



DAYA MATERIALS BERHAD

**Company No. 636357-W
(Incorporated in Malaysia)**

**Quarterly Report
30 September 2016**

DAYA MATERIALS BERHAD

(Company No: 638357-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30.9.2016	30.9.2015	30.9.2016	30.9.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	66,601	182,176	349,373	578,125
Cost of Sales	(61,421)	(168,719)	(338,290)	(535,626)
Gross Profit	5,180	13,457	11,083	42,499
Other Income	1,559	16,426	10,143	31,547
Operating Expenses	(12,733)	(13,395)	(56,648)	(38,939)
Profit from operations	(5,994)	16,488	(35,422)	35,107
Finance Costs	(6,713)	(2,635)	(21,309)	(7,362)
Share of results of jointly controlled entities	292	858	1,716	1,824
Profit before tax	(12,415)	14,711	(55,015)	29,569
Income tax expense	(855)	(3,539)	(3,182)	(8,321)
Profit for the period	(13,270)	11,172	(58,197)	21,248
Dividend	-	-	-	-
	(13,270)	11,172	(58,197)	21,248
Attributable to :				
Equity holders of the Company	(12,816)	9,986	(60,128)	18,500
Non-controlling interests	(454)	1,186	1,932	2,748
	(13,270)	11,172	(58,197)	21,248
Basic earnings per share (sen):	(0.74)	0.60	(3.38)	1.12

The accompanying notes form an integral part of, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

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(Company No: 636357-W)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTERLY REPORT ON THE RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.9.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.9.2015 RM'000	CURRENT YEAR TO DATE 30.9.2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.9.2015 RM'000
Profit for the period	(13,270)	11,172	(58,197)	21,248
Other comprehensive income:				
Foreign currency translation differences for foreign subsidiaries	(8,390)	(12,971)	10,592	(18,748)
Fair value gain on investment in available -for-sales("AFS") assets				
Total comprehensive (loss)/income for the period, net of tax	(21,660)	(1,799)	(47,605)	2,500
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	(21,206)	(2,985)	(49,537)	(248)
Non-controlling interests	(454)	1,186	1,932	2,748
	(21,660)	(1,799)	(47,606)	2,500

The accompanying notes form an integral part of, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

DAYA MATERIALS BERHAD

(Company No: 636357-W)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016

(The figures have not been audited)

	UNAUDITED 30.09.2016 RM'000	AUDITED 31.12.2015 RM'000
Non Current Assets		
Property, plant and equipment	669,278	704,694
Inventories - non current	8,766	8,288
Investment properties	5,212	5,215
Intangible assets	84,788	84,901
Investment in joint ventures	4,133	4,235
Available-for-sale financial asset	16,667	15,333
Deferred tax assets	11,496	11,797
Long term receivables	28,000	28,000
	<u>828,340</u>	<u>862,464</u>
Current Assets		
Inventories	29,390	24,166
Trade receivables	110,879	172,131
Other receivables, deposits and prepaid expenses	70,023	58,229
Amount due from contract customers	21,040	-
Tax recoverable	2,330	2,855
Marketable securities	72	101
Cash and bank balances	64,444	143,658
	<u>298,178</u>	<u>401,140</u>
Current Liabilities		
Loans and borrowings	95,492	150,462
Trade payables	148,508	129,873
Other payables and accrued expenses	94,944	110,112
Amount due to contract customers	-	26,256
Tax liabilities	82	3,059
	<u>339,026</u>	<u>419,762</u>
Net Current Assets	(40,848)	(18,622)
	<u>787,492</u>	<u>843,842</u>
Financed by:		
Share capital	185,302	173,602
Reserves	37,864	86,085
	<u>223,166</u>	<u>259,687</u>
Non-controlling interests	38,849	35,536
	<u>262,015</u>	<u>295,223</u>
Non Current Liabilities		
Deferred tax liabilities	3,137	4,414
Loans and borrowings	522,340	544,205
	<u>787,492</u>	<u>843,842</u>
Net assets per share (sen)	<u>12.04</u>	<u>14.96</u>

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and accompanying explanatory notes attached to these interim financial statements.

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(Company No. 68657-W)
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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

