



DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report 30 June 2017

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2016 RM'000	CURRENT YEAR TO DATE 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2016 RM'000
Revenue	61,789	96,211	119,160	282,772
Cost of Sales	(50,493)	(85,679)	(97,662)	(276,869)
Gross Profit	11,296	10,532	21,498	5,904
Other Income	6,743	2,831	11,872	8,584
Operating Expenses	(8,055)	(22,296)	(13,416)	(43,914)
Profit/ (Loss) from operations	9,984	(8,933)	19,954	(29,427)
Finance Costs	(8,264)	(7,723)	(16,216)	(14,596)
Share of results of jointly controlled entities	(4)	1,266	(4)	1,424
Profit/ (Loss) before tax	1,715	(15,391)	3,734	(42,599)
Income tax expense	(1,088)	(1,202)	(1,238)	(2,327)
Profit/ (Loss) for the period	627	(16,592)	2,496	(44,926)
Dividend	-	-	-	-
	627	(16,592)	2,496	(44,926)
Attributable to :				
Equity holders of the Company	(750)	(18,104)	(169)	(47,312)
Non-controlling interests	1,377	1,512	2,665	2,386
	627	(16,592)	2,496	(44,926)
Basic earnings per share (sen):	(0.04)	(1.04)	(0.01)	(2.72)

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 SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2016 RM'000	CURRENT YEAR TO DATE 30.06.2017 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2016 RM'000
Profit/ (Loss) for the period	627	(16,592)	2,496	(44,926)
Other comprehensive income:				
Foreign currency translation differences for foreign subsidiaries	6,202	9,084	5,450	18,982
Fair value gain on investment in available -for-sales("AFS") assets	-	-	-	-
Total comprehensive (loss)/income for the period, net of tax	6,829	(7,508)	7,947	(25,944)
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	5,452	(9,020)	5,281	(28,330)
Non-controlling interests	1,377	1,512	2,665	2,386
	6,829	(7,508)	7,947	(25,944)

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 30 JUNE 2017

(The figures have not been audited)

	UNAUDITED 30.06.2017 RM'000	AUDITED 31.12.2016 RM'000
Non Current Assets		
Property, plant and equipment	517,194	540,905
Inventories - non current	8,640	8,640
Investment properties	3,715	3,754
Intangible assets	84,381	84,438
Investment in joint ventures	461	461
Available-for-sale financial asset	3,309	5,901
Deferred tax assets	13,932	13,197
	<u>631,632</u>	<u>657,296</u>
Current Assets		
Inventories	29,627	24,399
Trade receivables	72,546	124,654
Other receivables, deposits and prepaid expenses	101,968	100,188
Amount due from contract customers	12,445	-
Tax recoverable	3,168	3,390
Marketable securities	72	64
Cash and bank balances	73,448	69,796
	<u>293,274</u>	<u>322,491</u>
Current Liabilities		
Loans and borrowings	51,312	42,145
Trade payables	102,963	106,784
Other payables and accrued expenses	77,379	78,306
Amount due to contract customers	-	47,999
Tax liabilities	-	267
	<u>231,654</u>	<u>275,501</u>
Net Current Assets	61,620	46,990
	<u>693,252</u>	<u>704,286</u>
Financed by:		
Share capital	189,830	185,302
Reserves	(131,608)	(136,890)
	58,222	48,412
Non-controlling interests	38,322	35,612
	<u>96,544</u>	<u>84,024</u>
Non Current Liabilities		
Deferred tax liabilities	2,586	2,412
Loans and borrowings	594,122	617,850
	<u>693,252</u>	<u>704,286</u>
Net assets per share (sen)	<u>3.07</u>	<u>2.61</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 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 2ND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	Attributable to Equity Holders of the Company					Distributable Retained earnings/ (Accumulated losses) RM'000	Non- controlling interests RM'000	Total RM'000	Total Equity RM'000
	Share premium RM'000	Bond Reserve RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	AFS Reserve RM'000				
Balance as at 1 January 2016	173,602	4,713	(22,120)	(1)	4,000	28,053	35,536	259,687	295,223
Total comprehensive (loss)/income for the period	-	-	-	-	-	(29,208)	874	(29,208)	(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	<u>173,602</u>	<u>4,713</u>	<u>(12,222)</u>	<u>(1)</u>	<u>4,667</u>	<u>(1,155)</u>	<u>36,410</u>	<u>241,044</u>	<u>277,454</u>
Total comprehensive (loss)/income for the period	-	-	-	-	-	(18,104)	1,512	(18,104)	(16,592)
Transactions with owners:									
Purchase of treasury shares	-	-	-	-	-	-	-	(18)	(18)
Disposal of subsidiaries	-	-	-	-	-	-	1,382	-	1,382
Issuance of shares	11,700	-	-	-	-	-	-	11,700	11,700
Foreign currency translation differences	-	-	9,084	-	-	-	-	9,084	9,084
Fair value gain on investment in AFS asset	-	-	-	-	(333)	-	-	(333)	(333)
Balance as at 30 June 2016	<u>185,302</u>	<u>4,713</u>	<u>(3,138)</u>	<u>(1)</u>	<u>4,333</u>	<u>(19,259)</u>	<u>39,305</u>	<u>243,372</u>	<u>282,677</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	Atributable to Equity Holders of the Company						Distributable Retained earnings/ (Accumulated losses) RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Non-Distributable			Distributable					
	Share premium RM'000	Bond Reserve RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	AFS Reserve RM'000				
Balance as at 1 January 2017	185,302	4,713	(36,560)	(1)	1,331	(177,795)	35,613	84,025	
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)		(751)	(299)	(1,050)	
Fair value gain on investment in AFS asset									
Balance as at 31 March 2017	185,302	4,713	(37,311)	(1)	1,331	(177,214)	36,601	84,844	
Total comprehensive (loss)/income for the period						(750)	1,377	627	
Transactions with owners:									
Purchase of treasury shares									
Issuance of shares	4,528					4,528		4,528	
Foreign currency translation differences			6,202			6,202	344	6,546	
Fair value gain on investment in AFS asset									
Balance as at 30 June 2017	189,830	4,713	(31,109)	(1)	1,331	(177,964)	38,322	96,544	

