



DAYA MATERIALS BERHAD

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

Quarterly Report 31 March 2017

DAYA MATERIALS BERHAD

(Company No: 636357-W)
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
	RM'000	RM'000	RM'000	RM'000
Revenue	57,372	186,561	57,372	186,561
Cost of Sales	(47,169)	(191,190)	(47,169)	(191,190)
Gross Profit	10,203	(4,629)	10,203	(4,629)
Other Income	5,129	5,752	5,129	5,752
Operating Expenses	(5,361)	(21,617)	(5,361)	(21,617)
Profit/ (Loss) from operations	9,971	(20,494)	9,971	(20,494)
Finance Costs	(7,952)	(6,873)	(7,952)	(6,873)
Share of results of jointly controlled entities	-	158	-	158
Profit/ (Loss) before tax	2,019	(27,209)	2,019	(27,209)
Income tax expense	(150)	(1,125)	(150)	(1,125)
Profit/ (Loss) for the period	1,869	(28,334)	1,869	(28,334)
Dividend	-	-	-	-
	1,869	(28,334)	1,869	(28,334)
Attributable to :				
Equity holders of the Company	581	(29,208)	581	(29,208)
Non-controlling interests	1,288	874	1,288	874
	1,869	(28,334)	1,869	(28,334)
Basic earnings per share (sen):	0.03	(1.68)	0.03	(1.68)

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 2016.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2016 RM'000	CURRENT YEAR TO DATE 31.03.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2016 RM'000
Profit/ (Loss) for the period	1,869	(28,334)	1,869	(28,334)
Other comprehensive income:				
Foreign currency translation differences for foreign subsidiaries	(751)	9,898	(751)	9,898
Fair value gain on investment in available -for-sales("AFS") assets	-	-	-	-
Total comprehensive (loss)/income for the period, net of tax	1,118	(18,436)	1,118	(18,436)
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	(171)	(19,310)	(171)	(19,310)
Non-controlling interests	1,288	874	1,288	874
	1,118	(18,436)	1,118	(18,436)

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 2016

DAYA MATERIALS BERHAD

(Company No: 636357-W)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

(The figures have not been audited)

	UNAUDITED 31.03.2017 RM'000	AUDITED 31.12.2016 RM'000
Non Current Assets		
Property, plant and equipment	533,673	540,905
Inventories - non current	8,943	8,640
Investment properties	3,545	3,754
Intangible assets	84,424	84,438
Investment in joint ventures	461	461
Available-for-sale financial asset	3,309	5,901
Deferred tax assets	12,897	13,197
	<u>647,252</u>	<u>657,296</u>
Current Assets		
Inventories	32,992	24,399
Trade receivables	80,251	124,654
Other receivables, deposits and prepaid expenses	103,389	100,188
Tax recoverable	3,272	3,390
Marketable securities	87	64
Cash and bank balances	76,777	69,796
	<u>296,767</u>	<u>322,491</u>
Current Liabilities		
Loans and borrowings	48,552	42,145
Trade payables	94,959	106,784
Other payables and accrued expenses	82,447	78,306
Amount due to contract customers	19,472	47,999
Tax liabilities	-	267
	<u>245,431</u>	<u>275,501</u>
Net Current Assets	51,337	46,990
	<u>698,589</u>	<u>704,286</u>
Financed by:		
Share capital	185,302	185,302
Reserves	(137,059)	(136,890)
	48,243	48,412
Non-controlling interests	36,601	35,612
	<u>84,844</u>	<u>84,024</u>
Non Current Liabilities		
Deferred tax liabilities	4,287	2,412
Loans and borrowings	609,458	617,850
	<u>698,589</u>	<u>704,286</u>
Net assets per share (sen)	2.60	2.61

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2016 and accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE FOURTH QUARTER ENDED 31 MARCH 2016

(The figures have not been audited)

