP of Dayang Shares up to the LPD of RM1.4014

Y = Rights Issue Price

Based on the above, the highest and lowest issue prices for the Rights Shares and Placement Shares are as follows:-

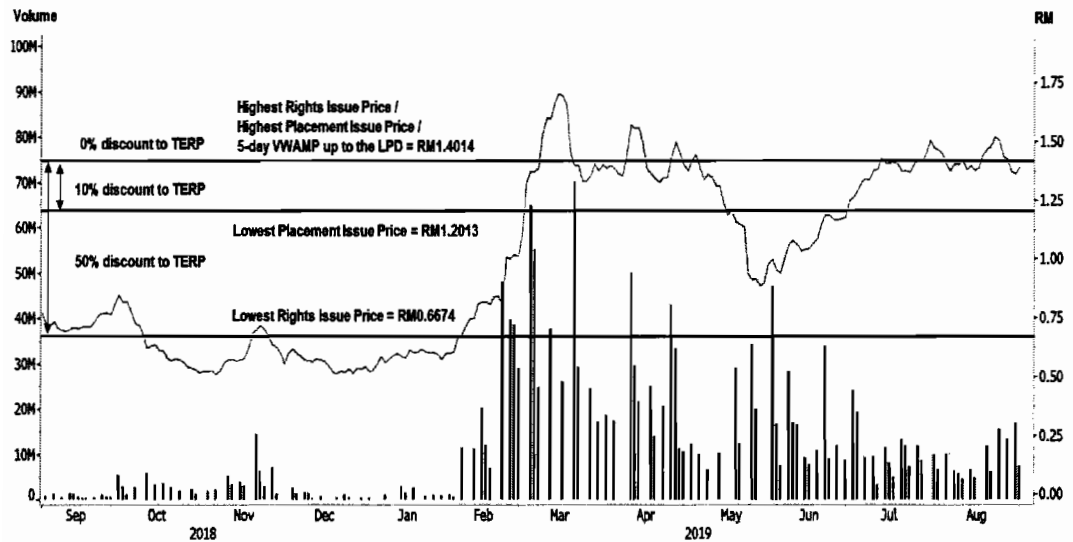
	Highest (RM)	Lowest (RM)
Rights Issue Price	1.4014	0.6674
<i>Discount to LPD Dayang TERP</i>	-	50%
Placement Issue Price	1.4014	1.2013
<i>Discount to LPD Dayang TERP</i>	-	10%

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In evaluating the Rights Issue Price and Placement Issue Price, we have considered the following:-

(i) Historical trading market prices of Dayang Shares

The graph below sets out the historical daily VWAMPs of Dayang Shares for the past 12 months up to the LPD:-



(Source: Bloomberg)

The monthly highest and lowest trading market prices of Dayang Shares for the past 12 months up to 30 August 2019 (being the LPD) are as follows:-

Month	High (RM)	Low (RM)
2019		
August	1.5500	1.3300
July	1.5200	1.1900
June	1.2200	0.9250
May	1.4800	0.8600
April	1.6000	1.2900
March	1.7500	0.9900
February	1.0600	0.5900
January	0.6300	0.5150
2018		
December	0.6300	0.5050
November	0.7350	0.5000
October	0.8700	0.5000
September	0.7900	0.6800

(Source: Bloomberg)

(ii) TERPs of Dayang Shares based on its historical closing market prices and VWAMPs

The Rights Issue Price and Placement Issue Price represent a premium / (discount) to the following TERPs of Dayang Shares computed based on the following closing market prices and VWAMPs of Dayang Shares:-

TERP based on the highest Rights Issue Price

	Closing market price / VWAMP (RM)	TERP ⁽¹⁾ (RM)	Premium / (Discount) represented by the highest Rights Issue Price and highest Placement Issue Price of RM1.4014	
			(RM)	(%)
Up to the LPD:-				
Closing market price	1.3900	1.3910	0.0104	0.7
5-day VWAMP	1.4014	1.4014	-	-
1-month VWAMP	1.4277	1.4253	(0.0239)	(1.7)
3-month VWAMP	1.2491	1.2629	0.1385	11.0
6-month VWAMP	1.3333	1.3395	0.0619	4.6
1-year VWAMP	1.2233	1.2395	0.1619	13.1
Up to 16 May 2019 (last trading day prior to the Announcement ("LTD")):-				
Closing market price	1.1300	1.1547	0.2467	21.4
5-day VWAMP	1.2019	1.2200	0.1814	14.9

(Source: Bloomberg)

Note:-

(1) Computed after taking into account the Proposed Rights Issue of Shares as follows:-

$$TERP = \frac{(A \times X) + (B \times Y)}{A + B}$$

A = Number of existing Dayang Shares

B = Number of Rights Shares

X = Respective closing market price / VWAMPs of Dayang Shares in the table above

Y = Highest Rights Issue Price of RM1.4014

TERP based on the lowest Rights Issue Price

	Closing market price / VWAMP (RM)	TERP ⁽¹⁾ (RM)	(Discount) / Premium represented by the			
			Lowest Rights Issue Price of RM0.6674		Lowest Placement Issue Price of RM1.2013	
			(RM)	(%)	(RM)	(%)
Up to the LPD:-						
Closing market price	1.3900	1.3243	(0.6569)	(49.6)	(0.1230)	(9.3)
5-day VWAMP	1.4014	1.3347	(0.6673)	(50.0)	(0.1334)	(10.0)
1-month VWAMP	1.4277	1.3586	(0.6912)	(50.9)	(0.1573)	(11.6)
3-month VWAMP	1.2491	1.1962	(0.5288)	(44.2)	0.0051	0.4
6-month VWAMP	1.3333	1.2728	(0.6054)	(47.6)	(0.0715)	(5.6)
1-year VWAMP	1.2233	1.1728	(0.5054)	(43.1)	0.0285	2.4
Up to the LTD:-						
Closing market price	1.1300	1.0879	(0.4205)	(38.7)	0.1134	10.4
5-day VWAMP	1.2019	1.1533	(0.4859)	(42.1)	0.0480	4.2

(Source: Bloomberg)

Note:-

(1) Computed after taking into account the Proposed Rights Issue of Shares as follows:-

$$TERP = \frac{(A \times X) + (B \times Y)}{A + B}$$

A = Number of existing Dayang Shares

B = Number of Rights Shares

X = Respective closing market price / VWAMPs of Dayang Shares in the table above

Y = Lowest Rights Issue Price of RM0.6674

(iii) Consolidated NA per Dayang Share

The Rights Issue Price and Placement Issue Price represent a premium / (discount) to the following consolidated NA per Dayang Share:-

	Consolidated NA per Dayang Share	Premium / (Discount) represented by the					
		Highest Rights Issue Price and Placement Issue Price of RM1.4014		Lowest Rights Issue Price of RM0.6674		Lowest Placement Issue Price of RM1.2013	
		(RM)	(%)	(RM)	(%)	(RM)	(%)
Unaudited as at 30.06.2019	1.2178	0.1836	15.1	(0.5504)	(45.2)	(0.0165)	(1.4)
Audited as at 31.12.2018	1.1645	0.2369	20.3	(0.4971)	(42.7)	0.0368	3.2

(Sources: Unaudited consolidated financial statements of Dayang for the 6-month FPE 30 June 2019 as well as audited consolidated financial statements of Dayang for the FYE 31 December 2018)

3.2.2 Evaluation of the PPB RCPS Issue Price, PPB RCPS Redemption Price and PPB RCPS Conversion Price (collectively referred to as "PPB RCPS Prices")

The basis and justification for the PPB RCPS Issue Price are set out in Section 2.2.4, Part A of the Circular.

Based on the indicative salient terms of the RCPS set out in Appendix IV of the Circular, the PPB RCPS Redemption Price and PPB RCPS Conversion Price shall be equivalent to the PPB RCPS Issue Price.

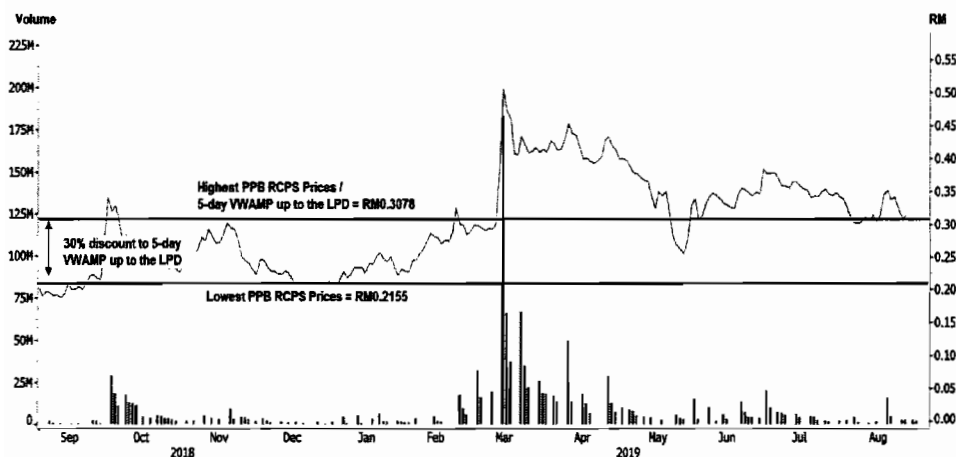
As the PPB RCPS Issue Price has yet to be determined and fixed, our evaluation is based on a range of issue prices after taking into consideration the discount of not more than 30% to 5-day VWAMP of PPB Shares up to the LPD of RM0.3078.

Based on the above, the highest and lowest PPB RCPS Prices are RM0.3078 and RM0.2155 respectively.

In evaluating the PPB RCPS Prices, we have considered the following:-

(i) Historical trading market prices of PPB Shares

The graph below sets out the historical daily VWAMPs of PPB Shares for the past 12 months up to the LPD:-



(Source: Bloomberg)

The monthly highest and lowest trading market prices of PPB Shares for the past 12 months up to 30 August 2019 (being the LPD) are as follows:-

Month	High (RM)	Low (RM)
2019		
August	0.3700	0.2900
July	0.4050	0.3350
June	0.3650	0.3000
May	0.4050	0.2500
April	0.4650	0.3800
March	0.5400	0.2650
February	0.3450	0.2250
January	0.2650	0.1900
2018		
December	0.2550	0.1750
November	0.3150	0.2200
October	0.3600	0.2200
September	0.2250	0.1850

(Source: Bloomberg)

(ii) TERPs of PPB Shares based on its historical closing market prices and VWAMPs

The PPB RCPS Prices represent a premium / (discount) to the following TERPs of PPB Shares computed based on the following closing market prices and VWAMPs of PPB Shares:-

TERP based on the highest PPB RCPS Issue Price

	Closing market price / VWAMP	TERP ⁽¹⁾	Premium / (Discount) represented by the highest PPB RCPS Prices of RM0.3078	
	(RM)		(RM)	(RM)
Up to the LPD:-				
Closing market price	0.3050	0.3050	0.0028	0.9
5-day VWAMP	0.3078	0.3078	-	-
1-month VWAMP	0.3290	0.3151	(0.0073)	(2.3)
3-month VWAMP	0.3494	0.3222	(0.0144)	(4.5)
6-month VWAMP	0.3903	0.3363	(0.0285)	(8.5)
1-year VWAMP	0.3627	0.3267	(0.0189)	(5.8)
Up to the LTD:-				
Closing market price	0.3350	0.3172	(0.0094)	(3.0)
5-day VWAMP	0.3436	0.3201	(0.0123)	(3.8)