	← Atributable to Equity Holders of the Company →					Distributable				
	Share capital RM'000	Share premium RM'000	Equity Component Reserve RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000		Fair Value Reserve RM'000	Retained earnings RM'000	Total RM'000	Non-controlling Interests RM'000
Balance as at 1 January 2016	173,602	71,440	4,713	(22,120)	(1)	4,000	28,053	259,697	35,535	295,233
Total comprehensive (loss)/income for the period	-	-	-	9,898	-	-	(29,208)	(29,208)	874	(28,334)
Transactions with owners:										
Foreign currency translation differences				9,898				9,898		
Fair value gain on investment in AFS asset				666.67				667		
Balance as at 31 March 2016	<u>173,602</u>	<u>71,440</u>	<u>4,713</u>	<u>(12,221)</u>	<u>(1)</u>	<u>4,667</u>	<u>(1,155)</u>	<u>241,044</u>	<u>36,419</u>	<u>277,463</u>
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(18,104)	(18,104)	1,512	(16,592)
Transactions with owners:										
Purchase of treasury shares		(18)						(18)		
Disposal of subsidiaries									1,382	
Issuance of shares	11,700							11,700		
Foreign currency translation differences				9,084				9,084		
Fair value gain on investment in AFS asset						(333.33)		(333)		
Balance as at 30 June 2016	<u>185,302</u>	<u>71,422</u>	<u>4,713</u>	<u>(3,137)</u>	<u>(1)</u>	<u>4,333</u>	<u>(19,259)</u>	<u>249,372</u>	<u>39,304</u>	<u>282,676</u>
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(12,816)	(12,816)	(455)	(13,271)
Transactions with owners:										
Purchase of treasury shares		-	-	-	(0)	-	-	(0)	-	-
Disposal of subsidiaries										
Acquisition of minority interest										
Issuance of shares										
Foreign currency translation differences				(8,390)				(8,390)		
Fair value gain on investment in AFS asset						1,000.00		1,000		1,000
Balance as at 30 September 2016	<u>185,302</u>	<u>71,422</u>	<u>4,713</u>	<u>(11,527)</u>	<u>(1)</u>	<u>5,333</u>	<u>(32,075)</u>	<u>223,166</u>	<u>36,849</u>	<u>262,015</u>

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(Company No: 636357-W)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016 (The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.9.2016 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2015 RM'000
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(55,015)	(2,533)
Adjustments for:		
Amortisation on intangible assets	252	441
Amortisation of redeemable convertible secured bond	-	373
Depreciation on property, plant and equipment	25,654	18,692
Depreciation on investment property	3	5
Loss/(Gain) on disposal of property, plant & equipment	(297)	1,010
Loss/ (Gain) on disposal of investment	(76)	-
Property, plant and equipment written off	(10)	51
Fair value (gain) / loss on marketable securities	-	(3)
Bad debts written off	-	6
Finance costs	21,309	11,869
Interest income	(3,508)	(1,054)
Development expenditures incurred	(478)	-
Net unrealised foreign exchange gain	-	(13,752)
Allowance for impairment of receivables	-	148
Loss on appreciation of market value of marketable securities	30	-
Gain on disposal of non current assets held for sale	-	(1,284)
Gain on disposal of shares in a joint venture	-	(72)
Share of result of joint ventures	(1,716)	(1,701)
Strike-off of a joint venture	-	(1)
Operating profit / (Loss) before working capital changes	(13,852)	12,195
Changes in working capital:		
Amount due from contract customers	-	28,292
Inventories	(5,224)	(7,308)
Trade and other receivables	61,251	(65,930)
Other current assets	(11,794)	-
Trade and other payables	(43,829)	83,262
Amount due to contract customers	-	26,256
Cash (used in) / generated from operations	(13,448)	76,765
Interest received	3,508	1,054
Interest paid	(21,309)	(11,869)
Income tax (paid) / refunded	(7,857)	(10,401)
Net Cash Used in Operating Activities	(39,106)	55,550

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016

(The figures have not been audited)

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,388)	(536,908)
Disposal of partial interest in subsidiary that does not involve loss of control	-	11,409
Proceeds from disposal of property, plant and equipment	449	231
Proceeds from disposal of non current assets held for sale	-	4,978
Proceeds from disposal of shares in a joint venture	-	84
Purchase of intangible assets	(8)	(103)
Purchase of partial interest in subsidiary from NCI	-	(2,424)
Increase in long term receivables	-	(28,000)
(Increase)/Decrease in pledged deposits placed with licensed banks	7,479	-
Net Cash Used in Investing Activities	6,532	(550,734)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of loans and borrowings	-	373,294
Net proceeds from issuance of redeemable convertible secured bonds	-	123,579
Repayment of loans and borrowings	(122,694)	-
Proceeds from loans and borrowings	85,128	-
Proceeds from issuance of ordinary shares	11,682	8,420
Reduction of share premium	-	(110)
Net Cash Generated From Financing Activities	(25,884)	505,183
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(58,458)	10,000
Effect of exchange rate fluctuation on cash held	8,713	18,464
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	71,215	42,752
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	21,470	71,215
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and bank balances	20,320	92,057
Fixed deposits with licenced banks	42,112	51,581
Short term investments	2,011	21
Bank overdraft	(10,731)	(25,751)
	53,712	117,908
Less: Fixed deposits pledged with licensed banks	(32,242)	(46,693)
	21,470	71,215

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 "Interim Financial Reporting" and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2015.

A2 Changes in accounting policies

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following Standards, Amendments and Interpretation from 1 January 2016:

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRS 2012 – 2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14: Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2018

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application, other than for MFRS 15: Revenue from Contracts with Customers and MFRS 9 Financial Instruments. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

A3 Seasonal or cyclical factors

The Group's interim operations were not subject to any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence in the quarter under review.

A5 Changes in estimates, significant accounting estimates and judgements

There were no changes in the nature and estimates of amounts reported which have a material effect on the results in the quarter under review.

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A6 Debt and equity securities

There were no significant issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7 Dividends paid

No dividend has been declared or paid for the financial year ended 31 December 2016.

