



DAYA MATERIALS BERHAD

**(Registration No.: 200301033936 (636357-W))
(Incorporated in Malaysia)**

Quarterly Report 30 June 2020

DAYA MATERIALS BERHAD

(Registration No.: 200301033936 (636357-W))
(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 6TH QUARTER ENDED 30 JUNE 2020

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Continuing Operations				
Revenue	18,231	-	207,222	-
Cost of Sales	(16,652)	-	(179,765)	-
Gross Profit	1,579	-	27,457	-
Other Income	6,791	-	15,838	-
Operating Expenses	(6,270)	-	(58,687)	-
Profit/(Loss) from Operations	2,100	-	(15,392)	-
Finance Costs	(7,002)	-	(21,566)	-
Share of Results of Joint Ventures	(173)	-	(393)	-
Loss Before Tax	(5,075)	-	(37,351)	-
Income Tax Expense	(605)	-	(4,728)	-
Loss from Continuing Operations	(5,680)	-	(42,079)	-
Discontinued Operations				
Profit/(Loss) from Discontinued Operations, net of tax	2,950	-	(17,580)	-
Loss for the Period/Year, net of tax	<u>(2,730)</u>	<u>-</u>	<u>(59,659)</u>	<u>-</u>
Attributable to :				
Owners of the Company	(2,758)	-	(48,676)	-
Non-controlling Interests	28	-	(10,983)	-
	<u>(2,730)</u>	<u>-</u>	<u>(59,659)</u>	<u>-</u>
Loss per share from				
Continuing Operations (sen):				
- Basic	(0.28)	-	(1.52)	-
- Diluted	<u>(0.28)</u>	<u>-</u>	<u>(1.52)</u>	<u>-</u>
Profit/(Loss) per share from				
Discontinued Operations (sen):				
- Basic	0.14	-	(0.86)	-
- Diluted	<u>0.14</u>	<u>-</u>	<u>(0.86)</u>	<u>-</u>

Note:

- i) The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the financial period ended 30 June 2019.
- ii) These condensed consolidated statement of profit or loss 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.

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CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 6TH QUARTER ENDED 30 JUNE 2020

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Loss for the Period/Year, net of tax	<u>(2,730)</u>	<u>-</u>	<u>(59,659)</u>	<u>-</u>
Other Comprehensive Loss: Items that may be subsequently reclassified to profit or loss:				
Foreign currency translation differences for foreign subsidiaries	(2,426)	-	(4,119)	-
Total Comprehensive Loss for the Period/Year, net of tax	<u>(5,156)</u>	<u>-</u>	<u>(63,778)</u>	<u>-</u>
Total Comprehensive Loss for the period/Year attributable to:				
Owners of the Company	(5,184)	-	(52,795)	-
Non-controlling Interests	28	-	(10,983)	-
	<u>(5,156)</u>	<u>-</u>	<u>(63,778)</u>	<u>-</u>

Note:

- i) The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the financial period ended 30 June 2019.
- ii) These condensed consolidated statement of other comprehensive income 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

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CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2020

	30.6.2020	31.12.2018
	RM'000	RM'000
	Unaudited	Audited
Non Current Assets		
Property, plant and equipment	23,505	59,020
Right-of-use assets	225	-
Inventories	11,401	11,401
Investment properties	10,250	10,250
Intangible assets	976	1,121
Investment in joint ventures	276	670
Deferred tax assets	66	57
Total Non Current Assets	<u>46,699</u>	<u>82,519</u>
Current Assets		
Inventories	13,896	15,922
Trade receivables	38,108	81,931
Other receivables, deposits and prepaid expenses	12,217	35,140
Contract assets	7,062	6,542
Tax recoverable	3,037	5,309
Marketable securities	58	95
Restricted cash	7,835	7,662
Deposits, cash and bank balances	46,286	60,837
Total Current Assets	<u>128,499</u>	<u>213,438</u>
Current Liabilities		
Loans and borrowings	190,944	232,048
Lease liabilities	93	-
Trade payables	104,157	115,730
Provisions, other payables and accrued expenses	77,347	78,354
Contract liabilities	-	780
Tax liabilities	840	665
Total Current Liabilities	<u>373,381</u>	<u>427,577</u>
Net Current Liabilities	<u>(244,882)</u>	<u>(214,139)</u>
	<u>(198,183)</u>	<u>(131,620)</u>
Financed by:		
Share capital	271,229	271,229
Reserves	(476,166)	(423,371)
	<u>(204,937)</u>	<u>(152,142)</u>
Non-controlling interests	4,913	15,896
Capital Deficiency	(200,024)	(136,246)
	<u>(195,111)</u>	<u>(120,350)</u>
Non Current Liabilities		
Loans and borrowings	470	2,592
Lease liabilities	138	-
Deferred tax liabilities	1,233	2,034
Total Non Current Liabilities	<u>1,841</u>	<u>4,626</u>
	<u>(196,342)</u>	<u>(126,276)</u>
Net liabilities per share (sen)	<u>(10.03)</u>	<u>(7.45)</u>

These condensed consolidated statements 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.