(Source: Bloomberg)

Note:-

(1) Computed after taking into account the PPB Proposed Rights Issue of RCPS (where, in the event that the RCPS is in-the-money) as follows:-

$$TERP = \frac{(A \times X) + (B \times Y)}{A + B}$$

A = Number of existing PPB Shares

B = Number of RCPS (which is convertible into 1 new PPB Share)

X = Respective closing market price / VWAMPs of PPB Shares in the table above

Y = Highest Rights Issue Price of RM0.3078

TERP based on the lowest PPB RCPS Issue Price

	Closing market price / VWAMP	TERP ⁽¹⁾	Discount represented by the lowest PPB RCPS Prices of RM0.2155	
	(RM)		(RM)	(RM)
Up to the LPD:-				
Closing market price	0.3050	0.2396	(0.0241)	(10.1)
5-day VWAMP	0.3078	0.2404	(0.0249)	(10.4)
1-month VWAMP	0.3290	0.2461	(0.0306)	(12.4)
3-month VWAMP	0.3494	0.2516	(0.0361)	(14.3)
6-month VWAMP	0.3903	0.2626	(0.0471)	(17.9)
1-year VWAMP	0.3627	0.2552	(0.0397)	(15.6)
Up to the LTD:-				
Closing market price	0.3350	0.2477	(0.0322)	(13.0)
5-day VWAMP	0.3436	0.2500	(0.0345)	(13.8)

(Source: Bloomberg)

Note:-

(1) Computed after taking into account the PPB Proposed Rights Issue of RCPS (where, in the event that the RCPS is in-the-money) as follows:-

$$TERP = \frac{(A \times X) + (B \times Y)}{A + B}$$

A = Number of existing PPB Shares

B = Number of RCPS (which is convertible into 1 new PPB Share)

X = Respective closing market price / VWAMPs of PPB Shares in the table above

Y = Lowest Rights Issue Price of RM0.2155

(iii) Consolidated NA per PPB Share

The PPB RCPS Prices represent a discount to the following consolidated NA per PPB Share:-

	Consolidated NA per PPB Share (RM)	Discount represented by the			
		Highest PPB RCPS Prices of RM0.3078		Lowest PPB RCPS Prices of RM0.2155	
		(RM)	(%)	(RM)	(%)
Unaudited as at 30.06.2019	0.5433	(0.2355)	(43.3)	(0.3278)	(60.3)
Audited as at 31.12.2018	0.5918	(0.2840)	(48.0)	(0.3763)	(63.6)

(Sources: Unaudited consolidated financial statements of PPB for the 6-month FPE 30 June 2019 as well as audited consolidated financial statements of PPB for the FYE 31 December 2018)

Our commentaries:-

We are of the view that the basis and justification of the Rights Issue Price, Placement Issue Price and PPB RCPS Prices are fair and reasonable after taking into consideration the following factors:-

- (i) in determining the final Rights Issue Price, the Board takes into consideration the following:-
 - (a) the minimum amount to be raised from the Proposed Rights Issue of Shares of RM77.2 million for the intended proposed utilisation as set out in Section 2.1.6, Part A of the Circular; and
 - (b) the final issue price of the Rights Shares shall be deemed sufficiently attractive to encourage the subscription of the Rights Shares by the Entitled Shareholders and/or their renounee(s), if any. In any event, the Board shall take into consideration the prevailing market conditions and market prices of Dayang Shares at the price-fixing date, and may fix the issue price of the Rights Shares subject to a maximum allowable discount of not more than 50% to the TERP of Dayang Shares based on the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date;

- (ii) all the Entitled Shareholders are given the same opportunity to subscribe for the Rights Shares at identical terms with the same level of discount, proportionate to their respective shareholdings on the Entitlement Date. Any unsubscribed Rights Shares will be subscribed by the Undertaking Shareholders pursuant to the Undertakings and/or the underwriter pursuant to the Underwriting;
- (iii) the Placement Issue Price in respect of the Private Placement undertaken pursuant to the General Mandate (*which is intended to be implemented after the completion of the Proposed Rights Issue of Shares*) will be determined based on a discount of not more than 10% to the 5-day VWAMP of Dayang Shares immediately preceding the price-fixing date. This level of discount (*which is in accordance with Paragraph 6.04(a) of the Listing Requirements*) provides more flexibility to the Company in pricing the Placement Shares in order to attract investors;
- (iv) in determining the final PPB RCPS Issue Price, PPB takes into consideration the following:-
 - (a) the minimum amount of RCPS to be issued from the PPB Proposed Rights Issue of RCPS of RM455.0 million in value; and
 - (b) the final issue price of the RCPS shall be deemed sufficiently attractive to encourage the subscription of the RCPS by the entitled shareholders of PPB and/or their renounee(s), if any. In any event, PPB shall take into consideration the prevailing market conditions and market prices of PPB Shares at the price-fixing date, and may fix the issue price of the RCPS subject to a maximum allowable discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date.

The PPB RCPS Redemption Price and PPB RCPS Conversion Price shall be equivalent to the PPB RCPS Issue Price;

- (v) the entitlements for the PPB Proposed Rights Issue of RCPS are proportionate to the respective shareholdings on the entitled shareholders of PPB on the entitlement date.

Pursuant to the RCPS Undertakings, Dayang has undertaken to subscribe for new RCPS of up to RM455.0 million in value to achieve the minimum level of subscription of the RCPS under the PPB Proposed Rights Issue of RCPS, which shall be at terms identical to all other entitled shareholders.

However, should all the other entitled shareholders and/or their renounee(s), if any, subscribe in full their entitlements under the PPB Proposed Rights Issue of RCPS, Dayang will only be subscribing for its entitlement of RM306.0 million; and

- (vi) the discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately preceding the price-fixing date in respect of the PPB RCPS Issue Price coupled with the indicative salient terms of the RCPS (*see our evaluation in Section 3.3 of this IAL*) should encourage subscription of the RCPS by the entitled shareholders of PPB. For information purposes, the price-to-book ratio ("**PBR**") of PPB as at the LPD is 0.56 times vis-à-vis those of the Selected Comparable Companies which range from 0.23 times to 1.01 times, with a simple average of 0.63 times.

3.3 Indicative salient terms of the RCPS

We have considered the indicative salient terms of the RCPS as set out in Appendix IV of the Circular and summarised below are our commentaries thereon:-

- (i) in view that:-
 - (a) the PPB RCPS Issue Price shall be at a discount of not more than 30% to the 5-day VWAMP of PPB Shares immediately prior to the price fixing date of the RCPS; and
 - (b) 1 RCPS is convertible into 1 new PPB Share (*without payment of any additional consideration*) at the option of the RCPS holders at any time during the 10-year tenure of the RCPS,

the RCPS holders may increase their shareholdings in PPB by converting the RCPS into new PPB Shares at a discount to the prevailing market prices of PPB Shares as well as the consolidated NA of PPB (*see our evaluation in Section 3.2 of this IAL*);

- (ii) as the RCPS and the new PPB Shares arising from the conversion of the RCPS will be listed and quoted on the Main Market of Bursa Securities, the RCPS holders will have the option to monetise the RCPS and/or the new PPB Shares arising from the conversion of the RCPS via disposal in the open market;
- (iii) although the RCPS does not carry any rights to dividend (*so that the PPB Group is able to preserve its cash for working capital requirements for future business expansion*), any improvement in the PPB Group's financial performance amidst the current gradual recovery in the O & G industry is expected to enhance shareholders' value and this will benefit the RCPS holders whether they opt to (a) increase their equity participation in PPB through conversion of the RCPS into new PPB Shares or (b) monetise the RCPS and/or the new PPB Shares arising from the conversion of the RCPS in the open market;
- (iv) the PPB's option to redeem the RCPS at 100% of the PPB RCPS Issue Price (*in whole or in part*) at any time during the 10-year tenure of the RCPS will provide PPB the flexibility to manage its share base when its financial position improves.

Notwithstanding the above, the RCPS holders shall be entitled to exercise their conversion rights of the RCPS for a period to be specified by PPB which shall be no less than 30 calendar days prior to the date of redemption;

- (v) the automatic conversion of any outstanding RCPS into new PPB Shares at the end of the tenure of the RCPS will increase the equity base of PPB, thereby enhancing its financial position; and
- (vi) the following provisions shall safeguard the interests of the RCPS holders:-
 - (a) the RCPS holders shall be entitled to voting rights in major proposals such as reduction of PPB's share capital, disposal of the whole of PPB's property, business and undertaking, winding up of PPB as well as other proposals which affect the rights and privileges attached to the RCPS;

- (b) the RCPS shall, upon allotment and issuance, rank *pari passu* in all respects with each other but in priority to all ordinary shares of PPB whereby in the event of any liquidation, dissolution or winding up of PPB (including a merger or consolidation and a sale, lease, transfer, exclusive license or other disposition of all or substantially all of the assets of PPB), the RCPS holders shall be paid in priority to all holders of ordinary shares cash repayment in full up to the amount equivalent to the redemption sum from the sale proceeds after the repayment and discharge of all debts and liabilities of PPB and the costs of winding up or such capital reduction exercise; and
- (c) any variation, modification or abrogation of the rights and privileges attached to the RCPS shall require the sanction of a special resolution or the consent in writing of the RCPS holders holding or representing not less than 75% of the outstanding RCPS.

Based on the above, we are of the view that the indicative salient terms of the RCPS are fair and reasonable and are not detrimental to the interests of the non-interested shareholders of Dayang.

3.4 Effects of the group-wide debt restructuring scheme

We noted the effects of the Proposals and the Private Placement from Section 6, Part A of the Circular.

3.4.1 Issued share capital

The Proposed Sukuk Programme, the PPB Settlement and the Proposed Subscription will not have any effect on the issued share capital of Dayang as they do not involve issuance of any new Dayang Shares.

There will be an increase in the issued share capital of Dayang due to the issuance of Rights Shares and Placement Shares as are set out below:-

	No. of Dayang Shares ('000)	Amount (RM'000)
Issued share capital as at the LPD	964,810	672,988
Issuance of the Rights Shares pursuant to the Proposed Rights Issue of Shares	96,481	77,185 ⁽¹⁾
	1,061,291	750,173
Issuance of the Placement Shares pursuant to the Private Placement	96,481	117,707 ⁽²⁾
Enlarged issued share capital	1,157,772	867,880

Notes:-

(1) Based on the indicative issue price of RM0.80 per Rights Share.

(2) Based on the indicative issue price of RM1.22 per Placement Share.

3.4.2 Substantial shareholders' shareholdings

The Proposed Sukuk Programme, the PPB Settlement and the Proposed Subscription will not have any effect on the substantial shareholders' shareholdings of Dayang as they do not involve issuance of any new Dayang Shares.

The pro forma effects of the Proposed Rights Issue of Shares and the Private Placement on the substantial shareholders' shareholdings in Dayang are as set out in Section 6.4, Part A in the Circular. Pursuant to their Undertakings, the substantial shareholders subscribing in full for their respective entitlements under the Proposed Rights Issue of Shares will maintain their shareholdings in Dayang. Meanwhile, after the Private Placement, the substantial shareholders' shareholdings in Dayang will be proportionately diluted by the issuance of the Placement Shares.

