



DAYA MATERIALS BERHAD

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

Quarterly Report 30 June 2018

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 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000 (Unaudited)	CURRENT YEAR TO DATE 30.06.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2017 RM'000 (Unaudited)
Revenue	80,403	61,789	170,818	119,160
Cost of Sales	(71,398)	(50,493)	(146,397)	(97,662)
Gross Profit	9,005	11,296	24,421	21,498
Other Income	4,121	6,743	5,737	11,872
Operating Expenses	(23,362)	(8,055)	(31,911)	(13,416)
(Loss)/Profit from operations	(10,236)	9,984	(1,753)	19,954
Finance Costs	(5,786)	(8,265)	(9,648)	(16,216)
Share of results of joint ventures	-	(4)	-	(4)
(Loss)/Profit before tax	(16,022)	1,715	(11,401)	3,734
Income tax expense	(363)	(1,088)	(2,928)	(1,238)
(Loss)/Profit for the period	<u>(16,385)</u>	<u>627</u>	<u>(14,329)</u>	<u>2,496</u>
Attributable to :				
Equity holders of the Company	(16,009)	(750)	(16,769)	(169)
Non-controlling interests	<u>(376)</u>	<u>1,377</u>	<u>2,440</u>	<u>2,665</u>
	<u>(16,385)</u>	<u>627</u>	<u>(14,329)</u>	<u>2,496</u>
Basic loss per share (sen):	<u>(0.78)</u>	<u>(0.04)</u>	<u>(0.82)</u>	<u>(0.01)</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: 838357-W)
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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017 RM'000 (Unaudited)	CURRENT YEAR TO DATE 30.06.2018 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2017 RM'000 (Unaudited)
(Loss)/Profit for the period	<u>(16,385)</u>	<u>627</u>	<u>(14,329)</u>	<u>2,496</u>
Other comprehensive (loss)/income:				
Foreign currency translation differences for foreign subsidiaries	<u>(1,999)</u>	<u>6,202</u>	<u>874</u>	<u>5,450</u>
Total comprehensive (loss)/income for the period, net of tax	<u>(18,384)</u>	<u>6,829</u>	<u>(13,455)</u>	<u>7,946</u>
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	<u>(18,008)</u>	<u>5,452</u>	<u>(15,895)</u>	<u>5,281</u>
Non-controlling interests	<u>(376)</u>	<u>1,377</u>	<u>2,440</u>	<u>2,665</u>
	<u>(18,384)</u>	<u>6,829</u>	<u>(13,455)</u>	<u>7,946</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)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	UNAUDITED 30.06.2018 RM'000	AUDITED 31.12.2017 RM'000
Non Current Assets		
Property, plant and equipment	72,287	79,075
Inventories - non current	8,956	8,956
Investment properties	10,750	10,750
Intangible assets	84,476	84,477
Investment in joint ventures	549	549
Deferred tax assets	905	905
Total Non Current Assets	<u>177,923</u>	<u>184,712</u>
Current Assets		
Inventories	17,324	16,803
Trade receivables	55,221	90,130
Other receivables, deposits and prepaid expenses	71,177	78,007
Amount due from contract customers	47,240	9,102
Tax recoverable	898	3,149
Marketable securities	107	66
Cash and bank balances	69,051	71,721
	<u>261,018</u>	<u>268,978</u>
Assets classified as held for sale	-	7,522
Total Current Assets	<u>261,018</u>	<u>276,500</u>
Current Liabilities		
Loans and borrowings	161,126	126,261
Trade payables	34,700	52,300
Other payables and accrued expenses	90,351	79,254
Tax liabilities	2,479	3,299
Total Current Liabilities	<u>288,656</u>	<u>261,114</u>
Net Current (Liabilities)/Assets	<u>(27,638)</u>	<u>15,386</u>
	<u>150,285</u>	<u>200,098</u>
Financed by:		
Share capital	271,230	271,230
Reserves	(273,958)	(257,991)
	<u>(2,728)</u>	<u>13,239</u>
Non-controlling interests	37,712	37,200
Total Equity	<u>34,984</u>	<u>50,439</u>
Non Current Liabilities		
Deferred tax liabilities	5,349	5,398
Loans and borrowings	77,787	111,480
Trade payables	32,165	32,781
Total Non Current Liabilities	<u>115,301</u>	<u>149,659</u>
	<u>150,285</u>	<u>200,098</u>
Net (liabilities)/assets per share (sen)	<u>(0.13)</u>	<u>0.65</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 2017 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 2018