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CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 6TH QUARTER ENDED 30 June 2020

	<-----Attributable to Equity Holders of the Company----->						Total RM'000	Non- controlling interests RM'000	Total RM'000
	<----- 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			
<u>18 months ended 30 June 2020</u>									
At 1 January 2019	271,229	2,299	(7,157)	-	870	(419,383)	(152,142)	15,896	(136,246)
Loss for the Year	-	-	-	-	-	(48,676)	(48,676)	(10,983)	(59,659)
Other Comprehensive Loss for the Year	-	-	(4,119)	-	-	-	(4,119)	-	(4,119)
Total Comprehensive Loss for the Year	-	-	(4,119)	-	-	(48,676)	(52,795)	(10,983)	(63,778)
At 30 June 2020	<u>271,229</u>	<u>2,299</u>	<u>(11,276)</u>	<u>-</u>	<u>870</u>	<u>(468,059)</u>	<u>(204,937)</u>	<u>4,913</u>	<u>(200,024)</u>
<u>18 months ended 30 June 2019</u>									
At 1 January 2018	-	-	-	-	-	-	-	-	-
Profit for the Period	-	-	-	-	-	-	-	-	-
Other Comprehensive Income for the Period	-	-	-	-	-	-	-	-	-
Total Comprehensive Income for the Period	-	-	-	-	-	-	-	-	-
At 30 June 2019	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note:

- i) The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the financial period ended 30 June 2019.
- ii) These condensed consolidated statements of changes in equity 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.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 6TH QUARTER ENDED 30 JUNE 2020

	Current Year Ended 30.6.2020 RM'000	Corresponding Period Ended 30.6.2019 RM'000
CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES		
Loss before tax from continuing operations	(37,351)	-
Loss before tax from discontinued operations	(18,121)	-
Adjustments for:		
Allowance for doubtful debts	16,547	-
Amortisation on intangible assets	145	-
Bad debts written off	134	-
Depreciation of property, plant and equipment	5,071	-
Depreciation of right-of-use assets	519	-
Fair value gain on marketable securities	38	-
Finance costs	21,825	-
Impairment loss on non-current assets held for sale	17,120	-
Interest income	(1,158)	-
Net gain on disposal of property, plant & equipment	(905)	-
Net loss on disposal of non-current assets held for sale	1,729	-
Net reversal of provision for liquidated ascertained damages	(11,255)	-
Property, plant and equipment written off	2	-
Reversal of allowance for doubtful debts on receivables	(7,480)	-
Reversal of interest expense (net) imputed in retention sum	(135)	-
Reversal of provision for unutilised annual leave	(212)	-
Share of results of joint ventures	393	-
Unrealised foreign exchange loss	551	-
Operating loss before working capital changes	(12,543)	-
(Increase)/Decrease in:		
Inventories	2,025	-
Trade receivables	19,232	-
Other receivables, deposits and prepaid expenses	29,841	-
Contract assets	(520)	-
Trade and other payables	(9,605)	-
Contract liabilities	(780)	-
Cash Flows Generated From Operations	27,650	-
Interest paid	(41)	-
Tax paid (net of tax refund)	(2,550)	-
Net Cash From Operating Activities	25,059	-

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS QUARTERLY REPORT ON THE UNAUDITED RESULTS FOR THE 6TH QUARTER ENDED 30 JUNE 2020