A8 Segment information

Segmental reporting of the Group's result for the financial year-to-date is as follows:

Business Segment	Polymer RM'000	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	8,401	122,685	218,277	(0)	349,373
Segment Results	(1,271)	(38,229)	7,192	(717)	(33,025)
Unallocated Results					(2,397)
Profit from Operations					(35,422)
Finance Costs					(21,309)
Share of results of jointly controlled entities					1,716
Profit Before Tax					(55,015)
Income Tax Expense					(3,182)
Profit After Tax					(58,197)

A9 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment from previous annual financial statements.

A10 Intangible assets

	Goodwill RM'000	Software RM'000	Patents and Trademarks RM'000	Development Costs RM'000	Total RM'000
Cost					
At 1 January 2015	84,321	1,597	152	360	86,430
Additions	-	103	-	-	103
Adjustment	-	24	-	-	24
Transfers	-	-	-	-	-
Exchange differences	-	148	-	-	148
At 31 December 2015/1 January 2016	84,321	1,871	152	360	86,704
Additions	-	8	-	-	8
Reversal	-	-	-	-	-
At 30 September 2016	84,321	1,879	152	360	86,712

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	Goodwill RM'000	Software RM'000	Patents and Trademarks RM'000	Development Costs RM'000	Total RM'000
Accumulated amortisation					
At 1 January 2015	-	841	93	360	1,294
Amortisation	-	390	51	-	441
Adjustment	-	-	-	-	-
Transfers	-	-	-	-	-
Exchange differences	-	68	-	-	68
At 31 December 2015/1 January 2016	-	1,299	144	360	1,803
Amortisation	-	252	-	-	252
Exchange differences	-	(131)	-	-	(131)
At 30 September 2016	-	1,420	144	360	1,924
Net carrying amount:					
At 1 January 2015	84,321	756	59	(0)	85,136
At 31 December 2015/1 January 2016	84,321	572	8	(0)	84,901
At 30 September 2016	84,321	459	8	(0)	84,788

A11 Subsequent Events

Save for Section B7, there were no material events subsequent to the current financial quarter ended 30 September 2016 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

There were no changes in the composition of the Group for the quarter under review except for:

Disposal of 100,000 ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB to Daya CMT Sdn. Bhd. ("DCMT"), which is 51% owned subsidiary of the Company, for a cash consideration of not more than RM 7,000,000 ("Internal Group Re-organisation")

DUSB is principally engaged in the property investment holding. On 15 April 2016, DMB entered into a Share Sale Agreement with Daya CMT Sdn. Bhd. ("DCMT") to sell 100,000 Ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB together with all liabilities with DUSB, to DCMT, which is a 51% owned subsidiary of DMB for a cash consideration of not more than RM 7,000,000 ("Purchase Consideration") ("Internal Group Re-organisation") subject to the terms and conditions of the Share Sale Agreement.

The completion of the share sale is subject to fulfilment of condition precedent as stated in the Share Sale Agreement.

Pursuant to Clause 4 of the Sale and Purchase Agreement, on the fulfilment by the Company procuring the relevant approval/consent from its existing financiers to release its obligations as corporate guarantors within three (3) months from the date of the SPA.

On 18 July 2016, The Board announce that DCMT had, at DMB's request on 15 July 2016, agreed to extend the Stipulated Period for One (1) month commencing from the expiry of the Stipulated Period and free from interest ("Extended Period").

On 12 August 2016, the Board of Directors of DMB wishes to announce that DCMT had on even date, at DMB's request, agreed to further extend the Extended Period for Three (3) months commencing from the expiry of the Extended Period and free from interest ("Further Extended Period") in order to satisfy the conditions precedent as required under the SPA.

In this regard, save for the above, all other terms and conditions in the SPA remain unchanged.

This announcement is dated 12 August 2016.

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A13 Contingent Assets and Contingent Liabilities

As at 30 September 2016, the Company provides corporate guarantees up to a total amount of RM 695,141,156 to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amount of banking facilities utilised by these subsidiaries totalling RM 538,517,650

As at 30 September 2016, the Company also provides corporate guarantees up to a total amount of RM 12,367,417 to third parties for supply of goods and services for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM 1,022,748

There were no material contingent assets as at the date of this report.

B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD ("BURSA SECURITIES") FOR THE MAIN MARKET

B1 Review of performance

Current Year Quarter versus Preceding Year Corresponding Quarter

(i) Oil & Gas ("O&G") Segment

The business of this segment was significantly affected by the termination of a vessel contract in April 2016 as well as the non-utilisation of another vessel. Overall, O&G segment continued to be affected by the industry downturn and unfavourable FX fluctuations, resulting in a loss of RM7.49 million in Q3 2016.

(ii) Technical Services Segment

Revenue from this segment declined by 90% from RM86.27 million to RM8.33 million in Q3 2016 due to completion of several key projects valued at almost RM430 million earlier. The segment recorded a loss of RM0.91 million as compared to a pre-tax profit of RM1.97 million in Q3 2015.

(iii) Polymer Segment

Revenue from this segment for Q3 reduced from RM 5.42 million to RM 2.67 million. The decline was a result of a much lower contributions from semicon and jacketing products as a result of increased competition. As a consequence, the segment also suffered a loss.

