



DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report 31 March 2011

DAYA MATERIALS BERHAD

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

CONDENSED CONSOLIDATED INCOME STATEMENT

QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|-------------------------------|---------------------|---------------------|---------------------|---------------------|
| | CURRENT YEAR | PRECEDING YEAR | CURRENT | PRECEDING YEAR |
| | QUARTER | CORRESPONDING | YEAR TO DATE | CORRESPONDING |
| | 31.3.2011 | 31.3.2010 | 31.3.2011 | 31.3.2010 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 50,646 | 35,420 | 50,646 | 35,420 |
| Cost of Sales | (43,731) | (27,735) | (43,731) | (27,735) |
| Gross Profit | <u>6,915</u> | <u>7,685</u> | <u>6,915</u> | <u>7,685</u> |
| Other Income | 1,880 | 599 | 1,880 | 599 |
| Operating Expenses | (4,111) | (4,455) | (4,111) | (4,455) |
| Profit from operations | <u>4,684</u> | <u>3,829</u> | <u>4,684</u> | <u>3,829</u> |
| Finance Costs | <u>(954)</u> | <u>(470)</u> | <u>(954)</u> | <u>(470)</u> |
| Profit before tax | 3,730 | 3,359 | 3,730 | 3,359 |
| Income tax expense | <u>(1,040)</u> | <u>(998)</u> | <u>(1,040)</u> | <u>(998)</u> |
| Profit for the period | <u><u>2,690</u></u> | <u><u>2,361</u></u> | <u><u>2,690</u></u> | <u><u>2,361</u></u> |
| Attributable to : | | | | |
| Equity holders of the Company | 2,688 | 2,353 | 2,688 | 2,353 |
| Non-controlling interests | <u>2</u> | <u>8</u> | <u>2</u> | <u>8</u> |
| | <u><u>2,690</u></u> | <u><u>2,361</u></u> | <u><u>2,690</u></u> | <u><u>2,361</u></u> |
| Earnings per share (sen): | | | | |
| Basic | <u>0.24</u> | <u>0.28</u> | <u>0.24</u> | <u>0.28</u> |
| Diluted* | <u>0.24 *</u> | <u>0.28 *</u> | <u>0.24 *</u> | <u>0.28 *</u> |

* The dilution of the earnings per share is due to the dilutive potential ordinary shares pursuant to the conversion of Redeemable Convertible Secured Loan Notes.

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 2010.

DAYA MATERIALS BERHAD

(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--------------------------|--|-------------------------|
| | CURRENT YEAR QUARTER 31.3.2011 RM'000 | PRECEDING YEAR | CURRENT YEAR TO DATE 31.3.2011 RM'000 | PRECEDING YEAR |
| | | CORRESPONDING QUARTER | | CORRESPONDING PERIOD |
| | | 31.3.2010 RM'000 | | 31.3.2010 RM'000 |
| Profit for the period | 2,690 | 2,361 | 2,690 | 2,361 |
| Other comprehensive income: | | | | |
| Foreign currency translation differences for foreign subsidiaries | (18) | - | (18) | - |
| Total comprehensive income for the period, net of tax | 2,672 | 2,361 | 2,672 | 2,361 |
| Total comprehensive income for the period attributable to: | | | | |
| Equity holders of the Company | 2,670 | 2,353 | 2,670 | 2,353 |
| Non-controlling interests | 2 | 8 | 2 | 8 |
| | 2,672 | 2,361 | 2,672 | 2,361 |

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 2010.

DAYA MATERIALS BERHAD

(Company No: 636357-W)
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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2011

(The figures have not been audited)

| | UNAUDITED AS AT END OF CURRENT QUARTER 31.3.2011 RM'000 | AUDITED AS AT END OF FINANCIAL YEAR 31.12.2010 RM'000 |
|---|--|---|
| Non Current Assets | | |
| Property, plant and equipment | 91,796 | 90,866 |
| Investment property | 1,222 | 1,225 |
| Intangible assets | 83,491 | 83,491 |
| Investment in jointly controlled entities | 811 | 1,061 |
| Other receivable | 1,677 | 1,809 |
| | <u>178,997</u> | <u>178,452</u> |
| Current Assets | | |
| Inventories | 13,324 | 13,428 |
| Trade receivables | 44,502 | 47,641 |
| Other receivables | 14,295 | 9,614 |
| Other current assets | 8,483 | 5,040 |
| Tax recoverable | 5,324 | 3,562 |
| Financial assets at fair value through profit or loss | 191 | 159 |
| Cash and cash equivalents | 38,324 | 34,153 |
| | <u>124,443</u> | <u>113,597</u> |
| Current Liabilities | | |
| Trade payables | 14,360 | 10,372 |
| Other payables | 23,441 | 25,206 |
| Provisions | 2,696 | 2,321 |
| Tax payables | 4,093 | 2,393 |
| Loans and borrowings | 20,451 | 14,568 |
| | <u>65,041</u> | <u>54,860</u> |
| Net Current Assets | 59,402 | 58,737 |
| | <u>238,399</u> | <u>237,189</u> |
| Financed by: | | |
| Share capital | 111,915 | 109,673 |
| Reserves | 71,399 | 66,924 |
| | <u>183,314</u> | <u>176,597</u> |
| Non-controlling interests | 641 | 559 |
| | <u>183,955</u> | <u>177,156</u> |
| Non Current Liabilities | | |
| Other payables | 3,000 | 5,000 |
| Deferred tax liabilities | 916 | 1,086 |
| Loans and borrowings | 50,528 | 53,947 |
| | <u>54,444</u> | <u>60,033</u> |
| | <u>238,399</u> | <u>237,189</u> |
| Net assets per share (sen) | <u>16.38</u> | <u>16.10</u> |