	Current Year Ended 30.6.2020 RM'000	Corresponding Period Ended 30.6.2019 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,970)	-
Proceeds from disposal of property, plant and equipment	3,167	-
Proceeds from disposal of non-current assets for sales	11,370	-
Placement of restricted cash	(174)	-
Decrease in pledged deposits placed with licensed banks	22,817	-
Interest received	1,158	-
	<hr/>	
Net Cash From Investing Activities	36,368	-
CASH FLOWS USED IN FINANCING ACTIVITIES		
Net repayment of loans and borrowings	(30,781)	-
Increase in bank overdrafts	(14,011)	-
Payment of lease liabilities	(513)	-
Interest paid	(5,304)	-
	<hr/>	
Net Cash Used In Financing Activities	(50,609)	-
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NET INCREASE IN CASH AND CASH EQUIVALENTS	10,818	-
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Effect of exchange rate fluctuation on cash and cash equivalents	(2,553)	-
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CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	12,298	-
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CASH AND CASH EQUIVALENTS AT END OF THE YEAR	20,563	-
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CASH AND CASH EQUIVALENTS AT END OF THE YEAR		
Cash and bank balances	20,331	-
Fixed deposits with licenced banks	25,955	-
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	46,286	-
Less: Fixed deposits pledged with licensed banks	(25,723)	-
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	20,563	-
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Note:

- i) The financial year end of the Group has been changed from 31 December to 30 June. As such, the next set of audited financial statements shall be for a period of eighteen (18) months from 1 January 2019 to 30 June 2020. There will be no comparative financial information available for the financial period ended 30 June 2019.
- ii) The condensed consolidated statements of cash flows should be read in conjunction with the audited financial statements for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements.

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.

As announced to Bursa Malaysia on 29 May 2019, the Company has changed its financial year end from 31 December to 30 June. Consequently, the comparative figures are not comparable for the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidation statements of changes in equity, condensed consolidated statements of cash flows and the related notes.

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 June 2020, the Group have a capital deficiency of RM200.0 million and the current liabilities of the Group had exceeded the current assets by RM244.9 million as a result of losses incurred during the current year 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. On 25 February 2020, the Company submitted an application to Bursa Securities seeking its approval for third extension of time to submit its proposed regularisation plan. Bursa Securities has, via its letter dated 16 April 2020, granted the Company further extension of time up to 27 September 2020 for submission of its 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 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 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 3	1 January 2019
Amendments to MFRS 9	1 January 2019
Amendments to MFRS 11	1 January 2019
Amendments to MFRS 112	1 January 2019
Amendments to MFRS 119	1 January 2019
Amendments to MFRS 123	1 January 2019
Amendments to MFRS 128	1 January 2019
IC Interpretation 23	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 impact arising from the adoption of MFRS 16 are as below:

	Increase RM'000
Impact to the Group financial statements	
Assets	
Right-of-use assets	<u>743</u>
Liabilities	
Lease liabilities	<u>743</u>

(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 MFRS 9, MFRS 139 and MFRS 7	1 January 2020
Amendments to MFRS 2	1 January 2020
Amendments to MFRS 3	1 January 2020
Amendments to MFRS 6	1 January 2020
Amendments to MFRS 14	1 January 2020
Amendments to MFRS 101	1 January 2020
Amendments to MFRS 108	1 January 2020
Amendments to MFRS 134	1 January 2020
Amendments to MFRS 137	1 January 2020
Amendments to MFRS 138	1 January 2020
Amendments to IC Interpretation 12	1 January 2020
Amendments to IC Interpretation 19	1 January 2020
Amendments to IC Interpretation 20	1 January 2020
Amendments to IC Interpretation 22	1 January 2020
Amendments to IC Interpretation 132	1 January 2020
Amendments to MFRS 16	1 June 2020
Amendments to MFRS 1	1 January 2022
Amendments to MFRS 3	1 January 2022
Amendments to MFRS 9	1 January 2022
Amendments to MFRS 101	1 January 2023

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A2 Significant Accounting Policies (Cont'd)

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

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 116	Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts - Cost of Fulfilling a Contract	1 January 2022
Amendments to MFRS 141	Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
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 Change of Financial Year End

As announced to Bursa Malaysia on 29 May 2019, the Board of Directors had on the day approved the change of financial year end of the Company from 31 December to 30 June. Therefore, the new financial period shall commence from 1 January 2019 to 30 June 2020, covering a period of eighteen (18) months. Thereafter, the financial year of the Company shall revert to twelve (12) months ending 30 June, for each subsequent year.

A9 Segment Information

Due to the change in the financial year end as stated in Note A8, no comparative figures are presented.

