



DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report 31 March 2018

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 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2017 RM'000 (Unaudited)	CURRENT YEAR TO DATE 31.03.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2017 RM'000 (Unaudited)
Revenue	90,415	57,372	90,415	57,372
Cost of Sales	(74,999)	(47,169)	(74,999)	(47,169)
Gross Profit	15,416	10,203	15,416	10,203
Other Income	1,616	5,129	1,616	5,129
Operating Expenses	(8,549)	(5,361)	(8,549)	(5,361)
Profit from operations	8,483	9,971	8,483	9,971
Finance Costs	(3,862)	(7,952)	(3,862)	(7,952)
Profit before tax	4,621	2,019	4,621	2,019
Income tax expense	(2,565)	(150)	(2,565)	(150)
Profit for the period	2,056	1,869	2,056	1,869
Attributable to :				
Equity holders of the Company	(760)	581	(760)	581
Non-controlling interests	2,816	1,288	2,816	1,288
	2,056	1,869	2,056	1,869
Basic (loss)/profit per share (sen):	(0.04)	0.03	(0.04)	0.03

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 2017

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2017 RM'000 (Unaudited)	CURRENT YEAR TO DATE 31.03.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2017 RM'000 (Unaudited)
Profit for the period	<u>2,056</u>	<u>1,869</u>	<u>2,056</u>	<u>1,869</u>
Other comprehensive income/(loss):				
Foreign currency translation differences for foreign subsidiaries	<u>2,873</u>	<u>(751)</u>	<u>2,873</u>	<u>(751)</u>
Total comprehensive income for the period, net of tax	<u>4,929</u>	<u>1,118</u>	<u>4,929</u>	<u>1,118</u>
Total comprehensive income/(loss) for the period attributable to:				
Equity holders of the Company	<u>2,113</u>	<u>(170)</u>	<u>2,113</u>	<u>(170)</u>
Non-controlling interests	<u>2,816</u>	<u>1,288</u>	<u>2,816</u>	<u>1,288</u>
	<u>4,929</u>	<u>1,118</u>	<u>4,929</u>	<u>1,118</u>

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 2017

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	UNAUDITED 31.03.2018 RM'000	AUDITED 31.12.2017 RM'000
Non Current Assets		
Property, plant and equipment	78,072	79,075
Inventories - non current	8,956	8,956
Investment properties	10,750	10,750
Intangible assets	84,442	84,477
Investment in joint ventures	549	549
Deferred tax assets	905	905
Total Non Current Assets	183,674	184,712
Current Assets		
Inventories	15,105	16,803
Trade receivables	64,193	90,130
Other receivables, deposits and prepaid expenses	75,988	78,007
Amount due from contract customers	46,506	9,102
Tax recoverable	2,550	3,149
Marketable securities	72	66
Cash and bank balances	62,436	71,721
	266,850	268,978
Assets classified as held for sale	7,462	7,522
Total Current Assets	274,312	276,500
Current Liabilities		
Loans and borrowings	136,131	126,261
Trade payables	35,852	52,300
Other payables and accrued expenses	87,781	79,254
Tax liabilities	4,495	3,299
Total Current Liabilities	264,259	261,114
Net Current Assets	10,053	15,386
	193,727	200,098
Financed by:		
Share capital	271,230	271,230
Reserves	(255,950)	(257,991)
	15,280	13,239
Non-controlling interests	38,088	37,200
Total Equity	53,368	50,439
Non Current Liabilities		
Deferred tax liabilities	5,369	5,398
Loans and borrowings	103,631	111,480
Trade payables	31,359	32,781
Total Non Current Liabilities	140,359	149,659
	193,727	200,098
Net assets per share (sen)	0.75	0.65

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2017 and accompanying explanatory notes attached to these interim financial statements.

