



DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report 30 June 2016

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
Revenue	96,211	193,181	282,772	395,949
Cost of Sales	(85,679)	(169,983)	(276,869)	(366,907)
Gross Profit	10,532	23,198	5,904	29,042
Other Income	2,831	4,961	8,584	15,121
Operating Expenses	(22,297)	(13,167)	(43,914)	(25,543)
Profit from operations	(8,933)	14,992	(29,427)	18,620
Finance Costs	(7,723)	(2,201)	(14,596)	(4,727)
Share of results of jointly controlled entities	1,266	749	1,424	966
Profit before tax	(15,391)	13,540	(42,599)	14,859
Income tax expense	(1,202)	(4,042)	(2,327)	(4,782)
Profit for the period	(16,592)	9,498	(44,926)	10,076
Dividend	-	-	-	-
	(16,592)	9,498	(44,926)	10,076
Attributable to :				
Equity holders of the Company	(18,104)	8,774	(47,312)	8,514
Non-controlling interests	1,512	724	2,386	1,562
	(16,592)	9,498	(44,926)	10,076
Basic earnings per share (sen):	(1.04)	0.53	(2.72)	0.52

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 2015.

DAYA MATERIALS BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.06.2016 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.06.2015 RM'000	CURRENT YEAR TO DATE 30.06.2016 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.06.2015 RM'000
Profit for the period	<u>(16,592)</u>	<u>9,498</u>	<u>(44,926)</u>	<u>10,076</u>
Other comprehensive income:				
Foreign currency translation differences for foreign subsidiaries	9,084	(4,177)	18,982	(5,777)
Fair value gain on investment in available -for-sales("AFS") assets				
Total comprehensive (loss)/income for the period, net of tax	<u>(7,508)</u>	<u>5,321</u>	<u>(25,944)</u>	<u>4,299</u>
Total comprehensive (loss)/income for the period attributable to:				
Equity holders of the Company	(9,020)	4,597	(28,330)	2,737
Non-controlling interests	1,512	724	2,386	1,562
	<u>(7,508)</u>	<u>5,321</u>	<u>(25,944)</u>	<u>4,299</u>

The accompanying notes form an integral part of, and should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2015.

DAYA MATERIALS BERHAD

(Company No: 636357-W)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2016

(The figures have not been audited)

	UNAUDITED 30.06.2016 RM'000	AUDITED 31.12.2015 RM'000
Non Current Assets		
Property, plant and equipment	676,525	704,694
Inventories - non current	8,655	8,288
Investment properties	5,213	5,215
Intangible assets	84,783	84,901
Investment in joint ventures	2,505	4,235
Available-for-sale financial asset	15,667	15,333
Deferred tax assets	11,478	11,797
Long term receivables	28,000	28,000
	<u>832,826</u>	<u>862,464</u>
Current Assets		
Inventories	25,292	24,166
Trade receivables	80,792	172,131
Other receivables, deposits and prepaid expenses	55,637	58,229
Amount due from contract customers	15,555	-
Tax recoverable	2,798	2,855
Marketable securities	78	101
Cash and bank balances	97,941	143,658
	<u>278,093</u>	<u>401,140</u>
Current Liabilities		
Loans and borrowings	103,162	150,462
Trade payables	95,138	129,873
Other payables and accrued expenses	101,749	110,112
Amount due to contract customers	-	26,256
Tax liabilities	1,648	3,059
	<u>301,697</u>	<u>419,762</u>
Net Current Assets	(23,604)	(18,622)
	<u>809,222</u>	<u>843,842</u>
Financed by:		
Share capital	185,302	173,602
Reserves	58,070	86,085
	<u>243,373</u>	<u>259,687</u>
Non-controlling interests	39,304	35,536
	<u>282,676</u>	<u>295,223</u>
Non Current Liabilities		
Deferred tax liabilities	3,137	4,414
Loans and borrowings	523,409	544,205
	<u>809,222</u>	<u>843,842</u>
Net assets per share (sen)	<u>13.13</u>	<u>14.96</u>

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2015 and accompanying explanatory notes attached to these interim financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

(The figures have not been audited)