	←-----Attributable to Equity Holders of the Company-----→				Distributable		Total Equity RM'000		
	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	Non-controlling interests RM'000
Balance as at 1 January 2016	173,602	71,440	4,713	(22,120)	(1)	4,000	28,053	35,536	295,223
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(29,208)	874	(28,334)
Transactions with owners:									
Purchase of treasury shares	-	-	-	-	(0)	-	(0)	-	(0)
Issuance of shares	-	-	-	-	-	-	-	-	-
Foreign currency translation differences	-	-	-	9,898	-	-	9,898	-	9,898
Fair value gain on investment in AFS asset	-	-	-	-	-	667	667	-	667
Balance as at 31 March 2016	173,602	71,440	4,713	(12,222)	(1)	4,667	(1,155)	36,410	277,454

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	Attributable to Equity Holders of the Company		Non-Distributable		Distributable		Total Equity RM'000		
	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	Non-controlling interests RM'000
Balance as at 1 January 2017	185,302	71,422	4,713	(36,560)	(1)	1,331	(177,795)	35,613	84,026
Total comprehensive (loss)/income for the period							581	1,288	1,869
Transactions with owners:									
Purchase of treasury shares									
Issuance of shares									
Foreign currency translation differences				(751)	(0)			(299)	(1,050)
Fair value gain on investment in AFS asset									
Balance as at 31 March 2017	185,302	71,422	4,713	(37,311)	(1)	1,331	(177,214)	36,601	84,844

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 31.03.2017 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2016 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	2,019	(200,905)
Adjustments for:		
Amortisation on intangible assets	41	254
Depreciation on property, plant and equipment	2,643	36,124
Depreciation on investment property	1	446
Loss/(Gain) on disposal of property, plant & equipment	-	(529)
Gain on disposal of investment property	-	(484)
Property, plant and equipment written off	-	48,878
Loss on disposal of subsidiary	-	1,431
Loss on appreciation of market value of financial assets at fair value through profit or loss	-	(3,711)
Inventories written off	-	4,546
Finance costs	7,952	27,830
Interest income	(217)	(1,544)
Gain on appreciation of market value of marketable securities	(23)	38
Net unrealised foreign exchange gain	(303)	(10,629)
Allowance for impairment loss	-	76,208
Allowance for impairment of receivables	-	118
Gain on disposal of shares in a joint venture	-	(3,763)
Share of result of joint venture's	-	(886)
Operating profit / (Loss) before working capital changes	12,113	(26,578)
Changes in working capital:		
Inventories	(8,593)	(5,131)
Trade and other receivables	44,403	47,467
Other current assets	(31,728)	7,721
Trade and other payables	(5,087)	(54,816)
Amount due to contract customers	-	21,744
Cash (used in) / generated from operations	11,108	(9,593)
Interest received	217	1,544
Interest paid	(7,952)	(27,830)
Income tax (paid) / refunded	(715)	(7,431)
Net Cash Used In Operating Activities	2,658	(43,310)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE FOURTH QUARTER ENDED 31 MARCH 2017

(The figures have not been audited)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(168)	(3,842)
Proceeds from disposal of property, plant and equipment	-	2,075
Proceeds from disposal of investment property		1,500
Proceeds from disposal of shares in subsidiaries		164
Proceeds from disposal of available-for-sale financial asset	2,592	9,562
Proceeds from disposal of shares in a joint venture	-	3,835
Purchase of intangible assets	(22)	(68)
(Increase)/Decrease in pledged deposits placed with licensed banks	(9,487)	(6,616)
Net Cash Used in Investing Activities	(7,085)	6,610

CASH FLOWS FROM FINANCING ACTIVITIES

Repayment of loans and borrowings	(10,330)	(54,754)
Proceeds from loans and borrowings	15,485	-
Proceeds from disposal of treasury shares	(0)	11,700
Proceeds from issuance of ordinary shares	0	-
Purchase of treasury shares	(0)	(18)
Proceeds from disposal of subsidiaries		-
Dividends paid		-

Net Cash Generated From Financing Activities

5,155 (43,072)

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

728 (79,772)

Effect of exchange rate fluctuation on cash held

13,729 13,384

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD

4,827 71,215

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

19,284 4,827

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

Cash and bank balances	30,984	20,565
Fixed deposits with licenced banks	45,206	49,210
Short term investments	588	21
Bank overdraft	(17,708)	(15,759)
	59,070	54,037
Less: Fixed deposits pledged with licensed banks	(39,787)	(49,210)
	19,284	4,827

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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 of the Listing Requirement of Bursa Malaysia Securities Berhad. The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

These explanatory notes attached to the 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 financial year ended 31 December 2016.