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018

	←-----Attributable to Equity Holders of the Company-----→						Distributable			
	Non-Distributable			Distributable			Retained earnings/ losses)	Non-controlling interests	Total Equity	
	Share Capital	Share Premium	Bond Reserve	Foreign Currency Translation Reserve	Treasury Shares	Revaluation reserve	AFS Reserve	Total	Total Equity	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
3 months ended 31 March 2018 (Unaudited)										
At 1 January 2018	271,230	-	2,299	(5,588)	(1)	1,705	-	13,239	37,200	50,439
Profit/(Loss) for the period	-	-	-	-	-	-	-	(760)	2,816	2,056
Foreign currency translation differences	-	-	-	2,873	-	-	-	-	-	2,873
Total comprehensive (loss)/income for the period	-	-	-	2,873	-	-	-	(760)	2,816	4,929
Acquisition of interest from non controlling interest	-	-	-	-	-	-	-	(72)	(1,928)	(2,000)
At 31 March 2018	<u>271,230</u>	-	<u>2,299</u>	<u>(2,715)</u>	<u>(1)</u>	<u>1,705</u>	-	<u>15,280</u>	<u>38,088</u>	<u>53,368</u>
3 months ended 31 March 2017 (Unaudited)										
At 1 January 2017	185,302	71,423	4,713	(36,560)	(1)	-	1,331	49,022	36,198	85,220
Profit for the period	-	-	-	-	-	-	-	581	1,288	1,869
Foreign currency translation differences	-	-	-	(751)	-	-	-	(751)	-	(751)
Total comprehensive (loss)/income for the period	-	-	-	(751)	-	-	-	581	(170)	1,118
At 31 March 2017	<u>185,302</u>	<u>71,423</u>	<u>4,713</u>	<u>(37,311)</u>	<u>(1)</u>	-	<u>1,331</u>	<u>48,852</u>	<u>37,486</u>	<u>86,338</u>

DAYA MATERIALS BERHAD

(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018

	UNAUDITED CURRENT YEAR TO DATE 31.03.2018 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2017 RM'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	4,621	(21,038)
Adjustments for:		
Amortisation on intangible assets	35	155
Depreciation of property, plant and equipment	1,232	5,013
Gain on disposal of property, plant & equipment	(0)	(263)
Property, plant and equipment written off	-	5,418
Gain on disposal of a subsidiary	-	(2,849)
Gain on disposal of available-for-sale financial assets	-	(1,870)
Inventories written off	-	954
Finance costs	3,862	29,498
Interest income	(276)	(1,552)
Waiver of debts	-	(9,927)
Fair value gain on marketable securities	(6)	(3)
Net unrealised foreign exchange (loss)/gain	(1,006)	(1,139)
Allowance for doubtful debts on receivables	726	15,082
Share of results of joint ventures	-	(88)
Reversal of allowance for doubtful debts on trade receivables	-	(217)
Operating Profit before working capital changes	9,188	17,174
(Increase)/Decrease in:		
Inventories	1,698	6,326
Trade receivables	25,938	34,501
Other receivables, deposits and prepaid expenses	1,293	7,340
Trade and other payables	(9,344)	31,193
Amount due from contract customers	(37,404)	(57,101)
Cash (used in) / generated from operations	(8,631)	39,433
Tax paid (net of refund)	(799)	(1,523)
Interest paid	(3,862)	(29,498)
Net Cash (Used In)/From Operating Activities	(13,292)	8,412

DAYA MATERIALS BERHAD

(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2018

	UNAUDITED CURRENT YEAR TO DATE 31.03.2018 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2017 RM'000
CASH FLOWS (USED IN)/FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(297)	(1,986)
Proceeds from disposal of property, plant and equipment	1	326
Proceeds from disposal of a subsidiary	-	346,740
Proceeds from disposal of available-for-sale financial asset	-	6,019
Purchase of intangible assets	-	(194)
Addition in investment in subsidiary	(2,000)	(1,549)
Increase in pledged deposits placed with licensed banks	(613)	(378)
Interest received	276	1,551
Net Cash (Used In)/From Investing Activities	(2,633)	350,529
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of loans and borrowings	4,506	(380,671)
Conversion of bonds surrendered	-	(2,414)
Proceeds from issue of ordinary shares	-	14,528
Share issue cost paid	-	(22)
Net Cash Generated From/(Used In) Financing Activities	4,506	(368,579)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(11,419)	(9,638)
Effect of exchange rate fluctuation on cash held	3,130	9,848
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	5,036	4,827
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(3,253)	5,036
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		
Cash and bank balances	12,081	22,112
Fixed deposits with licenced banks	50,334	49,588
Short term investments	22	21
	62,437	71,721
Bank overdraft	(15,489)	(17,097)
	46,948	54,623
Les: Fixed deposits pledged with licensed banks	(50,201)	(49,588)
	(3,253)	5,036

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 the Malaysian Financial Reporting Standard ("MFRS") 134 :Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad ("Bursa Securities"). The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2017.