3.4.3 NA and gearing

The pro forma effects of the group-wide debt restructuring scheme on the NA of the Dayang Group based on the audited consolidated financial statements of Dayang as at 31 December 2018 (as set out in Section 6.2, Part A of the Circular) are summarised as follows:-

	NA (RM'000)	No. of Dayang Shares (‘000)	NA per Share (RM)	Total borrowings (RM'000)	Gearing (times)
As at 31 December 2018	1,123,558	964,810	1.16	1,089,180	0.97
After subsequent event up to and including the LPD ⁽¹⁾	1,144,774	964,810	1.19	1,025,961	0.90
After the following proposals (in sequential order):-					
(1) Proposed Rights Issue of Shares ⁽²⁾	1,219,459	1,061,291	1.15	955,961	0.78
(2) Private Placement ⁽³⁾	1,334,666	1,157,772	1.15	955,961	0.72

Notes:-

- (1) After incorporating the effects of the acquisition of Mount Santubong Ltd by Perdana Jupiter Ltd (a wholly-owned subsidiary of PPB) which was completed on 5 July 2019. The said acquisition was undertaken as part of the PPB Group's debt restructuring scheme to restructure the PPB Group's existing lease arrangement, details of which are set out in Section 3 of Part A of the Circular.
- (2) After incorporating the effects of the issuance of 96,480,983 Rights Shares at an indicative issue price of RM0.80 per Rights Share and deducting the estimated expenses in relation to the Proposed Rights Issue of Shares amounting to RM2.50 million as well as after the partial repayment of Dayang's bank borrowing amounting to RM70.0 million from the utilisation of proceeds from the Proposed Rights Issue of Shares.
- (3) After incorporating the effects of the issuance of 96,480,983 Placement Shares at an indicative issue price of RM1.22 per Placement Share and deducting the estimated expenses in relation to the Private Placement amounting to RM2.50 million.

Notwithstanding the dilution in NA per Share (which is mainly due to the discount on the Rights Issue Price), it is important to note that the entitlements for the Proposed Rights Issue of Shares are proportionate to the respective shareholdings of the Entitled Shareholders on the Entitlement Date. Accordingly, should all the Entitled Shareholders subscribe in full their respective entitlements under the Proposed Rights Issue of Shares, there will not be any dilution to the percentage of shareholdings held by all the Entitled Shareholders and ultimately, their share of NA of the Dayang Group following the Proposed Rights Issue of Shares.

The gearing of the Dayang Group will reduce due to:-

- (i) the enlarged NA of the Dayang Group upon completion of the Proposed Rights Issue of Shares and Private Placement; and
- (ii) the lower borrowings of the Dayang Group upon the partial repayment of bank borrowings using the proceeds from the Proposed Rights Issue of Shares as well as the restructuring of the PPB Group's existing lease arrangement.

3.4.4 Earnings and EPS

As illustrated in Section 6.3, Part A of the Circular, the EPS of Dayang may be slightly diluted as a result of the increase in weighted average number of Dayang Shares in issue upon issuance of the Rights Shares.

Notwithstanding the above, the group-wide debt restructuring scheme may contribute positively to the future earnings of the Group upon realisation of the benefits from the restructuring exercise. Please refer Section 3.1 of this IAL for rationale and justification for the group-wide debt restructuring scheme.

3.4.5 Convertible securities

As at the LPD, Dayang does not have any convertible securities.

Based on our evaluation above, the overall effects of the group-wide debt restructuring scheme (*including the Proposed Subscription, the RCPS Undertakings and the PPB Settlement*) are not detrimental to the interests of the non-interested shareholders of Dayang.

3.5 Prospects of the Dayang Group (*including the PPB Group*) in the O & G industry

We noted the industry outlook and future prospects as set out in Section 4, Part A of the Circular and Section 12, Appendix II of the Circular.

The Dayang Group provides offshore topside maintenance services, minor fabrication works, offshore hook-up and commissioning services for O & G companies, and chartering of marine vessels.

The Dayang Group's business operations in 2018 witnessed a steady improvement as business activities picked up substantially in the 2nd half of 2018 as the work orders from MCM and pan HUC contract came in. The key contracts secured by the Group (*excluding the PPB Group*) as at the LPD are set out in Section 4.3, Part A of the Circular.

The synergistic tie-up with PPB has ensured the Dayang Group with access to adequate and reliable vessel supply to position itself to take on engineering and construction projects as the combined expertise of Dayang and PPB will further enhance the Group's competitive advantage.

Vessel utilisation of PPB improved from a low of 27% in the 1st quarter of 2018 to 73% in the 4th quarter of 2018. On a full-year basis, vessel utilisation was stronger at 64% in 2018 as compared to 52% in 2017 (2016: 58%). As at the LPD, the average vessel utilisation rate stood at 66%.

The PPB Group expects to improve its financial performance in 2019 arising from an improvement to its vessel utilisation rate as compared to 2018. A number of the PPB Group's vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts with various oil majors, whilst increase in drilling activities for more wells is expected to increase vessel utilisation for the AHTS segment. The PPB Group expects the crude oil price recovery to boost the general sentiment for the oil majors and lead to more overall offshore support vessels chartering opportunities for the PPB Group.

The PPB Group has been continuously replenishing its work orders and had announced that it had secured a total of 6 key work orders with tenure above 180 days for the past 2 years up to the LPD. Please refer to Section 4.3 Part A of the Circular and Section 12, Appendix II of the Circular for further details of the key work orders secured as well as strategies of the management of PPB to turnaround the financial performance of the PPB Group amidst the challenging operating environment in the O & G industry.

In addition, PPB is presently undertaking a comprehensive debt restructuring exercise with its licensed financial institutions. The admission by PPB into the CDRC is consistent with PPB's strategy to streamline its operations and optimise its financial resources and forms part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently. PPB Group's debt restructuring scheme is expected to be completed in the 4th quarter of 2019. Further details of the PPB Group's debt restructuring scheme are set out in Section 3, Part A of the Circular and the pro forma effects of the scheme are set out in Section 6, Part A of the Circular.

(Source: Management of Dayang)

The graph below sets out the movement of benchmark Brent crude oil price from 2014 up to the LPD:-



In 2014, the benchmark Brent crude oil price plunged from a peak of approximately USD116 per barrel in June 2014 to a low of USD27 per barrel in January 2016. The low crude oil price landscape reflects a global supply glut, driven primarily by the shale crude oil production revolution, amidst the slowing demand for crude oil from the growing and emerging economies after several years of high growth.

The prolonged low crude oil price had resulted in national oil companies and oil majors making cutbacks on their capital expenditure and operating expenditure budgets, thereby resulting in slowdown in work orders across the industry. Accordingly, this had resulted in greater competition amongst service providers in the O & G industry (*including Dayang and PPB*) as they compete for limited jobs available at competitive rates, exerting pressures on their profitability margins.

While the production cuts undertaken by the OPEC and non-OPEC countries brought reprieve to the O & G industry, with demand-supply tightening and crude oil price slowly rising, the industry is still going through a slow process of rebalancing amidst various developments affecting the industry including, amongst others, US-China trade tension, US sanctions on certain crude oil exporters and ongoing geopolitical instability in certain crude oil producing countries.

According to the Short-Term Energy Outlook by the U.S. Energy Information Administration, Brent spot prices are forecasted to average at USD60 per barrel in the 4th quarter of 2019 and USD62 per barrel in 2020. Currently, the benchmark Brent crude oil is in the price region of approximately USD55 per barrel to USD65 per barrel. With a clearer indication of the floor price for the crude oil, this provides a level of certainty to O & G companies in making their decisions to resume investments in fields which are commercially viable, resulting in an increased exploration and development activities globally.

Against the backdrop of current gradual recovery in the O & G industry, the Dayang Group is expected to be better positioned to capitalise on any emerging opportunities post debt restructuring which will allow the Group more flexibility to tap into the capital market for future fund raising.

In view of the above and after taking into consideration the past experience and track record of the Dayang Group (*including the PPB Group*) in the O&G industry, we are of the view that the future prospects of the Dayang Group (*including PPB Group*) appear to be positive.

3.6 Risk factors

In considering the Proposed Subscription, the non-interested shareholders of Dayang are advised to give careful consideration to the risk factors as set out in Section 5, Part A of the Circular.

The Proposed Subscription entails Dayang (*pursuant to the RCPS Undertakings*) subscribing for new RCPS of up to RM455.0 million in value to achieve the minimum level of subscription of the RCPS under the PPB Proposed Rights Issue of RCPS. Depending on the PPB RCPS Issue Price as well as the level of subscription by other entitled shareholders of PPB and/or their renounee(s), if any, the subscription of the RCPS and thereafter, the conversion into new PPB Shares by Dayang may increase its existing shareholding in PPB. In the event that only Dayang subscribes for the RCPS, the shareholding of Dayang in PPB may increase from the existing 60.48% to close to 90% upon full conversion of the RCPS. Dayang is mindful of the public spread requirement and in this respect, Dayang endeavours to monitor and ensure that any conversion of the RCPS into new PPB Shares during the tenure of the RCPS would not result in PPB being in breach of the public spread requirement.

Notwithstanding a corresponding increase in exposure to the existing business risks associated with the PPB Group pursuant to the said increased shareholding in PPB, the Proposed Subscription will not result in the Dayang Group assuming any new business risks since PPB is already a 60.48%-owned subsidiary of Dayang and the Dayang Group is currently involved in the provision of marine offshore support services.

Further, notwithstanding the risk factors set out in Section 5, Part A of the Circular, the group-wide debt restructuring scheme (*including the Proposed Subscription*) is important to the Dayang Group as a whole based on the rationale and justification set out in Section 3.1 of this IAL.

4. CONCLUSION AND RECOMMENDATION

Before arriving at the decision to vote on the ordinary resolution to give effect to the Proposed Subscription at the forthcoming EGM, it is imperative that the non-interested shareholders of Dayang consider all relevant issues and implications raised in this IAL carefully, as well as those highlighted by the Board in its letter to the shareholders of Dayang in relation to the Proposals and the Private Placement, as set out in Part A of the Circular.

After taking into consideration the pertinent factors highlighted in the preceding sections of this IAL, we are of the opinion that, on the basis of the information available to us, the Proposed Subscription is fair and reasonable and is not detrimental to the non-interested shareholders of Dayang.

Accordingly, we recommend that the non-interested shareholders of Dayang vote in favour of the ordinary resolution to give effect to the Proposed Subscription to be tabled at the forthcoming EGM.

Yours faithfully
For and on behalf of
MERCURY SECURITIES SDN BHD

CHEW SING GUAN
Managing Director

DENIS LIM
Director / Head of Corporate Finance

APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON



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The Board of Directors
Dayang Enterprise Holdings Bhd
Sublot 5-10, Lot 46, Block 10
Jalan Taman Raja, MCLD
98000 Miri
Sarawak

12 September 2019

Dear Sirs

Dayang Enterprise Holdings Bhd (the "Company" or "Dayang")

Report on the compilation of pro forma consolidated statement of financial position for inclusion in the Company's circular to shareholders ("Circular") in connection with the Proposed Rights Issue of Shares and the Proposed Subscription (as defined herein)

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statement of financial position of Dayang and its subsidiaries (collectively, the "Group") prepared by the Board of Directors of the Company (the "Board"). The pro forma consolidated statement of financial position as at 31 December 2018 and related notes as attached to this report in Attachment I have been stamped by us for identification purposes. The applicable criteria on the basis of which the Board has compiled the pro forma consolidated statement of financial position are described in the notes to the pro forma consolidated statement of financial position.