A2 Significant accounting policies

The Group has adopted the Malaysian Financial Reporting Standards for accounting period beginning on 1 January 2016. As disclosed in the Group's annual financial statement for the financial year ended 31 December 2015, the following are new/ revised accounting standard effective for annual periods beginning on or after 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.

The Company had repurchased its issued share capital from the open market on 3 March 2017 for 1,000 ordinary shares at RM0.07 per share for a total cash consideration of RM113.43 inclusive of brokerage, stamping and clearance fees. The repurchase transactions were financed by internally generated funds. The shares repurchased were held as treasury shares.

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		Oil & Gas	Technical	Others	Total
		RM'000	Services RM'000	RM'000	RM'000
Revenue	-	<u>20,058</u>	<u>34,318</u>	<u>2,996</u>	<u>57,372</u>
Segment Results	-	7,794	2,521	1,318	11,632
Unallocated Results					<u>(1,661)</u>
Profit from Operations					9,971
Finance Costs					(7,952)
Share of results of jointly controlled entities					-
Profit Before Tax					<u>2,019</u>
Income Tax Expense					<u>(150)</u>
Profit After Tax					<u>1,869</u>

A9 Valuation of property, plant and equipment

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

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A10 Intangible assets

	Goodwill	Software	Patents and Trademarks	Development Costs	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Cost					
At 1 January 2016	84,321	1,871	152	360	86,704
Additions	-	67	-	-	67
Disposal of subsidiary	(227)	-	-	-	(227)
Exchange differences	-	32	-	-	32
At 31 December 2016/1 January 2017	84,094	1,970	152	360	86,576
Additions	-	22	-	-	22
At 31 March 2017	84,094	1,992	152	360	86,598
Accumulated amortisation					
At 1 January 2016	-	1,299	144	360	1,803
Amortisation	-	246	8	-	254
Exchange differences	-	81	-	-	81
At 31 December 2016/1 January 2017	-	1,626	152	360	2,138
Amortisation	-	41	-	-	41
Exchange differences	-	(6)	-	-	(6)
At 31 March 2017	-	1,661	152	360	2,173
Net carrying amount:					
At 1 January 2016	84,321	572	8	(0)	84,901
At 31 December 2016/1 January 2017	84,094	344	0	(0)	84,438
At 31 March 2017	84,094	331	0	(0)	84,424

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A11 Subsequent Events

Save for Section B7, there were no material events subsequent to the current financial quarter ended 31 December 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:

a) PROPOSED DISPOSAL OF 100% EQUITY INTEREST IN DAYA GLOBAL 1 PTE LTD ("DG1PL") TO SIEM OCV PTE LTD ("SIEM OCV") FOR A DISPOSAL CONSIDERATION OF USD100,000,000 (EQUIVALENT TO RM442,550,000)

On 30 March 2017, DMB and Siem OCV entered into the SPA to dispose the Sale Shares for the Disposal Consideration.

The Disposal Consideration shall be paid in the following manner:

(i) cash consideration of USD82,744,550 (equivalent to RM366,186,006) only or such sum as shall be advised by the existing first chargee of SD1 ("Existing Financier") being the redemption sum ("Redemption Sum") of the facility of up to USD84,000,000 granted by the Existing Financier to Daya Maritime Limited ("DML"), a wholly-owned subsidiary of DMB ("Existing Facility") payable to the Existing Financier within five (5) Business Days from the date on which the sale and purchase of the Sale Shares is completed in accordance with the terms of the SPA ("Completion") ("Completion Date");

(ii) the differential amount between the Disposal Consideration and the Redemption Sum shall be deemed paid pursuant to the terms of the DSA executed by the relevant parties. The Disposal Consideration is not intended to be settled on a deferred basis. It is a condition precedent of the SPA that DMB is required to vary certain terms of the Bonds.