Overall, the Group achieved revenue of RM66.6 million for Q3 2016, a decline of 63% from RM182.18 million from Q3 2015. As a result of reduced business activities as described above as well as higher depreciation and financing costs (arising from the purchase of a vessel) and unfavourable FX fluctuations, the Group also recorded a loss before tax of RM12.42 million during the quarter as compared to a profit before tax of RM14.71 million recorded in Q3 2015.

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B2 Variation of results against preceding quarter

	Quarter ended 30.09.2016 RM'000	Quarter ended 30.06.2016 RM'000
Revenue	66,601	96,211
Loss before tax	(12,415)	(15,391)

For the quarter ended 30 September 2016, the Group recorded revenue of RM66.601 million, an decrease of 31% as compared to RM96.211 million recorded in Q2 2016. The decrease in revenue was mainly due to lower revenue in Oil & Gas and Technical Services Segment, as compared to Q2 2016. Losses decrease between Q3 2016 and Q2 2016 due to better vessel utilisation during the quarter despite lower down stream and technical service results.

B3 Prospects

The prospects for each of the operating segment is illustrated as below:

(i) Oil & Gas ("O&G") Segment

The outlook of the O&G industry remains challenging in the near term. Oil price fluctuates around US\$45 per barrel, and there are no obvious catalysts for a sustained upturn in oil price. As a result, O&G activities are expected to remain subdued in the short to medium term.

(ii) Technical Services Segment

The prospect for this segment is encouraging as the Group secured a major contract recently. The Group is also targeting several large-scale projects which are expected to contribute meaningfully to its bottomline in 2017.

(iii) Polymer Segment

The prospect for this segment is expected to remain subdued due to the slow growth of the industry, continued foreign competition as well as unfavourable industry dynamics. The Group will continue to adjust and fine-tune its business model in order to optimize our market position within the industry.

Given this backdrop, the Group is undertaking a strategic transformation exercise involving both asset sale and debt/operational restructuring in order to better manage its operating expenditures, reduce its gearing and position itself for the longer term recovery. The Group is also cautiously optimistic as it recently secured several significant long-term contracts from major clients in second half of 2016, contributions of which will be gradually realized in 2017 and beyond. The Group is thus targeting for a meaningful turnaround of its operations in 2017.

B4 Profit forecast

Not applicable.

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B5 Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.9.2016 RM'000	30.09.2015 RM'000	30.9.2016 RM'000	30.09.2015 RM'000
In respect of the current period:				
Malaysian income tax	837	5,969	6,068	12,384
Deferred tax income	18	(2,430)	(2,886)	(4,063)
	<u>855</u>	<u>3,539</u>	<u>3,182</u>	<u>8,321</u>

The comparatively lower effective tax rate was mainly due to the losses incurred in some of the subsidiaries of the Group and certain expenses which was not deductible for tax purposes in prior year.

B6 Sale of unquoted investments and properties

There were no major disposal of unquoted investments and properties during the quarter under review except for the disposals covered under B7 status of corporate proposals.

B7 Status of corporate proposals

The status of a corporate proposal announced by the Company and completed as at 16 November 2016, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

(i) Memorandum of Understanding ("MOU") between Daya Proffscorp Sdn. Bhd. ("DPRO"), a subsidiary of the Company and Cimolai Technology SPA ("Cimolai")

On 22 April 2014, the Board announced that DPRO, a subsidiary of the Company had on 21 April 2014 entered into a MOU with Cimolai. The MOU confirmed the agreement between Cimolai and DPRO that for the proposed project known as "Mobile Straddle Transporter MST 320", Cimolai will quote only through DPRO while DPRO will not propose any equipment other than that of Cimolai's. All other material terms and conditions will be agreed between the parties before the offer is formally submitted to the client.

Cimolai is involved in the design, manufacture and supply of machines for lifting and transportation operations to be used in the construction of facilities and civil works in precast yards, shipyards (boat production or refit), marinas, laying up facilities, ports, in industries like steel and renewable energy and in special and innovative fields where tailor made solutions are required.

The Board announced that the MOU is deemed terminated effective 20 September 2016, agreed by DPRO and Cimolai.

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(ii) Proposed disposal of up to 50% shares in Daya CMT Sdn. Bhd.

The Company had on 28 April 2014 entered into a Share Sale Agreement ("SSA") with Perfect Propel Sdn Bhd ("PPSB")(Company No. 1087981-W) in respect of the disposal of 2,400,000 ordinary shares of RM1.00 each in Daya CMT Sdn Bhd ("DCMT")("Sale Shares") representing 30% of the issued and paid up share capital of DCMT.

Pursuant thereto, the Company has, inter alia, granted the call option ("Call Option") to PSSB in respect of up to 50% of issued and paid up share capital of DCMT held by the Company other than the Sale Shares and PSSB is entitled to exercise the Call Option at any time and from time to time within 24 months from the Completion Date (17 July 2014) ("Call Option Period").

On 13 May 2015, PSSB has exercised the Call Option and acquired One Million Five Hundred and Twenty Thousand (1,520,000) issued and paid up ordinary shares of DCMT, representing 19% of the issued and paid up share capital in DCMT ("Initial Disposal").