The 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 2017.

A2 Significant Accounting Policies

In the preparation of this interim financial statements, the accounting policies and the method of computation of the most recent annual financial statements were followed and the following new/revised MFRSs are adopted:

Amendments and Annual Improvements to Standards

Description	Effective for annual periods beginning on or after	
MFRS 9	Financial Instruments (2014)	1 January 2018
MFRS 15	Revenue from Contract with Customers	1 January 2018
Amendments to MFRS 2	Share-based Payment - Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 140	Investment Property - Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

The initial adoption of the above new/revised MFRSs and IC Interepretation have not resulted in any material impact on the interim financial statements of the Group.

A3 Seasonal or Cyclical Factors

The business of the Group is not subject to any seasonal or cyclical fluctuation.

A4 Unusual Items Affecting Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the period under review.

A5 Changes in Estimates, Significant Accounting Estimates and Judgements

There were no significant changes in the estimates of the amount reported in the period under review.

A6 Debt and Equity Securities

During the period under review, the Company repurchased 1,000 of its issued ordinary shares from the open market at an average price of RM0.045 per share. The total consideration paid for the repurchase was RM45. The shares repurchased are being held as treasury shares in accordance with Section 127 (4)(b) of the Companies Act, 2016. As at 31 March 2018, the Company held as treasury shares a total of 9,000 of its 2,042,954,854 issued ordinary shares as treasury shares.

Other than the above, there were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities during the period under review.

A7 Dividends Paid

No dividend has been declared or paid for current financial quarter. (2017: RM Nil)

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

A8 Segment Information

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

Results for 3 months ended 31 March 2018				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	18,391	72,024	(0)	90,415
Segment Results	4,731	8,104	(394)	12,441
Corporate Costs				(3,958)
Profit from Operations				8,483
Finance Costs				(3,862)
Profit Before Tax				4,621
Income Tax Expense				(2,565)
Profit After Tax				2,056
Results for 3 months ended 31 March 2017				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	20,058	34,318	2,996	57,372
Segment Results	7,794	2,521	1,317	11,632
Corporate Costs				(1,661)
Profit from Operations				9,971
Finance Costs				(7,952)
Profit Before Tax				2,019
Income Tax Expense				(150)
Profit After Tax				1,869

A9 Valuation of Property, Plant and Equipment and Investment Properties

There is no revaluation of property, plant and equipment as the Group does not adopt a revaluation policy on property, plant and equipment. The valuation of investment properties has been brought forward without amendment from the latest audited financial statements.

A10 Subsequent Events

Save for Section B7 and B9, 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.

A11 Changes in the Composition of the Group

On 14 January 2018 and 14 February 2018, Daya Petroleum Ventures Sdn. Bhd. ("DPV") acquired additional 195,800 ordinary shares of Daya Maxflo Sdn. Bhd. ("DMSB"), representing 13.79% of the share capital of DMSB for a cash consideration of RM2,000,000 and DMSB became a 86.44% owned subsidiary of DPV.

Other than the above, there were no other changes in the composition of the Group for the period under review.

A12 Contingent Assets and Contingent Liabilities

As at 31 March 2018, the Company has provided corporate guarantee of RM380,992,803 (31 December 2017: RM331,061,008) for banking facilities and third party for supply of goods and services granted to certain subsidiaries.

As at 31 March 2018, the utilization of the banking facilities by the subsidiaries are RM213,399,713 (31 December 2017: RM181,397,837).

Other than the above, there were no other material contingent assets and contingent liabilities as at the date of this report.