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.06.2017 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2016 RM'000
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax		3,735 (200,905)
Adjustments for:		
Amortisation on intangible assets		57 254
Depreciation on property, plant and equipment		5,328 36,124
Depreciation on investment property		2 446
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
Gain on disposal of available-for-sale financial assets		- (3,711)
Inventories written off		- 4,546
Finance costs		16,216 27,830
Interest income		(275) (1,544)
Fair value gain on marketable securities		23 38
Net unrealised foreign exchange gain		- (10,629)
Impairment loss on property, plant and equipment		- 76,208
Allowance for impairment of receivables		- 118
Gain on disposal of shares in a joint venture		- (3,763)
Share of results of joint ventures		- (886)
Operating profit / (Loss) before working capital changes		<u>25,086 (26,578)</u>
Changes in working capital:		
Inventories		(5,228) (5,131)
Trade and other receivables		52,108 47,467
Other receivables, deposits and prepaid expenses		(62,224) 7,721
Trade and other payables		(5,823) (54,816)
Amount due to contract customers		<u>- 21,744</u>
Cash (used in) / generated from operations		3,919 (9,593)
Interest received		275 1,544
Interest paid		(16,216) (27,830)
Income tax paid		<u>(768) (7,431)</u>
Net Cash Used In Operating Activities		<u>(12,790) (43,310)</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.06.2017 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2016 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(567)	(3,842)
Proceeds from disposal of property, plant and equipment	-	2,075
Proceeds from disposal of investment property	-	1,500
Proceeds from disposal of a in subsidiary	-	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)
Decrease/(Increase) in pledged deposits placed with licensed banks	27,909	(6,616)
Net Cash From Investing Activities	29,912	6,610
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net repayment of loans and borrowings	(21,677)	(54,754)
Proceeds from loans and borrowings	30,941	-
Proceeds from disposal of treasury shares	-	-
Proceeds from issuance of ordinary shares	4,528	11,700
Purchase of treasury shares	-	(18)
Net Cash Generated From/(Used In) Financing Activities	13,792	(43,072)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	30,914	(79,772)
Effect of exchange rate fluctuation on cash held	(18,032)	13,384
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	4,827	71,215
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	17,709	4,827
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and bank balances	25,843	20,565
Fixed deposits with licenced banks	47,463	49,210
Short term investments	141	21
Bank overdraft	(13,693)	(15,759)
	59,754	54,037
Less: Fixed deposits pledged with licensed banks	(42,045)	(49,210)
	17,709	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 all the new and revised Malaysian Financial Reporting Standards ("MFRS") and amendments to MFRSs issued by the Malaysian Accounting Standards Board which are effective for annual financial periods beginning on or after 1 January 2017. As disclosed in the Group's annual financial statement for the financial year ended 31 December 2016, the following are new/ revised accounting standard effective for annual periods beginning on or after 1 January 2017.