Subsequent to the Initial Disposal, a remaining of Two Million Four Hundred and Eighty Thousand (2,480,000) issued and paid up ordinary shares of DCMT, representing 31% of the issued and paid up share capital in DCMT, are still available to PSSB.

The Company had on 20 April 2016 received a letter from PSSB stating amongst others, that PSSB wishes to extend the Call Option Period by 6 months ("Proposed Extension"), thereby making it 30 months from the Completion Date.

The Company has agreed and accepted to the Proposed Extension and the Call Option shall now be valid and PSSB is entitled to exercise the call option at any time and from time to time up to and including 17 January 2017.

All other terms and conditions of the SSA and the call option (as supplemented and revised by mutual agreement) remain unchanged.

(iii) Memorandum of Understanding ("MOU") between Daya Materials Berhad ("DMB") and Petroleum Trading Joint Stock Company ("Petechim Jsc")

On 4 December 2015, DMB has entered into a MOU with PETECHIM JSC. The purpose of the MOU is to record the preliminary intentions and understanding of DMB and PETECHIM JSC with respect to their common interest and agreement to combine their expertise, know-how, industry connections and resources to collaborate in providing products and services to the Vietnamese Oil & Gas markets, which has a tenure of one (1) year from the date of MOU.

As at todote, the status of the MOU remains unchanged.

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(iv) Proposed Private Placement

On 25 November, the Board announced that the Company proposes to issue up to 173,601,885 new ordinary shares of RM0.10 each in the Company ("DMB Shares") representing up to 10% of the issued and paid-up capital of the Company through a private placement exercise ("Proposed Private Placement").

On 30 November 2015, the Board announced that Bursa Malaysia had, via its letter dated 02 December 2015, approved DMB's application for the listing of the placement shares in respect of the Proposed Private Placement.

On 11 May 2016, the Board submitted an application to Bursa Securities for an extension of time of 6 months from 2 June 2016 to 1 December 2016 for the implementation of the Private Placement.

On behalf of the Board of Directors of DMB, Hong Leong Investment Bank berhad ("HLIB") announced that Bursa Malaysia Securities Berhad has, via its letter dated 27 May 2016, approved the application for an extension of time of 6 months from 2 June 2016 until 1 December 2016 to complete the implementation of the Private Placement.

On 17 June 2016 and 23 June 2016 the Company had issued 57,000,000 and 60,000,000 new ordinary shares of RM 0.10 each through private placement at an issue price of RM 0.10 per share respectively for a total consideration of RM 11,700,000

On 15 November 2016, the Board submitted an application to Bursa Securities for an extension of time of 6 months from 2 December 2016 to 1 June 2017 for the implementation of the Private Placement.

On behalf of the Board of Directors of DMB, HLIB wishes to announce that Bursa Securities has, via its letter dated 23 November 2016, approved the application for an extension of time of 6 months from 2 December 2016 until 1 June 2017 to complete the implementation of the Private Placement.

(v) Daya Materials Berhad ("DMB" or The "Company") Award of Contract from Schlumberger Middle East S.A

On the 15 August 2016, the Company announced that its subsidiary, Daya Maxflo Sdn Bhd ("DMAF") has been awarded a 3 years contract by Schlumberger in the Middle East, for the provision of specialised well services in Saudi Arabia. The job under the contract will commence in the third quarter 2016.

On the 23 August 2016, the Company disclose the additional information as follows:-

1. The Contract value is approximately RM37 million.
2. The tenure of the Contract is three (3) years and the Contract may be extended by mutual agreement.
3. The provision of the services of the Contract is expected to contribute positively to the earnings and net assets of Daya Group during the Contract period.
4. The Board of Directors of Daya is of the opinion that the acceptance of the Contract is in the best interest of Daya Group.
5. None of the Directors and/or the substantial shareholders of DMB and/or persons connect with the Directors and/or substantial shareholders have any interest, direct or indirect in the Contract.

(vi) Memorandum of Understanding ("MOU") between Daya Offshore Construction Sdn Bhd ("DOCSB"), a wholly-owned subsidiary of DMB and Petro Pride Subsea Ltd ("PPSL")

The Board of Directors of DMB announced that DOCSB, a subsidiary of DMB, had on 19 August 2016 entered into a MOU with PPSL.

The purposes of the MOU is to record the preliminary intentions and understanding of DOCSB and PPSL with respect to their common interest and agreement to combine their expertise, know-how, industry connections and resource to collaborate in providing services for the provision of fabrication and installation of pipeline project.

As at today, the status of the MOU remains unchanged.

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(vii) Proposal Disposal of 100,000 ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB to Daya CMT Sdn. Bhd. ("DCMT"), which is 51% owned subsidiary of the Company, For a cash consideration of not more than RM 7,000,000 ("Internal Group Re-organisation")

DUSB is principally engaged in the property investment holding. On 15 April 2016, DMB entered into a Share Sale Agreement with Daya CMT Sdn. Bhd. ("DCMT") to sell 100,000 Ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB together with all liabilities with DUSB, to DCMT, which is a 51% owned subsidiary of DMB for a cash consideration of not more than RM 7,000,000 ("Purchase Consideration") ("Internal Group Re-organisation") subject to the terms and conditions of the Share Sale Agreement.