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

A13 Capital Commitments

As at
31.03.2018
RM'000

Capital Expenditure:

Approved but not contracted for:

6,386

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

B1 Review of Performance

For the current financial quarter, the Group recorded higher revenue of RM90.4 million compared to RM57.4 million reported in the preceding year corresponding financial quarter, representing an increase of RM33 million or 57.5%. The higher revenue reported was mainly due to higher revenue contribution from the Technical Services segment.

The Group recorded profit before tax of RM4.6 million for the current financial quarter compared to RM2.0 million reported in the preceding year corresponding financial quarter, representing a positive variance of RM2.6 million. The higher profit was mainly due to higher contribution from the Technical Services segment.

The review of the Group's performance by each segment is as follows:

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

The O&G segment reported profit before interest and tax ("PBIT") of RM4.7 million in the current financial quarter compared to RM7.8 million in the preceding year's corresponding quarter, representing a negative variance of RM3.1 million, or 39.7%. The lower PBIT in the current financial quarter was mainly due to lower revenue contribution.

(ii) Technical Services Segment

The Technical Services segment reported PBIT of RM8.1 million in the current quarter compared to PBIT of RM2.5 million in the preceding year's corresponding quarter, representing a positive variance of RM5.6 million. The higher PBIT in the current financial quarter was mainly due to higher revenue contribution from the construction sector's ongoing project and new projects which commenced in second half of last year, and higher project margin arising from project cost revision of a contract which is at its tail-end completion and contract closure stage.

(iii) Other Segment

The Other Segment reported loss before interest and tax ("LBIT") of RM0.4 million in the current quarter compared to PBIT of RM1.3 million in the preceding year's corresponding quarter. The loss was largely attributable to cessation of the Specialised Polymer business in 2017. The Specialised Polymer segment, which was facing stiff price competition over the last few years resulted in poor sale performance and dismal operating results. After futile attempts to get buyers for the operation, the Group decided to cease the operation, and subsequently dispose the plant, land and buildings last year.

B2 Comparison of Loss Before Taxation with the Immediate Preceding Financial Quarter

	Quarter ended 31.03.2018 RM'000	Quarter ended 31.12.2017 RM'000
Revenue	90,415	115,198
Profit/(Loss) before tax	4,621	(24,677)

The Group reported profit before tax of RM4.6 million for the current financial quarter compared to loss before tax of RM24.7 million in the immediate preceding financial quarter, negative variance of RM29.3 million. Included in the immediate preceding financial quarter was the allowance for impairment of receivables in relation to a legal suit of a subsidiary and costs charged out in relation to the termination of the Group's offshore subsea business.

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

B3 Prospects

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

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

The existing O&G business will remain the key business of the Group. This segment is continuously looking to expand its operations in areas related to its core businesses and competencies, both locally and abroad from prospective customers. We expect this division to continue to strengthen its performance in the coming quarters in tandem with a positive outlook and spending in the O&G industry.

(ii) Technical Services Segment

On the construction sector, the Group will continue to be involved in industrial, commercial and residential construction related projects. The Group is focused on the execution of its ongoing construction contracts and will continue to improve its operational efficiency and tender for projects which fall within its areas of expertise.

Barring any unforeseen circumstances, the management is cautiously optimistic of an improved performance in the coming year.

B4 Variances from Profit Forecast and Profit Guarantee

The disclosure requirements for explanatory notes for variances from profit forecast or profit guarantee are not applicable.

B5 Income Tax Expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR TO	YEAR
	QUARTER	CORRESPONDING QUARTER	DATE	CORRESPONDING YEAR TO DATE
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:				
Income tax				
- Current year	2,565	(8,456)	2,565	(8,456)
Deferred tax				
- Current year	-	8,606	-	8,606
	2,565	150	2,565	150

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.

B6 Sale of Unquoted Investments and Properties

There were no major disposal of unquoted investments and properties during the period under review.

B7 Status of Corporate Proposals

The status of corporate proposals announced by the Company and completed as at 24 May 2018, 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, being 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"), for a total consideration of RM11,400,000.

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 21 April 2016, agreed to PPSB's request in writing to extend the Call Option Period by a further 6 months to 17 January 2017, being 30 months from the Completion Date ("1st Revised Call Option Period").

The Company had, on 7 December 2016 agreed to PPSB's request in writing to further extend the 1st Revised Call Option Period by a further 12 months up to 17 January 2018 ("2nd Revised Call Option Period").