The Proposed Disposal will not result in DMB becoming a "Cash Company" or "Practice Note 17 Issuer" pursuant to Paragraphs 8.03 and 8.04 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia") ("Listing Requirements"), respectively.

b) PROPOSED PUT OPTION TO BE GRANTED BY DMB TO DAYA GLOBAL 1 PTE LTD ("DG1PL") FOR DMB TO ACQUIRE AN OFFSHORE SUBSEA CONSTRUCTION VESSEL KNOWN AS SIEM DAYA 1 FROM DG1PL

On 7 April 2017, Pursuant to the Proposed Disposal of DG1PL, DMB had entered into a put option agreement with DG1PL.

c) ACQUISITION OF 13.79% EQUITY INTEREST IN DAYA MAXFLO SDN BHD ("DMAX") FOR RM2,000,000.

On 15 March 2017 and 31 March 2017, DMB purchased 97,900 shares (equivalent to 6.89%) in DMAX for RM1,000,000 each.

A13 Contingent Assets and Contingent Liabilities

As at 31 March 2017, the Company provides corporate guarantees up to a total amount of RM 780,276,000 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 538,309,374.

As at 31 March 2017, the Company also provides corporate guarantees up to a total amount of RM 5,607,6226 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 1,210,527.

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

A14 Capital Commitments

As at
31.03.2017
RM'000

Approved but not contracted for:

2,430

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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 Group has recorded a higher revenue in the Oil & Gas segment of RM20.058 million for Q1 2017, an increase of 59% from RM12.633 million in Q1 2016. The higher revenue in the current quarter was due to increased sales in O&G chemical business and well services during the quarter. The improved financial performance was also attributable to significant cost reduction & vendor optimization achieved in our offshore business.

(ii) Technical Services Segment

The revenue in the Technical Services segment decreased by 80% from RM170.528 million in Q1 2016 to RM34.365 million in Q1 2017. The lower revenue was due to the higher billing achieved during Q1 2016 when two large projects were concurrently being executed. Both of these projects had since been successfully completed in Q3 and Q4 2016 respectively. This segment recorded a profit before tax of RM2.423 million as compared to profit before tax of RM3.267 million in Q1 2017.

(iii) Other segment

The Polymer segment has been reclassified as "Other" as it contributes less than 5% of the group revenue and profit. For the quarter, revenue was recorded at RM2.948 million, a decrease of 13% from RM3.4million recorded in Q1 2016. The weak performance was largely attributable to the severe foreign price competition and unfavorable economics of the industry.

Overall, the Group achieved revenue of RM57.372 million for Q1 2017, a decline of 69% from RM186.561 million recorded in Q1 2016. The Group recorded a profit before tax of RM2.019 million for Q1 2017 as compared to loss before tax of RM27.208 million in Q1 2016. The pre tax profit for the current quarter was mainly due to restructuring of upstream oil and gas activities which resulted in significant cost reduction and turnaround into profitability

B2 Variation of results against preceding quarter

	Quarter ended 31.03.2017 RM'000	Quarter ended 31.12.2016 RM'000
Revenue	57,372	49,528
Loss before tax	2,019	(141,654)

For the quarter ended 31 March 2017, the Group recorded revenue of RM57.372 million, an increase of 16% as compared to RM49.528 million recorded in Q4 2016. The increase in revenue was mainly due to better sales in oil & gas segment, as compared to Q4 2016. The restructuring of upstream oil and gas business division also significantly reduced the operating costs which enabled the Group to return to profitability.

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B3 Prospects

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

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

The Group is of the view that the sentiments in the Offshore O&G segment will remain volatile in the short to medium term. While there are some signs of recovery, the Group does not expect such recovery to significantly alter the performance of Group's loss-making North Sea offshore operation. Consequently, the Group had entered into an agreement in March to sell its offshore vessel (SD1) with a view of streamlining its overall investment in this sector so as to refocus its resources onto the core profitable O&G businesses. The sale of the vessel, which will be tabled for shareholders' approval in June, will allow the Group to significantly de-leverage its balance sheet and strengthen its financial position. The sale will also pave the way for the Group to ultimately exit from the North Sea offshore market.