The completion of the share sale is subject to fulfilment of condition precedent as stated in the Share Sale Agreement, i.e upon the fulfilment by the Company procuring the relevant approval/consent from its existing financiers for the sale and to release its obligations as corporate guarantors within three (3) months from the date of the SPA.

On the 15 July 2016, DCMT and DMB had agreed to extend the completion of share sale agreement by one month from the date stipulated completion under the agreement.

On the 12 August 2016, DMB agreed to further extend the Extended Period for Three (3) months commencing from the expiry of the Extended Period and free from interest ("Further Extended Period") in order to satisfy the conditions precedent as required under the Share Sale Agreement.

On the 28 September 2016, The Board announced that DMB has on even date fulfilled the relevant conditions precedent as stipulated in the SPA hence the SPA is unconditional. Pursuant to the terms of the SPA, the parties now have to complete the Internal Group Re-Organisation within ten (10) business days

On 10 October 2016, The Board of Directors of DMB announced that the Internal Group Re-Organisation is completed.

(viii) Proposal Shares Buy-Back

On 30 August 2016, the Company announced on the immediate shares buy back of 1000 units at a total consideration of RM 75.00.

On 9 September 2016, notice of shares buy back lodged with the registrar of companies.

(ix) Daya Materials Berhad Award of Contract from Aspen Vision City Sdn Bhd

The Board of Directors of Daya Materials Berhad ("DMB" or the "Company") is pleased to announce that the Company's engineering and construction unit had, on 21 September 2016 secured a contract to build retail facilities for Aspen Vision City Sdn Bhd, a joint venture between Aspen Group and Ikano Group in Batu Kawan, Penang ("Contract").

The Contract, lasting 17 months commencing from the date of contract, 21 September 2016, is valued at approximately RM224 million and the Contract is expected to contribute positively to the earnings and net assets of DMB Group during the Contract period.

The Contract does not require any approval of DMB shareholders.

None of the Directors and/or the substantial shareholders of DMB and/or persons connected with the Directors and/or substantial shareholders have any interest, direct or indirect in the Contract.

Risk factors affecting the Contract include the standard construction contract and completion risks.

This announcement is dated 22 September 2016.

(x) Dealing in listed Securities (Chapter 14 of Listing requirements) -Intention to deal during closed period

On 18 Oct 2016, DMB informed that pursuant to Paragraph 14.08(a) and (b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, Tan Sri Dato's Koh Kip Lip had given notice to the Company of his intention to deal in DMB's securities during closed period (commenced from 24 October to 23 November 2016)

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(x1) Memorandum of Understanding ("MOU") between Daya Materials Berhad ("DMB") and China Energy Engineering Corporation Limited International Company ("CEEC")

On 25 November 2016, The Board of Directors of DMB announced that it had entered into a MOU with CEEC.

CEEC is a well-known famous international engineering corporation incorporated in the People's Republic of China and has extensive experiences in domestic and overseas energy and infrastructure projects.

The purpose of the MOU is to record the preliminary intentions and understanding of DMB and CEEC with respect to their common interest and agreement to combine their industry connections and resources to collaborate in the power plant projects and other infrastructure construction projects in Malaysia and Indonesia.

B8 Group's borrowings and debt securities

The Group's borrowings are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total Outstanding RM'000
Secured borrowings			
Trade facilities	9,613	-	9,613
Hire purchases	2,895	8,972	11,867
Overdraft	10,731	-	10,731
Term loans	72,253	395,846	468,097
Convertible notes	-	117,522	117,522
	<u>95,492</u>	<u>522,340</u>	<u>617,831</u>

The secured bank borrowings and other facilities are secured by way of :-

- (a) legal charges over subsidiaries freehold land and buildings;
- (b) corporate guarantee by the Company;
- (c) a debenture over all assets of certain subsidiaries;
- (d) a pledge on the Company and subsidiaries' fixed deposits; and
- (e) a pledge of 100% unquoted shares over the entire issued and paid-up capital of certain subsidiaries.

B9 Material litigations

Save for the following, there were no material litigation involving the Group since the last financial year ended 31 December 2015 and 16 November 2016, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report.

(a) Kuala Lumpur High Court Suit No. D3-22-380-2008 (Seca Dyme Sdn. Bhd. (now known as Daya Secadyme Sdn. Bhd.) v Mohd. Akbar B Hj. Johari & 4 Others)

On 25 March 2008, Daya Secadyme Sdn. Bhd. ("DSSB") filed a civil suit against (i) Mohd Akbar B Hj. Johari, (ii) AJ Premier Holdings Sdn Bhd, (iii) Aims Mission Sdn Bhd, (iv) Global Max Trading Sdn. Bhd. and (v) Azrul Bin Mohd Nasir trading as Rasa Indah Trading ("Defendants") vide KL High Court Civil Suit No. D3-22-380-2008. The claim against the 1st, 2nd and 3rd Defendants is based on fraudulent misrepresentation and/or fraud perpetrated in conspiracy with the other Defendants, and alternatively for monies had and received, and against the 4th and 5th Defendants on fraud perpetrated in conspiracy with the other Defendants. The amount claimed is RM1,942,250 with interest at 8.00% p.a. thereupon from judgment to settlement, and the legal costs of the proceedings.