On 15 September 2017, PPSB and the Company had mutually agreed, vide the Company's letter dated 15 September 2017 to further extend the 2nd Revised Call Option Period to 31 August 2018.

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

(ii) 1st Proposed Private Placement

On 4 October 2017, the Board announced that the Company proposes to undertake a private placement of new ordinary shares in the Company ("DMB Shares") of up to 10% of the issued and paid-up capital of the Company (excluding treasury shares) ("1st Proposed Private Placement").

On 24 October 2017, on behalf of the Board, Hong Leong Investment Bank Berhad ("HLIBB") announced that Bursa Malaysia had, via its letter dated 24 October 2017, approved DMB's application for the listing of the placement shares in respect of the 1st Proposed Private Placement.

On 8 November 2017, the Company had issued 119,999,000 new ordinary shares through private placement at an issue price of RM0.075 per share for a total consideration of RM8,999,925.

On 10 November 2017, the Company had issued 13,333,000 new ordinary shares through private placement at an issue price of RM0.075 per share for a total consideration of RM999,975.

On 23 April 2018, on behalf of the Board, HLIBB announced that the above Private Placement is deemed completed following the expiry of the approval from Bursa Securities, vide its letter dated 24 October 2017, for the listing of and quotation for up to 190,961,400 Placement Shares on the Main Market of Bursa Securities.

Pursuant to the above Private Placement, a total of 133,332,000 Placement Shares were placed out to third party investors in 2 tranches raising gross proceeds of RM9,999,900.

(iii) 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.

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

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.

On 21 November 2017, DMB and CEEC mutually agreed to extend the MOU up to 24 November 2018.

Since then, there have been no further developments up to the date of this interim report.

(iv) Memorandum of Understanding between DOCI, a subsidiary of DMB and MIMOS Semiconductor Sdn Bhd ("MSSB")

On 15 September 2017, the Board of Directors of DMB announced that DOCI had entered into a MOU with MSSB.

The purpose of the MOU is to establish collaborative and/or partnership engagements in areas of technology which includes but not limited to the provision of a crowd management and passenger system comprising information technology data transfer, security information capabilities, monitoring, management and recording of mass people and materials movements and other potential similar crowd management systems to be applied in rail or non-rail systems such as port entry and stadiums.

MSSB is a wholly owned subsidiary of MIMOS Berhad (a government funded research and development organisation that has developed certain technologies which it wishes to commercialise), set up as a commercial arm to manage, develop and commercialise MIMOS' technologies.

There have been no further developments from the date of the MOU up to the date of this interim report.

(v) 2nd Proposed Private Placement

On 22 November 2017, the Board announced that the Company proposes to undertake a private placement of new ordinary shares in the Company ("DMB Shares") of up to 286,442,000 new DMB Shares, representing up to approximately 14% of the total number of issued shares of the Company (excluding treasury shares) as at 15 November 2017 ("2nd Proposed Private Placement").

On 30 November 2017, on behalf of the Board, Hong Leong Investment Bank Berhad ("HLIBB") announced that DMB's application for the listing of the placement shares in respect of the 2nd Proposed Private Placement was submitted.

On 30 November 2017, on behalf of the Board, HLIBB announced that DMB's application for the listing of the placement shares in respect of the 2nd Proposed Private Placement was submitted.

On 22 March 2018, on behalf of the Board, HLIBB announced that the Board has resolved to abort the 2nd Proposed Private Placement and will focus on a regularisation plan (as detailed in Note (viii) below) to address its financial condition.

(vi) Proposed Disposal of Property by Daya Polymer Sdn Bhd ("DPSB")

DPSB, a wholly-owned subsidiary of the Company, had on 29 January 2018 entered into a Sale and Purchase Agreement ("SPA") with GB Chemical (M) Sdn Bhd ("GBC") for the disposal of a piece of freehold land and hereditaments held under Geran No. Hakmilik 59361, No. Lot 2795, Mukim 07, Daerah Seberang Perai Selatan, Pulau Pinang, measuring approximately 12,671.00 sqm together with two (2) blocks of single storey factory bearing assessment address at No. 1744, Jalan Industri 2, Kawasan Industri Bukit Panchor, 14300 Nibong Tebal, Pulau Pinang to GBC for a total disposal consideration of RM10,000,000.00.

