



DAYA MATERIALS BERHAD

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

Quarterly Report 31 March 2019

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED INCOME STATEMENT QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018 RM'000 (Unaudited)	CURRENT YEAR TO DATE 31.03.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000 (Unaudited)
Revenue	47,289	90,415	47,289	90,415
Cost of Sales	(37,127)	(74,999)	(37,127)	(74,999)
Gross Profit	10,162	15,416	10,162	15,416
Other Income	1,130	1,616	1,130	1,616
Operating Expenses	(7,857)	(8,549)	(7,857)	(8,549)
Profit from operations	3,435	8,483	3,435	8,483
Finance Costs	(3,530)	(3,862)	(3,530)	(3,862)
Share of results of joint ventures	-	-	-	-
(Loss)/Profit before tax	(95)	4,621	(95)	4,621
Income tax expense	(575)	(2,565)	(575)	(2,565)
(Loss)/Profit for the period	(670)	2,056	(670)	2,056
Attributable to :				
Owners of the Company	(1,368)	(760)	(1,368)	(760)
Non-controlling interests	698	2,816	698	2,816
	(670)	2,056	(670)	2,056
Basic loss per share (sen):	(0.07)	(0.04)	(0.07)	(0.04)
Diluted loss per share (sen):	(0.07)	(0.04)	(0.07)	(0.04)

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 2018

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018 RM'000 (Unaudited)	CURRENT YEAR TO DATE 31.03.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000 (Unaudited)
(Loss)/Profit for the period	<u>(670)</u>	<u>2,056</u>	<u>(670)</u>	<u>2,056</u>
Other comprehensive (loss)/income: Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign subsidiaries	(43)	2,873	(43)	2,873
Total comprehensive (loss)/income for the period, net of tax	<u>(713)</u>	<u>4,929</u>	<u>(713)</u>	<u>4,929</u>
Total comprehensive (loss)/income for the period attributable to:				
Owners of the Company	(1,411)	2,113	(1,411)	2,113
Non-controlling interests	698	2,816	698	2,816
	<u>(713)</u>	<u>4,929</u>	<u>(713)</u>	<u>4,929</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 2018

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	UNAUDITED 31.03.2019 RM'000	AUDITED 31.12.2018 RM'000
Non Current Assets		
Property, plant and equipment	55,763	59,020
Inventories	11,401	11,401
Investment properties	10,250	10,250
Intangible assets	1,097	1,121
Investment in joint ventures	670	670
Deferred tax assets	28	57
Total Non Current Assets	<u>79,210</u>	<u>82,519</u>
Current Assets		
Inventories	14,726	15,922
Trade receivables	77,616	81,931
Other receivables, deposits and prepaid expenses	28,689	35,140
Contract assets	9,757	6,542
Tax recoverable	5,508	5,309
Marketable securities	95	95
Restricted cash	7,662	7,662
Deposits, cash and bank balances	57,854	60,837
Total Current Assets	<u>201,907</u>	<u>213,438</u>
Current Liabilities		
Loans and borrowings	227,972	232,048
Trade payables	104,517	115,730
Provisions, other payables and accrued expenses	78,553	78,354
Contract liabilities	1,481	780
Tax liabilities	645	665
Total Current Liabilities	<u>413,168</u>	<u>427,577</u>
Net Current Liabilities	<u>(211,261)</u>	<u>(214,139)</u>
	<u>(132,052)</u>	<u>(131,620)</u>
Financed by:		
Share capital	271,229	271,229
Reserves	(424,876)	(423,371)
	<u>(153,647)</u>	<u>(152,142)</u>
Non-controlling interests	16,594	15,896
Capital Deficiency	(137,053)	(136,246)
Non Current Liabilities		
Deferred tax liabilities	1,977	2,034
Loans and borrowings	3,024	2,592
Total Non Current Liabilities	<u>5,001</u>	<u>4,626</u>
	<u>(132,052)</u>	<u>(131,620)</u>
Net liabilities per share (sen)	<u>(7.52)</u>	<u>(7.45)</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 2018 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 UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