	Attributable to Equity Holders of the Company							Distributable Retained earnings/ (Accumulated losses) RM'000	Non- controlling interests RM'000	Total Equity RM'000
	Non-Distributable				Foreign Currency					
	Share Capital RM'000	Share Premium RM'000	Bond Reserve RM'000	Translation Reserve RM'000	Treasury Shares RM'000	Revaluation reserve RM'000	AFS Reserve RM'000			
6 months ended 30 June 2018 (Unaudited)										
At 1 January 2018	271,230	-	2,299	(5,588)	(1)	1,705	-	(256,406)	37,200	50,439
(Loss)/Profit for the period	-	-	-	-	-	-	-	(16,769)	2,440	(14,329)
Foreign currency translation differences	-	-	-	874	-	-	-	-	-	874
Total comprehensive (loss)/income for the period	-	-	-	874	-	-	-	(16,769)	2,440	(13,455)
Acquisition of interest from non controlling interest	-	-	-	-	-	-	-	(72)	(1,928)	(2,000)
At 30 June 2018	271,230	-	2,299	(4,714)	(1)	1,705	-	(273,247)	37,712	34,984
6 months ended 30 June 2017 (Unaudited)										
At 1 January 2017	185,302	71,423	4,713	(36,560)	(1)	-	1,331	(177,186)	36,198	85,220
(Loss)/Profit for the period	-	-	-	-	-	-	-	(169)	2,665	2,496
Foreign currency translation differences	-	-	-	5,450	-	-	-	-	-	5,450
Total comprehensive (loss)/income for the period	-	-	-	5,450	-	-	-	(169)	2,665	7,946
Issuance of shares	4,528	-	-	-	-	-	-	-	-	4,528
Transfer in accordance with Section 618 (2) of Companies Act 2016	71,423	(71,423)	0	-	-	-	-	-	-	-
At 30 June 2017	261,253	-	4,713	(31,110)	(1)	-	1,331	(177,355)	38,863	97,694

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2018

	UNAUDITED CURRENT YEAR TO DATE 30.06.2018 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2017 RM'000
CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES		
Loss before tax	(11,401)	(21,038)
Adjustments for:		
Amortisation on intangible assets	90	155
Depreciation of property, plant and equipment	2,354	5,013
Gain on disposal of property, plant & equipment	(2,508)	(263)
Property, plant and equipment written off	0	5,418
Allowance for doubtful debts on receivables	7,447	15,082
Finance costs	9,648	29,498
Interest income	(768)	(1,552)
Impairment loss on property, plant and equipment	5,078	-
Gain on disposal of available-for-sale financial assets	-	(1,870)
Fair value gain on marketable securities	(40)	(3)
Gain on disposal of a subsidiary	-	(2,849)
Share of results of joint ventures	-	(88)
Net unrealised foreign exchange gain	(1,847)	(1,139)
Inventories written off	-	954
Reinstatement of debts waived/(Waiver of debts)	3,227	(9,927)
Reversal of allowance for doubtful debts on trade receivables	-	(217)
Operating Profit before working capital changes	11,280	17,174
(Increase)/Decrease in:		
Inventories	(521)	6,326
Trade receivables	34,909	34,501
Other receivables, deposits and prepaid expenses	(617)	7,340
Trade and other payables	(7,121)	31,193
Amount due from contract customers	(38,138)	(57,101)
Cash (used in) / generated from operations	(208)	39,433
Tax paid (net of refund)	(1,526)	(1,523)
Interest paid	(9,648)	(29,498)
Net Cash (Used In)/From Operating Activities	(11,382)	8,412