Effective for financial periods beginning on or after 1 January 2017

Amendments to MFRS 107: Disclosure initiative

Amendments to MFRS 112: Recognition of Deferred Tax Assets for Unrealised Losses

Annual Improvements to MFRS 2014 – 2016 Cycle

The application of these amendments to MFRSs did not result in significant changes in the accounting policies of the Group and had no significant effect on the financial performance or position of the Group.

Standards in issue but not yet effective

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

MFRS 16: Leases

Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions

Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

Amendments to MFRS 101: Disclosure Initiative

Amendments to MFRS 140: Transfer of Investment Property

IC Int. 22: Foreign Currency Transactions and Advance Consideration

The directors anticipate that the abovementioned Standards and Amendments and Interpretation will be adopted in the annual financial statements of the Group when they become effective and that the adoption of these Standards and Amendments and Interpretation may have material impact on the financial statements of the Group and of the Company in the period of initial application. However, it is not practical to provide a reasonable estimate of the effect until the directors performed a detailed review.

A3 Seasonal or cyclical factors

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

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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 period 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 period under review.

A6 Debt and equity securities

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

A7 Dividends paid

No dividend has been declared or paid for current financial quarter and financial year-to-date. (2016: Nil)

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	-	41,691	73,661	3,808	119,160
Segment Results	-	15,812	6,094	680	22,586
Unallocated Results					(2,632)
Profit from Operations					19,954
Finance Costs					(16,216)
Share of results of jointly controlled entities					(4)
Profit Before Tax					3,734
Income Tax Expense					(1,238)
Profit After Tax					2,496

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 30 June 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	-	57	-	-	57
Exchange differences	-	22	-	-	22
At 31 March 2017	-	1,705	152	360	2,217
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 30 June 2017	84,094	287	0	(0)	84,381

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A11 Subsequent Events

Save for Section B7, there were no material events subsequent to the current interim financial period 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 period 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 30 June 2017, the Company provides corporate guarantees up to a total amount of RM 679,217,155 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 533,326,338.

As at 30 June 2017, the Company also provides corporate guarantees up to a total amount of RM 13,099,776 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 RM906,175.

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

A14 Capital Commitments

Capital Expenditure:

Approved but not contracted for:

As at
30.06.2017
RM'000

590

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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 recorded a lower revenue in the Oil & Gas segment of RM21.6 million for current quarter, a decrease of 60% from RM54.5 million in preceding year corresponding quarter. The lower revenue in the current quarter was due to cessation of offshore business activities after the proposed disposal of vessel. Nevertheless the downstream oil and gas segment enjoyed better revenue; resulting in a profit before tax of RM3.3 million in current quarter as compared to loss of RM15.6 million losses in prior year corresponding quarter.

(ii) Technical Services Segment

The revenue in Technical Services Segment decreased marginally by 0.1% from RM39.4 million in prior year corresponding quarter to RM39.3 million in current quarter due to slower progress billing of an ongoing project. The profit before tax was RM3.4 million for current quarter vs RM4.6 million in prior year corresponding quarter. The lower profit was largely due to slower mobilisation and execution of the project at the request of the client.

(iii) Other segment

For the current quarter, revenue was recorded at RM0.8 million, a decrease of 65% from RM2.3 million recorded in prior year corresponding quarter. The weak performance was largely attributable to our decision to substantially scale down production and overall operation. As a result, the division recorded a loss of RM365K for the quarter.

Overall, the Group achieved a total revenue of RM61.8million for current year quarter, a decline of 36% from RM96.2 million recorded in preceding year corresponding quarter. The Group recorded a profit before tax of RM1.7 million for current year quarter as compared to loss before tax of RM15.3 million in preceding year corresponding quarter. The improved performance was mainly due to the lower cost structure of the Group, upon the cessation of its offshore business activities.

