DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report
30 September 2019

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.09.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2018 RM'000 (Unaudited)	CURRENT YEAR TO DATE 30.09.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2018 RM'000 (Unaudited)
Revenue	48,920	62,104	145,548	232,922
Cost of Sales	(35,065)	(65,291)	(102,419)	(211,688)
Gross Profit/(Loss)	13,855	(3,187)	43,129	21,234
Other Income/(Expenses)	2,619	(1,739)	4,150	3,998
Operating Expenses	(8,739)	(12,862)	(40,115)	(44,773)
Profit/(Loss) from operations	7,735	(17,788)	7,164	(19,541)
Finance Costs	(3,481)	(2,976)	(10,150)	(12,624)
Share of results of joint ventures	-	-	-	-
Profit/(Loss) before tax	4,254	(20,764)	(2,986)	(32,165)
Income tax (expense)/credit	(677)	3,664	(2,563)	736
Profit/(Loss) for the period	3,577	(17,100)	(5,549)	(31,429)
Attributable to :				
Owners of the Company	959	(11,087)	(12,447)	(27,856)
Non-controlling interests	2,618	(6,013)	6,898	(3,573)
	3,577	(17,100)	(5,549)	(31,429)
Basic earnings/(loss) per share (sen):	0.05	(0.54)	(0.61)	(1.36)
Diluted earnings/(loss) per share (sen):	0.05	(0.54)	(0.61)	(1.36)

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 3RD QUARTER ENDED 30 SEPTEMBER 2019

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.09.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING QUARTER 30.09.2018 RM'000 (Unaudited)	CURRENT YEAR TO DATE 30.09.2019 RM'000 (Unaudited)	PRECEDING YEAR CORRESPONDING PERIOD 30.09.2018 RM'000 (Unaudited)
Profit/(Loss) for the period	3,577	(17,100)	(5,549)	(31,429)
Other comprehensive income/(loss):				
Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign subsidiaries	10	(1,999)	211	(933)
Total comprehensive income/(loss) for the period, net of tax	3,587	(19,099)	(5,338)	(32,362)
Total comprehensive income/(loss) for the period attributable to:				
Owners of the Company	969	(13,086)	(12,236)	(28,789)
Non-controlling interests	2,618	(6,013)	6,898	(3,573)
	3,587	(19,099)	(5,338)	(32,362)

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 30 SEPTEMBER 2019

	UNAUDITED 30.09.2019 RM'000	AUDITED 31.12.2018 RM'000
Non Current Assets		
Property, plant and equipment	11,250	59,020
Inventories	11,401	11,401
Investment properties	10,250	10,250
Intangible assets	1,046	1,121
Investment in joint ventures	670	670
Non current assets held for sale	11,500	-
Deferred tax assets	30	57
Total Non Current Assets	46,147	82,519
Current Assets		
Inventories	14,432	15,922
Trade receivables	64,825	81,931
Other receivables, deposits and prepaid expenses	51,933	35,140
Contract assets	14,552	6,542
Tax recoverable	3,797	5,309
Marketable securities	95	95
Restricted cash	7,662	7,662
Deposits, cash and bank balances	53,349	60,837
Total Current Assets	210,645	213,438
Current Liabilities		
Loans and borrowings	195,506	232,048
Trade payables	98,988	115,730
Provisions, other payables and accrued expenses	99,466	78,354
Contract liabilities	-	780
Tax liabilities	-	665
Total Current Liabilities	393,960	427,577
Net Current Liabilities	(183,315)	(214,139)
	(137,168)	(131,620)
Financed by:		
Share capital	271,229	271,229
Reserves	(435,713)	(423,371)
	(164,484)	(152,142)
Non-controlling interests	22,794	15,896
Capital Deficiency	(141,690)	(136,246)
Non Current Liabilities		
Deferred tax liabilities	1,968	2,034
Loans and borrowings	2,554	2,592
Total Non Current Liabilities	4,522	4,626
	(137,168)	(131,620)
Net liabilities per share (sen)	(8.05)	(7.45)

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)