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE 2ND QUARTER ENDED 30 JUNE 2018

	UNAUDITED CURRENT YEAR TO DATE 30.06.2018 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	(977)	(1,986)
Proceeds from disposal of property, plant and equipment	10,234	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	(5,596)	(378)
Interest received	768	1,551
Net Cash From Investing Activities	2,429	350,529
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of loans and borrowings	(5,830)	(380,671)
Conversion of bonds surrendered	-	(2,414)
Proceeds from issue of ordinary shares	-	14,528
Share issue cost paid	-	(22)
Net Cash Generated Used In Financing Activities	(5,830)	(368,579)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(14,783)	(9,638)
Effect of exchange rate fluctuation on cash held	3,110	9,848
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR	5,036	4,826
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR	(6,637)	5,036
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR		
Cash and bank balances	10,877	22,112
Fixed deposits with licenced banks	55,922	49,588
Short term investments	2,252	21
	69,051	71,721
Bank overdraft	(20,505)	(17,097)
	48,546	54,624
Les: Fixed deposits pledged with licensed banks	(55,183)	(49,588)
	(6,637)	5,036

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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 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 condensed consolidated interim financial statements, the accounting policies and the method of computation of the most recent annual financial statements were followed except as disclosed below:-

(a) Adoption of Standards, Amendments and Annual Improvements to Standards

The Group adopted the following Standards, 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
Clarification of MFRS 15	Revenue from Contract with Customers	1 January 2018
IC Interpretation 22	Foreign Currency transactions and Advance Consideration	1 January 2018
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)	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	Insurance Contracts - Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts	1 January 2018
Amendments to MFRS 128	Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)	1 January 2018
Amendments to MFRS 140	Investment Property - Transfers of Investment Property	1 January 2018

(b) Standards issued but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs, Amendments to MFRSs and IC Interpretation were issued but are not yet effective and have not been applied by the Group:

Description	Effective for annual periods beginning on or after	
Amendments to MFRS 3	Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
MFRS 16	Leases	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 11	Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 112	Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 119	Employee Benefits (Plan Amendments, Curtailment or Settlement)	1 January 2019
Amendments to MFRS 123	Borrowing Cost (Annual Improvements to MFRS Standards 2015-2017 Cycle)	1 January 2019
Amendments to MFRS 128	Investments in Associates and Joint Ventures - Long Term Investments in Associates and Joint Ventures	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Consolidated Financial Statements Investments in Associates and Joint Ventures - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Yet to be determined

The Group is expected to apply the abovementioned pronouncements beginning from the respective dates the pronouncements become effective. The Group is currently assessing the impact of adopting the above pronouncements.

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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 except for the allowance for doubtful debts on receivables, impairment of property, plant and equipment ("PPE") and gain on disposal of PPE as disclosed in Note B12.

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 30 June 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 period. (2017: RM Nil)

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A8 Segment Information

Segmental reporting of the Group's result for the financial quarter is as follows:

Results for 3 months ended 30 June 2018				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	20,652	59,751	(0)	80,403
Segment Results	(2,302)	(206)	2,282	(226)
Corporate Costs				(10,010)
Loss from Operations				(10,236)
Finance Costs				(5,786)
Loss Before Tax				(16,022)
Income Tax Expense				(383)
Loss After Tax				(16,385)

Results for 3 months ended 30 June 2017				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	21,633	39,344	812	61,789
Segment Results	8,018	3,573	(637)	10,954
Corporate Costs				(970)
Profit from Operations				9,984
Finance Costs				(8,265)
Share of results of jointly controlled entities				(4)
Profit Before Tax				1,715
Income Tax Expense				(1,088)
Profit After Tax				627

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

Results for 6 months ended 30 June 2018				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	39,043	131,775	(0)	170,818
Segment Results	2,429	7,898	1,888	12,215
Corporate Costs				(13,968)
Loss from Operations				(1,753)
Finance Costs				(9,648)
Loss Before Tax				(11,401)
Income Tax Expense				(2,928)
Loss After Tax				(14,329)

Results for 6 months ended 30 June 2017				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	41,691	73,661	3,808	119,160
Segment Results	15,812	6,094	680	22,586
Corporate Costs				(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

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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 Notes 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 30 June 2018, the Company has provided corporate guarantee of RM368,682,671 (31 December 2017: RM331,061,008) for banking facilities and third party for supply of goods and services granted to certain subsidiaries.