	Attributable to Equity Holders of the Company									
	Non-Distributable					Distributable				
	Share Capital	Bond Reserve	Foreign Currency Translation Reserve	Treasury Shares	Revaluation reserve	Accumulated Losses	Total	Non-controlling interests	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
3 months ended 31 March 2019										
At 1 January 2019	271,229	2,299	(7,158)	-	870	(419,382)	(152,142)	15,896	(136,246)	
As previously reported	-	-	-	-	-	(94)	(94)	-	(94)	
Effects of adoption of MFRS 16										
As restated	271,229	2,299	(7,158)	-	870	(419,476)	(152,236)	15,896	(136,340)	
(Loss)/Profit for the period	-	-	-	-	-	(1,368)	(1,368)	698	(670)	
Foreign currency translation differences	-	-	(43)	-	-	-	(43)	-	(43)	
Total comprehensive (loss)/income for the period	-	-	(43)	-	-	(1,368)	(1,411)	698	(713)	
At 31 March 2019	271,229	2,299	(7,201)	-	870	(420,844)	(153,647)	16,594	(137,053)	
3 months ended 31 March 2018										
At 1 January 2018	271,230	2,299	(5,588)	(1)	1,705	(256,406)	13,239	37,200	50,439	
(Loss)/Profit for the period	-	-	-	-	-	(760)	(760)	2,816	2,056	
Foreign currency translation differences	-	-	2,873	-	-	-	2,873	-	2,873	
Total comprehensive (loss)/income for the period	-	-	2,873	-	-	(760)	2,113	2,816	4,929	
Acquisition of interest from non controlling interest	-	-	-	-	-	(72)	(72)	(1,928)	(2,000)	
At 31 March 2018	271,230	2,299	(2,715)	(1)	1,705	(257,238)	15,280	38,088	53,368	

DAYA MATERIALS BERHAD

(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

	UNAUDITED CURRENT YEAR TO DATE 31.03.2019 RM'000	UNAUDITED PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
(Loss)/Profit before tax	(95)	4,621
Adjustments for:		
Amortisation on intangible assets	24	35
Depreciation of property, plant and equipment	1,099	1,232
Net loss on disposal of property, plant & equipment	668	-
Allowance for doubtful debts on receivables	-	726
Finance costs	3,530	3,862
Interest income	(310)	(276)
Fair value gain on marketable securities	-	(6)
Unrealised foreign exchange loss/(gain)	32	(1,006)
Interest income (net) imputed in retention sum	(434)	-
Operating Profit before working capital changes	4,514	9,188
(Increase)/Decrease in:		
Inventories	1,196	1,698
Trade receivables	4,315	25,938
Other receivables, deposits and prepaid expenses	6,451	1,293
Contract assets	(3,215)	(37,404)
Trade and other payables	(7,068)	(9,344)
Contract liabilities	701	-
Cash Flows Generated From/(Used In) Operations	6,894	(8,631)
Tax paid (net of refund)	(946)	(799)
Net Cash From/(Used In) Operating Activities	5,948	(9,430)

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(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 1ST QUARTER ENDED 31 MARCH 2019

	UNAUDITED CURRENT YEAR TO DATE 31.03.2019 RM'000	UNAUDITED CORRESPONDING PERIOD 31.03.2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(193)	(297)
Proceeds from disposal of property, plant and equipment	2,347	1
Addition in investment in subsidiaries from non-controlling interest	-	(2,000)
Decrease/(Increase) in pledged deposits placed with licensed financial institutions	2,400	(613)
Interest received	310	276
Net Cash From/(Used In) Investing Activities	4,864	(2,633)
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net (repayment)/drawdown of loans and borrowings	(3,643)	4,506
Increase/(Decrease) in bank overdrafts	694	(1,608)
Interest paid	(656)	(3,862)
Net Cash Used In Financing Activities	(3,605)	(964)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	7,207	(13,027)
Effect of exchange rate fluctuation on cash and cash equivalents	(127)	3,130
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12,297	22,133
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	19,377	12,236
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and bank balances	19,377	12,081
Fixed deposits with licenced financial institutions	38,477	50,334
Short term investments	-	22
	57,854	62,437
Less: Fixed deposits pledged with licensed financial institutions	(38,477)	(50,201)
	19,377	12,236

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 2018.

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 2018.

The financial statements of the Group have been prepared on the assumption that the Group will continue as going concern. The application of the going concern basis is on the assumption that the Group will be able to realise their assets and settle their liabilities in the normal course of business.

- (a) As of 31 March 2019, the Group have a capital deficiency of RM137.1 million and the current liabilities of the Group had exceeded the current assets by RM211.3 million as a result of losses incurred during the current period and previous financial years.
- (b) On 28 February 2018, the Company announced that it has become an affected listed issuer 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 Malaysia"). As an affected listed issuer, the Company is required to submit a regularisation plan to address the PN17 status within 12 months from 28 February 2018 to the relevant authorities for approval. However, the Company had, on 15 February 2019 made an application to Bursa Malaysia for extension of time up to 27 August 2019 to submit a regularisation plan to the relevant authorities. On 8 March 2019, the Company announced that it has obtained an extension of time up to 27 August 2019 for submission of a regularisation plan.
- (c) As disclosed in Note B9(c), Daya Maritime Limited ("DML"), a subsidiary of the Company and the Company being the corporate guarantor, had on 16 November 2018 received a writ of summons together with the statement of claim dated 8 November 2018 from a licensed financial institution relating to principal outstanding and late payment penalty of Islamic financing facility amounting to USD14,490,768 (equivalent to RM60,223,632). On 18 April 2019, the Kuala Lumpur High Court's judge has allowed the licensed financial institution's application for summary judgement to be entered. The total amount of the principal outstanding as of 31 March 2019 had been classified as current liabilities and late payment penalty had been accrued up to 31 March 2019 and included in other payables and accrued expenses.
- (d) As disclosed in Note A10, subsequent to the current interim financial period, certain subsidiaries of the Company had received letter of reminder, notices of demand and intention to repossess from licensed financial institutions for failure to pay the monthly instalments under the hire-purchase facilities granted by the licensed financial institutions. Certain subsidiaries of the Company had also defaulted the repayment of certain trade facilities. The Company acts as corporate guarantor for these credit facilities.