As for the Group's other O&G businesses, the management believes that they will continue to perform well even under challenging environment. With several quality long-term contracts already secured, the Group is confident of an improved operating performance in the coming quarters.

(ii) Technical Services Segment

The construction sector is expected to remain competitive going forward, especially as construction costs are broadly trending upwards. The Group has performed reasonably well under such an environment in the past, and is expected to do well going forward. The Group has extensive experience and a proven track record in this industry, and is confident of securing more projects from its expanding tender book. The Group is therefore optimistic about the prospects of this segment.

(iii) Other Segment

The Polymer segment is now reclassified as "Others" as its contribution over the past 5 years has consistently been declining, accounting for less than 5% of the Group's revenue and profit. The Group is now actively exploring ways of extracting value from this business via a combination of operational restructuring and strategic corporate exercise.

Overall, the management is cautiously optimistic of an improved performance in the coming year.

B4 Profit forecast

Not applicable.

B5 Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
In respect of the current period:				
Malaysian income tax	(8,456)	7,505	(8,456)	7,505
Deferred tax income	8,606	(6,380)	8,606	(6,380)
	<u>150</u>	<u>1,125</u>	<u>150</u>	<u>1,125</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.

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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 corporate proposals announced by the Company and completed as at 12 May 2017, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

(i) Proposed further disposal of up to 31% equity interest in Daya CMT Sdn Bhd ("DCMT") pursuant to a call option

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 the time to time up to and including 17 January 2017.

The Company had on 30 November 2016 received a letter from PSSB stating amongst others, that PSSB wishes to extend the Call Option Period by 12 months ("Proposed Extension").

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 2018.

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

(ii) 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.

On 2 December 2016, The Board of Directors of DMB will make the necessary announcements as per the Main Market Listing Requirements of Bursa Malaysia Securities Berhad upon finalisation of the proposals.

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

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(iii) 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 23 November 2016, Bursa Securities 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.

On 27 April 2017 and 5 May 2017 the Company had issued 45,000,000 and 3,500,000 new ordinary shares through private placement at an issue price of RM 0.08 per share respectively for a total consideration of RM 3,880,000.

(iv) 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 to date, the status of the MOU remains unchanged.

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

On 26 April 2017, 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 19 April to 19 May 2017)

(vi) 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.

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(vii) Memorandum of understanding between Daya OCI Sdn Bhd ("DOCI"), a subsidiary of DMB and Technology Depository Agency Berhad ("TDA")

The Board of Directors of DMB ("the Board") is pleased to announce that DOCI, a subsidiary of DMB has on 2 February 2017 entered into a MOU with TDA.

The purpose of the MOU is to establish a close cooperative relationship between the parties for the establishment of crowd/passenger systems solution for the transportation industry in Malaysia.

TDA is an agency falling under the purview of the Ministry of Finance of Malaysia and is mandated to operationalize the Policy and Guideline on Industrial Collaboration Programme ("ICP") in government procurement.

None of the Directors and/or major shareholders of DMB and/or persons connected to the Directors and/or major shareholders of DMB have any interest, direct or indirect, in the MOU.

Further announcements on this proposed transaction will be made at the appropriate time.

This announcement is dated 2 February 2017

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
<u>Secured borrowings</u>			
Trade facilities	23,008	15,000	38,008
Hire purchases	2,951	7,475	10,426
Overdraft	17,708	-	17,708
Term loans	4,885	469,460	474,345
Convertible notes	-	117,523	117,523
	<u>48,552</u>	<u>609,458</u>	<u>658,010</u>

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

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

The bank borrowings and other facilities are denoted in local currency, except for RM421,395,652 which is denoted in United States Dollars.