The pro forma consolidated statement of financial position have been compiled by the Board for inclusion in the Circular solely to illustrate the impact of the following:

- i) Proposed renounceable rights issue of 96,480,983 new ordinary shares in Dayang ("Rights Shares") on the basis of 1 Rights Share for every 10 existing ordinary shares in Dayang ("Dayang Shares" or "Shares") based on an entitlement date to be determined later ("Entitlement Date") ("Proposed Rights Issue of Shares");
- ii) Proposed subscription of new redeemable convertible preference shares ("RCPS") of up to RM455,000,000 in value in Perdana Petroleum Berhad ("PPB") under the Proposed renounceable rights issue of new RCPS of up to RM506,006,117 in value in PPB at an entitlement basis and an issue price to be determined later (PPB Proposed rights issue of RCPS) to be undertaken by PPB ("Proposed Subscription"); and
- iii) Private placement of up to 96,480,983 new Dayang Shares ("Placement Shares"), representing approximately 10% of the existing Dayang Shares in issue ("Private Placement").

On the Group's consolidated statement of financial position as at 31 December 2018, as if the Proposed Rights Issue of Shares, Proposed Subscription and the Private Placement had taken place as at 31 December 2018. As part of this process, information about the Group's financial position has been extracted by the Board from the financial statements of the Group for the year ended 31 December 2018, on which an audit report has been issued.

KPMG PLT, a limited liability partnership established under Malaysian law and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



*Dayang Enterprise Holdings Bhd
Reporting Accountants' letter on the
Pro Forma Consolidated Statement of Financial Position*

Board's Responsibility for the Pro Forma Consolidated Statement of Financial Position

The Board is responsible for compiling the pro forma consolidated statement of financial position on the basis described in Note 2 and Note 3 in Attachment 1.

Reporting Accountants' Responsibilities and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the *Code of Ethics for Professional Accountants* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

The firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion about whether the pro forma consolidated statement of financial position have been compiled, in all material respects, by the Board on the basis described in Note 2 and Note 3 in Attachment 1.

We conducted our engagement in accordance with International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, as adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board has compiled, in all material respects, the pro forma consolidated statement of financial position on the basis described in Note 2 and Note 3 in Attachment 1.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statement of financial position.

The purpose of the pro forma consolidated statement of financial position included in the Circular is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entities as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)



*Dayang Enterprise Holdings Bhd
Reporting Accountants' letter on the
Pro Forma Consolidated Statement of Financial Position*

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board in the compilation of the pro forma consolidated statement of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma consolidated statement of financial position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statement of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statement of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the pro forma consolidated statement of financial position has been compiled, in all material respects, on the basis stated in Note 2 and Note 3 in Attachment 1.

Other Matter

Our report on the pro forma consolidated statement of financial position has been prepared for inclusion in the Circular in connection with the Proposed Rights Issue of Shares and the Proposed Subscription and should not be relied upon for any other purposes.

KPMG PLT
LLP0010081-LCA & AF 0758
Chartered Accountants

Nicholas Chia Wei Chit
Approval Number: 03102/03/2020 J
Chartered Accountant

Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

1. Introduction

The pro forma consolidated statement of financial position of Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”) and its subsidiaries (“Group”) has been prepared for inclusion in the Company’s circular to shareholders (“Circular”) in relation to the following:

- i) Proposed renounceable rights issue of 96,480,983 new ordinary shares in Dayang (“Rights Shares”) on the basis of 1 Rights Share for every 10 existing ordinary shares in Dayang (“Dayang Shares” or “Shares”) based on an entitlement date to be determined later (“Entitlement Date”) (“Proposed Rights Issue of Shares”); and
- ii) Proposed subscription of new redeemable convertible preference shares (“RCPS”) of up to RM455,000,000 in value in Perdana Petroleum Berhad (“PPB”) under the Proposed renounceable rights issue of new RCPS of up to RM506,006,117 in value in PPB at an entitlement basis and an issue price to be determined later (PPB Proposed rights issue of RCPS) to be undertaken by PPB (“Proposed Subscription”).

For the avoidance of doubt, PPB is a 60.48% owned subsidiary of the Company.

2. Basis of preparation of the pro forma consolidated statement of financial position

The pro forma consolidated statement of financial position of the Group as at 31 December 2018 has been compiled based on the audited consolidated financial statements of the Group for the financial year ended 31 December 2018, which had been prepared in accordance with the Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and the requirements of the Companies Act 2016 in Malaysia. The pro forma consolidated statement of financial position does not include the effects of the adoption of MFRS issued by the Malaysian Accounting Standards Board, which are effective for the annual period beginning on or after 1 January 2019.

The auditors’ report of the audited consolidated financial statements of the Group for the financial year ended 31 December 2018 was not subject to any qualification, modification or disclaimer of opinion.

The pro forma consolidated statement of financial position of the Group as at 31 December 2018, of which the Board is solely responsible, has been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group had the events / transactions in Note 3 been effected on that date, and should be read in conjunction with the notes accompanying thereto.



Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statement of financial position

The Proposed Subscription will not have any effect on the consolidated statement of financial position of the Group. Accordingly, no adjustments are made in relation to the Proposed Subscription in the preparation of the pro forma consolidated statement of financial position.

The pro forma consolidated statement of financial position incorporates the following events or transactions:

a) Pro Forma I – Adjustment for subsequent event up to and including the latest practicable date of 30 August 2019 (“LPD”)

Pro Forma I incorporates the effects pursuant to the acquisition of Mount Santubong Ltd (“MSL”) by Perdana Jupiter Ltd (“PJL”) (a wholly-owned subsidiary of PPB) which was completed on 5 July 2019, which forms part of the group-wide debt restructuring scheme of the Group.

PJL and MSL had in January 2011 entered into a lease arrangement to lease 2 of MSL’s vessels by PJL, with an option to purchase the said vessels upon expiry of the lease term in June 2019 and December 2019, respectively. The said lease arrangement has been terminated and PJL’s deposits held by MSL pursuant to the said lease arrangement of RM46.043 million as at 31 December 2018 has been set off against PJL’s outstanding lease liabilities following the completion of acquisition of MSL.

b) Pro Forma II - After Pro Forma I and the Proposed Rights Issue of Shares

Pro Forma II incorporates the effects of Pro Forma I and the Proposed Rights Issue of Shares.

Details of the Proposed Rights Issue of Shares

The Proposed Rights Issue of Shares entails the issuance of 96,480,983 Rights Shares on the basis of 1 Rights Share for every 10 existing Dayang Shares held by the entitled shareholders on the Entitlement Date.

The Proposed Rights Issue of Shares will be undertaken on a full subscription level basis. The pro forma effects are presented purely for illustrative purposes based on the following parameters:

- The Rights Shares are issued at an indicative issue price of RM0.80 per Rights Share.
- Estimated expenses in relation to the Proposed Rights Issue of Shares are RM2.50 million.



APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS’ LETTER THEREON (CONT’D)

Attachment I

Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statements of financial position (continued)

b) Pro Forma II - After Pro Forma I and the Proposed Rights Issue of Shares (continued)

- The gross proceeds from the Proposed Rights Issue of Shares of RM77.18 million are intended to be utilised as follows:

Description of use of proceeds	Note	RM'000
Partial repayment of bank borrowings	1	70,000
Working capital requirements	2	4,685
Estimated expenses for the Proposed Rights Issue of Shares	3	2,500
		77,185

Notes:

(1) Part repayment of bank borrowings

Dayang intends to utilise RM70.0 million to partially repay the Group’s existing bank borrowings as set out below:-

Financier	Type of facility	Purpose of the facility	Tenure (years)
Maybank Islamic Berhad	Commodity Murabahah Term Financing-i (term loan)	For the acquisition of PPB Shares and warrants in PPB not already owned by Dayang in 2015	7

The above repayment is part of the group-wide debt restructuring exercise currently undertaken by the Group to review and restructure its loans and debt obligations with its licensed financial institutions.

(2) Working capital requirements

The Company intends to utilise RM4.68 million of the proceeds for the working capital requirements of the day-to-day operations of Dayang and its wholly-owned subsidiaries in the manner set out below:-

	RM'000
Staff related cost (i.e. wages, salaries, contributions to the Employees Provident Fund and others)	2,500
Rental of premises ^a	1,500
Administrative expenses (i.e. utilities, printing and stationery, as well as office expenses such as general upkeep of office)	685
Total	4,685



3

APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS’ LETTER THEREON (CONT’D)

Attachment I

Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statements of financial position (continued)

b) Pro Forma II - After Pro Forma I the Proposed Rights Issue of Shares (continued)

Notes: (continued)

(2) Working capital (continued)

*a Details of the premises are as set out below:-

Purpose	Location	Aggregate size Square feet	Rental per annum RM'000
Head office	Sublot 5-10, Lot 46, Block 10, Jalan Taman Raja, MLCD, 98000, Miri, Sarawak	9,408	745
Branch office	Lot 2-15-01, 2-15-02, 2-16-01 and 2-16-02, Block 2, VSQ Commercial Centre @ PJCC, Block 2, Jalan Utara, 46200 Petaling Jaya, Selangor	16,576	796
Total			1,541

(3) Estimated expenses for the Proposed Rights Issue of Shares

The proceeds earmarked for the estimated expenses in relation to the Proposed Rights Issue of Shares shall be utilised as set out below:-

	RM'000
Professional fees (i.e. advisers, reporting accountant, underwriter (including underwriting commission) and due diligence solicitors)	2,115
Regulatory fees (i.e. Bursa Malaysia Securities Berhad, the Securities Commission Malaysia and the Registrar of Companies Malaysia)	75
Other incidental expenses in relation to the Proposed Rights Issue of Shares such as printing and advertising costs and miscellaneous expenses	310
Total	2,500

c) Pro Forma III – After Pro Forma I, Pro Forma II and the Private Placement (as defined herein)

Pro Forma III incorporates the effects of Pro Forma I, Pro Forma II and the private placement of up to 96,480,983 new Dayang Shares (“Placement Shares”), representing approximately 10% of the existing Dayang Shares in issue (“Private Placement”).



Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statements of financial position (continued)

c) Pro Forma III – After Pro Forma I, Pro Forma II and the Private Placement (as defined herein) (continued)

Details of the Private Placement

The Private Placement involves the issuance of up to 96,480,983 Placement Shares.

The Private Placement is undertaken pursuant to Sections 75 and 76 of the Companies Act 2016 which was obtained from the shareholders of Dayang in its 13th annual general meeting convened on 22 May 2019.