	Attributable to Equity Holders of the Company						Total RM'000	Non- controlling interests RM'000	Total Equity RM'000	
	Non-Distributable			Distributable						
	Share capital RM'000	Share premium RM'000	Equity Component Reserve RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	Fair Value Reserve RM'000	Retained earnings RM'000			
Balance as at 1 January 2016	173,602	71,440	4,713	(22,120)	(1)	4,000	28,053	259,687	35,535	295,223
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(29,208)	(29,208)	874	(28,334)
Transactions with owners:								-		
Purchase of treasury shares	-	-	-	-	(0)	-	-	(0)		
Issuance of shares	-	-	-	-	-	-	-	-		
Foreign currency translation differences	-	-	-	9,898	-	-	-	9,898		
Fair value gain on investment in AFS asset	-	-	-	-	-	666.67	-	667		
Balance as at 31 March 2016	<u>173,602</u>	<u>71,440</u>	<u>4,713</u>	<u>(12,221)</u>	<u>(1)</u>	<u>4,667</u>	<u>(1,155)</u>	<u>241,044</u>	<u>36,409</u>	<u>277,454</u>
Total comprehensive (loss)/income for the period	-	-	-	-	-	-	(18,104)	(18,104)	1,512	(16,592)
Transactions with owners:										
Purchase of treasury shares	-	(18)	-	-	-	-	-	(18)		
Disposal of subsidiaries	-	-	-	-	-	-	-	-	1,382	
Issuance of shares	11,700	-	-	-	-	-	-	11,700		
Foreign currency translation differences	-	-	-	9,084	-	-	-	9,084		
Fair value gain on investment in AFS asset	-	-	-	-	-	(333.33)	-	(333)		
Balance as at 30 June 2016	<u>185,302</u>	<u>71,422</u>	<u>4,713</u>	<u>(3,137)</u>	<u>(1)</u>	<u>4,333</u>	<u>(19,259)</u>	<u>243,372</u>	<u>39,304</u>	<u>282,676</u>

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2016

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.06.2016 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2015 RM'000
	Note	
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(42,599)	(2,533)
Adjustments for:		
Amortisation on intangible assets	161	441
Amortisation of redeemable convertible secured bond		373
Depreciation on property, plant and equipment	10,203	18,692
Depreciation on investment property	2	5
Loss/(Gain) on disposal of property, plant & equipment	(260)	1,010
Property, plant and equipment written off		51
Fair value (gain) / loss on marketable securities		(3)
Bad debts written off		6
Finance costs	14,596	11,869
Interest income	(3,070)	(1,054)
Development expenditures incurred	(366)	-
Net unrealised foreign exchange gain		(13,752)
Allowance for impairment of receivables		148
Gain on appreciation of market value of marketable securities	23	
Gain on disposal of non current assets held for sale		(1,284)
Gain on disposal of shares in a joint venture		(72)
Share of result of joint venture's	(1,424)	(1,701)
Strike-off of a joint venture		(1)
Operating profit / (Loss) before working capital changes	(22,734)	12,195
Changes in working capital:		
Amount due from contract customers	-	28,292
Inventories	(1,127)	(7,308)
Trade and other receivables	91,339	(65,930)
Other current assets	2,592	
Trade and other payables	(84,909)	83,262
Amount due to contract customers	-	26,256
Amounts due from / due to Intercompany	-	
Cash (used in) / generated from operations	(14,838)	76,765
Interest received	3,070	1,054
Interest paid	(14,596)	(11,869)
Income tax (paid) / refunded	(3,399)	(10,401)
Net Cash Used In Operating Activities	(29,762)	55,550

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(The figures have not been audited)

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(983)	(536,908)
Disposal of partial interest in subsidiary that does not involve loss of control		11,409
Proceeds from disposal of property, plant and equipment	355	231
Proceeds from disposal of non current assets held for sale		4,978
Proceeds from disposal of shares in a joint venture		84
Purchase of intangible assets	(44)	(103)
Purchase of partial interest in subsidiary from NCI		(2,424)
Increase in long term receivables		(28,000)
(Increase)/Decrease in pledged deposits placed with licensed banks	24,413	

Net Cash Used In Investing Activities

23,740 (550,734)

CASH FLOWS FROM FINANCING ACTIVITIES

Net drawdown of loans and borrowings		373,294
Net proceeds from issuance of redeemable convertible secured bonds		123,579
Repayment of loans and borrowings	(94,546)	
Proceeds from loans and borrowings	43,706	
Proceeds from disposal of treasury shares	(0)	
Proceeds from issuance of ordinary shares	11,682	8,420
Purchase of treasury shares	(0)	(0)
Reduction of share premium		(110)

Net Cash Generated From Financing Activities

(39,158) 505,183

NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS

(45,180) 10,000

Effect of exchange rate fluctuation on cash held

28,059 18,464

CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD

71,215 42,752

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

54,094 71,215

CASH AND CASH EQUIVALENTS AT END OF THE PERIOD

Cash and bank balances	36,996	92,057
Fixed deposits with licenced banks	57,428	51,581
Short term investments	3,517	21
Bank overdraft	(8,005)	(25,751)
	89,936	117,908
Less: Fixed deposits pledged with licensed banks	(35,841)	(46,693)
	54,094	71,215

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A EXPLANATORY NOTES PURSUANT TO MFRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134 "Interim Financial Reporting" and paragraph 9.22 and Appendix 9B of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

The interim financial statements should be read in conjunction with the audited financial statements for the year ended 31 December 2015. The explanatory notes attached to these condensed consolidated 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 year ended 31 December 2015.