B2 Variation of results against preceding quarter

	Quarter ended 30.06.2017 RM'000	Quarter ended 31.03.2017 RM'000
Revenue	61,789	57,372
Profit before tax	1,715	2,019
Profit after tax	627	1,869

For the quarter ended 30 June 2017, the Group recorded revenue of RM61.8 million, an increase of 8% as compared to RM57.4 million recorded in preceding quarter. The increase in revenue was mainly due to better sales in oil & gas segment and the commencement of a major project in technical services segment. The slight reduction in profitability was primarily attributable to a slower mobilisation and execution of the project at request of the client.

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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 O&G industry will remain volatile. There are signs of a gradual recovery, but the conditions will remain challenging in the intermediate term. With the proposed sale of SD1 nearing completion, and our resultant exit from the offshore subsea sector, our O&G division as a whole has returned to profitability and is now on a more solid footing. We expect this division to continue to strengthen its performance in the coming quarters barring any unforeseeable industry circumstances.

(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 streamlining of operation and potential 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
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:				
Malaysian income tax	2,124	(2,274)	1,973	5,231
Deferred tax income	(1,036)	3,476	(735)	(2,904)
	<u>1,088</u>	<u>1,202</u>	<u>1,238</u>	<u>2,327</u>

The effective tax rate of the Group for the current financial year-to-date was higher than the Malaysian statutory tax rate 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 the profitable subsidiaries.

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B6 Sale of unquoted investments and properties

There were no major disposal of unquoted investments and properties during the period 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 17 August 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 PPSB 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 PPSB 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, PPSB 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 PPSB.

The Company had on 20 April 2016 received a letter from PPSB stating amongst others, that PPSB 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 PPSB 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 PPSB stating amongst others, that PPSB 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 PPSB 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.

On 27 May 2017 the Company had issued 8,100,000 new ordinary shares through private placement at an issue price of RM 0.08 per share respectively for a total consideration of RM 648,000. This marked the completion of the Proposed Private Placement.

(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) 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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(vi) 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:

	Short Term RM'000	Long Term RM'000	Total Outstanding RM'000
<u>Secured borrowings</u>			
Trade facilities	23,026	15,000	38,026
Hire purchase	2,906	6,791	9,697
Overdraft	13,693	-	13,693
Term loans	11,686	454,808	466,494
Redeemable convertible secured bonds	-	117,523	117,523
As at 30 June 2017	51,312	594,122	645,433
As at 31 Dec 2016	42,145	617,850	659,995

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 RM406,849,541 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. Given that the grounds of judgment is still not ready, the Court has fixed a further case management date on 27 July 2017 for parties to update the Court on the same.

Pursuant to the case management held on 27 July 2017, the grounds of judgment from the Court of Appeal is still not ready despite parties as well as the Federal Court itself making enquiries to the Court of Appeal.

Hence, the Court has fixed 19 September 2017 for a further Case Management for parties to update on the status of 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. As at to-date, the trial is still ongoing and further trial dates have been fixed in August and September 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 30 June 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
	30.06.2017	30.06.2016	30.06.2017	30.06.2016
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	(750)	(18,104)	(169)	(47,312)
Weighted average number of shares in issue ('000)	1,891,024	1,738,655	1,872,125	1,737,337
Basic earnings per share (sen)	<u>(0.04)</u>	<u>(1.04)</u>	<u>(0.01)</u>	<u>(2.72)</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
	30.06.2017 RM'000	30.06.2016 RM'000	30.06.2017 RM'000	30.06.2016 RM'000
The following amounts have been included in arriving at profit before tax:				
Interest expenses	8,264	7,723	16,216	14,596
Depreciation on property, plant and equipment	2,685	5,844	5,328	10,203
Depreciation on investment property	1	1	2	2
Amortisation on intangible assets	15	71	57	161
and after crediting:				
Interest income	58	1,583	275	3,070
Rental income	20	-	52	-
Unrealised foreign exchange (gains)/loss	250	-	553	-
Realised foreign exchange (gains)/loss	117	-	123	-
Gain on disposal of property, plant & equipment	-	242	-	260

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 30.06.2017 RM'000	AS AT 30.06.2016 RM'000
Total retained earnings of DMB and its subsidiaries:		
- Realised profits	(129,028)	25,001
- Unrealised profits	17,665	15,298
	<u>(111,364)</u>	<u>40,300</u>
Less: Consolidated adjustments	(66,599)	(59,559)
Total group retained earnings as per consolidated accounts	<u>(177,963)</u>	<u>(19,259)</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: 24-Aug-17