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DAYA MATERIALS BERHAD

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

<-----Attributable to Equity Holders of the Company----->

| | Non-Distributable - | | | Distributable reserve | | Total RM'000 | Non- controlling interests RM'000 | Total Equity RM'000 |
|---|-------------------------|----------------------------|---|--|--------------------------------|-----------------|--|---------------------------|
| | Share capital RM'000 | Share premium RM'000 | Equity component of RCSLN RM'000 | Foreign Currency Transalation Reserve RM'000 | Retained earnings RM'000 | | | |
| Balance as at 1 January 2010 | 82,630 | 18,184 | 443 | - | 41,543 | 142,800 | 681 | 143,481 |
| Total comprehensive income for the period | - | - | - | - | 2,353 | 2,353 | 8 | 2,361 |
| Transactions with owners: | | | | | | | | |
| Effect on equity component of RCSLN | - | - | 75 | - | - | 75 | - | 75 |
| Balance as at 31 March 2010 | <u>82,630</u> | <u>18,184</u> | <u>518</u> | <u>-</u> | <u>43,896</u> | <u>145,228</u> | <u>689</u> | <u>145,917</u> |
| Total comprehensive income for the period | - | - | - | - | 4,398 | 4,398 | 32 | 4,430 |
| Transactions with owners: | | | | | | | | |
| Effect on equity component of RCSLN | - | - | 93 | - | - | 93 | - | 93 |
| Conversion of RCSLN | 1,451 | 1,549 | (91) | - | - | 2,909 | - | 2,909 |
| Private placements | 3,980 | 3,912 | - | - | - | 7,892 | - | 7,892 |
| Acquisition of subsidiaries | - | - | - | - | - | - | 96 | 96 |
| Dividends paid | - | - | - | - | (45) | (45) | - | (45) |
| Balance as at 30 June 2010 | <u>88,061</u> | <u>23,645</u> | <u>520</u> | <u>-</u> | <u>48,249</u> | <u>160,475</u> | <u>817</u> | <u>161,292</u> |
| Total comprehensive income for the period | - | - | - | - | 4,382 | 4,382 | 16 | 4,398 |
| Transactions with owners: | | | | | | | | |
| Effect on equity component of RCSLN | - | - | 110 | - | - | 110 | - | 110 |
| Issuance of bonus shares | 17,612 | (17,612) | - | - | - | - | - | - |
| Transaction costs | - | (83) | - | - | - | (83) | - | (83) |
| Disposal of a subsidiary | - | - | - | - | - | - | (90) | (90) |
| Dividends paid | - | - | - | - | (2,082) | (2,082) | - | (2,082) |
| Balance as at 30 September 2010 | <u>105,673</u> | <u>5,950</u> | <u>630</u> | <u>-</u> | <u>50,549</u> | <u>162,802</u> | <u>743</u> | <u>163,545</u> |
| Total comprehensive income for the period | - | - | - | 192 | 5,820 | 6,012 | 2 | 6,014 |
| Transactions with owners: | | | | | | | | |
| Private placements | 4,000 | 4,060 | - | - | - | 8,060 | - | 8,060 |
| Issuance of bonus shares | - | - | - | - | - | - | - | - |
| Disposal of a subsidiary | - | - | - | - | - | - | - | - |
| Dividends paid | - | - | - | - | - | - | (186) | (186) |
| Effect on equity component of RCSLN | - | (12) | (265) | - | - | (277) | - | (277) |
| Balance as at 31 December 2010 | <u>109,673</u> | <u>9,998</u> | <u>365</u> | <u>192</u> | <u>56,369</u> | <u>176,597</u> | <u>559</u> | <u>177,156</u> |
| Balance as at 1 January 2011 | 109,673 | 9,998 | 365 | 192 | 56,369 | 176,597 | 559 | 177,156 |
| Total comprehensive income for the period | - | - | - | (18) | 2,688 | 2,670 | 2 | 2,672 |
| Transactions with owners: | | | | | | | | |
| Conversion of RCSLN | 1,742 | 1,258 | (78) | - | - | 2,922 | - | 2,922 |
| Private placements | 500 | 625 | - | - | - | 1,125 | - | 1,125 |
| Issuance of shares to non-controlling interests | - | - | - | - | - | - | 80 | 80 |
| Balance as at 31 March 2011 | <u>111,915</u> | <u>11,881</u> | <u>287</u> | <u>174</u> | <u>59,057</u> | <u>183,314</u> | <u>641</u> | <u>183,955</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 2010.