A2 Changes in accounting policies

The significant accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited financial statements for the financial year ended 31 December 2015, except for the adoption of the following Standards, Amendments and Interpretation from 1 January 2016:

Effective for financial periods beginning on or after 1 January 2016

Annual Improvements to MFRS 2012 – 2014 Cycle

Amendments to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation

Amendments to MFRS 116 and MFRS 141: Agriculture: Bearer Plants

Amendments to MFRS 11: Accounting for Acquisitions of Interests in Joint Operations

Amendments to MFRS 127: Equity Method in Separate Financial Statements

Amendments to MFRS 101: Disclosure Initiatives

Amendments to MFRS 10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception

MFRS 14: Regulatory Deferral Accounts

Effective for financial periods beginning on or after 1 January 2018

MFRS 9: Financial Instruments

MFRS 15: Revenue from Contracts with Customers

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material effect to the financial statements of the Group upon their initial application, other than for MFRS 15: Revenue from Contracts with Customers and MFRS 9 Financial Instruments. The Group is currently assessing the impact of MFRS 15 and plans to adopt the new standard on the required effective date. The adoption of MFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will have no impact on the classification and measurement of the Group's financial liabilities.

A3 Seasonal or cyclical factors

The Group's interim operations were not subject to any seasonal or cyclical factors.

A4 Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no items or events that arose, which affected assets, liabilities, equity, net income or cash flows, that are unusual by reason of their nature, size or incidence in the quarter under review.

A5 Changes in estimates, significant accounting estimates and judgements

There were no changes in the nature and estimates of amounts reported which have a material effect on the results in the quarter under review.

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A6 Debt and equity securities

There were no significant issuances, cancellations, repurchases, resale and repayments of debt and equity securities during the quarter under review.

A7 Dividends paid

No dividend has been declared or paid for the financial year ended 31 December 2016.

A8 Segment information

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

Business Segment	Polymer RM'000	Oil & Gas RM'000	Technical Services RM'000	Others RM'000	Total RM'000
Revenue	5,727	67,103	209,943	(0)	282,772
Segment Results	(971)	(34,554)	8,331	(473)	(27,667)
Unallocated Results					(1,760)
Profit from Operations					(29,427)
Finance Costs					(14,596)
Share of results of jointly controlled entities					1,424
Profit Before Tax					(42,599)
Income Tax Expense					(2,327)
Profit After Tax					(44,926)

A9 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment from previous annual financial statements.

A10 Intangible assets

	Goodwill RM'000	Software RM'000	Patents and Trademarks RM'000	Development Costs RM'000	Total RM'000
Cost					
At 1 January 2015	84,321	1,597	152	360	86,430
Additions	-	103	-	-	103
Adjustment	-	24	-	-	24
Exchange differences	-	148	-	-	148
At 31 December 2015/1 January 2016	84,321	1,871	152	360	86,704
Additions	-	44	-	-	44
At 30 June 2016	84,321	1,915	152	360	86,748

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	Goodwill RM'000	Software RM'000	Patents and Trademarks RM'000	Development Costs RM'000	Total RM'000
Accumulated amortisation					
At 1 January 2015	-	841	93	360	1,294
Amortisation	-	390	51	-	441
Exchange differences	-	68	-	-	68
At 31 December 2015/1 January 2016	-	1,299	144	360	1,803
Amortisation	-	161	-	-	161
At 30 June 2016	-	1,461	144	360	1,965
Net carrying amount:					
At 1 January 2015	84,321	756	59	(0)	85,136
At 31 December 2015/1 January 2016	84,321	572	8	(0)	84,901
At 31 June 2016	84,321	454	8	(0)	84,783

A11 Subsequent Events

Save for Section B7, there were no material events subsequent to the current financial quarter ended 30 June 2016 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

A12 Changes in the composition of the Group

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

Disposal of 100,000 ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the Issued and the paid-up capital of DUSB to Daya CMT Sdn. Bhd. ("DCMT"), which is 51% owned subsidiary of the Company, For a cash consideration of not more than RM 7,000,000 ("Internal Group Re-organisation")

DUSB is principally engaged in the property investment holding. On 15 April 2016, DMB entered into a Share Sale Agreement with Daya CMT Sdn. Bhd. ("DCMT") to sell 100,000 Ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB together with all liabilities with DUSB, to DCMT, which is a 51% owned subsidiary of DMB for a cash consideration of not more than RM 7,000,000 ("Purchase Consideration") ("Internal Group Re-organisation") subject to the terms and conditions of the Share Sale Agreement.

