

DAYA MATERIALS BERHAD (“DMB” or “the Company”)

MEMORANDUM OF UNDERSTANDING (“MOU”) BETWEEN DAYA OCI SDN BHD (“DOCI”), A SUBSIDIARY OF DMB AND COFELY AXIMA (“AXIMA”) (FORMERLY KNOWN AS AXIMA CONCEPT)

1. INTRODUCTION

We refer to our announcements dated 18 April 2012, 17 July 2012, 16 October 2012, 15 January 2013 and 11 April 2013 respectively in relation to the above matter.

The Board of Directors (“Board”) of DMB is pleased to announce that Daya OCI Sdn. Bhd. (“DOCI”), a subsidiary of DMB, had on 18 April 2013, entered into a Consortium Agreement (“Agreement”) with Cofely Axima (“AXIMA”) (“The Consortium”).

2. DETAILS OF THE CONSORTIUM AGREEMENT

2.1 Consortium Agreement

- a) Boustead Naval Shipyard Sdn. Bhd. (“Employer” or “BNS”) has issued a request For Tender BNS/DSD/SGPV/RFQ/CWS/95 for The Littoral Combat Ships LCS (“the Project”).
- b) BNS will enter into an agreement (“the Contract”) with AXIMA for the Engineering procurement installation and commission of HVAC package on the Project.
- c) AXIMA is a French company active in the field of Heating, Ventilation and Air Conditioning equipment supplying and services.
- d) Considering their technical and commercial complementarities, AXIMA and DOCI (hereinafter referred to collectively as “Parties” and individually as “Party”) have decided to form the Consortium to submit a firm Offer (“the Offer”) for the Project and perform the resulting contract (“the Contract”) if the Offer is successful.
- e) The Parties hereto have mutually agreed to enter into this Agreement for the purpose of regulating their rights and duties and their relationship.

2.2 Salient terms of the Agreement

The salient terms of the Consortium, as extracted from the Agreement include, inter-alia, the following:-

- a) The purpose of this Agreement is to define the relationship between the parties, their respective rights and obligations and liabilities with respect to:
 - (i) The preparation of the Offer to be submitted to the Employer;
 - (ii) the execution of the subsequent Contract if the Offer is successful; and
 - (iii) the terms and conditions contained within the Contract.

- b) Co-operation between AXIMA and DOCI is exclusive for the Project, including all extra works thereof, in accordance with the terms and conditions under the Contract.
- c) The Agreement is exclusive between the Parties and therefore neither party shall directly or indirectly take part in any other offer nor co-operate with any third party with respect to the Project alone or in association with others except under the present Agreement, or engage other third parties to perform similar or identical SCOPE OF WORKS at any time during the duration of this Agreement.
- d) It is not the purpose of this Agreement or the intent of the Parties to create a partnership or joint venture or any entity having distinct legal personality. Nothing contained in the present Agreement shall be construed as creating such a partnership, joint venture or separate entity. The Parties will be under no obligation to provide work for each other.

Therefore :

- (i) neither party shall, except to the extent specified in the present Agreement, be authorised to make representation on behalf of the other Party; and
 - (ii) there shall be no common profit or loss sharing between the parties.
- e) The Offer price (hereinafter referred to as “the Offer Price”) to be submitted to the Employer shall be the combination of the respective Prices as quoted by each Party, except for such adjustments as may be mutually agreed in writing.
- f) It is agreed between the Parties that AXIMA shall assume the role and duties of leader of the Consortium (“the Leader”) and therefore shall diligently represent the Parties towards the Employer or its representatives (such as the Engineer), and be in charge of the general co-ordination of the Offer and the Contract. As a general rule, the Leader shall have no power to make any commitments on behalf of DOCI without its prior written approval.
- g) The Parties shall respectively execute and maintain the parts of the Project to be provided under the Contract. The Scope of Work according to the Parties respective parts are as follows:
 - (i) Axima shall be in charge of the Provision of Design, Main Equipment Supplies, Project Management & Supervision, Testing & Commissioning for Air-Conditioning System which comprises of approximately Forty percent (40%) participation of the Project; and
 - (ii) DOCI shall be in charge of the Provision of Engineering Details, Component Supply and Installation Works of the Air-conditioning System which comprises of approximately Sixty percent (60%) local participation of the Project as per the Employer's requirements.
- h) The remuneration due to each Party shall be set out in the submission of the Offer or give rise to an Appendix in the Agreement.
- i) Both Parties agree to try to obtain direct and separate payment from the Customer and ask for such at the tender stage.

- j) This Agreement shall become effective as of the Effective Date first written above and remain in force until the earliest of the following events:
- (i) all obligations and liabilities of the Parties of the Consortium to the Employer and to third parties and all obligations and liabilities of the Parties under this Agreement have been discharged, including the release of all securities by the Employer;
 - (ii) all payments due to the Consortium have been made in whole and any claims between the Parties of the Consortium or with the third parties have been settled;
 - (iii) the Contract has been awarded to another Tenderer; or
 - (iv) the Project has been abandoned by the Employer.
- k) Upon Termination, the joint and several liabilities of the Parties shall cease in the terms referred to in the Contract.
- l) Both AXIMA and DOCI shall uphold the highest standards of business ethics in the performance of the Contract. Honesty, fairness and integrity shall be paramount principles in the dealings between the parties.