On the 11 August 2011, the 1st and 2nd Defendants consented to Judgment for a sum of RM1,200,000.00 payable by way of four (4) instalments. In default of any one of these instalments, the 1st and 2nd Defendants become liable for the payment of the entire sum claimed of RM1,942,250 less any instalments paid. The 1st and 2nd Defendants have also agreed to provide security for the instalments payments in the form of titles to properties in default of which the entire sum due on the instalments shall fall due as at the date of default.

As of the date of the quarterly update, an interim dividend of up to RM5,545.53 has been paid from the estate of the 1st Defendant and the matter is still pending notification of creditors' meeting by the Insolvency Department of Malaysia.

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(b) Kuala Lumpur High Court Suit No. 22NCC-90-03/2014 (Mark Leonard Midgley v Daya Materials Berhad and Daya Offshore Construction Sdn. Bhd.)

On 18 March 2014, the Company and its wholly-owned subsidiary, Daya Offshore Construction Sdn. Bhd. ("DOCSB"), had been notified by their lawyers, Messrs. Zain Megat & Murad, the receipt of a letter dated 17 March 2014 from Messrs. Trevor George Partnership ("the Plaintiff's Solicitors"), the lawyers acting for and on behalf of Mark Leonard Midgley ("Plaintiff"), the former Chief Executive Officer and Director of DOCSB, together with a copy of the sealed Writ of Summons and Statement of Claim ("Writ of Summons and Statement of Claim") also dated 17 March 2014, where both the Company and DOCSB had been named as defendants in a civil suit filed by the Plaintiff in the High Court of Malaya at Kuala Lumpur ("the Suit").

The trial of this litigation suit was completed on 19 March 2015 and fixed for decision on 29 September 2015 wherein the Court granted the following order for the Plaintiff and dismissed the Plaintiff's claim for damages as follows:-

- (1) A declaration, under s. 41 of the Specific Relief Act 1950 that the Company had breached its obligations under the shareholders agreement dated 30 April 2013 ("Shareholders Agreement");
- (2) Consequent to the above, an order that the Company do, pursuant to Clause 23.7 of the Shareholders Agreement, cease to have:
 - (i) any voting rights in respect of any shares it may have in DOCSB; and
 - (ii) any entitlement for any of its Directors to attend and vote at any meetings of the Board of DOCSB and a quorum for meetings of the Board shall be one (1) Director appointed by the other Party;
- (3) That pursuant to the Shareholders Agreement, that the Company do, within Ninety (90) Days from the date of order, conduct a valuation of 80% (4 million shares) in DOCSB and that the Plaintiff be at liberty to verify / counter such valuation by appointing his own valuers for the same;
- (4) An injunction against the Company and/or DOCSB, their officers, agents, servants or whosoever, from acting in breach (further breach) of the provisions of the Shareholders Agreement; and
- (5) Costs of RM50,000.00.

(collectively "Judgement").

The Court also dismissed the Defendant's counterclaim.

The hearing of the formal stay application was held on 14 December 2015 wherein the Court granted an order for the stay of execution and any proceedings (if any) for the execution of the Judgment pending the decision / disposal of the appeal to the Court of Appeal "Appeal", and made no order as to costs. The Appeal was fixed for a Case Management Conference on 26 April 2016 in order for the Court to fix a date for the Appeal hearing. At the Case Management Conference the Plaintiff's Solicitors filed a Discharge Application and the Court fixed the Discharge Application for a hearing on 25 May 2016.

At the hearing of the Appeal on 25 October 2016, the Plaintiff as the Appellant appeared in person and informed the Court that he is in the midst of engaging a solicitor and that he was unable to do so as he has been in England, United Kingdom.

In this regard, the Court fixed the matter for a final hearing date on 5 December 2016 and directs for the matter to proceed for hearing on that day even if the Appellant cannot get representation by then.

(c) Shah Alam High Court Suit No. 22NCVC-480-10/2014 (Tideway Alliance Sdn. Bhd. v Daya OCI Sdn. Bhd.)

On 12 May 2016, the Court of Appeal had heard the appeal by DOCI and had unanimously allowed DOCI's appeal with cost and hence overturned the decision of the High Court granted in favour of Tideway on 25 November 2015

On 22 July 2016 DOCI was informed by their solicitors that Tideway has filed a motion for an extension/abridgement of time in filing their leave application (the "Motion") to appeal to the Federal Court. Pursuant thereto, the Court has given a direction for parties to dispose the Motion first before the Court giving any directions on the leave application itself.

A further case management date for the Motion has been fixed on 9 January 2017 for the parties to update the Court on the availability of the grounds of judgment from the Court of Appeal.