The completion of the share sale is subject to fulfilment of condition precedent as stated in the Share Sale Agreement.

Pursuant to Clause 4 of the Sale and Purchase Agreement, on the fulfilment by the Company procuring the relevant approval/consent from its existing financiers to release its obligations as corporate guarantors within three (3) months from the date of the SPA.

On 18 July 2016, The Board announce that DCMT had, at DMB's request on 15 July 2016, agreed to extend the Stipulated Period for One (1) month commencing from the expiry of the Stipulated Period and free from interest ("Extended Period").

The Board of Directors of DMB wishes to announce that DCMT had on even date, at DMB's request, agreed to further extend the Extended Period for Three (3) months commencing from the expiry of the Extended Period and free from interest ("Further Extended Period") in order to satisfy the conditions precedent as required under the SPA.

In this regard, save for the above, all other terms and conditions in the SPA remain unchanged.

This announcement is dated 12 August 2016.

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A13 Contingent Assets and Contingent Liabilities

As at 30 June 2016, the Company provides corporate guarantees up to a total amount of RM 707,658,155 to licensed banks for banking facilities granted to certain subsidiaries. Consequently, the Company is contingently liable for the amount of banking facilities utilised by these subsidiaries totalling RM 570,390,462.

As at 30 June 2016, the Company also provides corporate guarantees up to a total amount of RM 12,306,719 to third parties for supply of goods and services for certain subsidiaries. Consequently, the Company is contingently liable for the amount owing by these subsidiaries to the third parties totalling RM 2,136,681.

There were no material contingent assets as at the date of this report.

A14 Capital Commitments

**As at
30.06.2016
RM'000**

Approved but not contracted for:

9,606

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

Current Year Quarter versus Preceding Year Corresponding Quarter

(i) Polymer segment

The revenue on the Polymer Segment for the quarter ended 30 June 2016 ("Q2 2016") was recorded at RM2.327 million, an decrease of 64% from RM6.405 million recorded in the preceding corresponding quarter ended 30 June 2015 ("Q2 2015") with contributions principally from sales of Semicon and Jacketing compounds. The division has recorded a loss of RM 0.376 million as result of low sales performance.

(ii) Oil & Gas segment

The Group has recorded a lower revenue in the Oil & Gas segment of RM54.469 million for Q2 2016, a decline of 58% from RM130.594 million in Q2 2015. The lower revenue in the current quarter were due off hire for SD1 during current quarter, resulted in a loss of RM15.640 million in Q2 2016.

(iii) Technical Services segment

The revenue in the Technical Services segment decreased by 30% from RM56.182 million in Q2 2015 to RM39.415 million in Q2 2016 due to completion of most major projects and pending new construction contracts kick in. Technical Services segment recorded a higher pre tax profit of RM4.638 million as compared to Q2 2015 of RM2.468 million arising from completion of projects.

Overall, the Group achieved revenue of RM96.211 million for Q2 2016, a decline of 50% from RM193.181 million recorded in Q2 2015. The Group closed with a loss before tax of RM15.391 million for Q2 2016 as compared to RM13.540 million profit in Q2 2015 mainly due to minimal vessel utilization with fixed overhead in offshore business.

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B2 Variation of results against preceding quarter

	Quarter ended 30.06.2016 RM'000	Quarter ended 31.03.2016 RM'000
Revenue	96,211	186,561
Profit (loss) before tax	(15,391)	(27,209)

For the quarter ended 30 June 2016, the Group recorded revenue of RM96.211 million, an decrease of 48% as compared to RM186.560 million recorded in Q1 2016. The decrease in revenue was mainly due to lower revenue in Technical Services Segment, as compared to Q1 2016. Losses was reduced between Q2 2016 and Q1 2016 due to lower profit generated from technical services segment, and lower losses in Oil & Gas segment.

B3 Prospects

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

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

The future performance of our upstream business depends principally on the market demand vessel utilization and prevailing charter rates. Global offshore environment has been depressed for the entire 2015 due to weak oil price and demand. The market condition is expected to remain very challenging for most of 2016. As a result, both vessel utilization and charter rates are expected to be weak in the foreseeable future. On the downstream sector, we also expect downward pricing pressure and increased competition as customers seek to reduce their cost structures in their efforts to adjust to cost cutting to weather through the weak economic condition.