The Private Placement will be implemented after the Proposed Rights Issue of Shares and the pro forma effects are presented purely for illustrative purposes based on the following parameters:

- The Placement Shares are issued at an indicative issue price of RM1.22 per Placement Share.
- Estimated expenses in relation to the Private Placement of RM2.50 million.
- The gross proceeds from the Private Placement of up to RM117.71 million are intended to be utilised as follows:

Description of use of proceeds	Note	RM’000
Partial repayment for the Proposed Sukuk Programme (as defined herein)	i	75,000
Capital expenditure	ii	22,000
Working capital requirements	iii	18,207
Estimated expenses for the Private Placement	iv	2,500
		117,707

Notes:

(i) Partial repayment for the Proposed Sukuk Programme

In conjunction with the restructuring of the Group’s debt, the Company is also undertaking the proposed issuance of Sukuk Murabahah under a Sukuk Murabahah programme of up to RM682.5 million in nominal value based on the Shariah principle of Murabahah (“Proposed Sukuk Programme”). Pursuant to the Proposed Sukuk Programme, a nominal amount of up to RM682.5 million will be raised. The Company intends to utilise RM75 million from the proceeds raised from the Private Placement to partly repay the principal amount and coupon/ profit payments of the Proposed Sukuk Programme.



Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statements of financial position (continued)

c) Pro Forma III – After Pro Forma I, Pro Forma II and the Private Placement (continued)

Notes: (continued)

(ii) Capital expenditure

The Company intends to utilise up to RM22.0 million of the proceeds raised for capital expenditure purposes of the Company and its wholly owned subsidiaries in the manner as set out below:

	RM'000
Purchase of vessel ^(a)	18,500
Acquisition of land ^(b)	3,500
Total	<u>22,000</u>

(a) *The Company's wholly owned subsidiary is in the midst of identifying 1 unit of working boat (“WB”) as an additional vessel for the existing business of the Company and its wholly-owned subsidiaries. The WB will be used to provide accommodation for the personnel to facilitate the provision of their supporting products and services.*

The estimated cost of the said WB ranges from RM60.0 million to RM100.0 million per unit. The Company intends to utilise RM18.5 million of the proceeds for partial payment for the purchase of the vessel and the remaining balance will be funded via internally-generated funds and bank borrowings.

The Company's wholly-owned subsidiary has not commenced any negotiation with any party in relation to the purchase of the WB as at the LPD.

(b) *The Company's wholly-owned subsidiary had, on 4 July 2019, executed a sale and purchase agreement for the acquisition of a parcel of a leasehold land measuring approximately 5 acres in Bintulu, Sarawak for a cash consideration of approximately RM3.4 million. The Company intends to utilise RM3.4 million of the proceeds to fund the said acquisition. The Company has earmarked an additional RM0.1 million for incidental expenses in relation to the acquisition. The acquisition is expected to be completed in the 4th quarter of 2019.*

Thereafter, the Company plans to construct a warehouse to store the raw materials and equipment of the Company and its wholly-owned subsidiaries on the said land, of which the estimated construction cost for the warehouse has not been determined at this juncture. The construction cost may be funded via internally-generated funds and/or bank borrowings.



Attachment I

Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statement of Financial Position and the notes thereon

3. Pro forma adjustments to the pro forma consolidated statements of financial position (continued)

c) Pro Forma III – After Pro Forma I, Pro Forma II and the Private Placement (continued)

Notes: (continued)

(iii) Working capital requirements

The Company intends to utilise up to RM18.2 million of the proceeds for the working capital requirements of the day-to-day operations of Dayang and its wholly-owned subsidiaries in the manner set out below:

	RM'000
Payment to trade creditors	10,000
Rental of equipment and vessels	3,500
Administrative expenses (i.e. finance cost, utilities, administrative overheads such as staff related cost, printing and stationery, as well as office expenses such as general upkeep of office)	4,707
	18,207

(iv) Estimated expenses for the Private Placement

The proceeds earmarked for the estimated expenses in relation to the Private Placement shall be utilised as follows:-

	RM'000
Professional fees (a)	2,470
Regulatory fees (i.e. Bursa Malaysia Securities Berhad)	30
Total	2,500

(a) Further breakdown of professional fees are set out below:-

	RM'000
Placement fee (in tandem with the amount of proceeds raised from the Private Placement)	2,350
Advisory fee	120
Total	2,470



APPENDIX I - PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment I

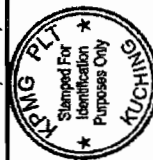
Dayang Enterprise Holdings Bhd ("Dayang" or the "Company")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

4. Pro forma Consolidated Statement of Financial Position

The pro forma consolidated statement of financial position of the Group as at 31 December 2018 as set out below have been prepared for illustrative purposes only, to show the effects of the pro forma adjustments referred to in Note 3, had these events and transactions been effected on 31 December 2018, and should be read in conjunction with the rest of the notes in this attachment.

	Note	As at 31 December 2018*	Pro Forma I Adjusted as at LPD RM'000	Pro Forma II After Pro Forma I and the Proposed Rights Issue of Shares RM'000	Pro Forma III After Pro Forma I, II and the Private Placement RM'000
Assets					
Property, plant and equipment	5.1	1,442,096	1,442,096	1,442,096	1,445,596
Prepaid lease payments		9,386	9,386	9,386	9,386
Deposits	5.2	46,043	-	-	-
Goodwill		653,627	653,627	653,627	653,627
Deferred tax assets		25,559	25,559	25,559	25,559
Derivative asset		78	78	78	78
Total non-current assets		2,176,789	2,130,746	2,130,746	2,134,246
Inventories		7,285	7,285	7,285	7,285
Contract assets		150,008	150,008	150,008	150,008
Trade and other receivables		124,606	124,606	124,606	124,606
Other investments		1,490	1,490	1,490	1,490
Deposits and prepayments		10,810	10,810	10,810	10,810
Current tax assets		4,375	4,375	4,375	4,375
Cash and cash equivalents	5.3	221,779	222,141	226,826	338,533
Total current assets		520,353	520,715	525,400	637,107
Total assets		2,697,142	2,651,461	2,656,146	2,771,353

* Extracted from the audited consolidated financial statements of the Group for the financial year ended 31 December 2018



APPENDIX I - PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment I

Dayang Enterprise Holdings Bhd ("Dayang" or the "Company")

Pro Forma Consolidated Statements of Financial Position and the notes thereon

4. Pro forma Consolidated Statement of Financial Position (continued)

	Note	Pro Forma I As at 31 December 2018* RM'000	Pro Forma II Adjusted as at LPD RM'000	Pro Forma I After Pro Forma I and the Proposed Rights Issue of Shares RM'000	Pro Forma III After Pro Forma I, II and the Private Placement RM'000
Equity					
Share capital	5.4	672,988	672,988	750,173	867,880
Retained earnings	5.4	393,155	413,042	410,542	408,042
Other reserves	5.4	57,415	58,744	58,744	58,744
Total equity attributable to owners of the Company		1,123,558	1,144,774	1,219,459	1,334,666
Non-controlling interests		176,251	176,251	176,251	176,251
Total equity		1,299,809	1,321,025	1,395,710	1,510,917
Liabilities					
Loans and borrowings	5.5	24,428	24,428	24,428	24,428
Deferred tax liabilities		73,776	73,776	73,776	73,776
Total non-current liabilities		98,204	98,204	98,204	98,204
Loans and borrowings	5.5	1,064,752	1,001,533	931,533	931,533
Trade and other payables	5.6	205,514	201,836	201,836	201,836
Current tax liabilities		28,863	28,863	28,863	28,863
Total current liabilities		1,299,129	1,232,232	1,162,232	1,162,232
Total liabilities		1,397,333	1,330,436	1,260,436	1,260,436
Total equity and liabilities		2,697,142	2,651,461	2,656,146	2,771,353

* Extracted from the audited consolidated financial statements of the Group for the financial year ended 31 December 2018



APPENDIX I - PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment I

Dayang Enterprise Holdings Bhd ("Dayang" or the "Company")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

4. Pro forma Consolidated Statement of Financial Position (continued)

Supplementary Information

	Note	Pro Forma I Adjusted as at LPD	Pro Forma II After Pro Forma I and the Proposed Rights Issue of Shares	Pro Forma III After Pro Forma I, II and the Private Placement
	As at 31 December 2018*			
Number of Dayang Shares in issue	964,809,835	964,809,835	1,061,290,818	1,157,771,801
Net assets per share (RM)	1.16	1.19	1.15	1.15
Total borrowings (RM'000)	1,089,180	1,025,961	955,961	955,961
Gearing (times)	0.97	0.90	0.78	0.72

* Extracted from the audited consolidated financial statements of the Group for the financial year ended 31 December 2018

Notes:

- (i) Net assets represents total equity attributable to owners of the Company
- (ii) Net assets per share = Net assets / Number of Dayang Shares in issue
- (iii) Gearing ratio = Total borrowings / Total equity attributable to owners of the Company



APPENDIX I – PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment I

Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)
Pro Forma Consolidated Statements of Financial Position and the notes thereon

5. Effects on the Pro Forma Consolidated Statement of Financial Position

5.1 Movement in property, plant and equipment

	RM'000
As at 31 December 2018, Pro Forma I and II	1,442,096
<i>Effects of Pro Forma III</i>	
- Acquisition of land	3,500
Pro Forma III	<u>1,445,596</u>

5.2 Movement in deposits

	RM'000
As at 31 December 2018	46,043
<i>Effects of Pro Forma I</i>	
- Settlement of deposits via acquisition of Mount Santubong Ltd.	(46,043)
Pro Forma I, II and III	<u>-</u>

5.3 Movement in cash and cash equivalents

	RM'000
As at 31 December 2018	221,779
<i>Effects of Pro Forma I</i>	
- Acquisition of Mount Santubong Ltd.	362
Pro Forma I	<u>222,141</u>
<i>Effects of Pro Forma II</i>	
- Cash receipts from the Proposed Rights Issue of Shares	77,185
- Estimated expenses for the Proposed Rights Issue of Shares	(2,500)
- Part repayment of the Group's loans and borrowings	(70,000)
Pro Forma II	<u>226,826</u>
<i>Effects of Pro Forma III</i>	
- Cash receipts from the Private Placement	117,707
- Acquisition of land	(3,500)
- Estimated expenses for the Private Placement	(2,500)
Pro Forma III	<u>338,533</u>



APPENDIX I - PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE DAYANG GROUP AS AT 31 DECEMBER 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)

Attachment I

Dayang Enterprise Holdings Bhd ("Dayang" or the "Company")
Pro Forma Consolidated Statements of Financial Position and the notes thereon

5. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

5.4 Movement in equity

	Share capital RM'000	Other reserve RM'000	Retained earnings RM'000	Subtotal RM'000	Non - controlling interests RM'000	Total RM'000
As at 31 December 2018 and Pro Forma I	672,988	57,415	393,155	1,123,558	176,251	1,299,809
<i>Effects of Pro Forma I</i>	-	1,329	19,887	21,216	-	21,216
- Acquisition of Mount Santubong Ltd.	672,988	58,744	413,042	1,144,774	176,251	1,321,025
Pro Forma I	77,185	-	-	77,185	-	77,185
<i>Effects of Pro Forma II</i>	-	-	(2,500)	(2,500)	-	(2,500)
- Issuance of Rights Shares pursuant to the Proposed Rights Issue of Shares	-	-	(2,500)	(2,500)	-	(2,500)
- Estimated expenses for the Proposed Rights Issue of Shares	-	-	-	-	-	-
Pro Forma II	750,173	58,744	410,542	1,219,459	176,251	1,395,710
<i>Effects of Pro Forma III</i>	117,707	-	-	117,707	-	117,707
- Issuance of Placement Shares pursuant to the Private Placement	117,707	-	-	117,707	-	117,707
- Estimated expenses for the Private Placement	-	-	(2,500)	(2,500)	-	(2,500)
Pro Forma III	867,880	58,744	408,042	1,334,666	176,251	1,510,917



Dayang Enterprise Holdings Bhd (“Dayang” or the “Company”)

Pro Forma Consolidated Statements of Financial Position and the notes thereon

5. Effects on the Pro Forma Consolidated Statement of Financial Position (continued)

5.5 Movement in loans and borrowings

	RM'000
As at 31 December 2018	
- Non-current	24,428
- Current	1,064,752
Total loans and borrowings as at 31 December 2018	1,089,180
<i>Effects of Pro Forma I</i>	
- Acquisition of Mount Santubong Ltd.	(63,219)
Pro Forma I	1,025,961
<i>Effects of Pro Forma II</i>	
- Part repayment of the Group's loans and borrowings	(70,000)
Pro Forma II and III	955,961

5.6 Movement in trade and other payables

	RM'000
As at 31 December 2018	205,514
<i>Effects of Pro Forma I</i>	
- Acquisition of Mount Santubong Ltd.	(3,678)
Pro Forma I, II and III	201,836



APPENDIX II – INFORMATION ON THE PPB GROUP

1. HISTORY AND BUSINESS

PPB 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, it was converted into a public limited company under the name of Petra Perdana Berhad and subsequently changed its name to Perdana Petroleum Berhad on 7 July 2011. PPB was listed on the Second Board of Bursa Securities on 16 August 2000 and was subsequently transferred to the Main Board (now known as Main Market) of Bursa Securities on 23 January 2003.