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(d) Kuala Lumpur High Court Originating Summons No. WA-24C-69-08/20 (Yuk Tung Construction Sdn Bhd. V. Daya CMT Sdn. Bhd.)**(e) Kuala Lumpur High Court Originating Summons No. WA-24C-70-085/2016 (Yuk Tung Construction Sdn Bhd. V. Daya CMT Sdn. Bhd.)**

1. The abovementioned suits by Yuk Tung Construction Sdn Bhd ("YT") arose out of a construction contract executed between Daya CMT Sdn Bhd ("DCMT"), its 51%-owned subsidiary, and YT on 23.11.2012. DCMT was appointed as the Principal Sub-Contractor to carry out the construction and completion of the building works known as "Cadangan Mendirikan Pembangunan bercampur 3 Blok 28 Tingkat: Blok A-526 Unit SOHO (22 Tingkat) dan 10 Unit Kedai Pejabat; Blok B-365 Unit Apartment Servis 21 Tingkat; Blok C-168 Unit Apartment Servis 21 Tingkat, Termasuk 7 ½ Tingkat Podium Tempat Letak Kereta dan 2 Tingkat Basement Tempat Letak Kereta at Lot 30844, Batu 6, Jalan Sungai besi, Mukim Pelaling Dalam Bandaraya Kuala Lumpur untuk Tetuan Yuk Tung Land Sdn Bhd" ("Contract"). The Contract Sum for the works is RM270,000,000.00, on a lump sum basis. The completion date for the works under the Contract was 14.11.2014. The liquidated damages impossible for delay in completion the works was agreed at RM70,000.00 per day.
2. On 22.12.2015, YT terminated DCMT's employment under the Contract relying on the alleged reason that DCMT had failed to proceed with works regularly and diligently. YT had also called on the performance bond given under the Contract. DCMT filed and claimed against YT on the basis that (i) the Contract was wrongfully terminated, (ii) the performance bond was wrongfully called upon; and (iii) DCMT is entitled to significant extension of time under the contract.
3. DCMT initiated a claim under CIPAA inclusive of value of works done, works certified, non-release of retention sum, among others. The Adjudicator had on 02.08.2016, delivered his decision on the CIPAA claim ("Adjudication Decision"). The Adjudicator found in favour of DCMT and granted the amount of RM2,606,606.37 being the Adjudication Sum to DCMT to be paid by YT no later than 2 weeks from the date of the Adjudication Decision, failing which, a simple interest of 5% per annum will be calculated from the expiry of the 2 weeks until full settlement of the Adjudication Sum payment by YT.
4. YT had on 15.08.2016 filed the above mentioned suits to, inter alia, set aside the Adjudication Decisions on the ground that the Adjudicator has exceeded his jurisdiction in coming to the Adjudication Decision (Suit d) and further, filed a separate application to stay the enforcement of the Adjudication Decision by DCMT in the interim ("Suit e").
5. The matter is now in the midst of a trial with trial dates fixed up to March 2017.

B10 Proposed Dividends

The Board of Directors did not recommend the payment of any dividends for the financial year ended 31 December 2016.

B11 Basic earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.9.2016	30.09.2015	30.9.2016	30.09.2015
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	(12,816)	9,986	(60,128)	18,500
Weighted average number of shares in issue ('000)	1,736,018	1,651,816	1,778,259	1,651,816
Basic earnings per share (sen)	<u>(0.74)</u>	<u>0.60</u>	<u>(3.38)</u>	<u>1.12</u>

No item, transaction or event has arisen in the interval between the end of the financial year and the date of this report which has dilutive effect on the ordinary shares. Hence, diluted earnings per share is not presented.

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B12 Additional disclosure as per Appendix 9B , Part A, Note 16 of Bursa Listing Requirement of Bursa Malaysia Securities Berhad

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.9.2016 RM'000	30.09.2015 RM'000	30.9.2016 RM'000	30.09.2015 RM'000
The following amounts have been included in arriving at profit before tax:				
Finance costs	6,713	2,635	21,309	7,362
Depreciation on property, plant and equipment	15,451	5,650	25,654	14,178
Depreciation on investment property	1	1	3	3
Amortisation on intangible assets	90	132	252	418
Property, plant and equipment written off	-	-	(10)	-
Loss on disposal of property, plant & equipment and after crediting:	-	15	-	26
Interest income	438	187	3,508	709
Rental income	101	115	307	342
Dividends income	-	397	-	397
Unrealised foreign exchange (gains)/loss	8,811	13,415	14,567	27,221
Realised foreign exchange (gains)/loss	(43)	2,283	50	2,667
Gain on disposal of property, plant & equipment	36	44	297	73
Gain on disposal of a joint venture company	-	-	-	76

Except as disclosed above, there is no any impairment of other assets and gain or loss on derivatives.

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B13 Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia Securities Berhad further issued guidance on the disclosure and the format required.

The breakdown of the retained earnings of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	CUMULATIVE QUARTER	
	AS AT 30.9.2016 RM'000	AS AT 31.12.2015 RM'000
Total retained earnings of DMB and its subsidiaries:		
- Realised profits	15,710	43,834
- Unrealised profits	15,312	29,134
	<u>31,022</u>	<u>72,969</u>
Less: Consolidated adjustments	(63,097)	(44,916)
Total group retained earnings as per consolidated accounts	<u>(32,075)</u>	<u>28,053</u>

The comparative amounts have been reclassified to conform with audited financial statement's presentation.

The breakdown of the retained profits into realised and unrealised is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for compliance with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

B14 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

By Order of the Board

Tham Jooi Loon

Executive Vice Chairman

Date: 29 November 2016