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2019

	Attributable to Equity Holders of the Company								
	Non-Distributable					Distributable			
	Share Capital RM'000	Bond Reserve RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	Revaluation reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
9 months ended 30 September 2019									
At 1 January 2019									
As previously reported	271,229	2,299	(7,158)	-	870	(419,382)	(152,142)	15,896	(136,246)
Effects of adoption of MFRS 16	-	-	-	-	-	(106)	(106)	-	(106)
As restated	271,229	2,299	(7,158)	-	870	(419,488)	(152,248)	15,896	(136,352)
(Loss)/Profit for the period	-	-	-	-	-	(12,447)	(12,447)	6,898	(5,549)
Foreign currency translation differences	-	-	211	-	-	-	211	-	211
Total comprehensive (loss)/income for the period	-	-	211	-	-	(12,447)	(12,236)	6,898	(5,338)
At 30 September 2019	271,229	2,299	(6,947)	-	870	(431,935)	(164,484)	22,794	(141,690)
9 months ended 30 September 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	-	-	-	-	-	(27,856)	(27,856)	(3,573)	(31,429)
Foreign currency translation differences	-	-	(933)	-	-	-	(933)	-	(933)
Total comprehensive (loss)/income for the period	-	-	(933)	-	-	(27,856)	(28,789)	(3,573)	(32,362)
Acquisition of interest from non controlling interest	-	-	-	-	-	(72)	(72)	(1,928)	(2,000)
At 30 September 2018	271,230	2,299	(6,521)	(1)	1,705	(284,334)	(15,622)	31,699	16,077

DAYA MATERIALS BERHAD

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2019

	UNAUDITED CURRENT YEAR TO DATE 30.09.2019 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2018 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before tax	(2,986)	(179,932)
Adjustments for:		
Amortisation on intangible assets	48	184
Depreciation of property, plant and equipment	2,687	4,460
Net gain on disposal of property, plant & equipment	(2,128)	(243)
Property, plant and equipment written off	-	1,897
Allowance for doubtful debts on receivables	-	39,632
Finance costs	10,150	18,458
Interest income	(785)	(1,978)
Impairment of goodwill	-	83,264
Impairment on land held for property development	-	1,295
Impairment on non current assets held for sale	19,233	-
Fair value loss on investment properties	-	500
Gain on disposal of non-current assets held for sales	-	(2,478)
Fair value gain on marketable securities	-	(29)
Reinstatement on waiver of debts	-	3,119
Share of results of joint ventures	-	(121)
Unrealised foreign exchange loss	(80)	920
Provision for liquidated ascertained damages	-	21,675
Reversal of provision for defect liability cost	-	(573)
Impairment of property, plant and equipment	-	16,001
Interest income (net) imputed in retention sum	(434)	(493)
Other intangible assets written off	-	2
Reversal of allowance for doubtful debts on trade receivables	-	(356)
Operating Profit before working capital changes	25,705	5,204
(Increase)/Decrease in:		
Inventories	1,487	(2,858)
Trade receivables	18,403	4,980
Other receivables, deposits and prepaid expenses	(430)	3,914
Contract assets	2,415	1,465
Trade and other payables	(9,381)	(2,618)
Contract liabilities	(22,850)	(1,593)
Cash Flows Generated From Operations	15,349	8,494
Tax paid (net of refund)	(1,823)	(5,724)
Net Cash From Operating Activities	13,526	2,770

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT
QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 3RD QUARTER ENDED 30 SEPTEMBER 2019

	UNAUDITED CURRENT YEAR TO DATE 30.09.2019 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2018 RM'000
CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(38)	(2,461)
Proceeds from disposal of property, plant and equipment	2,184	400
Placement of restricted cash	-	(7,662)
Proceeds from disposal of non-current assets for sales	-	10,000
Purchase of intangible assets	-	(94)
Addition in investment in subsidiaries from non-controlling interest	-	(2,000)
Decrease in pledged deposits placed with licensed banks	11,822	1,048
Interest received	785	1,978
Net Cash From Investing Activities	14,753	1,209
CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		
Net repayment of loans and borrowings	(7,017)	(11,599)
Increase in bank overdrafts		4,503
Interest paid	(7,078)	(6,780)
Purchase of treasury shares	-	(1)
Net Cash Used In Financing Activities	(14,095)	(13,877)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	14,184	(9,898)
Effect of exchange rate fluctuation on cash and cash equivalents	(161)	62
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12,297	22,133
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	26,320	12,297
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and bank balances	26,320	12,297
Fixed deposits with licenced banks	27,029	48,540
	53,349	60,837
Less: Fixed deposits pledged with licensed banks	(27,029)	(48,540)
	26,320	12,297

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 30 September 2019, the Group have a capital deficiency of RM142.9 million and the current liabilities of the Group had exceeded the current assets by RM183.9 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. The Company has on 19 August 2019 submitted an application to Bursa Securities seeking its approval for a further extension of time to submit the regularisation plan to Bursa Securities. The Company announced on 24 September 2019 that Bursa Securities has granted further extension of time up to 27 February 2020 for the Company to submit its regularisation plan to the regulatory authorities.