As at 30 June 2018, the utilization of the banking facilities by the subsidiaries are RM214,253,428 (31 December 2017: RM181,397,837).

Save as disclosed above and in Note B9 Material Litigation, there were no other material contingent assets and contingent liabilities as at the date of this report.

A13 Capital Commitments

	As at 30.06.2018 RM'000
Capital Expenditure:	
Approved but not contracted for:	<u>6 207</u>

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

B1 Review of Performance

For the current quarter and year-to-date, the Group recorded higher revenue of RM80.4 million and RM170.8 million compared to RM61.8 million and RM119.2 million reported in the preceding year's corresponding quarter and year-to-date, representing an increase of RM18.6 million or 30.1% and RM51.6 million or 43.3% respectively. The higher revenue reported was mainly due to higher revenue contribution from the Technical Services segment.

The Group recorded loss before tax ("LBT") of RM16.0 million and RM11.4 million for the current quarter and year-to-date compared to profit before tax ("PBT") of RM1.7 million and RM3.7 million reported in the preceding year's corresponding quarter and year-to-date, representing a negative variance of RM17.7 million and RM15.1 million respectively. The losses reported in the current quarter and year-to-date was mainly due to allowance for doubtful debts on receivables, provision for impairment loss on a crawler crane and reinstatement of debts previously waived.

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

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

The O&G segment reported a loss before interest and tax ("LBIT") of RM2.3 million in the current quarter and a profit before interest and tax ("PBIT") of RM2.4 million in the current year-to-date compared to a PBIT of RM8.0 million and RM15.8 million in the preceding year's corresponding quarter and year-to-date, representing a negative variance of RM10.3 million and RM13.4 million respectively. The negative variance was mainly due to provision for impairment loss on a crawler crane in the current quarter end and preceding year's results included income arising from waiver of debts from the offshore business creditors.

(ii) Technical Services ("TS") Segment

The TS segment reported LBIT of RM0.2 million in the current quarter compared to a PBIT of RM3.6 million in the preceding year's corresponding quarter, representing a negative variance of RM3.8 million, mainly due to higher contribution in previous corresponding quarter arising from project cost revision of a contract.

For the year-to-date, the TS Segment reported a PBIT of RM7.9 million in the current period compared to RM6.1 million in the preceding year's corresponding period, representing an increase of RM1.8 million. The higher PBIT 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 PBIT of RM2.3 million in the current quarter compared to LBIT of RM0.6 million in the preceding year's corresponding quarter, representing a positive variance of RM2.9 million. For the year-to-date, the Other Segment reported a PBIT of RM1.9 million in the current period compared to RM0.7 million in the preceding year's corresponding period, representing an increase of RM1.2 million. The positive variance was mainly due to gain on disposal of land and factory building of the Specialised Polymer business which has ceased business in 2017.

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

	Quarter ended 30.06.2018 RM'000	Quarter ended 31.03.2018 RM'000
Revenue	80,403	90,415
(Loss)/Profit before tax	(16,022)	4,621

The Group reported loss before tax of RM16.0 million for the current financial quarter compared to profit before tax of RM4.6 million in the immediate preceding financial quarter, negative variance of RM20.6 million, mainly due to charge made during the current quarter on allowance for doubtful debts on receivables, provision for impairment loss on a crawler crane and reinstatement of debts previously waived.

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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 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. The Group maintains a cautious outlook as the segment is expected to see some form of recovery driven by higher oil price.

(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 new projects to enhance its order books.