PPB is an investment holding company. PPB, through its subsidiaries, provides marine support services which include the provision of vessels for the upstream O & G industry. PPB owns and operates a fleet of vessels comprising a strategic mix of AHTSs, AWBs and WBs which are capable in the operation of transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities on-board.

PPB Group is based in Malaysia and the principal market for its services is in Malaysia. 60% of the PPB Group's revenue for the FYE 31 December 2018 were contributed by contracts awarded by Dayang and its wholly-owned subsidiaries, while the remaining 40% were attributable to contracts secured from third parties.

As at the LPD, the PPB Group owns and operates 16 vessels with an average age of approximately 8 years, comprising 8 AHTSs, 6 AWBs and 2 WBs.

Details of the PPB Group's existing vessels are set out below:-

Name of vessel	Type/ Capacity	Gross/ Net Tonnage	Year built
Perdana Horizon	AHTS/ 10,880 Bhp	2,532/ 759 ton	2008
Perdana Traveller	AHTS/ 10,800 Bhp	2,310/ 693 ton	2008
Perdana Adventurer	AHTS/ 10,800 Bhp	2,310/ 693 ton	2008
Perdana Frontier	AHTS/ 5,220 Bhp	1,706/ 511 ton	2008
Perdana Voyager	AHTS/ 10,880 Bhp	2,532/ 759 ton	2009
Perdana Expedition	AHTS/ 10,880 Bhp	2,532/ 759 ton	2009
Perdana Ranger	AHTS/ 5,220 Bhp	1,706/ 511 ton	2009
Perdana Marathon	AHTS/ 12,240 Bhp	2,921/ 876 ton	2010
Perdana Liberty	WB/ 169 men	3,265/ 979 ton	2009
Perdana Sovereign	WB/ 169 men	3,265/ 979 ton	2010
Perdana Odyssey	AWB/ 300 men	10,159/ 3,047 ton	2011
Perdana Endurance	AWB/ 300 men	10,445/ 3,133 ton	2013
Perdana Excelsior	AWB/ 300 men	10,445/ 3,133 ton	2013
Perdana Protector	AWB/ 300 men	10,445/ 3,133 ton	2013
Perdana Resolute	AWB/ 300 men	10,445/ 3,133 ton	2014
Perdana Emerald	AWB/ 300 men	10,445/ 3,133 ton	2014

The average utilisation rate of the PPB Group's vessels for the FYEs 31 December 2016, 2017 and 2018 and as at the LPD is 58%, 52%, 64% and 66%, respectively.

2. SHARE CAPITAL

The issued share capital of PPB as at the LPD is RM411,219,267 comprising 778,470,949 PPB Shares and PPB does not have any convertible securities.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

3. BOARD OF DIRECTORS

The directors of PPB and their respective shareholdings in PPB as at the LPD are set out below:-

Name	Nationality	Designation	Direct		Indirect	
			No of PPB Shares	%	No of PPB Shares	%
Datuk Ling	Malaysian	Executive Chairman	97	~*	470,786,742 ^{*1}	60.48
Bailey Kho Chung Siang	Malaysian	Executive Director	60,400	0.01	211,400 ^{*2}	0.03
Alias Bin Mat Lazin	Malaysian	Executive Director	33,159	~*	-	-
Chin Chee Kong	Malaysian	Non-Independent Non-Executive Director	-	-	-	-
Datuk Hasmi	Malaysian	Non-Independent Non-Executive Director	290,202	0.04	547,773,079 ^{*3}	70.37
Datuk Dr Abd Hapiz Bin Abdullah	Malaysian	Independent Non-Executive Director	-	-	-	-
Datuk Mohd Jafni Bin Mohd Alias	Malaysian	Independent Non-Executive Director	-	-	-	-
Dato' Gerald Hans Isaac	Malaysian	Independent Non-Executive Director	-	-	-	-

Notes:-

* *Negligible*

*1 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Dayang and Vogue Empire*

*2 *Deemed interested pursuant to Section 59(11)(c) of the Act by virtue of PPB Shares held by his spouse*

*3 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Dayang and Naim Holdings*

4. SUBSTANTIAL SHAREHOLDERS

The substantial shareholders of PPB and their shareholding in PPB as at the LPD are set out below:-

Name	Nationality/ Country of incorporation	Direct		Indirect	
		No of PPB Shares	%	No of PPB Shares	%
Dayang	Malaysia	470,786,650	60.48	-	-
Naim Holdings	Malaysia	76,986,429	9.89	470,786,650 ^{*1}	60.48
Tengku Dato' Yusof	Malaysian	19,906,835	2.56	470,786,650 ^{*1}	60.48
Joe Ling	Malaysian	-	-	470,786,839 ^{*2}	60.48
Datuk Hasmi	Malaysian	290,202	0.04	547,773,079 ^{*3}	70.37

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

Name	Nationality/ Country of incorporation	Direct No of PPB Shares	%	Indirect No of PPB Shares	%
Datuk Ling	Malaysian	97	-*	470,786,742 ^{*4}	60.48
Datuk Amar Abdul Hamed	Malaysian	-	-	547,773,079 ^{*3}	70.37

Notes:-

* *Negligible*

*1 *Deemed interested pursuant to Section 8 of the Act by virtue of its/ his substantial shareholdings in Dayang*

*2 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Dayang and PPB Shares held by his father, Datuk Ling and his father's interest in Vogue Empire*

*3 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Dayang and Naim Holdings*

*4 *Deemed interested pursuant to Section 8 of the Act by virtue of his substantial shareholdings in Dayang and Vogue Empire*

5. SUBSIDIARY AND ASSOCIATED COMPANIES

The subsidiaries of PPB as at the LPD are set out below:-

Name	Date/Place of Incorporation	Issued share capital RM (unless otherwise stated)	Effective Equity Interest (%)	Principal activities
Intra Oil Services Berhad	25.08.1980/ Malaysia	7,500,000	100	Provision of marine support services for O & G industry
Perdana Nautika Sdn Bhd	19.11.2010/ Malaysia	500,000	100	Provision of marine support services for O & G industry
Ampangship Marine Sdn Bhd	20.11.2002/ Malaysia	59,468,860	100	Provision of marine support services for O & G industry
Perdana Earth Ltd	18.09.2013/ Federal Territory of Labuan, Malaysia	USD105,766,616	100	Provision of leasing business activities in Labuan
Perdana Jupiter Ltd	12.05.2009/ Federal Territory of Labuan, Malaysia	USD67,271,057	100	Provision of leasing business activities in Labuan
Perdana Mars Ltd	19.06.2014/ Federal Territory of Labuan, Malaysia	USD1	100	Provision of leasing business activities in Labuan
Perdana Neptune Limited	23.06.2009/ Federal Territory of Labuan, Malaysia	USD73,890,693	100	Provision of leasing business activities in Labuan
Perdana Pluto Limited	12.08.2009/ Federal Territory of Labuan, Malaysia	USD2,950,001	100	Provision of leasing business activities in Labuan

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

Name	Date/Place of Incorporation	Issued share capital RM (unless otherwise stated)	Effective Equity Interest (%)	Principal activities
Perdana Saturn Limited	12.08.2009/ Federal Territory of Labuan, Malaysia	USD15,880,081	100	Provision of leasing business activities in Labuan
Perdana Uranus Limited	09.07.2013/ Federal Territory of Labuan, Malaysia	USD1	100	Dormant
Perdana Mercury Ltd	04.10.2006/ The Republic of Marshall Island	USD1,000	100	Dormant
Perdana Venus Ltd	05.04.2017/ The Republic of Marshall Island	USD1,000	100	Dormant
Petra Offshore Limited	14.08.2006/ Federal Territory of Labuan, Malaysia	USD49,270,680* ¹	100	Dormant
Perdana Marine Offshore Pte Ltd	22.08.1998/ The Republic of Singapore	SGD4,500,000	100	Dormant
Odin Explorer Navigation Ltd	09.06.2004/ The British Virgin Island	USD1,000	100	Dormant
Geoseas Technologies Ltd	26.05.2004/ The British Virgin Island	USD5,000	51	Dormant
Mount Santubong Ltd	08.10.2010/ Federal Territory of Labuan, Malaysia	USD2,650,000	100	Making strategic investments in shipping and shipping related assets and businesses

Note:-

*1 *The issued share capital of Petra Offshore Limited of USD49,270,680, of which USD3,698,997 is made up of ordinary shares and USD45,571,683 is made up of 44,919,718 preference shares*

As at the LPD 2019, PPB does not have any associate companies.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

6. HISTORICAL SHARE PRICES

The monthly highest and lowest last transacted market prices of PPB Shares as traded on Bursa Securities for the past 12 months from September 2018 to August 2019 are set out below:-

	High RM	Low RM
<u>2018</u>		
September	0.225	0.185
October	0.325	0.225
November	0.305	0.225
December	0.250	0.185
<u>2019</u>		
January	0.255	0.195
February	0.325	0.225
March	0.480	0.290
April	0.445	0.390
May	0.390	0.255
June	0.355	0.310
July	0.375	0.340
August	0.355	0.300
Last transacted market price on 16 May 2019 (being the last transacted date prior to the announcement dated 17 May 2019 in relation to PPB Proposed Rights Issue of RCPS (RM))		0.335
Last transacted market price on the LPD (RM)		0.305

(Source: Bloomberg)

7. MATERIAL COMMITMENTS

As at the LPD, PPB is not aware of any material commitments incurred or known to be incurred by the PPB Group which upon becoming enforceable, may have a material impact on the financial results/ position of PPB.