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

Results for 3 months ended 30 June 2020		Oil & Gas	Technical		Total
Business Segment		RM'000	Services	Others	RM'000
			RM'000	RM'000	
Continuing operations					
Revenue		15,146	3,085	-	18,231
Segment Results		1,515	1,271	342	3,128
Corporate/Unallocated Costs					(1,028)
Profit from Operations					2,100
Finance Costs					(7,002)
Share of Results of Joint Ventures					(173)
Loss Before Tax					(5,075)
Income Tax Expense					(605)
Loss for the Period from Continuing Operations					(5,680)
Discontinued operations					
Profit After Tax from Discontinued Operations (Oil & Gas)					2,950
Loss for the Period, net of tax					(2,730)

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A9 Segment Information (cont'd)

Segmental reporting of the Group's result for the financial quarter is as follows: (cont'd)

Results for 3 months ended 30 June 2019				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Continuing operations				
Revenue	-	-	-	-
Segment Results	-	-	-	-
Corporate/Unallocated Costs				-
Loss from Operations				-
Finance Costs				-
Share of Results of Joint Ventures				-
Loss Before Tax				-
Income Tax Expense				-
Loss for the Period from Continuing Operations				-
Discontinued operations				
Loss after Tax from Discontinued Operations (Oil & Gas)				-
Loss for the Period, net of tax				-

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

Results for 18 months ended 30 June 2020				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Continuing operations				
Revenue	103,360	103,862	-	207,222
Segment Results	11,418	(19,547)	286	(7,843)
Corporate/Unallocated Costs				(7,549)
Loss from Operations				(15,392)
Finance Costs				(21,566)
Share of Results of Joint Ventures				(393)
Loss Before Tax				(37,351)
Income Tax Expense				(4,728)
Loss for the Period from Continuing Operations				(42,079)
Discontinued operations				
Loss after Tax from Discontinued Operations (Oil & Gas)				(17,580)
Loss for the Year, net of tax				(59,659)
Results for 18 months ended 30 June 2019				
Business Segment	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Continuing operations				
Revenue	-	-	-	-
Segment Results	-	-	-	-
Corporate/Unallocated Costs				-
Loss from Operations				-
Finance Costs				-
Share of results of Joint Ventures				-
Loss Before Tax				-
Income Tax Expense				-
Loss for the period from Continuing Operations				-
Discontinued operations				
Loss After Tax from Discontinued Operations (Oil & Gas)				-
Loss for the Period, net of tax				-

A10 Valuation of Property, Plant and Equipment

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

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A11 Subsequent Events

There were no materials events subsequent to the current interim financial period up to the date of this report except for the following:

On 13 July 2020, the Board of Directors of DMB announced that Daya Maxflo Sdn Bhd ("DMAX"), an approximately 86.44%-owned subsidiary of Daya Petroleum Ventures Sdn Bhd ("DPV"), which in turn is a 51.0%-owned subsidiary of DMB, has entered into a conditional subscription agreement with WK Propel Sdn Bhd for the subscription of 342,955 new ordinary shares in DMAX for a cash consideration of approximately RM4.0 million ("Proposed Subscription").

Upon the completion of the Proposed Subscription, the issued share capital of DMAX will increase to RM6,009,987 comprising 1,762,955 DMAX shares, resulting in a dilution of DPV's equity interest in DMAX from approximately 86.44% to 69.63%.

Please also refer to the Company's announcement made on 13 July 2020 for the details of the Proposed Subscription.

A12 Changes in the Composition of the Group

There were no changes in the composition of the Group for the period under review except for the following:

12.1 Discontinued operations

The discontinued operations is in relation to the cessation of the mobile cranes and specialised lifting services business within the Oil & Gas Segment at the end of October 2019.

The results for the discontinued operation is as follows:-

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
Revenue	-	-	8,266	-
Cost of Sales	69	-	(6,447)	-
Gross Profit	69	-	1,819	-
Other Income	2,512	-	2,704	-
Operating Expenses	245	-	(22,385)	-
Profit/(Loss) from Operations	2,826	-	(17,862)	-
Finance Costs	(417)	-	(259)	-
Profit/(Loss) Before Tax	2,409	-	(18,121)	-
Income Tax Credit	541	-	541	-
Profit/(Loss) for the Period/Year, net of tax	2,950	-	(17,580)	-

A13 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 June 2020, the Company has provided corporate guarantee of RM286,655,546 (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 RM132,285,547 (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.

A14 Capital Commitments

Capital Expenditure:

Approved but not contracted for:

**As at
30.6.2020
RM'000**

-

A15 Significant Related Party Transaction

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

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with related companies:</u>				
Management fee income	129	-	2,214	-
Interest income	-	-	1,235	-
Interest expense	334	-	3,615	-
Rental expense	28	-	171	-

A16 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

Due to the change in the financial year end as stated in Note A8, no comparative figures are presented.

For the current quarter

The Group recorded a revenue of RM18.2 million. Revenue contribution from oil and gas segment and technical services segment stood at RM15.1 million and RM3.1 million respectively.