DAYA MATERIALS BERHAD

(Company No: 636357-W)

(Incorporated in Malaysia)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

| | UNAUDITED CURRENT YEAR TO DATE 31.3.2011 RM'000 | AUDITED FOR THE YEAR ENDED 31.12.2010 RM'000 |
|--|---|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before tax | 3,730 | 22,733 |
| Adjustments for: | | |
| Share of results of joint ventures | - | (311) |
| Discount on convertible loan notes | 4 | 114 |
| Amortisation on intangible assets | - | 60 |
| Depreciation on property, plant and equipment | 1,146 | 4,037 |
| Depreciation on investment property | 4 | 15 |
| Gain on disposal of property, plant & equipment | (1,430) | (1,206) |
| Property, plant and equipment written off | 4 | 33 |
| Gain on disposal of a subsidiary | - | (89) |
| Fair value gain on marketable securities | (32) | (19) |
| Bad debts written off | - | 160 |
| Dividend income | - | (1) |
| Finance costs | 954 | 3,149 |
| Interest income | (256) | (787) |
| Unrealised foreign exchange (gain) / loss | (69) | 272 |
| Allowance for impairment | - | 1,598 |
| | <hr/> | <hr/> |
| Operating profit before working capital changes | 4,055 | 29,759 |
| Changes in working capital: | | |
| Net change in inventories | 104 | (4,801) |
| Net change in trade and other receivables | (1,341) | (27,409) |
| Other current assets | (3,443) | 4,036 |
| Net change in trade and other payables | 223 | 1,263 |
| Provisions | 375 | 1653 |
| | <hr/> | <hr/> |
| Cash generated from operations | (27) | 4,502 |
| Finance cost paid | (954) | (3,149) |
| Income tax paid | (1,253) | (8,017) |
| | <hr/> | <hr/> |
| Net Cash Used In Operating Activities | (2,234) | (6,664) |
| | <hr/> | <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (2,026) | (30,867) |
| Proceeds from disposal of property, plant and equipment | 1,375 | 1,436 |
| Purchase of marketable securities | - | (110) |
| Acquisition of subsidiaries | - | (26,284) |
| Proceeds from disposal of a subsidiary | - | 202 |
| Issuance of shares to non-controlling interests | 80 | - |
| Decrease / (Increase) in pledged deposits placed with licensed banks | (116) | (8,765) |
| Distribution of profits from a jointly controlled entity | 250 | - |
| Dividend received | - | 1 |
| Interest received | 256 | 787 |
| | <hr/> | <hr/> |
| Net Cash Generated From / (Used In) Investing Activities | (181) | (63,599) |
| | <hr/> | <hr/> |

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

| | UNAUDITED CURRENT YEAR TO DATE 31.3.2011 RM'000 | AUDITED FOR THE YEAR ENDED 31.12.2010 RM'000 |
|--|---|--|
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Repayment of loans and borrowings | (502) | (9,782) |
| Proceeds from loans and borrowings | 5,026 | 37,338 |
| Proceeds from issuance of shares | 1,125 | 16,936 |
| Transaction costs paid for issuance of bonus shares | - | (1,079) |
| Dividends paid | - | (2,268) |
| Net Cash Generated From Financing Activities | 5,649 | 41,145 |
| NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS | | |
| | 3,234 | (29,118) |
| Effect of exchange rate fluctuations on cash held | (18) | 192 |
| CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD/YEAR | 14,358 | 43,284 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR | 17,574 | 14,358 |
| CASH AND CASH EQUIVALENTS AT END OF THE PERIOD/YEAR | | |
| Cash and bank balances | 16,229 | 10,615 |
| Fixed deposits with licenced banks | 21,254 | 21,115 |
| Short term investments | 841 | 2,422 |
| Bank overdraft | (3,031) | (2,192) |
| | 35,293 | 31,961 |
| Less: Deposits pledged | (17,719) | (17,603) |
| | 17,574 | 14,358 |

- (i) In previous year, the Group had, on 18 August 2010 announced the completion of the disposal of 1,800 ordinary shares of RM1.00 each in OCI Energy Services Sdn. Bhd. ("OCIES") representing 100% of the issued and paid-up share capital of OCIES by Daya OCI Sdn. Bhd. (formerly known as OCI Energy Sdn. Bhd.) ("DOCI"), a direct wholly owned subsidiary of Daya Materials Berhad, Kamalukhair Bin Abdullah and Zaidi Bin Ayub to Ombak Marine Group Sdn. Bhd. for a total cash consideration of RM201,529.

The assets and liabilities of the disposed subsidiary are as follows:

| | UNAUDITED CURRENT YEAR TO DATE 31.3.2011 RM'000 | AUDITED FOR THE YEAR ENDED 31.12.2010 RM'000 |
|--|---|--|
| Property, plant and equipment | - | 4 |
| Trade and other receivables | - | 1,000 |
| Tax recoverable | - | 200 |
| Trade and other payables | - | (1,000) |
| Deferred tax liabilities | - | (1) |
| | - | 203 |
| Less: Non-controlling interests | - | (90) |
| | - | 113 |
| Gain on disposal of a subsidiary | - | 89 |
| Consideration received, satisfied in cash / Net cash inflows | - | 202 |

DAYA MATERIALS BERHAD

(Company No: 636357-W)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2011

(The figures have not been audited)

- (ii) In previous year, the Group had, on 14 June 2010 acquired 5,000,000 ordinary shares of RM1.00 each representing 100% of the issued and paid-up capital of DOCl for a cash consideration of RM28,000,000.