(ii) Technical Services Segment

The Technical Services Segment is expected to deliver consistent performance in 2016 given our existing order book as well as our anticipated competitive position in some of the tenders we are participating. While the Group has earmarked this business for divestment, we will continue to ensure reasonable performance and contributions from this business.

(iii) Polymer Segment

The prospect of the polymer business is expected to remain subdued due to the slow growth of the industry and continued foreign competition. The Group will continue to adjust its business model in order to optimize our market position within the industry.

In view of the increasingly challenging environment, the management is embarking on several key strategic financial and operational initiatives. Subject to the successful execution of these initiatives, the Board expects a reasonable performance for 2016 in line with the performance of the overall oil and gas industry.

B4 Profit forecast

Not applicable.

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B5 Income tax expenses

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	RM'000	RM'000	RM'000	RM'000
In respect of the current period:				
Malaysian income tax	(2,274)	4,836	5,231	6,415
Deferred tax income	3,476	(794)	(2,904)	(1,633)
	<u>1,202</u>	<u>4,042</u>	<u>2,327</u>	<u>4,782</u>

The comparatively lower effective tax rate was mainly due to the losses incurred in some of the subsidiaries of the Group and certain expenses which was not deductible for tax purposes in prior year.

B6 Sale of unquoted investments and properties

There were no major disposal of unquoted investments and properties during the quarter under review except for the disposals covered under B7 status of corporate proposals.

B7 Status of corporate proposals

The status of a corporate proposal announced by the Company and completed as at 19 Aug 2016, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

(i) Memorandum of Understanding ("MOU") between Daya Proffscorp Sdn. Bhd. ("DPRO"), a subsidiary of the Company and Cimolai Technology SPA ("Cimolai")

On 22 April 2014, the Board announced that DPRO, a subsidiary of the Company had on 21 April 2014 entered into a MOU with Cimolai. The MOU confirmed the agreement between Cimolai and DPRO that for the proposed project known as "Mobile Straddle Transporter MST 320", Cimolai will quote only through DPRO while DPRO will not propose any equipment other than that of Cimolai's. All other material terms and conditions will be agreed between the parties before the offer is formally submitted to the client.

Cimolai is involved in the design, manufacture and supply of machines for lifting and transportation operations to be used in the construction of facilities and civil works in precast yards, shipyards (boat production or refit), marinas, laying up facilities, ports, in industries like steel and renewable energy and in special and innovative fields where tailor made solutions are required.

As at todote, the status of the MOU remains unchanges.

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(ii) Proposed disposal of up to 50% shares in Daya CMT Sdn. Bhd.

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

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

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

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

The Company had on 20 April 2016 received a letter from PSSB stating amongst others, that PSSB wishes to extend the Call Option Period by 6 months ("Proposed Extension"), thereby making it 30 months from the Completion Date.

The Company has agreed and accepted to the Proposed Extension and the Call Option shall now be valid and PSSB is entitled to exercise the call option at any time and from time to time up to and including 17 January 2017.

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

(iii) Proposed Disposal of 1,690,000 ordinary shares of RM 1.00 each in Daya OCI Sdn Bhd ("DOCI") representing 16.9 % of the issued and paid up share capital of DOCI to Rancak Nikmat Sdn Bhd ("The Purchaser")

On 30 November 2015, Daya Materials Berhad ("DMB" or "THE COMPANY") entered into a Sale and Purchase Agreement ("SPA") with the Purchaser to dispose 1,690,000 ordinary shares of RM 1.00 each in Daya OCI Sdn Bhd ("DOCI") representing 16.9 % of the issued and paid up share capital of DOCI to the Purchaser at a total cash consideration of RM 9,200,000 ("Consideration") ("Proposed Disposal").

The consideration will be utilised by DMB to meet its general working capital requirement.

The proposed disposal had been completed.

(iv) Memorandum of Understanding ("MOU") between Daya Materials Berhad ("DMB") and Petroleum Trading Joint Stock Company ("Petechim Jsc")

On 4 December 2015, DMB has entered into a MOU with PETECHIM JSC. The purpose of the MOU is to record the preliminary intentions and understanding of DMB and PETECHIM JSC with respect to their common interest and agreement to combine their expertise, know-how, industry connections and resources to collaborate in providing products and services to the Vietnamese Oil & Gas markets, which has a tenure of one (1) year from the date of MOU.