8. CONTINGENT LIABILITIES

Save as disclosed below, as at the LPD, PPB is not aware of any contingent liabilities incurred or known to be incurred by the PPB Group, which upon becoming enforceable may have a material impact on the financial results or position of the PPB Group:-

	RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	190,503
Corporate guarantee to be given to a licensed financial institution for a short term loan facility secured by Dayang ¹	90,000
Corporate guarantee to be given to licensed institutions regulated by BNM for the Proposed Sukuk Programme to be issued by Dayang ¹	682,500
Total	963,003

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

Note:-

- *1 *On 22 July 2019, Kenanga IB had on behalf of the board of directors of PPB, announced that PPB proposes to undertake the provision of financial assistance by PPB to Dayang in the form of corporate guarantees, indemnities and collaterals for a short term loan facility of RM90.0 million secured by Dayang in April 2019 from a licensed financial institution to bridge the 3rd tranche of repayment for the PPB Sukuk Murabahah of RM90.0 million as well as for the Proposed Sukuk Programme. The said proposed provision of financial assistance by PPB to Dayang is subject to approval being obtained from PPB's shareholders at an EGM to be convened*

Further to the conclusion of a tax audit conducted for year of assessment ("YA") 2007 to YA 2010, the Inland Revenue Board ("IRB") has requested the PPB Group to revise its tax computations for YA 2011 and subsequent years. In October 2015, the PPB Group engaged a tax consultant to assist in the matter and assess the tax impacts thereof. In February 2017, the PPB 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. PPB 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. As at the LPD, the PPB Group has not received any response from the IRB to its reply on February 2017.

9. MATERIAL CONTRACTS

Save as disclosed below, as at the LPD, PPB Group has not entered into any material contract (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD:-

- i. PPB's wholly-owned subsidiary, Perdana Jupiter Ltd had on 23 May 2019 entered into a Share Sale Agreement with NFC Shipping Fund C LLC to acquire 2,650,000 ordinary shares, representing the entire issued and paid-up share capital of Mount Santubong Ltd from NFC Shipping Fund C LLC for a total cash consideration of USD1.00. The acquisition forms part of the group-wide debt restructuring scheme of Dayang and has been completed on 5 July 2019.

10. MATERIAL LITIGATION

Save as disclosed below, as at the LPD, the PPB Group is not involved in any material litigation, claims or arbitration, either as plaintiff or defendant and the board of directors of PPB is not aware and does not have any knowledge of any proceedings pending or threatened against the PPB Group, or of any facts likely to give rise to any proceedings which might materially or adversely affect the financial position or business of the PPB Group:-

- i. On 22 June 2011, PPB filed a suit in the High Court against Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Wong Fook Heng, Tiong Young Kong, Lee Mee Jiong, TA Securities Holdings Berhad ("TASB"), Yap Hock Heng and TA First Credit Sdn Bhd ("TAFC") to claim for losses and damages suffered by PPB in respect of, inter alia, the divestment of 10,500,000 ordinary shares of RM0.50 each in Petra Energy Berhad ("PEB") by PPB on 10 September 2009 and the divestment of 48,800,000 ordinary shares of RM0.50 each in PEB by PPB as conducted by TASB and Yap Hock Heng on 11 December 2009.

This suit was mounted on several causes of action, including breaches of fiduciary and statutory duties, accessory liability and conspiracy and PPB was seeking from the High Court, various declaratory reliefs, damages (general and/ or fiduciary and/ or aggravated) to be assessed, interest, account and disgorgement and costs.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

On 7 September 2012, PPB filed notices of discontinuance pursuant to a negotiated settlement with TASB, Yap Hock Heng and TAFC, with no admission of liability and with no liberty to file afresh. In this connection, TASB had also agreed to discontinue their suit against PPB in relation to a claim of approximately RM2.8 million as placement fees due to them ("TASB Suit") with no admission of liability and with no liberty to file afresh. With the discontinuance of the TASB Suit, PPB had reversed the provisions made earlier.

The trial at the High Court ended on 26 April 2013 and oral submissions by respective counsels were made on 21 November 2013 and 28 November 2013. On 21 March 2014, PPB announced that the High Court gave its decision that PPB was unsuccessful in the Suit. On 17 April 2014, PPB filed a Notice of Appeal to the Court of Appeal on the decision of the Suit.

On 9 September 2014, the High Court made a decision on costs and ordered PPB to pay the Defendant Parties, a total cost of RM841,731. The High Court also ordered Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra to pay PPB the sum of RM192,780 with post judgement interest calculated at 5% per annum starting from 22 March 2014 ("Judgement Sum"). The earnings of PPB for the year ended 31 December 2014 was reduced by the differential sum of the total cost payable and the judgement sum receivable.

On 2 December 2014, the Court of Appeal fixed the hearing of the Appeal. This was subsequently adjourned and fixed to be heard on 11 March 2015.

The Appeal was heard on 11 March 2015 and 25 March 2015.

On 25 August 2015, PPB announced that the Court of Appeal had made the following judgements:

- a) PPB's appeal was allowed with costs against Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong;
- b) PPB's appeal was dismissed with costs against Lee Mee Jiong; and
- c) Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra's cross appeal was dismissed with costs.

On 23 September 2015, PPB received the Notices of Motion from the solicitors of Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Wong Fook Heng and Tiong Young Kong (the "Applicants") respectively, to apply 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 with the filing of the appeal papers for case management.

On 10 October 2016, Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra's, Wong Fook Heng's and Tiong Young Kong's appeals against the Company were partially heard by the Federal Court. The Federal Court fixed 18 October 2016 for the continued hearing which however did not take place on the said date. The Federal Court subsequently fixed 16 November 2016 as the continued hearing date.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

However, on 8 November 2016, the Federal Court via a letter informed all the parties that the continued hearing scheduled on 16 November 2016 was converted to a case management and the new continued hearing date was fixed on 2 February 2017. On 2 February 2017, the Federal Court had heard all of the parties for the continued hearing and deferred the decision to a later date. On 14 December 2017, the Federal Court had unanimously allowed both of Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra and Wong Fook Heng & Tiong Young Kong's appeals (the "Appellants"), with costs in the amount of RM60,000 subject to 4% allocator for each appeal, to be paid by PPB to the Appellants. The Federal Court also held that the Court of Appeal's order dated 25 August 2015 to be set aside and that the High Court Judgement dated 21 March 2014 to be reinstated.

On 6 February 2018, PPB received an instruction letter from the Appellants' solicitor to pay a sum of approximately RM459,000. The Company had fully settled the sum accordingly.

On 8 March 2018, PPB received another instruction letter from the solicitor of Wong Fook Heng and Tiong Young Kong to pay a sum of approximately RM112,400. PPB had fully settled the sum accordingly.

On 3 September 2018, the Industrial Court via a deed of release and settlement informed Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra and PPB, of a sum of RM500,000 to be paid by the latter to the former to resolve and fully settle out of court, all matters in connection to the claim.

Subsequent to the final settlement of the suit, Tengku Dato' Ibrahim Petra Bin Tengku Indra Petra, Datin Che Nariza Hajjar Hashim, Wong Fook Heng and Tiong Young Kong ("Plaintiffs") filed a claim on 7 August 2018 for indemnification of legal fees they have incurred in defending the prior suits (and the appeals emanated therefrom) brought by PPB against them.

On 29 May 2019, the High Court has allowed the Plaintiff's claim against the Company for the cost incurred on an indemnity basis in defending the suits (and the appeals emanated therefrom) since 2009. The total amount to be paid by the Company to the Plaintiffs including the costs and the allocator fee is RM2,652,447.13. The said amount has been accrued for in the financial statements of the Company as at the LPD. On 27 June 2019, the Company has filed a notice of appeal to the Court of Appeal against the decision made by the High Court. PPB's solicitors attended court on 13 August 2019 for case management and updated the court on the current progress of the appeal. The next case management hearing for this appeal is scheduled to take place on 19 September 2019.

The solicitors of PPB are of the opinion that PPB has a good arguable chance to appeal in this case.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

11. SUMMARY AND COMMENTARIES OF FINANCIAL INFORMATION

The financial summary of the PPB Group based on the audited consolidated financial statements for the past 3 financial years up to the FYE 31 December 2018 and the latest unaudited result for the 6-month FPE 30 June 2019 together with the corresponding preceding financial period, are set out below:-

	← Audited →			← Unaudited →	
	FYE 31 December			6-month FPE 30 June	
	2016	2017	2018	2018	2019
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	191,711	147,787	189,653	64,363	88,544
Gross profit/ (loss)	37,339	(7,645)	9,209	(12,100)	(6,431)
LBT	(35,948)	(187,592)	(38,921)	(55,007)	(37,454)
Loss after taxation attributable to owners of the company	(28,040)	(186,106)	(40,910)	(56,557)	(38,381)
Shareholders' funds/ NA	743,427	494,483	460,705	433,854	422,977
Share capital	389,235	411,219	411,219	411,219	411,219
Number of PPB Shares ('000)	778,471	778,471	778,471	778,471	778,471
Net loss per share (sen)	(3.60)	(23.91)	(5.26)	(7.27)	(4.93)
NA per share (RM)	0.95	0.64	0.59	0.56	0.54
Current ratio ^{*1} (times)	0.41	0.13	0.10	0.06	0.14
Total borrowings ^{*2}	913,919	868,938	823,913	819,304	806,061
Gearing ^{*3} (times)	1.23	1.76	1.79	1.89	1.91

Notes:-

*1 Calculated as current assets divided by current liabilities

*2 Including the advances owing to the Dayang Group which is interest-bearing and payable on demand

*3 Calculated as total borrowings divided by NA

For the past 3 financial years up to the latest audited FYE 31 December 2018:-

- there were no exceptional or extraordinary item;
- there were no accounting policies adopted by PPB that are peculiar to PPB due to the nature of its business of the industry it operates in; and
- there was no audit qualification for the financial statements of PPB.

Commentaries on financial information of the PPB Group**FYE 31 December 2016**

For the FYE 31 December 2016, the PPB Group recorded revenue of RM191.7 million, which represents a decrease of RM36.5 million or 16.0% as compared to the preceding financial year of RM228.2 million. The decrease in revenue was mainly due to lower average charter rates which reduced by approximately 10% from the preceding financial year and lower vessels utilisation rate at 58% as compared to 63% for the preceding financial year due to slower work orders/ contracts secured from oil majors given the continued weak business sentiment and oversupply in the offshore supply vessels market.

PPB Group recorded a lower gross profit of RM37.3 million for the FYE 31 December 2016, which represents a decrease of RM22.6 million or 37.7% as compared to RM59.9 million for the preceding financial year. The lower gross profit in the FYE 31 December 2016 was mainly due to the lower revenue as explained above and higher bunker cost (i.e., cost incurred on fuel for vessels) associated to non-utilised vessels as bunker was continuously consumed during off hire period including maintenance and repair, which was borne by the PPB Group.

PPB Group recorded a lower LBT of RM35.9 million, which represents a decrease of RM79.0 million or 68.8% as compared to RM114.9 million recorded in the preceding financial year. Notwithstanding the lower gross profit as mentioned above, the lower LBT recorded was mainly due to:-

- i. net gain on foreign exchange of RM56.4 million as compared to net loss on foreign exchange of RM17.3 million in the preceding financial year due to strengthening USD against RM in conjunction with the refinancing of the PPB Group's USD borrowings via the PPB Sukuk Murabahah. The exchange rate at the time of refinancing was at USD1:RM3.9 as compared to USD1:RM4.5 at the end of the FYE 31 December 2016; and
- ii. lower administrative expenses of RM15.4 million which represents a decrease of RM22.5 million or 59.4% as compared to the preceding financial year of RM37.9 million ended arising from cost reduction initiative which yielded positive results.