The assets and liabilities arising from the acquisition of the subsidiaries are as follows:

| | UNAUDITED CURRENT YEAR TO DATE 31.3.2011 RM'000 | AUDITED FOR THE YEAR ENDED 31.12.2010 RM'000 |
|---------------------------------------|---|--|
| Property, plant and equipment | - | 3,715 |
| Investment property | - | 937 |
| Investment in joint venture | - | 750 |
| Trade and other receivables | - | 6,645 |
| Cash and cash equivalents | - | 4,054 |
| Trade and other payables | - | (5,470) |
| Tax payables | - | (448) |
| Loans and borrowings | - | (1,778) |
| Deferred tax liabilities | - | (1) |
| Fair value of net assets | - | 8,404 |
| Less: Non-controlling interests | - | (96) |
| | - | 8,308 |
| Goodwill on acquisitions | - | 22,030 |
| Consideration paid, satisfied in cash | - | 30,338 |
| Cash and cash equivalents acquired | - | (4,054) |
| Net cash outflows | - | 26,284 |

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 2010.

DAYA MATERIALS BERHAD

(Company No: 636357-W)

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A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING

A1 Basis of preparation

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

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2010. These 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 2010.

A2 Significant Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2010, except for the adoption of the following new Financial Reporting Standards (FRSs), Amendments to FRSs and Interpretations:

| FRSs and Interpretations | Effective for financial periods beginning on or after |
|---|---|
| FRS 1 First-time Adoption of Financial Reporting Standards | 1 July 2010 |
| FRS 3 Business Combinations (Revised) | 1 July 2010 |
| Amendments to FRS 2 Share-based Payment | 1 July 2010 |
| Amendments to FRS 5 Non-current Assets Held for Sale and Discontinued Operations | 1 July 2010 |
| Amendments to FRS 127 Consolidated and Separate Financial Statements | 1 July 2010 |
| Amendments to FRS 138 Intangible Assets | 1 July 2010 |
| Amendments to IC Interpretation 9 Reassessment of Embedded Derivatives | 1 July 2010 |
| IC Interpretation 12 Service Concession Arrangements | 1 July 2010 |
| IC Interpretation 16 Hedges of a Net Investment in a Foreign Operation | 1 July 2010 |
| IC Interpretation 17 Distributions of Non-cash Assets to Owners | 1 July 2010 |
| Amendments to FRS 132: Classification of Rights Issues | 1 March 2010 |
| Amendments to FRS 1: Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters | 1 January 2011 |
| Amendments to FRS 7: Improving Disclosures about Financial Instruments | 1 January 2011 |
| Amendments to FRSs contained in the document entitled "Improvement to FRSs (2010)" | 1 January 2011 |
| IC Interpretation 4 Determining whether an Arrangement contains a Lease | 1 January 2011 |
| IC Interpretation 18 Transfer of Assets from Customers | 1 January 2011 |

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| | |
|---|----------------|
| IC Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments | 1 July 2011 |
| Prepayments of a Minimum Funding Requirement (Amendments to IC Interpretation 14) | 1 July 2011 |
| FRS 124 Related Party Transactions | 1 January 2012 |
| IC Interpretation 15 Agreements for the Construction of Real Estate | 1 January 2012 |

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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.

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 except for:-

(1) 17,421,603 new ordinary shares of RM0.10 each ("DMB Share") issued pursuant to the conversion of RM3 million Redeemable Convertible Secured Loan Notes at a conversion price of RM0.1722 per DMB share were listed on Bursa Malaysia on 19 January 2011.

(2) 5,000,000 new ordinary shares of RM0.10 each issued pursuant to the Private Placement were listed on Bursa Malaysia on 16 February 2011.

(3) 20,000,000 new ordinary shares of RM0.10 each issued pursuant to the Private Placement were listed on Bursa Malaysia on 4 May 2011.

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A7 Dividends paid

The following dividends was paid during financial year ended 31 December 2010 is as follow:

| | |
|--|----------------------------|
| | 31.12.2010 |
| Final dividends for the financial year | 31 December 2009 |
| Approved and declared on | 21 May 2010 |
| Date paid | 16 July 2010 |
| Number of ordinary shares on which dividends were paid | 867,614,118 |
| Amount per share | 0.32 sen less 25% taxation |
| Net dividends paid (RM) | 2,082,275 |