The Group recorded a profit before tax ("PBT") of RM2.1 million, as Movement Control Order ("MCO") and Recovery Movement Control Order ("RMCO") imposed to curb the spread of COVID-19 continue to impact its business activities and operations.

For the current year-to-date

The Group reported a revenue of RM207.2 million and loss before interest and tax ("LBIT") of RM15.4 million. This result was after including provision of additional cost of RM33.3 million arising from Court of Appeal's decision to award higher termination costs and liquidated ascertained damages ("LAD") in favour of a client, which was in excess of amount awarded for work completed. The provision was made on a prudent basis, while the Group has proceeded with the application for leave of appeal at the Federal Court.

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

Continuing Operations

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

Quarter

O&G segment reported a revenue of RM15.1 million and profit before interest and tax ("PBIT") of RM1.5 million. The performance of the current quarter was mainly affected by travel restrictions imposed for both domestic as well as overseas travels which impacted its business activities.

Year-to date (18 months)

The O&G segment reported a revenue of RM103.4 million and profit before interest and tax ("PBIT") of RM11.4 million in the current financial year-to-date. This was mainly attributed to higher sales with better margins, prior to the onset of the Movement Control Order ("MCO") effective 18 March 2020.

B1 Review of Performance (cont'd)

Continuing Operations (cont'd)

(ii) Technical Services ("TS") Segment

Quarter

TS segment reported a revenue of RM3.1 million and PBIT of RM1.3 million. The quarterly revenue was impacted due to slower business activities during the on-going MCO enforcement period, which correspondingly contributed to lower profit being reported in the current quarter.

Year-to date (18 months)

The TS Segment reported a revenue of RM103.9 million and LBIT of RM19.5 million in the current financial year-to-date. The LBIT was mainly caused by the provision of additional cost of RM33.3 million arising from Court of Appeal's decision to award higher termination costs and liquidated ascertained damages ("LAD") in favour of a client, which was in excess of amount awarded for work completed.

(ii) Other Segment

The Other Segment reported a LBIT of RM0.7 million and RM7.3 million for the current quarter and year-to-date respectively. This comprised mainly of corporate administrative expenses.

Discontinued Operations

The discontinued operations for the current financial quarter reported a profit before tax ("PBT") of RM2.4 million mainly due to reversal of impairment of non-current assets held for sale of RM2.1 million. For the year-to-date, it reported a loss before tax ("LBT") of RM18.1 million which was mainly attributed to equipment rental charges, severance compensation as well as impairment loss on disposal of property, plant and equipment prior to discontinuation of its business operations.

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

Continuing operations

	Quarter ended	Quarter ended
	30.6.2020	31.3.2020
	RM'000	RM'000
Revenue	18,231	17,484
Loss before tax	(5,075)	(41,238)

The Group recorded a revenue of RM18.2 million as compared to RM17.5 million in the preceding quarter, representing a slight increase of RM0.7 million or 4.3%, this is mainly attributed to slight improvement in business operating environment post MCO period.

The Group reported a LBT of RM 5.1 million for the current financial quarter mainly due to finance cost of RM4.1 million. As compared to a LBT of RM41.2 million in the immediate preceding financial quarter, this represents a positive variance of RM36.2 million as the previous quarter's results included the provision of additional cost of RM33.3 million arising from Court of Appeal's decision as explained above.

Discontinued operations

	Quarter ended	Quarter ended
	30.6.2020	31.3.2020
	RM'000	RM'000
Revenue	-	2
Profit/(Loss) before tax	2,409	(109)

The discontinued operations reported a PBT of RM2.4 million for the current financial quarter as compared to a LBT of RM0.1 million in the immediate preceding financial quarter, as a result of reversal on impairment of non-current assets held for sale of RM2.1 million.

B3 Prospects

The outbreak of Covid-19 pandemic in early 2020 and the various movement control measures coupled with prolonged lockdowns implemented globally have severely impacted global economic activities and consumer behavior. Thus, the adverse impact and recovery from the COVID-19 pandemic may take a longer time and cannot be ascertained at this juncture.

The Board anticipates the challenging environment to remain into the foreseeable future. Nonetheless, the Board will continue to monitor and implement measures, as appropriate, to control cost, capex and streamlined its operations to mitigate the adverse consequences of the Covid-19 pandemic.