As at todote, the status of the MOU remains unchanged.

(v) Proposed Private Placement

On 25 November, the Board announced that the Company proposes to issue up to 173,601,885 new ordinary shares of RM0.10 each in the Company ("DMB Shares") representing up to 10% of the issued and paid-up capital of the Company through a private placement exercise ("Proposed Private Placement").

On 30 November 2015, the Board announced that Bursa Malaysia had, via its letter dated 02 December 2015, approved DMB's application for the listing of the placement shares in respect of the Proposed Private Placement.

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On 11 May 2016, the Board submitted an application to Bursa Securities for an extension of time of 6 months from 2 June 2016 to 1 December 2016 for the implementation of the Private Placement.

On behalf of the Board of Directors of DMB, Hong Leong Investment Bank berhad ("HLIB") announced that Bursa Malaysia Securities Berhad has, via its letter dated 27 May 2016, approved the application for an extension of time of 6 months from 2 June 2016 until 1 December 2016 to complete the implementation of the Private Placement.

On 17 June 2016 and 23 June 2016 the Company had issued 57,000,000 and 60,000,000 new ordinary shares of RM 0.10 each through private placement at an issue price of RM 0.10 per share respectively for a total consideration of RM 11,700,000

(vi) Daya Materials Berhad ("DMB" or The "Company") Award of Contract from Schlumberger Middle East S.A

On the 15 August 2016, the Company announced that its subsidiary, Daya Maxflo Sdn Bhd ("DMAX") has been awarded a 3 years contract by Schlumberger in the Middle East, for the provision of specialised well services in Saudi Arabia. The job under the contract will commence in the third quarter 2016.

This announcement is dated 15 August 2016.

(vii) Memorandum of Understanding ("MOU") between Daya Offshore Construction Sdn Bhd ("DOCSB"), a wholly-owned subsidiary of DMB and Petro Pride Subsea Ltd ("PPSL")

The Board of Directors of DMB announced that DOCSB, a subsidiary of DMB, had on 19 August 2016 entered into a MOU with PPSL.

The purposes of the MOU is to record the preliminary intentions and understanding of DOCSB and PPSL with respect to their common interest and agreement to combine their expertise, know-how, industry connections and resource to collaborate in providing services for the provision of fabrication and installation of pipeline project.

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(viii) Proposal Disposal of 100,000 ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB to Daya CMT Sdn. Bhd. ("DCMT"), which is 51% owned subsidiary of the Company, For a cash consideration of not more than RM 7,000,000 ("Internal Group Re-organisation")

DUSB is principally engaged in the property investment holding. On 15 April 2016, DMB entered into a Share Sale Agreement with Daya CMT Sdn. Bhd. ("DCMT") to sell 100,000 Ordinary shares of RM1.00 each in Daya Urusharta Sdn. Bhd. ("DUSB") representing 100% of the issued and the paid-up capital of DUSB together with all liabilities with DUSB, to DCMT, which is a 51% owned subsidiary of DMB for a cash consideration of not more than RM 7,000,000 ("Purchase Consideration") ("Internal Group Re-organisation") subject to the terms and conditions of the Share Sale Agreement.

The completion of the share sale is subject to fulfilment of condition precedent as stated in the Share Sale Agreement, i.e upon the fulfilment by the Company procuring the relevant approval/consent from its existing financiers for the sale and to release its obligations as corporate guarantors within three (3) months from the date of the SPA.

On the 15 July 2016, DCMT and DMB had agreed to extend the completion of share sale agreement by one month from the date stipulated completion under the agreement.

On the 12 August 2016, DMB agreed to further extend the Extended Period for Three (3) months commencing from the expiry of the Extended Period and free from interest ("Further Extended Period") in order to satisfy the conditions precedent as required under the Share Sale Agreement.

In this regard, save for the above, all other terms and conditions in the Share Sale Agreement remain unchanged.

B8 Group's borrowings and debt securities

The Group's borrowings are as follows:

	Payable within 12 months RM'000	Payable after 12 months RM'000	Total Outstanding RM'000
Secured borrowings			
Trade facilities	19,698	-	19,698
Hire purchases	2,817	9,648	12,465
Overdraft	8,005	-	8,005
Term loans	72,642	396,239	468,880
Bond issues	-	-	-
Convertible notes	-	117,522	117,522
Redeemable preference shares	-	-	-
	<u>103,162</u>	<u>523,409</u>	<u>626,571</u>

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

- legal charges over subsidiaries freehold land and buildings;
- corporate guarantee by the Company;
- a debenture over all assets of certain subsidiaries;
- a pledge on the Company and subsidiaries' fixed deposits; and
- a pledge of 100% unquoted shares over the entire issued and paid-up capital of certain subsidiaries.