B9 Material litigations

Save for the following, there were no material litigation involving the Group since the last financial year ended 31 December 2016 and 12 May 2017, 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. D3-22-360-2008 (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 was RM1,942,250 with interest at 8.00% per annum thereupon from judgment to settlement, and the legal costs of the proceedings.

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The Court had subsequently granted judgments to DSSB against the Defendants for the sum claimed with cost and interest. The Defendants however, had defaulted in the judgments and DSSB had initiated bankruptcy and winding up petitions against the Defendants.

As of to date, these actions are still in progress and DSSB has not recovered the judgment sum granted to it.

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

On 12 May 2016, Daya OCI Sdn. Bhd. ("DOCI") had successfully appealed to the Court of Appeal whereby the Court of Appeal has 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, Tideway has filed a motion for an extension/abridgment 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 gives any directions on the leave application itself.

As the grounds of judgment is still not ready, the Court has fixed a further case management date on 16 May 2017 for parties to update the Court on the same.

(c) (i) Kuala Lumpur High Court Originating Summons No. WA-24C-69-08/2016 (Yuk Tung Construction Sdn Bhd. V. Daya CMT Sdn. Bhd.)

(ii) Kuala Lumpur High Court Originating Summons No. WA-24C-70-08/2016 (Yuk Tung Construction Sdn Bhd. V. Daya CMT Sdn. Bhd.)

The abovementioned suits by Yuk Tung Construction Sdn Bhd ("YT") arose out of a construction contract executed between Daya CMT Sdn Bhd ("DCMT") and YT on 23 November 2012. DCMT was appointed as the Principal Sub-Contractor to carry out the construction and completion of the building works ("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 November 2014. The liquidated damages imposable for delay in completion of the works was agreed at RM70,000.00 per day.

On 22 December 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.

DCMT initiated a claim under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") inclusive of value of works done, works certified, non-release of retention sum, among others. The Adjudicator had on 2 August 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 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.

YT had on 15 August 2016 filed the above mentioned suits to, inter alia, set aside the Adjudication Decision on the grounds that the Adjudicator has exceeded his jurisdiction in coming to the Adjudication Decision ("Suit (c)(i)") and further, filed a separate application to stay the enforcement of the Adjudication Decision by DCMT in the interim ("Suit (c)(ii)").

A case management was conducted on 12 May 2017 and the Court has instructed that the hearing date for the matter be fixed on 22 May 2017.

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B10 Proposed Dividends

The Board of Directors did not recommend the payment of any dividends for the financial period ended 31 December 2017.

B11 Basic earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	31.03.2017	31.03.2016	31.03.2017	31.03.2016
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	581	(29,208)	581	(29,208)
Weighted average number of shares in issue ('000)	1,853,017	1,736,019	1,853,017	1,736,019
Basic earnings per share (sen)	<u>0.03</u>	<u>(1.68)</u>	<u>0.03</u>	<u>(1.68)</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.

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
	31.03.2017 RM'000	31.03.2016 RM'000	31.03.2017 RM'000	31.03.2016 RM'000
The following amounts have been included in arriving at profit before tax:				
Interest expenses	7,952	6,873	7,952	6,873
Depreciation on property, plant and equipment	2,643	5,760	2,643	5,760
Depreciation on investment property	1	1	1	1
Amortisation on intangible assets	41	90	41	90
and after crediting:				
Interest income	217	1,487	217	1,487
Rental income	32	-	32	-
Unrealised foreign exchange (gains)/loss	303	-	303	-
Realised foreign exchange (gains)/loss	7	-	7	-
Gain on disposal of property, plant & equipment	-	18	-	18

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 31.03.2017 RM'000	AS AT 31.03.2016 RM'000
Total retained earnings of DMB and its subsidiaries:		
- Realised profits	(130,928)	34,179
- Unrealised profits	18,045	15,401
	<u>(112,883)</u>	<u>49,580</u>
Less: Consolidated adjustments	(64,331)	(50,735)
Total group retained earnings as per consolidated accounts	<u>(177,214)</u>	<u>(1,155)</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 2016 was unqualified.

By Order of the Board

Tham Jooi Loon
Executive Vice Chairman
Date: 19-May-17