In the event of default in payment, the licensed financial institutions shall have the right to terminate and/or recall the hire-purchase and trade facilities without further notice and take legal action against the subsidiaries and the Company, as corporate guarantor.

The directors have concluded that the combination of the circumstances highlighted above indicate significant matters that may cast significant doubt over the ability of the Group to continue as going concern. Should the going concern basis for the preparation of the financial statements be no longer appropriate, adjustments will have to be made to restate the carrying value of the assets to their recoverable amounts and to provide for further liabilities which may arise.

The Company is in the midst of formulating a Proposed Regularisation Plan to address the financial condition of the Group and believes that the Proposed Regularisation Plan once formulated and implemented, together with the disposal of identified assets in order to generate cash flows to make timely repayments of loans and borrowings and the ability of the Group to achieve sustainable and viable operations, will enable the Group to reduce liabilities and will fully generate sufficient cash flows to meet their obligations.

For these reasons, the directors are of the opinion that the Group will be able to continue in operational existence for the foreseeable future and to realise their assets and settle their liabilities in the ordinary course of business.

The appropriateness of the going concern basis, amongst others, are dependent upon the following:

- (i) Formulation of a viable plan to regularise the financial conditions of the Group ("Regularisation Plan") for submission to Bursa Malaysia and other relevant authorities for approval;
- (ii) Approvals obtained from all relevant parties on the Regularisation Plan;
- (iii) Timely and successful implementation of the Regularisation Plan;
- (iv) Ability of the Group and of the Company to dispose of identified assets in order to generate cash flows to make timely repayments of loans and borrowings; and
- (v) Ability of the Group and of the Company to achieve sustainable and viable operations to generate sufficient cash flows to enable them to meet their obligations as and when they fall due.

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

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 MFRSs, Amendments to MFRSs and IC Interpretation as listed below:-

Description	Effective for annual periods beginning on or after
MFRS 16	1 January 2019
Amendments to MFRS 9	1 January 2019
Amendments to MFRS 119	1 January 2019
Amendments to MFRS 128	1 January 2019
IC Interpretation 23	1 January 2019
Annual Improvements to MFRSs 2015 - 2017 Cycle	1 January 2019

MFRS 16 Leases

MFRS 16 specifies how a MFRS reporter will recognise, measure, present and disclose leases. The standard provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. Lessors continue to classify leases as operating or finance, with MFRS 16's approach to lessor accounting substantially unchanged from its predecessor, MFRS 117 Leases.

At lease commencement, a lessee will recognise a right-of-use asset and a lease liability. The right-of-use asset is treated similarly to other non-financial assets and depreciated accordingly and the liability accrues interest. The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the lessees shall use their incremental borrowing rate.

The directors of the Company reviewed and assessed the operating leases as at 1 January 2019 based on the facts and circumstances that existed at that date and concluded that the initial application of MFRS 16 has had the following impact:

	The Group
	1.1.2019
	RM'000
Accumulated losses before adjustment	(419,382)
Recognition of right-of-use asset and lease liability	(94)
Accumulated losses after adjustment	<u>(419,476)</u>

The initial application of MFRS 16 has had no impact on basic and diluted earnings per share as at 1 January 2019.

(b) Standards and Amendments in issue but not yet effective

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were in issue but not yet effective and not early adopted by the Group are as listed below:

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3	1 January 2020
Amendments to MFRS 101 and MFRS 108	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
MFRS 17	1 January 2021
Amendments to MFRS 10 and MFRS 128	Yet to be determined

The directors anticipate that the abovementioned new and revised MFRS and Amendments to MFRs will be adopted in the financial statements of the Group when they become effective and that the adoption of these standards will have no material impact on the financial statements of the Group in the period of initial application.