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B9 Material litigations

Save for the following, there was no material litigation involving the Group since the last financial year ended 31 December 2015 and 19 August 2016, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report.

(a) Kuala Lumpur High Court Suit No. D3-22-360-2008 (Seca Dyme Sdn. Bhd. (now known as Daya Secadyme Sdn. Bhd.) v Mohd. Akbar B Hj. Johari & 4 Others)

On 25 March 2008, Daya Secadyme Sdn. Bhd. ("DSSB") filed a civil suit against (i) Mohd Akbar B Hj. Johari, (ii) AJ Premier Holdings Sdn Bhd, (iii) Aims Mission Sdn Bhd, (iv) Global Max Trading Sdn. Bhd. and (v) Azrul Bin Mohd Nasir trading as Rasa Indah Trading ("Defendants") vide KL High Court Civil Suit No. D3-22-380-2008. The claim against the 1st, 2nd and 3rd Defendants is based on fraudulent misrepresentation and/or fraud perpetrated in conspiracy with the other Defendants, and alternatively for monies had and received, and against the 4th and 5th Defendants on fraud perpetrated in conspiracy with the other Defendants. The amount claimed is RM1,942,250 with interest at 8.00% p.a. thereupon from judgment to settlement, and the legal costs of the proceedings.

On the 11 August 2011, the 1st and 2nd Defendants consented to Judgment for a sum of RM1,200,000.00 payable by way of four (4) instalments. In default of any one of these instalments, the 1st and 2nd Defendants become liable for the payment of the entire sum claimed of RM1,942,250 less any instalments paid. The 1st and 2nd Defendants have also agreed to provide security for the instalments payments in the form of titles to properties in default of which the entire sum due on the instalments shall fall due as at the date of default.

Therefore, the 1st defendant, after repeated reminders, has still failed to settle the judgement sum. On 19 March 2015, DSSB through its solicitors successfully lodged a proof of debt form with the Insolvency Department of Malaysia against the 1st Defendant for the sum of RM1,912,250.00. The matter is currently kept in abeyance pending notification of creditors' meeting by the Insolvency Department of Malaysia. As of the date of the quarterly update, the matter is still pending notification of creditors' meeting by the insolvency department of Malaysia.

(b) Kuala Lumpur High Court Suit No. 22NCC-90-03/2014 (Mark Leonard Midgley v Daya Materials Berhad and Daya Offshore Construction Sdn. Bhd.)

On 18 March 2014, the Company and its wholly-owned subsidiary, Daya Offshore Construction Sdn. Bhd. ("DOCSB"), had been notified by their lawyers, Messrs. Zain Megat & Murad, the receipt of a letter dated 17 March 2014 from Messrs. Trevor George Partnership ("the Plaintiff's Solicitors"), the lawyers acting for and on behalf of Mark Leonard Midgley ("Plaintiff"), the former Chief Executive Officer and Director of DOCSB, together with a copy of the sealed Writ of Summons and Statement of Claim ("Writ of Summons and Statement of Claim") also dated 17 March 2014, where both the Company and DOCSB had been named as defendants in a civil suit filed by the Plaintiff in the High Court of Malaya at Kuala Lumpur ("the Suit").

The trial of this litigation suit was completed on 19 March 2015 and fixed for decision on 29 September 2015 wherein the Court granted the following order for the Plaintiff and dismissed the Plaintiff's claim for damages as follows:-

- (1) A declaration, under s. 41 of the Specific Relief Act 1950 that the Company had breached its obligations under the shareholders agreement dated 30 April 2013 ("Shareholders Agreement");
- (2) Consequent to the above, an order that the Company do, pursuant to Clause 23.7 of the Shareholders Agreement, cease to have:
 - (i) any voting rights in respect of any shares it may have in DOCSB; and
 - (ii) any entitlement for any of its Directors to attend and vote at any meetings of the Board of DOCSB and a quorum for meetings of the Board shall be one (1) Director appointed by the other Party;

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- (3) That pursuant to the Shareholders Agreement, that the Company do, within Ninety (90) Days from the date of order, conduct a valuation of 80% (4 million shares) in DOCSB and that the Plaintiff be at liberty to verify / counter such valuation by appointing his own valuers for the same;
- (4) An injunction against the Company and/or DOCSB, their officers, agents, servants or whosoever, from acting in breach (further breach) of the provisions of the Shareholders Agreement; and
- (5) Costs of RM50,000.00.