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 | Others RM'000 | Total RM'000 |
|---------------------------------|-------------------|---------------------|--------------------|------------------|---------------------------|
| | | | Services RM'000 | | |
| Revenue | 5,705 | 10,437 | 34,504 | - | 50,646 |
| Segment Results | 778 | 2,499 | 1,285 | (68) | 4,494 |
| Unallocated Results | | | | | 190 |
| Profit from Operations | | | | | 4,684 |
| Finance Costs | | | | | (954) |
| Profit Before Tax | | | | | 3,730 |
| Taxation | | | | | (1,040) |
| Profit After Tax | | | | | 2,690 |
| Geographical Segment | | | | | |
| | | | | | Revenue RM'000 |
| Malaysia | | | | | 50,646 |
| Foreign Countries | | | | | - |
| Consolidated | | | | | 50,646 |

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 Subsequent Events

Save for Section B9, there were no material events subsequent to the current financial quarter ended 31 March 2011 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

DAYA MATERIALS BERHAD

(Company No: 636357-W)

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A11 Changes in the composition of the Group

Save for the below, there were no changes in the composition of the Group for the quarter under review:-

Incorporation of a joint venture company, Daya NCHO Sdn. Bhd.

On 15 March 2011, the Board announced that Daya Clarimax Sdn. Bhd. ("DCLX"), a wholly owned subsidiary of the Company had on 22 February 2011 acquired one (1) ordinary share of RM1.00 in Daya NCHO Sdn. Bhd. ("DNSB"), for a total cash consideration of RM1.00 from Chai Churn Hwa. On 15 March 2011 DCLX has further subscribed 599,999 ordinary shares of RM1.00 each in DNSB through capitalisation of an amount of RM599,999 out of the total fixed assets transferred from DCLX. Subsequent to this, DNSB is expected to increase its paid-up share capital to RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each arising from the subscription of shares by its shareholders, DCLX (60%) and the joint venture partner, NCHO Sdn. Bhd. ("NSB") (40%) in accordance with the provisions of the Joint Venture Agreement dated 27 January 2011 entered into between DCLX and NSB.

A12 Contingent Assets and Contingent Liabilities

As at 31 March 2011, the Company provides corporate guarantees up to a total amount of RM123,290,820 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 RM50,566,190.

As at 31 March 2011, the Company also provides corporate guarantees up to a total amount of RM6,350,000 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 RM1,012,033.

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

A13 Capital Commitments

| | RM'000 |
|----------------------------------|--------|
| Contracted and not provided for: | 8,349 |
| Approved but not contracted for: | 15,265 |

A14 Related Party Transactions

The related party transactions of the Group have been entered into in the normal course of business. Listed below are the significant transactions and balances with related parties of the Group during the current financial period.

| | Transaction for the period ended 31.3.2011 RM'000 | Balance as at 31.3.2011 RM'000 | Transaction for the period ended 31.3.2010 RM'000 | Balance as at 31.3.2010 RM'000 |
|---|--|--------------------------------------|---|--------------------------------------|
| Interest income charged on housing loan to a director | 32 | 2,193 | - | - |
| Housing loan to a director | - | - | 2,720 | 2,648 |

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B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA FOR THE MAIN MARKET

B1 Review of performance

Current Year Quarter versus Preceding Year Corresponding Quarter

The Group achieved higher revenue of RM50.646 million for the quarter ended 31 March 2011, an increase of 42.99% from RM35.420 million recorded in the previous year corresponding quarter. The higher revenue was mainly due to the increase in revenue from oil & gas and technical services segments. However, the Group had only recorded a profit before tax of RM3.730 million for the quarter ended 31 March 2011, which represents 11.04% increase from RM3.359 million recorded in the previous year corresponding quarter due to lower margin from its lifting services during the quarter ended 31 March 2011.

B2 Variation of results against preceding quarter

| | Quarter ended 31.3.2011 RM'000 | Quarter ended 31.12.2010 RM'000 |
|-------------------|--------------------------------------|---------------------------------------|
| Revenue | 50,646 | 41,357 |
| Profit before tax | 3,730 | 5,792 |

For the quarter ended 31 March 2011, the Group achieved higher revenue of RM50.646 million, an increase of 22.46% as compared to RM41.357 million recorded in the preceding quarter. The higher revenue was mainly attributed to the higher contribution from the polymer and technical services segments. Nevertheless, the Group recorded lower profit before tax of RM3.730 million, a decrease of 35.60% as compared to RM5.792 million in the preceding quarter, primarily due to lower profits and margin from oil & gas and technical services divisions. Technical services division contributed meaningfully in last quarter as it completed some of the higher margin contracts.

B3 Prospects

The Board expects the positive financial performance of the Group to continue in the coming period fuelled by contributions from oil & gas and technical services divisions. Contributions from oil & gas division, particularly sales of chemicals are anticipated to be positive. Technical services division is also expected to perform well in view of its existing contracts and some of the tenders participated. In addition, the Group's expansion in upstream oil & gas activities such as offshore pipe-laying and the desludging of floating production, storage and off-loading units, via its Daya OCI Sdn Bhd (formerly known as OCI Energy Sdn Bhd) is expected to expand the earnings base and profit margin of the Group.

In addition, the Group expects growth from its ISO tank cleaning, repair and recycling business. DCLX is one of the very few licensed operators to handle a wide range of chemical and scheduled wastes. Its ISO tank service plant in Pulau Indah has commenced commercial operations in April 2010 and is expected contributing positively to our earnings by second half of 2011. The Group shall also continue to seek opportunities to grow its businesses with long term recurring income through its polymer business.