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 Significant Accounting Estimates and Judgements

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

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

A6 Debt and Equity Securities

There were no 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. (2018: RM Nil)

A8 Segment Information

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

Results for 3 months ended 31 March 2019				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	17,727	29,563	-	47,289
Segment Results	2,394	2,068	(4)	4,458
Corporate Costs				(1,023)
Profit from Operations				3,435
Finance Costs				(3,530)
Loss Before Tax				(95)
Income Tax Expense				(575)
Loss After Tax				(670)
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	-	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

A9 Valuation of Property, Plant and Equipment

The Group does not adopt a revaluation policy on its property, plant and equipment.

A10 Subsequent Events

There were no material events subsequent to the current interim financial period up to the date of this report except as described below:

- (i) Daya Proffscorp Sdn Bhd ("DPRO") had on 15 April 2019 received a notice of demand and intention to repossess dated 9 April 2019 from a licensed financial institution for the sum of RM2,588. The notice arose due to failure of DPRO to pay the monthly instalments under the hire-purchase facilities granted by the said licensed financial institution to DPRO.
- (ii) The Company being the corporate guarantor for bank facilities granted to DPRO had on 17 April 2019 received two (2) letters of demand, both dated 10 April 2019 from the licensed financial institution for payment owing by DPRO pursuant to the hire purchase facilities granted to DPRO for the corresponding sum due and payable amounted to RM116,383.
- (iii) DPRO had on 17 April 2019 received a notice of demand and intention to repossess dated 11 April 2019 from a licensed financial institution for the sum of RM122,156 representing the monthly instalments under the hire-purchase facilities granted by the said licensed financial institution to DPRO.
- (iv) Daya CMT Sdn Bhd ("DCMT") had on 2 May 2019 received a notice from a licensed financial institution informing DCMT that the trade facilities amounting to RM1,478,000 granted by the licensed financial institution was overdue. On 14 May 2019, the Company announced that DCMT has further defaulted an additional amount of RM1,332,000 where the total outstanding amount due and payable is now RM2,810,000. Subsequently, DCMT received a notice of demand dated 16 May 2019 from the licensed financial institution where it demanded a sum of RM2,829,455 (together with interest accrued).

On 24 May 2019, the licensed financial institution informed that the fixed deposit pledged as security amounting to RM2,835,034 has been uplifted and utilised to settle the overdue amount as set out in the notice of demand.

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

- (v) On 3 May 2019, the Company announced that DCMT has not paid the total outstanding amount of RM1,080,489 which was due and payable pursuant to the trade finance facilities granted by a licensed financial institution.
- (vi) On 3 May 2019, the Company announced that Daya Maxflo Sdn Bhd ("DMSB") has not paid the total outstanding amount of RM2,085,081 ("Outstanding Sum") which was due and payable pursuant to the trade facilities granted by a licensed financial institution. On 13 May 2019, DMSB received a notice from the licensed financial institution informing DMSB that its request for extension of time to pay the Outstanding Sum is declined at this juncture. On 23 May 2019, the Company announced that DMSB had on 21 May 2019 received letters of demand dated 8 May 2019 whereby the licensed financial institution has demanded for the payment of the total outstanding amount of RM246,295 in relation to trade facilities that were due and payable on 24 April 2019.
- (vii) On 10 May 2019, the Company announced that DMSB has not paid the total outstanding amount of RM353,197 which was due and payable pursuant to the revolving credit facility granted by a licensed financial institution.
- (viii) On 21 May 2019, the Company announced that Daya OCI Sdn Bhd ("DOCI") and Daya Secadyme Sdn Bhd ("DSSB") had defaulted the interest payment amounting to RM74,883 and RM129,525 respectively on the revolving credit facilities from a licensed financial institution and therefore are unable to rollover the rollover amount of RM4,625,097 and RM8,000,000 respectively where the total outstanding amount is RM12,829,506 due to the licensed financial institution by DOCI and DSSB.

On 28 May 2019, both DOCI and DSSB received letters of demand dated 24 May 2019 issued by the solicitors of the licensed financial institution declaring that the revolving credit facilities granted are recalled and/or cancelled and all monies due are immediately payable amounting to RM4,699,981 and RM8,129,525 respectively.

The Company acts as corporate guarantor for the facilities as disclosed above.

In the event of default in payment, the licensed financial institutions shall have the right to terminate and/or recall the banking facilities without further notice and take legal action against the subsidiaries and the Company, as the corporate guarantor.

A11 Changes in the Composition of the Group

There were no changes in the composition of the Group for the period under review.