(collectively "Judgement").

The Court also dismissed the Defendant's counterclaim.

The hearing of the formal stay application was held on 14 December 2015 wherein the Court granted an order for the stay of execution and any proceedings (if any) for the execution of the Judgment pending the decision / disposal of the appeal to the Court of Appeal "Appeal", and made no order as to costs. The Appeal was fixed for a Case Management Conference on 26 April 2016 in order for the Court to fix a date for the Appeal hearing. At the Case Management Conference the Plaintiff's Solicitors filed a Discharge Application and the Court fixed the Discharge Application for a hearing on 25 May 2016.

The Appeal is now fixed for hearing on 28 September 2016 during the Discharge Application.

(c) Shah Alam High Court Suit No. 22NCVC-480-10/2014 (Tideway Alliance Sdn. Bhd. v Daya OCI Sdn. Bhd.)

On 12 May 2016, the Court of Appeal had heard the appeal by DOCI and had unanimously allowed DOCI's appeal with cost and hence overturned the decision of the High Court granted in favour of Tideway on 25 November 2015

On 22 July 2016 DOCI was informed by their solicitors that Tideway has filed a motion for an extension/abridgement of time in filing their leave application (the "Motion") to appeal to the Federal Court . Pursuant thereto, the Court has given a direction for parties to dispose the Motion first before the Court giving any directions on the leave application itself.

Pursuant to the case management for the Motion on 3 August 2016, the Court has fixed the hearing of the leave application on 22 September 2016.

B10 Proposed Dividends

The Board of Directors did not recommend the payment of any dividends for the financial year ended 31 December 2016.

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B11 Basic earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
Net (loss)/profit for the period attributable to ordinary equity holders of the company (RM'000)	(18,104)	8,774	(47,312)	8,514
Weighted average number of shares in issue ('000)	1,738,655	1,651,816	1,737,337	1,651,816
Basic earnings per share (sen)	<u>(1.04)</u>	<u>0.53</u>	<u>(2.72)</u>	<u>0.52</u>

No item, transaction or event has arisen in the interval between the end of the financial year and the date of this report which has dilutive effect on the ordinary shares. Hence, diluted earnings per share is not presented.

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 CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.06.2016 RM'000	30.06.2015 RM'000	30.06.2016 RM'000	30.06.2015 RM'000
The following amounts have been included in arriving at profit before tax:				
Finance costs	7,723	2,201	14,596	4,727
Depreciation on property, plant and equipment	5,844	4,442	10,203	8,528
Depreciation on investment property	1	1	2	2
Amortisation on intangible assets	71	230	161	286
Loss on disposal of property, plant & equipment	-	4	-	11
Realised foreign exchange loss	-	135	-	-
and after crediting:				
Interest income	1,583	323	3,070	522
Rental income	-	107	-	227
Unrealised foreign exchange gains	-	4,530	-	13,806
Realised foreign exchange gains	-	-	-	383
Gain on disposal of property, plant & equipment	242	-	260	-
Gain on disposal of a joint venture company	-	76	-	76

Except as disclosed above, there is no any impairment of other assets and gain or loss on derivatives.

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B13 Realised and Unrealised Profits

On 25 March 2010, Bursa Malaysia Securities Berhad issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Main Market Listing Requirements. The directive requires all listed issuers to disclose the breakdown of the unappropriated profits or accumulated losses as at the end of the reporting period, into realised and unrealised profits or losses.

On 20 December 2010, Bursa Malaysia Securities Berhad further issued guidance on the disclosure and the format required.

The breakdown of the retained earnings of the Group as at the reporting date, into realised and unrealised profits, pursuant to the directive, is as follows:

	CUMULATIVE QUARTER	
	AS AT	AS AT
	30.06.2016	31.12.2015
	RM'000	RM'000
Total retained earnings of DMB and its subsidiaries:		
- Realised profits	25,001	43,834
- Unrealised profits	15,298	29,134
	<u>40,300</u>	<u>72,969</u>
Less: Consolidated adjustments	(59,559)	(44,916)
Total group retained earnings as per consolidated accounts	<u>(19,259)</u>	<u>28,053</u>

The comparative amounts have been reclassified to conform with audited financial statement's presentation.

The breakdown of the retained profits into realised and unrealised is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits and Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

The disclosure of realised and unrealised profits above is solely for compliance with the disclosure requirements stipulated in the directive of Bursa Malaysia Securities Berhad and should not be applied for any other purposes.

B14 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2015 was unqualified.

By Order of the Board

Tham Jooi Loon

Executive Vice Chairman

Date: 26 August 2016