(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 30 September 2019 had been classified as current liabilities and late payment penalty had been accrued up to 30 September 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 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.

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

Description		Effective for annual periods beginning on or after
MFRS 16	Leases	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendments, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long Term Interets in Associates and Joint Ventures	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	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	(106)
Accumulated losses after adjustment	(419,488)

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	Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material	1 January 2020
Amendments to References to the Conceptual Framework in MFRS Standards		1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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.

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 30 September 2019 **Business Segment**	**Oil & Gas** **RM'000**	**Technical Services** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Revenue	19,346	29,574	-	48,920
Segment Results	270	8,979	(49)	9,200
Corporate/Unallocated Costs				(1,465)
Profit from Operations				7,735
Finance Costs				(3,481)
Profit Before Tax				4,254
Income Tax Expense				(677)
Profit AfterTax				3,577

Results for 3 months ended 30 September 2018 **Business Segment**	**Oil & Gas** **RM'000**	**Technical Services** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Revenue	20,597	41,507	-	62,104
Segment Results	2,877	(17,300)	(1,628)	(16,051)
Corporate Costs				(1,737)
Loss from Operations				(17,788)
Finance Costs				(2,976)
Loss Before Tax				(20,764)
Income Tax Expense				3,664
Loss AfterTax				(17,100)

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

Results for 9 months ended 30 September 2019 **Business Segment**	**Oil & Gas** **RM'000**	**Technical Services** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Revenue	62,312	83,236	-	145,548
Segment Results	(6,809)	17,702	(59)	10,834
Corporate/Unallocated Costs				(3,670)
Profit from Operations				7,164
Finance Costs				(10,150)
Loss Before Tax				(2,986)
Income Tax Expense				(2,563)
Loss AfterTax				(5,549)

Results for 9 months ended 30 September 2018 **Business Segment**	**Oil & Gas** **RM'000**	**Technical Services** **RM'000**	**Others** **RM'000**	**Total** **RM'000**
Revenue	59,640	173,282	-	232,922
Segment Results	5,306	(9,402)	260	(3,836)
Corporate Costs				(15,705)
Loss from Operations				(19,541)
Finance Costs				(12,624)
Loss Before Tax				(32,165)
Income Tax Expense				736
Loss After Tax				(31,429)

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 the Company had on 31 October 2019 received a notice of demand and intention to repossess dated 24 October 2019 issued by the solicitors of the licensed financial institution for the sum of RM65,171.14. The notice arose due to failure of the Company to pay the monthly instalments under the hire purchase facility granted by the said licensed financial institution.

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 30 September 2019, the Company has provided corporate guarantee of RM225,850,096 (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 RM150,635,336 (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.

A13 Capital Commitments

	As at 30.09.2019 RM'000
Capital Expenditure:	
Approved but not contracted for:	8,135

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 30.09.2019 RM'000	**PRECEDING 30.09.2018 RM'000**	**CURRENT 30.09.2019 RM'000**	**PRECEDING YEAR 30.09.2018 RM'000**
Transactions with related companies:				
Management fee receivable	(486)	(1,015)	(2,085)	(3,029)
Interest income	(312)	(1,688)	(923)	(4,260)
Interest expense	642	1,893	2,244	4,287
Rental paid/payable	58	72	86	245

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.

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

B1 Review of Performance

For the current financial quarter and year-to-date, the Group recorded a lower revenue of RM48.9 million and RM145.5 million compared to RM62.1 million and RM232.9 million reported in the preceding year's corresponding financial quarter and year-to-date, representing a decrease of RM13.2 million, or 21.2%, and RM87.4 million, or 37.5%, respectively. The lower revenue reported was mainly due to lower revenue contribution from the Technical Services Segment attributable to fewer ongoing projects following the completion of few construction projects in the previous financial year.

During the current financial quarter, the Group recorded a profit before tax ("PBT") of RM4.3 million compared to a loss before tax ("LBT") of RM20.8 million in the preceding year's corresponding quarter, representing an improvement of RM25.1 million. The improved performance was mainly attributed to reversal of liquidated ascertained damages ("LADs") of a construction contract of RM10.1 million in the current quarter, and preceding year's result included allowance for foreseeable losses of RM14.5 million arising from a potential rescission of a construction contract.