A12 Contingent Assets and Contingent Liabilities

- (i) The Company completed the disposal of Daya Global 1 Pte Ltd ("DG1PL") to Siem OCV Pte Ltd ("SOCV") on 19 September 2017 for a consideration of USD100,000,000. As part of the financing facility obtained by SOCV ("New Facility") to finance the acquisition of DG1PL from the Company, the Company entered into a Put Option Agreement ("Put Option") with DG1PL on 7 April 2017. Pursuant to this, the Company is required to write a Put Option to DG1PL where the Company granted DG1PL the right, during the 7 years period from 14 September 2017, to require the Company to purchase SD1 Vessel from DG1PL for a sum equivalent to the amount that is sufficient to fully repay the amount outstanding of the New Facility at the date the Put Option is exercised, which upon the exercise of the Put Option, may subject to the approval of the Securities Commission or any other regulatory approval (if required).

As the Put Option is structured as a security for the New Facility, the Put Option price is set at an amount that is sufficient to fully repay the New Facility upon the occurrence of an event of default under the terms and conditions of the New Facility. As such, the Put Option price will be equivalent to the outstanding amount of the New Facility at such point in time, which will allow DG1PL to receive sufficient funds to fully redeem the New Facility. The maximum exposure to the Group is the amount of the New Facility outstanding at the point of exercise of the Put Option.

- (ii) As at 31 March 2019, the Company has provided corporate guarantee of RM275,482,938 (31 December 2018: RM325,404,236) for banking facilities and third party for supply of goods and services granted to certain subsidiaries. The utilization of the banking facilities by the subsidiaries are RM190,244,290 (31 December 2018: RM206,986,402).

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.

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

A13 Capital Commitments

As at
31.03.2019
RM'000

Capital Expenditure:

Approved but not contracted for:

6,041

A14 Significant Related Party Transaction

During the period, significant related party transactions undertaken between the Company with related parties, which are negotiated based on agreed terms and conditions, are as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018 RM'000	CURRENT YEAR TO DATE 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000
<u>Transactions with related companies:</u>				
Management fee receivable	(787)	(868)	(787)	(868)
Interest income	(303)	(259)	(303)	(259)
Interest expense	645	726	645	726
Rental paid/payable	29	58	29	58

A15 Financial Instruments

Financial Instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of current financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the current portion of borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

The fair values of non-current borrowings are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or hire purchase arrangements at the reporting date.

Financial Instruments that are measured at fair value on a recurring basis

All assets for which fair value is disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) prices in an active market for identical assets or liabilities.

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable.

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

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 financial quarter, the Group recorded a lower revenue of RM47.3 million compared to RM90.4 million reported in the preceding year's corresponding financial quarter, representing an decrease of RM43.1 million or 47.7%. The lower revenue reported was mainly due to lower revenue contribution from the Technical Services Segment attributable to completion of three construction projects in the previous financial year.

During the current financial quarter, the Group recorded a loss before tax ("LBT") of RM0.01 million compared to a profit before tax ("PBT") of RM4.6 million reported in the preceding year's corresponding financial quarter, mainly due to lower contribution from lower revenue in the Technical Services segment, partly offset by lower overheads and financing costs.

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

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

Quarter

The O&G segment reported a lower profit before interest and tax ("PBIT") of RM2.4 million in the current financial quarter compared to RM4.7 million in the preceding year's corresponding financial quarter, representing a negative variance of RM2.3 million or 48.9% mainly due to lower revenue and loss on disposal of cranes and forklifts of RM1.0 million.

(ii) Technical Services ("TS") Segment

Quarter

The TS Segment reported a lower PBIT of RM2.1 million in the current financial quarter compared to RM8.1 million in the preceding year's corresponding financial quarter, representing a negative variance of RM6.0 million or 74.1% mainly due to lower revenue attributable to completion of three construction projects in the previous financial year.

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

	Quarter ended 31.03.2019 RM'000	Quarter ended 31.12.2018 RM'000
Revenue	47,289	48,638
Loss before tax	(95)	(134,731)

The Group reported loss before tax of RM0.01 million for the current financial quarter compared to RM134.7 million in the immediate preceding financial quarter, positive variance of RM134.6 million as immediate preceding financial quarter included impairment of goodwill amounting to RM70.2 million, allowance for doubtful debts on receivables of RM30.6 million, impairment of property, plant and equipment of RM10.9m and provision for liquidated ascertained damages of RM21.7 million.

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 specialty chemicals segment's focus for 2019 is to ensure delayed offtakes from contracts for these chemicals awarded in 2018 are fully utilised. The well intervention and diagnostic services is expected to remain healthy in both the domestic and international markets. To capitalise on the O&G project management and work capabilities, the Group is exploring opportunities to include oil and gas fabrication works.

In relation to the O&G mobile cranes and specialised lifting services, business has been slow with low crane-assets utilisation as a result of lower shutdown activities and support work from major infrastructure projects which did not materialise with the cancellation and/or uncertain deferments of projects. Due to the current difficult operating conditions, the Group shall exit this business and is in the process of implementing this decision.