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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 Expense

	Current Quarter		Cumulative Quarter	
	3 months ended		18 months ended	
	30.6.2020	30.6.2019	30.6.2020	30.6.2019
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:				
Continuing operations				
Income tax				
- Current year	605	-	4,859	-
- Overprovision in prior years	-	-	(131)	-
Deferred taxation	-	-	-	-
	605	-	4,728	-
Discontinued operations				
Income tax				
- Current year	-	-	-	-
Deferred taxation	-	-	-	-
	-	-	-	-
	605	-	4,728	-

Income tax expense is recognised in each quarter based on the best estimate of the weighted average annual income tax rate expected for the full financial year.

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 21 February 2020, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

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

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

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

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

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

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

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

On 15 September 2017, PPSB and the Company had mutually agreed, vide the Company's letter dated 15 September 2017 to further extend the 2nd Revised Call Option Period to 31 August 2018. ("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 ("5th Revised Call Option Period").

On 30 July 2020, PPSB and the Company had mutually agreed, vide the Company's letter dated 27 July 2020 and accepted by PPSB on 30 July 2020 to further extend the 5th Revised Call Option Period to 31 August 2021.

All other terms and conditions of the SSA and the Call Option as supplemented and revised by mutual agreement remain unchanged.

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B7 Status of Corporate Proposals (cont'd)

(ii) 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.

On 25 February 2020, we submitted an application to Bursa Securities seeking its approval for third extension of time of 6 months until 27 August 2020 for the Company to submit its proposed regularisation plan to Bursa Securities whereby Bursa Securities had, via its letter dated 16 April 2020, decided to grant the Company a further extension of time up to 27 September 2020 to submit a regularisation plan to the regulatory authorities.

B8 Group's borrowings and debt securities

The Group's borrowings are as follows:

	Short Term RM'000	Long Term RM'000	Total Outstanding RM'000
Secured borrowings			
Trade financing facilities	11,397	-	11,397
Hire purchase	166	14	180
Bank overdrafts	7,589	-	7,589
Term loans	88,714	456	89,170
Redeemable convertible unsecured bonds	83,078	-	83,078
As at 30 June 2020	190,944	470	191,414
As at 30 June 2019	-	-	-

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 RM53,011,000 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)	<u>(30,752,015)</u>
Net damages awarded in favour of DCMT	<u>14,282,880</u>

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.

However thereafter we have been informed by the Royal Malaysian Customs vide their letter dated 17 July 2020 reversing their earlier approval. The directors are currently studying the matter on the appeal to the Royal Malaysian Customs of their decision.

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.

Further to the hearing of the appeal on 26 February 2020 and 27 February 2020, the Court Appeal had on 6 March 2020 delivered its decision ("Appeal") as follows:-

- (1) the liquidated ascertained damages ("LAD") claimed by YT should be allowed in full, and accordingly, the award of LAD to YT is increased by RM11,665,000;
- (2) the amount previously awarded to DCMT by the High Court for under-certification of progress claims is reduced to RM1,492,320.55, taking into account of payment made by YT to DCMT previously;
- (3) the retention sum amount previously awarded to DCMT is reduced by RM4,535,926.25; and
- (4) the indemnity for Goods and Services Tax previously awarded by the High Court in favour of DCMT is unjustified and should be set aside.

In totality, the Appeal is allowed and dismissed on the aforesaid grounds with costs of RM50,000 to YT.

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B9 Material Litigation (cont'd)

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

Following the above and as agreed between both parties, the Court of Appeal also granted an interim stay pending the disposal of a formal stay application, which should be filed on or before 14 March 2020 and the application for stay of execution of the Court of Appeal order is now fixed for hearing on 8 September 2020.

In view of the above, the net amount previously awarded by the High Court to DCMT will be adjusted as follows:-

	The Group RM
(1) Amount awarded by the High Court to:	
(a) DCMT	31,534,895
(b) YTC	<u>(17,252,015)</u>
Net amount previously awarded to DCMT by the High Court	<u>14,282,880</u>
 (2) Amount revised by the Court of Appeal:	
(a) Additional LAD awarded to YTC	(11,665,000)
(b) Reduction in progress claim by DCMT	(7,448,322)
(c) Reduction in retention sum awarded to DCMT	<u>(4,535,926)</u>
Net amount revised by Court of Appeal	<u>(23,649,248)</u>
 Total net amount due by DCMT	 <u><u>(9,366,368)</u></u>

Upon studying the decision of the Court of Appeal and after taking into consideration of the lawyer's opinion for DCMT, the directors have decided the following:

- (i) to file a stay application with the Court of Appeal and the matter is now fixed for case management on 23 June 2020 for parties to exhaust the filing of affidavit; and
- (ii) to file leave for appeal with the Federal Court and the leave application ("the Leave Applications") is now fixed for E-review (online case management) on 19 August 2020 pending grounds of judgement of the Court of Appeal reversing the High Court decision.