During the current financial year-to-date, the Group recorded a LBT of RM3.0 million compared to RM32.2 million reported in the preceding year's corresponding year-to-date. The higher losses in preceding year were mainly due to allowance for foreseeable losses of RM14.5 million, provision for impairment loss of goodwil on acquisition of certain subsidiaries amounting to RM13.0 million.

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 profit before interest and tax ("PBIT") of RM0.3 million in the current financial quarter compared to RM2.9 million in the preceding year's corresponding quarter, representing a negative variance of RM2.6 million mainly due to initial costs outlay for commencement of new contract as well as lower margin generated from provision of products and services for the O&G maintenance activities.

Year-to date
The O&G segment reported a loss before interest and tax ("LBIT") of RM6.8 in the current financial year-to-date compared to a PBIT of RM5.3 million in the preceding year-to-date, representing a negative variance of RM12.1 million mainly due to reversal of fair value adjustment of approximately RM17.1 million on prior year's acquisition at group level during the current financial period. Excluding the reversal of fair value adjustment, the PBIT for the current financial year-to-date was at par with preceding year corresponding period as preceding year's result inlcuded impairment loss on a crawler crane.

(ii) Technical Services ("TS") Segment

Quarter
The TS Segment reported a higher PBIT of RM9.0 million in the current quarter compared to a LBIT of RM17.3 million in the preceding year's corresponding quarter, representing a positive variance of RM26.3 million mainly to reversal of LADs of a construction contract of RM10.1 million in the current quarter, and preceding year's result included allowance for foreseeable losses of RM14.5 million.

Year-to date
The TS Segment reported a higher PBIT of RM17.7 million in the current financial year-to-date compared to a LBIT of RM9.4 million in the preceding year's corresponding year-to-date, representing a positive variance of RM27.1 million mainly due to reversal of LADs of RM19.3 million of a construction contract no longer required as progressive payments have been received from the customer, whilst the preceding year's result also included allowance for foresseable losses.

(iii) Other Segment

The Other Segment reported a LBIT of RM0.1 million in the current quarter compared to RM1.6 million in the preceding year's corresponding quarter, representing a positive variance of RM1.5 million. For the year-to-date, the Other Segment reported a LBIT of RM0.1 million compared to PBIT of RM0.3 million in the preceding year's corresponding period, a negative variance of RM0.4 million mainly due to gain arising from disposal of land and factory building of the Specialised Polymer business in preceding year's result.

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

	Quarter ended 30.09.2019 RM'000	Quarter ended 30.06.2019 RM'000
Revenue	48,920	49,339
Profit/(Loss) before tax	4,254	(7,146)

The Group reported a profit before tax of RM4.3 million for the current financial quarter compared to a loss before tax of RM7.1 million in the immediate preceding financial quarter, representing a positive variance of RM11.4 million due mainly to reversal of provision for LADs of RM10.1 million in the current quarter.

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 shall 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 with existing and prospective customers. The specialty chemicals' business focus for 2019 is to ensure fulfilment of current contracts, while continue to participate and explore new opportunities. While the well intervention and diagnostic services business is expected to remain in demand in both the domestic and international markets, as increasing activities in the drilling market, workover, plug and abandonment due to increasing rig counts in the Middle East region bodes well for this business. Additionally, the Group is exploring further opportunities in oil and gas fabrication works, in order to capitalise and expand its present O&G project management and work capabilities.

In relation to the O&G mobile cranes and specialised lifting services, the Group is in the process to exit the business as planned after the expiry of its contract at the end of October 2019. The Group expects the exercise shall be completed by end year 2019.

(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 cost and operational efficiency and tender for new construction and maintenance 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 (Credit)/Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPON-DING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON-DING YEAR TO DATE
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
In respect of the current period:				
Income tax				
- Current year	677	(338)	2,563	2,590
- Overprovision in prior years	-	(3,326)	-	(3,326)
	677	(3,664)	2,563	(736)

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

The status of corporate proposals announced by the Company and completed as at 19 November 2019, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

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

The Company had on 28 April 2014 entered into a Share Sale Agreement ("SSA") with Perfect Propel Sdn Bhd ("PPSB") (Company No. 1087981-W) in respect of the disposal of 2,400,000 ordinary shares of RM1.00 each in Daya CMT Sdn Bhd ("DCMT") ("Sale Shares") representing 30% of the issued and paid up share capital of DCMT.