(ii) Technical Services ("TS") Segment

On the TS segment, 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. Due to slowdown in construction projects in the north of Malaysia, the TS segment is undergoing a re-sizing of its operations and will consolidate and strengthen in-house project management capabilities.

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 (Credit)/Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT	PRECEDING	CURRENT	PRECEDING
	31.03.2019	31.03.2018	31.03.2019	31.03.2018
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:				
Income tax				
- Current year	575	2,565	575	2,565
	575	2,565	575	2,565

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 losses incurred in certain entities 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 disposal of unquoted investments and properties during the period under review.

B7 Status of Corporate Proposals

(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. ("3rd Revised Call Option Period").

On 28 August 2018, PPSB and the Company had mutually agreed, vide the Company's letter dated 28 August 2018 to further extend the 3rd Revised Call Option Period to 31 August 2019.

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 between DOCI, a subsidiary of the Company and MIMOS Semiconductor Sdn Bhd ("MSSB")

On 15 September 2017, the Board of Directors of the Company 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.

(iii) 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 by 27 February 2019, being 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.

On 15 February 2019, the Company submitted an application to Bursa Securities seeking its approval for an extension of time of 6 months until 27 August 2019 for the Company to submit its proposed regularisation plan to Bursa Securities and on 8 March 2019, Bursa Securities had, via its letter dated 8 March 2019, decided to grant the Company an extension of time up to 27 August 2019 to submit the Regularisation Plan to the regulatory authorities.

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

B8 Group's borrowings and debt securities

The Group's borrowings are as follows:

<u>Secured borrowings</u>	Short Term RM'000	Long Term RM'000	Total Outstanding RM'000
Trade facilities	25,792	-	25,792
Hire purchase	3,088	2,939	6,028
Bank overdrafts	22,295	-	22,295
Term loans	98,404	85	98,490
Redeemable convertible unsecured bonds	78,393	-	78,393
As at 31 March 2019	227,972	3,024	230,997
As at 31 December 2018	232,048	2,592	234,640

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

- (a) legal charges over the freehold land and buildings of the subsidiaries;
- (b) corporate guarantee by the Company;
- (c) a debenture over all assets of certain subsidiaries;
- (d) a pledge on the fixed deposits of the Company and subsidiaries;
- (e) a pledge of unquoted shares over the issued and paid-up share capital of certain subsidiaries; and
- (f) a pledge on an assignment on its contract proceeds via sinking fund built up.

The bank borrowings and other facilities are denoted in local currency, except for RM51,445,553 which is denoted in United States Dollars.

B9 Material litigations

(a) 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)
Net damages awarded in favour of DCMT	14,282,880

From the above said judgement sum, on 9 November 2018, YT paid the amount of RM7,662,194 being payment to DCMT for the principal sum plus interest which was made to the bank account of DCMT, with DCMT's bank undertaking to pay YT the same in the event of YT succeeds in overturning the judgement of DCMT in the Court of Appeal.

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 Royal Malaysian Customs within 6 months from the date of the judgment. The GST refund was subsequently approved by the Royal Malaysian Customs on 21 June 2018.

In addition, the High Court's delivered judgement also includes damages awarded in favour of YT amounting to RM30,752,015 in relation to additional costs to complete and liquidated ascertained damages for delay. Included in the Group's trade receivables balance is an amount of RM15,290,000 representing liabilities provided in regards to the potential amount payable to YT.

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

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

	The Group	
	31.03.2019	31.12.2018
	RM	RM
Trade receivables (net of provision for LAD of RM15,290,000)	22,358,770	22,358,770
Prepaid expenses	22,891,444	22,891,444
Amount due from sub-contractor	30,576,132	30,576,132
	53,467,576	53,467,576
Less: Allowance for doubtful debts	(44,551,469)	(44,551,469)
	8,916,107	8,916,107
	31,274,877	31,274,877

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. The hearing of the Appeal is fixed on 20 June 2019. 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 full recoverability of the amount owing by the said customer as disclosed above, as well as whether the provision for liability recognised in the financial statements is adequate is highly dependent on the success of the appeal proceeding.

(b) In the Matter of Arbitration between Yuk Tung Construction Sdn Bhd (Claimant) and Daya CMT Sdn Bhd (Respondent) pursuant to Kuala Lumpur High Court Suit No.: WA-22C-25-04/2018

On 19 April 2018, Daya CMT Sdn. Bhd. ("DCMT") had, via its lawyers Messrs Zain Megat and Murad ("ZMM"), received a Writ of Summons and Statement of Claim in Kuala Lumpur High Court Suit No. WA-22C-25-04/2018 ("High Court Suit") from Messrs William Leong & Co., the lawyers acting for Yuk Tung Construction Sdn Bhd ("YT") claiming for rectification costs amounting to RM9,070,199 arising from the purported defects in DCMT's scope of works.