FYE 31 December 2017

For the FYE 31 December 2017, the PPB Group recorded revenue of RM147.8 million, which represents a decrease of RM43.9 million or 22.9% as compared to the preceding financial year of RM191.7 million. The decrease was mainly due to lower average charter rates which reduced by approximately 30% from the preceding financial year and lower vessel utilisation rate at 52% compared to 58% for the preceding year as a result of slower work orders/ contracts awarded by oil majors as the operating environment for the offshore support vessels remained challenging.

PPB Group recorded gross loss of RM7.6 million for the FYE 31 December 2017, which represents a decrease of RM45.2 million or 121.1% as compared to gross profit of RM37.3 million in the preceding financial year. The gross loss recorded in the FYE 31 December 2017 was mainly due to lower revenue as mentioned above and higher bunker cost associated to non-utilised vessels which was borne by the PPB Group.

PPB Group recorded LBT of RM187.6 million for the FYE 31 December 2017, which represents an increase of RM151.7 million or 422.6% has compared to RM35.9 million recorded in the preceding financial year. The higher LBT was mainly due to:-

- i. net loss on foreign exchange of RM52.0 million as compared to net gain on foreign exchange of RM56.4 million in the preceding financial year due to weaker USD against RM from USD1:RM4.5 in the FYE 31 December 2016 to USD1:RM4.1 in the FYE 31 December 2017;

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

- ii. higher impairment loss on property, plant and equipment of RM51.1 million which represents an increase of RM45.3 million as compared to RM5.8 million in the preceding financial year as the estimated recoverable amounts of PPB Group's 7 vessels (FYE 31 December 2016: 5 vessels) were lower than their carrying amounts based on an impairment assessment performed by the PPB Group, in view of the challenges faced by the PPB Group in achieving high utilisation rates and charter hires for its marine vessels; and
- iii. impairment loss on goodwill of RM10.7 million relating to one of PPB's subsidiary as the recoverable amounts estimated using value-in-use calculation were lower than the carrying amounts of the vessel owned by the said subsidiary, in line with the impairment loss on property, plant and equipment explained above.

FYE 31 December 2018

For the FYE 31 December 2018, the PPB Group recorded revenue of RM189.7 million, which represents an increase of RM41.9 million or 28.3% as compared to the preceding financial year of RM147.8 million. The increase in revenue was mainly due to higher average charter rate which increased by approximately 15% from the preceding financial year and higher vessel utilisation rate at 64% compared to 52% in the FYE 31 December 2017. The higher vessel utilisation rate was as a result of improved work orders/ contracts awarded from oil majors due to the strengthening demand for its vessels.

PPB Group recorded gross profit of RM9.2 million for the FYE 31 December 2018 as compared to gross loss of RM7.6 million in the preceding financial year. The gross profit recorded in the FYE 31 December 2018 was mainly due to higher revenue recorded.

PPB Group recorded a lower LBT of RM38.9 million for the FYE 31 December 2018, which represents a decrease of RM148.7 million or 79.3% as compared to RM187.6 million recorded in the preceding financial year. The lower LBT was mainly due to:-

- i. higher gross profit as mentioned above;
- ii. net gain on foreign exchange of RM11.5 million as compared to net loss on foreign exchange of RM52.0 million in the preceding financial year due to the favourable movement of USD against RM from USD1:RM4.1 in the FYE 31 December 2017 to USD1:RM4.2 in the FYE 31 December 2018;
- iii. reversal of impairment losses on property, plant and equipment of RM6.7 million (FYE 31 December 2017: nil) as the estimated recoverable amounts of PPB Group's 7 vessels (2017: 7 vessels) were higher than their carrying amounts based on an impairment assessment performed by the PPB Group following the strengthening demand for its vessels; and
- iv. the absence of impairment loss on property, plant and equipment and goodwill in FYE 31 December 2018 (FYE 31 December 2017: RM51.1 million and RM10.7 million, respectively).

6-month FPE 30 June 2019

For the 6-month FPE 30 June 2019, the PPB Group recorded revenue of RM88.5 million, which represents an increase of RM24.1 million or 37.4% as compared to RM64.4 million in the preceding financial period. The increase in revenue was mainly due to higher vessel utilisation rate at 57% compared to 48% in the preceding financial period despite the minimal increase in the average charter rates. The higher vessel utilisation rate was as a result of higher work orders/ contracts from oil majors due to the increased demand for its vessels in the 2nd quarter of 2019.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

PPB Group recorded gross loss of RM6.4 million for the 6-month FPE 30 June 2019, which represents a decrease of RM5.7 million or 47.1% as compared to RM12.1 million in the preceding financial period. The lower gross loss recorded in the 6-month FPE 30 June 2019 was mainly due to higher revenue recorded.

PPB Group recorded a lower LBT of RM37.5 million for the 6-month FPE 30 June 2019, which represents a decrease of RM17.5 million or 31.8% as compared to RM55.0 million in the preceding financial period. The lower LBT was mainly due to:-

- i. lower gross loss as mentioned above;
- ii. reversal of impairment loss on property, plant and equipment of RM2.8 million (6-month FPE 30 June 2018: additional impairment loss on property, plant and equipment of RM7.1 million) as the estimated recoverable amount of PPB Group's 3 vessels were higher than their carrying amounts based on an impairment assessment performed by PPB following the strengthening demand for its vessels; and
- iii. lower net loss on foreign exchange of RM0.4 million (6-month FPE 30 June 2018: RM2.7 million) due to favourable movement of USD against RM from USD1:RM4.0 in the 6-month FPE 30 June 2018 to USD:RM4.1 in the 6-month FPE 30 June 2019.

12. PROSPECTS AND STRATEGIES TO IMPROVE THE FINANCIAL PERFORMANCE OF THE PPB GROUP

PPB Group expects to improve its financial performance in 2019 arising from an improvement to their vessel utilisation rate as compared to 2018. Both Dayang and PPB have established synergistic tie-up since Dayang became the controlling shareholder of PPB in 2015. A number of the PPB Group's vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts with various oil majors, whilst increase in drilling activities for more wells is expected to increase vessel utilisation for the AHTS segment. PPB Group expects the crude oil price recovery (i.e. from a 5-year low of USD26 per barrel in 2016 to USD55 per barrel as at the LPD (*Source: Bloomberg*)) to boost the general sentiment for the oil majors and lead to more overall offshore support vessel chartering opportunities for PPB.

PPB Group have been continuously replenishing its work orders and had announced that it had secured a total of 6 key work orders with tenure above 180 days for the past 2 years up to the LPD as set out below:-

Awarded by	Scope of work	Commencement date ¹	Tenure of work orders	
			Initial ¹	Option to extend ¹
ROC Oil (Sarawak) Sdn Bhd	Provision of 1 AHTS	September 2018	380 days	30 days
Dayang Enterprise Sdn Bhd ²	Provision of 2 AWBs	1 st AWB March 2019	1 st AWB 120 days	1 st AWB Subject to negotiation
		2 nd AWB April 2019	2 nd AWB 200 days	2 nd AWB Up to 30 days
DESB Marine Services Sdn Bhd ²	Provision of 1 WB	April 2019	180 days	Up to 150 days
PETRONAS Carigali Sdn Bhd	Provision of 1 AHTS	March 2019	184 days	Up to 182 days
PETRONAS Carigali Sdn Bhd	Provision of 2 AHTS	May 2019	180 days	Up to 180 days

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

Awarded by	Scope of work	Commencement date ^{*1}	Tenure of work orders	
			Initial ^{*1}	Option to extend ^{*1}
PETRONAS Carigali Sdn Bhd	Provision of 2 AWBs	1 st AWB July 2019	1 st AWB 183 days	1 st AWB Up to 100 days
		2 nd AWB July 2019	2 nd AWB 155 days	2 nd AWB Up to 100 days

Notes:-

*1 Based on work orders awarded

*2 Wholly-owned subsidiaries of Dayang

The average utilisation rate of the PPB Group's vessels for the FYEs 31 December 2016, 2017, 2018 and as at the LPD is 58%, 52%, 64% and 66% respectively.

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

- i. securing long-term contracts (i.e., contracts with tenure of above 180 days) for its fleet of vessels

The offshore support service vessels activities in the O & G industry is increasing, as proven by the increase in work orders which resulted in higher revenue achieved by PPB in the 2nd quarter of 2019. PPB Group is continuously replenishing its work orders and had announced earlier that it had secured a total of 6 key work orders with tenure above 180 days for the past 2 years up to the LPD as set out above.

Premised on the outlook of the O & G industry as set out in Section 4.2 of Part A of this Circular, the PPB Group is cautiously optimistic to secure additional long-term contracts.

- ii. improving its vessels utilisation through securing contracts both domestically and regionally

PPB owns and operates a total of 16 vessels comprising, AHTSs, AWBs and WBs which are capable in the operation of transportation of drilling equipment, production chemicals and project materials to engineering and workshop facilities on board. The recent improvement in the oil price coupled with the increase in offshore service vessels activities have improved the average utilisation rate of the PPB Group's vessels from 58% in the FYE 31 December 2016 to 64% in the FYE 31 December 2018. As at the LPD, the average vessel utilisation rate stood at 66%.

Both Dayang and PPB have established synergistic tie-up since Dayang became the controlling shareholder of PPB in 2015. A number of the PPB Group's vessels have been earmarked for Dayang's offshore maintenance and hook-up contracts with various oil majors, whilst increase in drilling activities for more well is expected to increase vessel utilisation for the AHTS segment. For shareholders' information, approximately 60% of the PPB Group's revenue for the FYE 31 December 2018 were contributed by contracts awarded by Dayang, while the remaining 40% were attributable to contracts secured from third parties.

Premised on the above, PPB aims to continue to work closely with Dayang for domestic services and intends to expand its footprint regionally. Further, the PPB Group had also received enquiries in relation to the PPB Group's services from potential overseas customers.

APPENDIX II – INFORMATION ON THE PPB GROUP (CONT'D)

iii. improving the charter rate of its vessels

The improved activities in the O & G industry has seen a moderate increase in charter rates since the end of 2018 arising from the increased demand for offshore support services vessels. This is evidenced as the average charter rate of the PPB Group's vessels had improved by approximately 15% in the FYE 31 December 2018. Further, the gradual recovery of the crude oil price is expected to boost the general sentiments for the oil majors and lead to more overall offshore support vessels chartering opportunities for the PPB Group. PPB Group is cautiously optimistic that the charter rates of its vessels will continue to improve in the foreseeable future due to its competitive strengths including competitive pricing strategies.

iv. condensing the costs of the PPB Group's operations, administration and financing

The major cost rationalisation undertaken by PPB in 2016 has resulted in 19% reduction in overall costs (i.e., cost of services, administrative expenses and selling and distribution costs) of the PPB Group in the FYE 31 December 2016. Moving forward, PPB will continue to streamline its operations to reduce its costs. In July 2018, PPB Group has been approved by BNM to undertake a debt restructuring exercise under the CDRC with its licensed financial institutions and sukukholders, which is expected to result in potential interest savings of RM31.3 million (approximately 55% reduction in finance costs based on the FYE 31 December 2018). The admission by PPB into the CDRC is consistent with PPB's strategy to streamline its operations and optimise its financial resources and formed part of the group-wide debt restructuring exercise undertaken by the Dayang Group currently.

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