The Disposal is completed with the balance of the disposal price amounting to RM9,000,000 fully settled by GBC on 17 May 2018.

(vii) Memorandum of Understanding between Daya Materials Berhad and Kumul Petroleum Holdings Limited ("KPHL")

On 8 February 2018, the Board announced that the Company had entered into a MOU with KPHL for provision of services (ie. exploration, development, production and decommission) and products to KPHL for oil and gas project(s) in Papua New Guinea ("PNG").

KPHL is a company incorporated under the Companies Act 1997 of Papua New Guinea and authorised under the Kumul Petroleum Holdings Limited Authorization Act 2015 as the national oil & gas company of the Independent State of PNG, with its office located at 7th Floor, The Tower, Douglas Street, Port Moresby.

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

The MOU is intended to reflect the intentions of the Company and KPHL to participate in oil and gas project(s) in PNG as a joint-venture. There have been no further changes arising from the date of the MOU up to the date of this interim report.

(viii) Practice Note 17 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad

Pursuant to Paragraph 8.04 and Paragraph 2.1 (a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Company has triggered the prescribed criteria under paragraph 2.1 (a) of PN17.

Pursuant to PN17, the Company is currently formulating a plan to regularise its financial condition ("Regularisation Plan") to the Securities Commission and Bursa Securities for approval. The Company is required to comply and submit the Regularisation Plan to the relevant authorities within 12 months from 28 February 2018 (first announcement pursuant to PN17) and will make the necessary announcement on the Regularisation Plan in accordance with the requirements under the PN17.

There have been no further developments from the 28 February 2018 up to the date of this interim report and the Company has approximately nine (9) months to submit its Regularisation Plan to the relevant authorities for approval.

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	25,676	-	25,676
Hire purchase	3,138	4,632	7,770
Bank overdrafts	15,489	-	15,489
Term loans	18,151	72,783	90,934
Revolving credits	21,500	-	21,500
Redeemable convertible unsecured bonds	52,177	26,216	78,393
As at 31 March 2018	136,131	103,631	239,762
As at 31 December 2017	126,261	111,480	237,741

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.

The bank borrowings and other facilities are denoted in local currency, except for RM48,437,548 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 2017 and 24 May 2018, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report.

(a) (i) Kuala Lumpur High Court Suit No. 22C-61-12/2015

The abovementioned suit by Yuk Tung Construction Sdn. Bhd. ("YT") arose out of a construction contract executed between Daya CMT Sdn. Bhd. ("DCMT"), a subsidiary of the Company, and YT on 23 November 2012. DCMT was appointed as Principal Sub-Contractor to carry out the construction and completion of building works ("Contract"). The Contract Sum for the works was RM270,000,000 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 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. On 23 December 2015, 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 has also initiated a claim under the Construction Industry Payment and Adjudication Act 2012 ("CIPAA") for outstanding payment inclusive of value of works done, works certified, non-release of retention sum, among others.

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

On 30 January 2018, the Kuala Lumpur High Court ("High Court") delivered the judgement for the above suit where the High Court awarded net damages of RM14,282,880.05 to DCMT comprising the following with judgement interest of 5% per annum commencing from the date of filing of DCMT's Statement of Claim on 9 June 2016:

	RM
Damages in favour of DCMT (variation works submitted pre and post termination, rental expenses and return of part retention sum)	31,534,895
Performance bond to the credit of DCMT	13,500,000
Damages in favour of YT (additional costs of completion and liquidated ascertained damages for delay)	<u>(30,752,015)</u>
Net damages awarded in favour of DCMT	<u>14,282,880</u>

High Court further awarded an indemnity of RM2,643,353 to DCMT for Goods and Services Tax ("GST") that has been paid to Royal Malaysian Customs by DCMT in regards to the performance of work related to the Contract, where DCMT will have the right to recover the same from YT in the event that DCMT is unable to obtain a refund or relief from the Royal Malaysian Customs within 6 months from the date of the judgment.