DCMT then filed an application for stay of proceedings pending reference to arbitration on 22 June 2018. The parties then agreed for the High Court Suit to be stayed and to be referred to arbitration ("Arbitration"), by entering into a Consent Order of the High Court dated 7 September 2018.

YT has now filed a points of claim in arbitration proceedings on 28 January 2019 claiming for amongst others, rectification costs arising from the purported defects in DCMT's scope of work amounting to RM7,258,368.

DCMT has filed its Statement of Defence on 4 March 2019, where the hearing of Arbitration is now fixed on 11 November 2019 to 15 November 2019 and 25 November 2019 to 29 November 2019.

No provision for liability is made in the financial statements and based on the legal advice obtained, DCMT believes that it has reasonable chance of success in resisting the claim by the customer in the arbitration proceeding.

Management's basis on no provision for liability is required to be recognised in the financial statements is highly dependent on the success of the arbitration proceeding.

(c) Kuala Lumpur High Court Writ of Summons No: WA-22M-532-11/2018

On 27 February 2019, the Company's subsidiary, Daya Maritime Limited ("DML") and the Company, as corporate guarantor, had on 16 November 2018 received a Writ of Summons together with the Statement of Claim dated 8 November 2018 from Messrs Skrine, the solicitors acting for Export-Import Bank of Malaysia Berhad ("EXIM Bank").

In the said Writ of Summons and Statement of Claims, EXIM Bank is claiming for:-

- (i) Principal outstanding amounting to USD12,650,112 up to 30 September 2018 under Islamic financing facility granted by EXIM Bank to DML and guaranteed by the Company which is the Term Financing-i Facility ("TF-i Facility");
- (ii) Late payment penalty (ta'widh) on USD12,650,112 up to 30 September 2018 under the TF-i Facility;
- (iii) Principal outstanding amounting to USD1,840,656 up to 30 September 2018 under the Islamic financing facility granted by EXIM Bank to DML and Guaranteed by the Company which is the Overseas Investment Financing-i Facility ("OIF-i Facility");
- (iv) Late payment penalty (ta'widh) on USD1,840,656 up to 30 September 2018 under the OIF-i Facility;
- (v) Costs; and
- (vi) Such further or other relief as the Court deems fit to order.

Further to the summary judgement application which was fixed for decision on 18 April 2019, the learned judge has allowed EXIM Bank's application for Summary Judgement to be entered as follows with costs of RM5,000 ("Order"):

- (a) Judgement for the sum of USD12,650,112 as at 30 September 2018 under the TF-i Facility;
- (b) Compensation for late payment (Ta'widh) on the sum of USD12,650,112 as at 30 September 2018 under TF-i Facility;
- (c) Judgement for the sum of USD1,840,656 as at 30 September 2018 under the OIF-i Facility; and
- (d) Compensation for late payment (Ta'widh) on the sum of USD1,840,656 as at 30 September 2018 under OIF-i Facility.

The Company is currently in the midst of discussion with EXIM Bank to regularise for a settlement of the judgement sum obtained by EXIM Bank.

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

B10 Proposed Dividends

No dividend has been proposed or declared for the current financial year-to-date (2018: RM Nil).

B11 Loss per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 31.03.2019	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018	CURRENT YEAR TO DATE 31.03.2019	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018
a) Basic loss per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	(1,368)	(760)	(1,368)	(760)
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>(0.07)</u>	<u>(0.04)</u>	<u>(0.07)</u>	<u>(0.04)</u>
b) Diluted loss per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	(1,368)	(760)	(1,368)	(760)
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>(0.07)</u>	<u>(0.04)</u>	<u>(0.07)</u>	<u>(0.04)</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 YEAR QUARTER 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 31.03.2018 RM'000	CURRENT YEAR TO DATE 31.03.2019 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 31.03.2018 RM'000
The following amounts have been included in arriving at loss before tax:				
Interest expenses	3,530	3,862	3,530	3,862
Depreciation on property, plant and equipment	1,099	1,232	1,099	1,232
Amortisation on intangible assets	24	35	24	35
Allowance for doubtful debts on receivables	-	726	-	726
Unrealised foreign exchange loss	32	-	32	-
Net loss on disposal of property, plant and equipment	668	-	668	-
	-	-	-	-
and after crediting:				
Interest income	310	276	310	276
Rental income	56	20	56	20
Unrealised foreign exchange gains	-	1,006	-	1,006
Interest income (net) imputed in retention sum	434	-	434	-

B13 Auditors' Report on Preceding Annual Financial Statements

The Auditors had provided a Disclaimer of Opinion and do not express an opinion on the financial statements of the Group for the financial year ended 31 December 2018 on the following basis:

- (a) Going concern assumptions as the Group have, as of 31 December 2018, a capital deficiency of RM136.2 million and current liabilities of the Group had exceeded the current assets by RM214.1 million as a result of losses incurred in the current and previous financial years.
- (b) The Group is highly dependent upon the successful approval and implementation of the proposed regularisation plan 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 Malaysia"). As an affected listed issuer, the Company is required to submit a regularisation plan to address the PN17 status within 12 months from 28 February 2018 to the relevant authorities for approval. However, the Company had, on 15 February 2019 made an application to Bursa Malaysia for extension of time up to 27 August 2019 to submit a regularisation plan to the relevant authorities. On 8 March 2019, the Company announced that it has obtained an extension of time up to 27 August 2019 for submission of a regularisation plan.

Management of the Company is currently in the process of formulating a regularisation plan and consequently, there is insufficient information available on the eventual regularisation plan and how it would address the present financial conditions of the Group.

- (c) During and subsequent to the financial year end, certain subsidiaries of the Company had defaulted the repayment of certain trade and hire purchase facilities and had received writ of summons together with statements of claims, letters of reminder and notices of demand and intention to repossess for failure to pay the monthly instalments and outstanding sum under the financing facilities granted by licensed financial institutions. The Company acts as corporate guarantor for these facilities. In the event of default in payment, the licensed financial institutions shall have the right to terminate and/or recall the financing facilities without further notice and take legal action against the respective subsidiaries and the Company, as corporate guarantor.
- (d) DCMT, a subsidiary of the Company, has been involved in a litigation with a customer to recover debts under a construction contract which had been prematurely terminated by the customer, where amount recoverable included in the statements of financial position is RM31.3 million. Whilst the High Court had delivered its judgement in favour of DCMT for sums totaling RM31.5 million and performance bond to the credit of DCMT of RM13.5 million, it also awarded the customer damages amounting to RM30.8 million in respect of additional costs to complete and liquidated ascertained damages for delay, for which DCMT has made a provision of RM15.3 million as of 31 December 2018. No further provision is made as DCMT is in the midst of an appeal proceeding against the decision and based on the legal advice obtained, DCMT believes that it has a strong chance of success in the appeal proceeding.

In addition, DCMT had received writ of summons and statement of claim from the said customer claiming for rectification costs amounting to RM7.3 million arising from purported defects in DCMT's scope of works. The hearing of arbitration is fixed in November 2019. No provision is made in the financial statements and based on the legal advice obtained, DCMT believes that it has reasonable chance of success in resisting the claim by the customer in the arbitration proceeding.

- (e) On 7 April 2017, the Company and DG1PL entered into a Put Option Agreement ("Put Option") as part of the terms of financing obtained by Siem OCV Pte Ltd ("SOCV") to finance the acquisition of DG1PL by SOCV from the Company. The disposal of DG1PL to SOCV was completed on 19 September 2017. The Put Option grants DG1PL the right, during the 7 years from 14 September 2017, to require the Company to purchase Siem Daya 1 Vessel ("SD1 Vessel") from DG1PL for a sum equivalent to the amount that is sufficient to fully repay the amount outstanding of the financing facility at the date the Put Option is exercised.

Consequently, the Company has to assess the likelihood of the Put Option being exercised by SOCV to determine whether a provision for the liability is to be recognised. In order to perform the assessment, the Company made an effort to obtain information on the fair value of the SD1 Vessel and the outstanding amount of the financing facility of SOCV. However, the Company was unable to obtain the required information.

In view of the uncertainties involving the timing and successful formulation and implementation of the Regularisation Plan, including possible monetisation of assets of the Group, the outcome of the appeal and arbitration proceedings and the likelihood of the Put Option being exercised as mentioned above, the Auditors were unable to obtain sufficient appropriate audit evidence to determine whether the management's use of the going concern basis in the preparation of the financial statements of the Group was appropriate.

Status of the above audit matters and steps taken to address those audit matters are as follow:

- (i) the Company is still formulating the Regularisation Plan and has up to 27 August 2019 to submit its Regularisation Plan to the regulatory authorities for approval;
- (ii) an adviser has been appointed to undertake a complete debt-restructuring exercise for the Group and is in the midst of discussion with the licensed financial institutions to regularise the outstanding payments that are in defaults;
- (iii) the Group is in the midst of identifying non-revenue generating assets for disposal in order to generate cash flows for working capital requirements;
- (iv) the Group is undergoing a major re-sizing and cost cutting initiatives of its core subsidiaries. For continuous loss-making subsidiaries, decision will be made whether to wind down or exit the business entirely; and
- (v) the Group is continuously exploring opportunities to improve the existing order book.

DAYA MATERIALS BERHAD
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By Order of the Board

Datuk Lim Thean Shiang
Executive Chairman
29 May 2019