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 YEAR QUARTER	PRECEDING YEAR CORRESPON- DING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON- DING YEAR TO DATE
	30.06.2018 RM'000	30.06.2017 RM'000	30.06.2018 RM'000	30.06.2017 RM'000
In respect of the current period:				
Income tax				
- Current year	363	2,124	2,928	1,973
Deferred tax				
- Current year	-	(1,036)	-	(735)
	363	1,088	2,928	1,238

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

Daya Polymer Sdn Bhd, a wholly-owned subsidiary of the Company, had on 29 January 2018 entered into a Sale and Purchase Agreement with GB Chemical (M) Sdn Bhd for the disposal of a piece of freehold land and factory building for a consideration of RM10.0 million. The disposal was completed on 17 May 2018, realising a gain on disposal of RM2.6 million in the current quarter.

Other than the above, 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 22 August 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 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, being 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"), 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 PSSB.

The Company had, on 21 April 2016, agreed to PSSB'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 PSSB'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, PSSB 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) 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.

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.

(iii) 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.

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(iv) 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.

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.

(v) 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.

On 2 July 2018, the Board announced that the Company has appointed Hong Leong Investment Bank Berhad as the Principal Advisers to assist in the formulation of a regularisation plan and its submission. The Company has approximately six (6) 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	29,336	1,625	30,961
Hire purchase	3,049	3,975	7,024
Bank overdrafts	20,505	-	20,505
Term loans	29,843	72,187	102,030
Redeemable convertible unsecured bonds	78,393	-	78,393
As at 30 June 2018	161,126	77,787	238,913
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.

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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 22 August 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.

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)	(30,752,015)
	14,282,880

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	
	30.06.2018	31.12.2017
	RM	RM
Trade receivables	<u>22,358,770</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>62,809,237</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.

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(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).

B11 Loss per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2018	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2017	CURRENT YEAR TO DATE 30.06.2018	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2017
a) Basic loss per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	(16,009)	(750)	(16,769)	(169)
Weighted average number of shares in issue ('000)	2,042,946	1,891,024	2,042,946	1,872,125
Basic loss per share (sen)	<u>(0.78)</u>	<u>(0.04)</u>	<u>(0.82)</u>	<u>(0.01)</u>
b) Diluted loss per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	(16,009)	(750)	(16,769)	(169)
Weighted average number of shares in issue ('000)	2,042,946	1,891,024	2,042,946	1,872,125
Conversion of Redeemable Convertible Unsecured Bonds ('000)	830,783	840,000	830,783	840,000
	<u>2,873,729</u>	<u>2,731,024</u>	<u>2,873,729</u>	<u>2,712,125</u>
Diluted loss per share (sen)	<u>(0.78) *</u>	<u>(0.03)</u>	<u>(0.82) *</u>	<u>(0.01)</u>

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2018 RM'000	PRECEDING YEAR CORRESPON- DING QUARTER 30.06.2017 RM'000	CURRENT YEAR TO DATE 30.06.2018 RM'000	PRECEDING YEAR CORRESPON- DING PERIOD 30.06.2017 RM'000
The following amounts have been included in arriving at (loss)/profit before tax:				
Interest expenses	5,786	8,265	9,648	16,216
Depreciation on property, plant and equipment	1,122	2,685	2,354	5,328
Amortisation on intangible assets	55	16	90	57
Allowance for doubtful debts on receivables	6,721	-	7,447	-
Impairment loss on property, plant and equipment	5,078	-	5,078	-
Property, plant and equipment written off	-	1,292	-	2,616
Realised foreign exchange loss	81	-	162	-
Reinstatement of debts previously waived	3,227	-	3,227	-
and after crediting:				
Interest income	492	58	768	275
Rental income	18	20	38	52
Unrealised foreign exchange gains	842	250	1,847	553
Realised foreign exchange gains	-	117	-	123
Gain on disposal of property, plant and equipment	2,508	-	2,508	-
Gain on disposal of available-for-sale financial assets	-	-	-	1,132

B13 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

By Order of the Board

Datuk Lim Thean Shiang
Executive Vice Chairman / Group Chief Executive Officer
29 August 2018