The Board is of the view that the Group's operational results for the financial year ending 2011 will be satisfactory, barring any unforeseen circumstances.

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B4 Profit forecast

Not applicable.

B5 Income tax expenses

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|-----------------------------------|---|---|---|--|
| | CURRENT YEAR QUARTER 31.3.2011 RM'000 | PRECEDING YEAR CORRESPONDING QUARTER 31.3.2010 RM'000 | CURRENT YEAR TO DATE 31.3.2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31.3.2010 RM'000 |
| In respect of the current period: | | | | |
| Malaysian income tax | 1,184 | 998 | 1,184 | 998 |
| Deferred tax income | (144) | - | (144) | - |
| | <u>1,040</u> | <u>998</u> | <u>1,040</u> | <u>998</u> |

The Group's effective tax rate for the quarter under review was higher than the statutory income tax rate mainly due to certain expenses which are not deductible for tax purposes.

B6 Sale of unquoted investments and properties

There were no disposals of unquoted investments and properties during the quarter under review.

B7 Other Current Assets

| | Note | AS AT END OF CURRENT QUARTER 31.3.2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31.3.2010 RM'000 |
|--|------|---|--|
| Amount due from customers on contracts | (i) | 7,804 | 4,154 |
| Prepayments | | 679 | 182 |
| | | <u>8,483</u> | <u>4,336</u> |

(i) The amount due from customers on contracts is further illustrated as follow:-

| | AS AT END OF CURRENT QUARTER 31.3.2011 RM'000 | PRECEDING YEAR CORRESPONDING PERIOD 31.3.2010 RM'000 |
|----------------------------------|---|--|
| Aggregate costs incurred to date | 207,986 | 138,170 |
| Add: Attributable profits | 51,674 | 25,668 |
| | <u>259,660</u> | <u>163,838</u> |
| Less: Progress billings | (251,856) | (159,684) |
| | <u>7,804</u> | <u>4,154</u> |

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B8 Financial Assets at fair value through profit or loss

| | AS AT END OF CURRENT QUARTER 31.3.2011 RM'000 | PRECEDING YEAR CORRESPON- DING PERIOD 31.3.2010 RM'000 |
|----------------------|---|---|
| At fair value | | |
| Quoted securities | 191 | 32 |

The investment in quoted securities are summarised below:-

| | CURRENT YEAR TO DATE 31.3.2011 RM'000 | PRECEDING YEAR CORRESPON- DING PERIOD 31.3.2010 RM'000 |
|-------------------------------|---|---|
| Total investment at | | |
| Cost | 127 | 26 |
| Carrying value / Market value | 191 | 32 |

There were no purchases and disposals of quoted securities during the quarter under review.

B9 Status of corporate proposals

The status of a corporate proposal announced by the Company and completed are summarised below:

(i) Private Placements

On 16 March 2010, the Board announced that the Company proposes to issue new ordinary shares of RM0.10 each in DMB ("DMB Shares") not exceeding 10% of the issued and paid-up share capital of the Company through a private placement exercise.

On 6 May 2011, the Board announced that the Private Placement exercise has been completed on the even date. A total of 104,800,000 ordinary shares of RM0.10 each in DMB ("DMB Shares") were placed out to identified investors in six (6) tranches, at an issue price of RM0.22 and RM0.23 per share for the first tranche and second tranche respectively, RM0.205 for the third and fourth tranches, RM0.225 for the fifth tranche and RM0.22 for the sixth tranche.

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The status of corporate proposals announced by the Company but not completed as at 13 May 2011, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report is summarised below:

(i) Proposed ESOS and Shares Buy-Back

On 22 December 2008, the Board announced that the Company has proposed to undertake the following:-

- a. Proposed establishment of an employees' share option scheme ("ESOS") for the eligible directors and employees of DMB and its subsidiary companies ("Proposed ESOS"); and
- b. Proposed authority for the company to purchase up to ten per cent (10%) of its issued and paid-up share capital ("Proposed Share Buy-Back").

The shareholders of DMB had approved the Proposed ESOS and Proposed Share Buy-Back at the extraordinary general meeting convened on 26 February 2009.

On 22 April 2010, the Board announced that the Company is seeking its shareholders approval for the Proposed Share Buy-Back Renewal. The Company had already sought approval for the Proposed Share Buy-Back Renewal from the shareholders at the Seventh AGM held on 21 May 2010.

(ii) Purchase of commercial property for total consideration of RM2,757,700

On 13 January 2011, the Board announced that its wholly owned subsidiary company, Daya Urusharta Sdn Bhd. ("DUSB") had on 13 January 2011, entered into five Sale and Purchase Agreements ("SPA") with Koperasi Permodalan Felda Malaysia Berhad (Koop Negara: 39) ("the Vendor") for the proposed acquisition of five (5) units of office suites of a stratified mixed commercial development known as SOLARIS DUTAMAS in Dutamas, Daerah Kuala Lumpur with a total net area of approximately 466 square meters ("Properties") for a total cash consideration of RM2,757,700.00.