In view of the above judgment, the quantum of financial impact on DCMT and the Group are as follows:-

	The Group RM
Allowance for doubtful debts on receivables (net)	(9,559,789)
Provision of additional LAD	(8,040,000)
Termination cost	(19,087,015)
Retention sum awarded by the COA	<u>3,375,000</u>
	 <u><u>(33,311,804)</u></u>

The Leave Applications is now fixed for case management on 26 August 2020.

Upon considering the legal opinion of the lawyer's for DCMT, the directors are of the opinion that DCMT would have a strong chance of success in the appeal.

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

However due to the movement control order imposed by the Government of Malaysia on 18 March 2020, the hearing of the Arbitration has been vacated by the Arbitrator where a telephone conference will be fixed after the movement control order is lifted.

Pursuant to the conference call with the Arbitrator on 27 May 2020 and due to the YT inability to produce expert report in time, the hearing dates on 22 June 2020 to 26 June 2020 are now vacated.

The new hearing dates are now fixed on 22 February 2021 to 26 February 2021, 15 March 2021 to 19 March 2021 and 06 April 2021 to 09 April 2021. 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.

B9 Material Litigation (cont'd)

(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.

(d) Shah Alam Session Court Suit No : BA-B52NCvC-32-02/2020

On 18 February 2020, DCMT has received a Writ of Summons together with the Statement of Claim dated 7 February 2020 from Messrs Azmi Fadzly Maha & Sim, the solicitors acting for Otis Elevator Company (M) Sdn Bhd ("Otis Elevator") ("**Writ and SOC**").

Pursuant to the Writ and SOC, Otis Elevator is claiming the following against DCMT:

- (a) outstanding principal sum of RM355,003.35 ("Principal Sum");
- (b) interest on the Principal Sum at 5% per annum from 7 February 2020 up to date of judgement;
- (c) interest on the Principal Sum at 5% per annum from date of judgement up to the date of settlement;
- (d) costs; and
- (e) any other relief as the Session Court deems fits.

DCMT has filed a statement of defence dated 23 March 2020 and on 1 June 2020 Otis Elevator filed an application for summary judgement and DCMT has filed a reply to oppose to the application. DCMT then informed Otis Elevator's solicitor of the Restraining Order dated 30 June 2020 ("RO") obtained by DCMT from Shah Alam Court.

The parties have agreed to temporarily suspend the proceedings including the suspension of the summary judgement application pending the outcome of the RO.

B9 Material Litigation (cont'd)

(e) Georgetown High Court Suit No : PA-22NCVC-100-06/2020

On 26 June 2020, DCMT has received a Writ of Summons together with the Statement of Claim dated 24 June 2020 from Messrs Lim, Ho, Cheong & Lok, the solicitors acting for the Soon Boon Chong AND (2) Soon Boon Pin ("Plaintiffs") ("**CEH's Writ and SOC**") under the business name of Chop Eng Heng Metal Industry.

Pursuant to the CEH's Writ and SOC, the Plaintiffs are claiming against DCMT for the following:

(f) Declaration that the Plaintiffs has lawfully terminated the letter of awards and acceptance dated 17 July 2013, 8 December 2017, 5 January 2017 and 28 July 2017 (collectively hereinafter referred to the "Said Letter of Awards"), or alternatively to terminate the Said Letter of Awards

(g) Progressive payment of RM763,125.84 ("Principal Sum");

(h) Declaration that the retention sum amounting to RM831,108.45 was held by DCMT as trustee for the Plaintiffs and be returned to the Plaintiffs on an immediate basis;

(i) interest on 5% per annum from date of judgement up to the date of settlement;

(j) costs; and

DCMT has filed a statement of defence dated 17 July 2020, where DCMT informed the Plaintiff's solicitor of the Restraining Order dated 30 June 2020 ("RO") obtained by DCMT from Shah Alam Court. The Plaintiff's proceeded to serve DCMT a reply to defence.

During the case management on 7 August 2020 conducted before the learned Judge via e-Review (online), the Plaintiff's solicitor requested for a date to file summary judgement application and we brought to the Judge's attention of the RO. The Court fixed 14 October 2020 for Case Management to update the Court in the status of the RO.

(f) Georgetown Sessions Court Civil Action No. PA-A52NCC-44-06/2020

On 8 July 2020, DCMT had received a Writ of Summons together with the Statement of Claim dated 29 June 2020 from Messrs Lim, Ho, Cheong & Lok, the solicitors acting for Ample Maintain Sdn Bhd ("**AMSB**") ("**Ample's Writ and SOC**").