3. INFORMATION ON DOCI, AXIMA AND BNS

3.1 DOCI

DOCI is a private company limited by shares incorporated under the Companies Act 1965 and having a registered office and principal business address at No. 9 & 11, Jalan P/8, Kawasan Perindustrian Bangi Seksyen 13, 43650 Bandar Baru Bangi, Selangor Darul Ehsan.

DOCI is a 67% owned subsidiary of DMB with an authorised capital of RM5,000,000.00 comprising 5,000,000 ordinary shares of RM1.00 each, of which 5,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The company is principally engaged in supplying equipment and specialty chemicals for oil & gas process plant and is also a provider of installation and maintenance services for air conditioning and ventilation system, automatic welding services for offshore pipeline installation and maintenance services for both onshore plants and offshore facilities.

3.2 AXIMA

AXIMA is a company incorporated in France specializing in marine and offshore Heating, Ventilation and Air-Conditioning (“HVAC”) and having main entity in France and service support entity in Singapore.

3.3 BNS

BNS is a private limited company incorporated in Malaysia. BNS is a one-stop centre for defense and maritime needs. Covering an area of 46 hectares, it was originally known as the Royal Malaysia Navy Dockyard became fully operational in 1984. BNS was corporatized in 1991 and subsequently privatized in 1995 as PSC Naval Dockyard Sdn Bhd.

In 2005, BNS was taken over by Boustead Holdings Berhad, a diversified Malaysian business conglomerate belonging to the Armed Forces Provident Fund, and the company's name was changed in August of the same year to Boustead Naval Shipyard Sdn. Bhd.

Strategically located within the main base of Royal Malaysian Navy, Lumut, Perak. BNS is part of the Boustead Heavy Industries Corporation ("BHIC"), a public listed company on the Main Market of the Bursa Malaysia Securities Berhad, along with its other associated companies, Boustead Penang Shipyard and Boustead Langkawi Shipyard.

4. RATIONALE FOR THE CONSORTIUM

The Consortium is to facilitate DMB and its subsidiary companies to expand its business of installation and maintenance services for air-conditioning and ventilation system. The Consortium is expected to contribute positively to the future profitability and cash flow of DMB as well as the stability of its future income stream.

5. RISK FACTORS

5.1 Business Risk

Like all business entities, risk factors affecting the Consortium include but not limited to execution risks such as business expansion, prudent financial management, changes in price materials, changes in political, economic and regulatory conditions. In addition, there is also no assurance that the anticipated benefits from the Consortium will be realised, and that the DMB Group will be able to generate sufficient revenue from the Consortium to offset the associated cost.

Nevertheless, the Board of Directors of DMB has and will continue to exercise due care in considering the risks and benefits associated with the Consortium and will take appropriate measures in planning the successful integration of the Consortium with its current business operations. Further, the DMB Group is committed towards the close monitoring of the development of the Consortium in order to minimise any implementation issues or delays.

5.2 Political, economic and regulatory considerations

Like all business entities, changes in political, economic and regulatory conditions in Malaysia could materially and adversely affect the financial and business prospects for the DMB Group. Amongst the political, economic and regulatory uncertainties are the changes in nullification of existing sales orders and contracts, changes in interest rates and method of taxation and currency exchange rules and contracts.

The DMB Group may continue to take effective measures to mitigate such risks. However, there is no assurance that adverse economic, political and regulatory conditions will not materially affect the business activities of the DMB Group.

6. SOURCE OF FUNDS

DOIC will fund the Consortium and the Said Project from its internally generated funds and bank borrowings, the breakdown of which has yet to be determined.

7. INVESTMENT

The estimated initial capital contribution by the DOIC for the Consortium is expected to be RM5 million only.

8. FINANCIAL EFFECTS

The Consortium is not expected to have material impact to the share capital, gearing, consolidated earnings, net assets and substantial shareholders' shareholding of DMB for the financial year ending 31 December 2013.

9. ESTIMATED TIME FRAME FOR THE CONSORTIUM

The Consortium shall complete within 8 years from the date of the Agreement. Unless terminated in accordance with the provisions of the Agreement, this Consortium shall remain valid.

10. HIGHEST PERCENTAGE RATIO APPLICABLE

The percentage ratio in relation to the Consortium is 1.32%.

11. APPROVALS REQUIRED

The Consortium is not subject to the approval of the shareholders of DMB or any relevant governmental authorities.

12. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders and/or person connected to the directors or major shareholders of DMB have any interest, direct or indirect, in the Consortium.

13. DIRECTORS' STATEMENT

The Board, after due consideration of all aspects of the proposal, is of the opinion that the Consortium is in the best interest of DMB group.

14. DEPARTURES FROM THE POLICIES AND GUIDELINES ON ISSUE/OFFER OF SECURITIES ISSUED BY THE SECURITIES COMMISSION ("SC")

The Consortium has not departed from the SC's Policies and Guidelines on Issue / Offer of Securities.

15. DOCUMENTS AVAILABLE FOR INSPECTION

The Agreement will be made available to shareholders for inspection at the registered office of DMB at Level 8, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor during normal working hours from Mondays to Fridays (except public holidays) for a period of one (1) month from the date of this announcement.

This announcement is dated 18 April 2013.