(iii) Incorporation of a joint venture company, Daya NCHO Sdn. Bhd.

On 15 March 2011, the Board announced that Daya Clarimax Sdn. Bhd. ("DCLX"), a wholly owned subsidiary of the Company had on 22 February 2011 acquired one (1) ordinary share of RM1.00 in Daya NCHO Sdn. Bhd. ("DNSB"), for a total cash consideration of RM1.00 from Chai Churn Hwa. On 15 March 2011 DCLX has further subscribed 599,999 ordinary shares of RM1.00 each in DNSB through capitalisation of an amount of RM599,999 out of the total fixed assets transferred from DCLX. Subsequent to this, DNSB is expected to increase its paid-up share capital to RM1,000,000 divided into 1,000,000 ordinary shares of RM1.00 each arising from the subscription of shares by its shareholders, DCLX (60%) and the joint venture partner, NCHO Sdn. Bhd. ("NSB") (40%) in accordance with the provisions of the Joint Venture Agreement dated 27 January 2011 entered into between DCLX and NSB.

(iv) Proposed Private Placement

On 11 May 2011, the Board announced that the Company proposes to issue up to 238,000,000 new ordinary shares of RM0.10 each in DMB ("DMB Shares") representing up to 20.89% of the existing issued and paid-up share capital of the Company through a private placement exercise ("Proposed Private Placement").

On 11 May 2011, DMB accepted offer letters from Ganjaran Lebar Sdn Bhd, Robert Lee Yee Seng and Lim Soon Foo to subscribe for an aggregate of 110,000,000 Placement Shares.

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The balance of the Placement Shares of up to 128,000,000 Placement Shares shall be placed to third party investor(s) ("Placee(s)") to be identified at a later stage, in accordance with Paragraph 6.04(c) of the Main Market Listing Requirements of Bursa Securities. Placees shall also be person(s) or party(ies) who/which qualify under Schedules 6 and 7 of the Capital Markets and Services Act 2007.

The application to the Bursa Securities and Ministry of International Trade and Industry for the Proposed Private Placement has been submitted on 12 May 2011 and 13 May 2011 respectively.

B10 Status of utilisation of proceeds

Private Placement Proceeds

The Company raised approximately RM18.061 million from its private placement exercise.

As at 31 March 2011, the Company has utilised the funds raised as follows:-

| | Proceeds from Placement Shares RM'000 ⁽ⁱ⁾ | Actual Utilisation RM'000 | Intended Time Frame For Utilisation | Deviation Amount RM'000 | Deviation % |
|--|---|---------------------------------|---|-------------------------------|----------------|
| Future acquisitions and expansion | 21,895 | 17,061 | within 12 months | 4,834 | 22% |
| Defraying of expenses incidental to the Proposed Private Placement ⁽ⁱⁱ⁾ | 1,000 | 1,000 | within 1 month | - | 0% |
| Total | 22,895 ⁽ⁱⁱⁱ⁾ | 18,061 | | 4,834 | 22% |

(i) Any difference between the indicative proceeds above and the actual proceeds raised from the Proposed Private Placement (depending on the number of Placement Shares and the issue price of the Placement Shares) shall be adjusted from the future synergistic acquisitions and expansion.

(ii) Any variation to the estimated expenses will be adjusted to/ from the working capital.

(iii) Computed based on 109,025,415 placement shares and an indicative issue price of RM0.21 per share representing a discount of approximately 6.9% to the five (5)-day weighted average market price up to 1 June 2010 of RM0.2256, being 5 market days prior to the announcement of the revised private placement. As at 31 December 2010, DMB has placed out first tranche of 26,800,000 placement shares, at an issue price of RM0.22 per share, raising RM5,896,000 and second tranche of 13,000,000 placement shares, at an issue price of RM0.23 per share raising RM2,990,000, third tranche of 30,000,000 placement shares, at an issue price of RM0.20 per share, raising RM6,000,000, fourth tranche of 10,000,000 placement shares, at an issue price of RM0.205 per share raising RM2,050,000 and fifth tranche of 5,000,000 placement shares, at an issue price of RM0.225 per share raising RM1,125,000.

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B11 Group's borrowings and debt securities

The Group's borrowings are as follows:

| | Note | Payable within 12 months RM'000 | Payable after 12 months RM'000 | Total Outstanding RM'000 |
|-------------------------------------|------|---------------------------------------|--------------------------------------|--------------------------------|
| Trade facilities (Secured) | | 6,545 | - | 6,545 |
| Hire purchases (Secured) | | 1,135 | 2,207 | 3,342 |
| Overdraft (Unsecured) | | 3,031 | - | 3,031 |
| Term loans (Secured) | | 9,740 | 37,584 | 47,324 |
| Redeemable Convertible Secured Loan | | | | |
| Notes ("RCSLN") | (i) | - | 10,737 | 10,737 |
| | | <u>20,451</u> | <u>50,528</u> | <u>70,979</u> |

The 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 with a carrying amount of RM112,308,946.

The bank borrowings and other facilities are denoted in local currency.