Pursuant thereto, the Company has, inter alia, granted the call option ("Call Option") to PPSB in respect of up to 50% of issued and paid up share capital of DCMT held by the Company other than the Sale Shares and PPSB is entitled to exercise the Call Option at any time and from time to time within 24 months from the Completion Date, being 17 July 2014 ("Call Option Period").

On 13 May 2015, PPSB has exercised the Call Option and acquired One Million Five Hundred and Twenty Thousand (1,520,000) issued and paid up ordinary shares of DCMT, representing 19% of the issued and paid up share capital in DCMT ("Initial Disposal"), for a total consideration of RM11,400,000.

Subsequent to the Initial Disposal, a remaining of Two Million Four Hundred and Eighty Thousand (2,480,000) issued and paid up ordinary shares of DCMT, representing 31% of the issued and paid up share capital in DCMT, are still available to PPSB.

B7 Status of Corporate Proposals (cont'd)

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

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 ("4th Revised Call Option Period").

On 29 August 2019, PPSB and the Company had mutually agreed, vide the Company's letter dated 28 August 2019 and accepted by PPSB on 29 August 2019 to further extend the 4th Revised Call Option Period to 31 August 2020.

All other terms and conditions of the SSA and the Call Option (as supplemented and revised by mutual agreement) remian 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 and the MOU had lapsed on 14 September 2019.

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

On 28 February 2018, we triggered the prescribed criteria under Paragraph 2.1(a) of Practice Note 17 ("PN17") of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements"), due to our shareholders' equity on a consolidated basis falling below RM40 million and represented less than 25% of our issued share capital based on our unaudited consolidated financial statements for the financial year ended 31 December 2017.

Then on 4 March 2019, we triggered the prescribed criteria under Paragraph 2.1(f) of PN17 as a result of the default by our major subsidiary, namely Daya Proffscorp Sdn Bhd, in the payment of both the principal sum and interest to Malayan Banking Berhad and Small Medium Enterprise Development Bank Malaysia Berhad, and our inability to provide a solvency declaration to Bursa Securities.

Thereafter on 6 May 2019 we triggered the prescribed criteria under Paragraph 2.1(d) of PN17 of the Listing Requirements today as our auditors, Messrs Deloitte PLT, have expressed a disclaimer of opinion in our financial statements for the financial year ended 31 December 2018.

The Company is still formulating a plan to regularise our financial condition ("Regularisation Plan"). We were required to submit the Regularisation Plan by 27 February 2019 and on 8 March 2019, Bursa Securities granted the Company an extension of time up to 27 August 2019 to submit the Regularisation Plan to the regulatory authorities.

On 19 August 2019, we submitted an application to Bursa Securities seeking its approval for second extension of time of 9 months until 27 May 2020 for the Company to submit its proposed regularisation plan to Bursa Securities whereby Bursa Securities had, via its letter dated 24 September 2019, decided to grant the Company a further extension of time up to 27 February 2020 to submit a regularisation plan to the regulatory authorities.

(iv) Proposed Disposal of Cranes and Forklifts of Daya Proffscorp Sdn Bhd ("DPRO") to Key Prospect Sdn Bhd ("KPSB") for a total cash consideration of RM11,500,000.00 ("Disposal Consideration")

On 12 March 2019, DMB announced that Daya Proffscorp Sdn Bhd ("DPRO"), a 58.5%-owned subsidiary of the Company, had, on the same date, accepted an offer letter to dispose of 3 units of mobile cranes and 8 units of forklifts to Gerak Bakat Sdn Bhd ("GBSB") for a total cash consideration of RM1,780,000 ("Previous Disposal"). The Previous Disposal did not require the approval of the shareholders of DMB and was completed on 19 March 2019.

On 13 June 2019, DMB announced that DPRO had, vide its letter dated 11 June 2019 (which was accepted by KPSB on 12 June 2019), accepted an offer from KPSB (via its letter dated 19 April 2019) to acquire 22 units of mobile cranes and 2 units of forklifts (collectively, the "Assets") from DPRO for a total cash consideration of RM11,500,000 ("Disposal Consideration").

DPRO has then entered into a conditional sale and purchase agreement ("SPA") with KPSB today to dispose of the Assets to KPSB for the Disposal Consideration ("Proposed Disposal").