Pursuant to the Ample's Writ and SOC, the Plaintiff is claiming against DCMT for the following:

(l) declaration that AMSB has lawfully terminated the letter of awards and acceptance dated 17 March 2014 (hereinafter referred to the "Letter of Award"), or alternatively to terminate the Letter of Award;

(m) declaration that the retention sum amounting to RM112,500.00 ("Retention Sum") was held by DCMT as trustee for AMSB and be returned to AMSB on an immediate basis;

(n) interest of 5% per annum on the entire judgment sum from the date of judgement up to the date of settlement;

(o) costs; and

(p) any other order as the Court deems fits.

DCMT has entered an appearance and has informed AMSB's solicitor of the RO obtained by DCMT from the Shah Alam Court. DCMT then filed a statement of defence where during the case management on 4 August 2020 conducted before the learned Judge via e-Review, AMSB's solicitor requested for a date to file the reply to defence and the RO was brought to the attention of the Judge. The Court proceeded to fix the matter for Case Management on 3 September 2020.

B10 Proposed Dividends

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

DAYA MATERIALS BERHAD
(Registration No.: 200301033936 (636357-W))
(Incorporated in Malaysia)

B11 Loss per share

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
a) Basic earnings/(loss) per share				
Net loss for the period attributable to ordinary equity holders of the company (RM'000)	(2,758)	-	(48,676)	-
Net profit/(loss) from discontinued operations attributable to ordinary equity holders of the company (RM'000)	2,950	-	(17,580)	-
Net loss from continuing operations attributable to ordinary equity holders of the company (RM'000)	(5,708)	-	(31,096)	-
Weighted average number of shares in issue ('000)	2,042,946	-	2,042,946	-
Basic profit/(loss) per share (sen) attributable to:				
- Continuing operations	(0.28)	-	(1.52)	-
- Discontinued operations	0.14	-	(0.86)	-
	<u>(0.14)</u>	<u>-</u>	<u>(2.38)</u>	<u>-</u>
b) Diluted loss per share				
Net profit/(loss) for the period attributable to ordinary equity holders of the company (RM'000)	(2,758)	-	(48,676)	-
Weighted average number of shares in issue ('000)	2,042,946	-	2,042,946	-
Conversion of Redeemable Convertible Unsecured Bonds ('000)	830,783	-	830,783	-
	<u>2,873,729</u>	<u>-</u>	<u>2,873,729</u>	<u>-</u>
Diluted profit/(loss) per share (sen) attributable to: *				
- Continuing operations	(0.28)	-	(1.52)	-
- Discontinued operations	0.14	-	(0.86)	-
	<u>(0.14)</u>	<u>-</u>	<u>(2.38)</u>	<u>-</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

	Current Quarter 3 months ended		Cumulative Quarter 18 months ended	
	30.6.2020 RM'000	30.6.2019 RM'000	30.6.2020 RM'000	30.6.2019 RM'000
The following amounts have been included in arriving at loss before tax:				
Allowance for doubtful debts	-	-	16,547	-
Amortisation on intangible assets	20	-	145	-
Bad debts written off	-	-	134	-
Depreciation on property, plant and equipment	639	-	5,071	-
Depreciation of right-of-use assets	519	-	519	-
Impairment loss on non-current assets held for sale	-	-	17,120	-
Interest expenses	7,419	-	21,825	-
Net loss on non-current assets held for sale	1,729	-	1,729	-
Unrealised foreign exchange loss	-	-	551	-
and after crediting:				
Interest income	256	-	1,158	-
Net reversal of provision for liquidated ascertained damages	-	-	11,255	-
Rental income	9	-	52	-
Reversal of allowance for doubtful debts on receivables	338	-	7,480	-
Reversal of interest expense (net) imputed in retention sum	74	-	135	-
Reversal of impairment loss on non-current assets held for sale	2,113	-	-	-
Net gain on disposal of property, plant and equipment	1,729	-	905	-
Unrealised foreign exchange gain	2,506	-	-	-

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. 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. On 25 February 2020, the Company submitted an application to Bursa Securities seeking its approval for third extension of time to submit its proposed regularisation plan. Bursa Securities has, via its letter dated 16 April 2020, granted the Company further extension of time up to 27 September 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 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 September 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 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.

By Order of the Board

Datuk Lim Thean Shiang
Non-Executive Chairman
26 August 2020