Included in the statements of financial position of the Group are the following balances which are subject to the above suit:

	The Group	
	31.03.2018	31.12.2017
	RM	RM
Trade receivables	<u>25,002,124</u>	<u>25,002,124</u>
Prepaid expenses	23,849,673	22,891,444
Amount due from sub-contractor	<u>30,576,132</u>	<u>30,576,132</u>
	54,425,805	53,467,576
Less: Allowance for doubtful debts	<u>(13,975,338)</u>	<u>(13,975,338)</u>
	<u>40,450,467</u>	<u>39,492,238</u>
	<u>65,452,591</u>	<u>64,494,362</u>

DCMT has filed a Notice of Appeal on 27 February 2018, to appeal for the Court to set aside the damages awarded to YT and to uphold that the Contract had been wrongfully and prematurely terminated by YT. Upon considering the Group's lawyer's legal opinion, the directors are of the opinion that DCMT would have a strong chance of success in the appeal.

The recoverability of the said amounts as disclosed above, including the amount of allowance for doubtful debts, is highly dependent on the success of the appeal and legal suit.

(b) Kuala Lumpur High Court Suit No.: WA-22C-25-04/2018

On 19 April 2018, the Company announced that Daya CMT Sdn. Bhd. ("DCMT") had, via its lawyers Messrs Zain Megat and Murad ("ZMM"), received a Writ of Summons and Statement of Claim from Messrs William Leong & Co., the lawyers acting for Yuk Tung Construction Sdn Bhd ("YT").

In the said Writ of Summons and Statement of Claims, YT is claiming rectification costs amounting to RM9,070,199, further rectification costs, general damages, interest and costs.

DCMT is working with ZMM to defend against the above claim. Based on the legal opinion, the directors are of the opinion that DCMT would have a strong chance of success in defending the suit and no provision for loss has been made in the financial statements.

B10 Proposed Dividends

No dividend has been proposed or declared for the current financial year-to-date (2017: RM Nil).

DAYA MATERIALS BERHAD
(Company No: 636357-W)
(Incorporated in Malaysia)

B11 (Loss)/Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR TO	YEAR
	QUARTER	CORRESPONDING	DATE	CORRESPONDING PERIOD
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
a) Basic (loss)/earnings per share				
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	(760)	581	(760)	581
Weighted average number of shares in issue ('000)	2,042,947	1,853,017	2,042,947	1,853,017
Basic (loss)/earnings per share (sen)	<u>(0.04)</u>	<u>0.03</u>	<u>(0.04)</u>	<u>0.03</u>
b) Diluted (loss)/earnings per share				
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	(760)	581	(760)	581
Weighted average number of shares in issue ('000)	2,042,947	1,853,017	2,042,947	1,853,017
Conversion of Redeemable Convertible Unsecured Bonds ('000)	830,783	840,000	830,783	840,000
	<u>2,873,730</u>	<u>2,693,017</u>	<u>2,873,730</u>	<u>2,693,017</u>
Diluted (loss)/earnings per share (sen)	<u>(0.04) *</u>	<u>0.02</u>	<u>(0.04) *</u>	<u>0.02</u>

* The diluted loss per share is equal to the basic loss per share due to the anti-dilutive effect.

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	PRECEDING	CURRENT	PRECEDING
	YEAR	YEAR	YEAR TO	YEAR
	QUARTER	CORRESPONDING	DATE	CORRESPONDING PERIOD
	31.03.2018	31.03.2017	31.03.2018	31.03.2017
	RM'000	RM'000	RM'000	RM'000
The following amounts have been included in arriving at profit before tax:				
Interest expenses	3,862	7,952	3,862	7,952
Depreciation on property, plant and equipment	1,232	2,643	1,232	2,643
Amortisation on intangible assets	35	41	35	41
Allowance for doubtful debts on receivables	726	-	726	-
and after crediting:				
Interest income	276	217	276	217
Rental income	20	32	20	32
Unrealised foreign exchange gains	1,006	303	1,006	303
Realised foreign exchange gains	-	7	-	7

B13 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was unqualified.

By Order of the Board

Datuk Lim Thean Shiang
Executive Vice Chairman / Group Chief Executive Officer
31 May 2018