B7 Status of Corporate Proposals (cont'd)

(iv) Proposed Disposal of Cranes and Forklifts of Daya Proffscorp Sdn Bhd ("DPRO") to Key Prospect Sdn Bhd ("KPSB") for a total cash consideration of RM11,500,000.00 ("Disposal Consideration") (cont'd)

In view that the purchaser under the Proposed Disposal, KPSB, is a person connected with GBSB (being the purchaser under the Previous Disposal), and the terms of the Previous Disposal and Proposed Disposal were agreed upon within a period of 12 months, the Previous Disposal and the Proposed Disposal are aggregated and treated as if they were 1 transaction pursuant to Paragraph 10.12(a) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing Requirements").
The Proposed Disposal is subject to approvals being obtained from the following:

(i) shareholders of DMB at an extraordinary general meeting to be convened; and
(ii) any other relevant authorities/parties, if required.

The Proposed Disposal is not conditional upon any other proposals undertaken or to be undertaken by DMB.

The Board, after having considered all aspects of the Proposed Disposal, is of the opinion that the Proposed Disposal is in the best interest of DMB.

The Proposed Disposal received shareholders approval on 18 September 2019 and has been completed on 3 October 2019.

B8 Group's borrowings and debt securities

The Group's borrowings are as follows:

Secured borrowings	Short Term RM'000	Long Term RM'000	Total Outstanding RM'000
Trade facilities	8,219	-	8,219
Hire purchase	301	16	317
Bank overdrafts	11,585	-	11,585
Term loans	97,008	2,538	99,546
Redeemable convertible unsecured bonds	78,393	-	78,393
As at 30 September 2019	195,506	2,554	198,060
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 RM51,272,252 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.

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

	The Group	
	30.09.2019	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 November 2019 whereby the learned judges have decided to postpone the matter for hearing to 26 February 2020 and 27 February 2020. 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.

B9 Material litigations (cont'd)

(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 9 March 2020 to 13 March 2020, 6 April 2020 to 9 April 2020 and 22 June 2020 to 26 June 2020.

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.

B10 Proposed Dividends

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

B11 Earnings/(Loss) per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPON-DING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON-DING PERIOD
	30.09.2019	30.09.2018	30.09.2019	30.09.2018
a) Basic earnings/(loss) per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	959	(11,087)	(12,447)	(27,856)
Weighted average number of shares in issue ('000)	2,042,946	2,042,946	2,042,946	2,042,946
Basic earnings/(loss) per share (sen)	0.05	(0.54)	(0.61)	(1.36)
b) Diluted earnings/(loss) per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	959	(11,087)	(12,447)	(27,856)
Weighted average number of shares in issue ('000)	2,042,946	2,042,946	2,042,946	2,042,946
Conversion of Redeemable Convertible Unsecured Bonds ('000)	830,783	830,783	830,783	830,783
	2,873,729	2,873,729	2,873,729	2,873,729
Diluted earnings/(loss) per share (sen) *	0.05	(0.54)	(0.61)	(1.36)

* *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	PRECEDING YEAR CORRESPON-DING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON-DING PERIOD
	30.09.2019 RM'000	30.09.2018 RM'000	30.09.2019 RM'000	30.09.2018 RM'000
The following amounts have been included in arriving at loss before tax:				
Interest expenses	3,481	2,976	10,150	12,624
Depreciation on property, plant and equipment	905	1,085	2,687	3,439
Amortisation on intangible assets	-	48	48	138
Allowance for doubtful debts on receivables	-	488	-	7,935
Impairment loss on non-current assets held for sale	-	-	19,233	-
Impairment loss on property, plant and equipment	-	-	-	5,078
Realised foreign exchange loss	-	(159)	-	3
Unrealised foreign exchange loss	-	1,298	69	1,298
Net (gain)/loss on disposal of property, plant and equipm	(1,782)	140	(2,128)	(2,368)
and after crediting:				
Interest income	242	182	785	950
Rental income	9	18	26	56
Unrealised foreign exchange gains	-	(1,847)	-	-
Realised foreign exchange gains	112	-	149	-
Gain on disposal of property, plant and equipment	-	(140)	-	2,368

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 finnacial 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. On 19 August 2019, the Company submitted an application to Bursa Securities seeking its approval for second extension of time to submit its proposed regularisation plan. Bursa Securities has, via its letter dated 24 September 2019, granted the Company further extension of time up to 27 February 2020 for submission of its 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 advised 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 February 2020 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 oustanding 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.

By Order of the Board

Datuk Lim Thean Shiang
Executive Chairman
20 November 2019