(i) The proceeds received from the issue of the RCSLN have been split between the liability component and the equity component, representing the fair value of the conversion option. The RCSLN are accounted for the balance sheets of the Group as follows:

| | CUMULATIVE QUARTER | |
|------------------------------------|---|---|
| | CURRENT YEAR TO DATE 31.3.2011 RM'000 | PRECEDING YEAR CORRESPON- DING PERIOD 31.3.2010 RM'000 |
| Nominal value | 11,000 | 17,000 |
| Add: Discount on convertible notes | 119 | 52 |
| Less: Unamortised discount | (382) | (691) |
| | <u>10,737</u> | <u>16,361</u> |

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The amounts recognised in balance sheets of the Group may be analysed as follows:-

| | CUMULATIVE QUARTER | |
|--|----------------------------|--|
| | CURRENT YEAR TO DATE | PRECEDING YEAR CORRESPON- DING PERIOD |
| | 31.3.2011 | 31.3.2010 |
| | RM'000 | RM'000 |
| Liability component:- | | |
| Nominal value of the convertible notes | 11,000 | 17,000 |
| Add: Discount on convertible notes | 119 | 52 |
| | <u>11,119</u> | <u>17,052</u> |
| Equity component, net of deferred tax | (287) | (518) |
| Deferred tax liability | (95) | (173) |
| | <u>10,737</u> | <u>16,361</u> |

B12 Off balance sheet financial instruments

There were no off-balance sheet financial instruments as at 13 May 2011, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report.

B13 Material litigations

Save for the following, there were no material litigations involving the Group since the last financial year ended 31 December 2010 to 13 May 2011, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report.

- (i) Daya Secadyme Sdn Bhd ("DSSB") has brought 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 writ of summons was filed on 25 March 2008. DSSB is suing against the 1st, 2nd and 3rd Defendants on fraudulent misrepresentation and/or fraud perpetrated in conspiracy with the other Defendants, and alternatively for monies had and received. DSSB is suing against 4th and 5th Defendants on fraud perpetrated in conspiracy with the other Defendants. The amount claimed is RM1,942,000.00 with interest at 8% p.a. thereupon from judgment to settlement, and the legal costs of the proceedings. The writ of summons and statement of claim have been served on all the Defendants. The 5th Defendant filed an application to strike out the writ of summons and statement of claim and the hearing for the same was held on 30 April 2009. The said application was dismissed with costs.

A Mareva Injunction was obtained on an ex parte basis on 7 April 2008 to freeze the bank accounts of all the Defendants. During the hearing that took place on 23 April 2008, the Court had ordered that the Mareva Injunction continued subject to certain variations, where the 1st, 2nd and 5th Defendants were entitled to withdraw fixed amount of money every month from the relevant accounts for the expenses respectively.

The learned Judicial Commissioner confirmed the Mareva Injunction on an inter partes basis at the hearing on 21 February 2011. From this decision, the 1st and 2nd Defendants have appealed to the Court of Appeal, for which a hearing date has yet to be fixed. The matter is fixed for case management on 29 May 2011 to enable an application for Joinder of a sixth Defendant to be filed as well as to monitor the general preparations for trial.

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Only the 1st and 2nd defendants are still represented by Counsel. Counsel for the 3rd, 4th and 5th Defendants have discharged themselves from acting for the respective Defendants.

The solicitors of DSSB are of the opinion that DSSB has a reasonably good case against the defendants.

- (ii) DSSB was served with a Notification of Civil Proceedings (pursuant to Section 106 of the Income Tax Act, 1967) dated 21 October 2008 by the Inland Revenue Board for the recovery of income tax amounting to RM357,728.85, as a debt due to the Government ("Notification").

Vide the Notification, DSSB was duly informed that a summons and a statement of claim would be served on DSSB in due course.

DSSB is currently seeking clarification and discussing with the IRB in respect of the disputed tax amount of RM357,728.85 pursuant to the Notification, of which the Board believes has been previously settled with the IRB. The Board is of the considered opinion that it is likely for the IRB to withdraw the Notification or to discontinue any action once a mutual agreement of a settlement is reached between DSSB and the IRB.

- (iii) a) Daya CMT Sdn Bhd ("DCMT") has on 15 September 2009 brought a civil suit against Biz-Markas Sdn Bhd ("1st Defendant") and Reapfield Properties (S.J) Sdn Bhd ("2nd Defendant") (collectively "Defendants") vide High Court in Malaya at Kuala Lumpur, Writ of Summons No. S22-663-2009 for breach of contract following the 1st Defendant's refusal to proceed with the sale of the land identified as Lot 20, Jalan Teknologi, Taman Sains Selangor 1, Kota Damansara, Selangor Darul Ehsan ("the said Land") for the purchase consideration of RM9,067,500.00. An earnest deposit was paid by DCMT amounting to RM181,350.00. DCMT sought specific performance against the Defendants or in the alternative, special and general damages for breach of contract. This matter is now fixed for further case management on 16 June 2011 at the Kuala Lumpur High Court.

By an Amended Defence and Counter Claim dated 7 December 2009, the 1st Defendant counter claimed by seeking declarations, among others, that the 2nd Defendant is not their agent to sell the property, that there is no valid agreement to sell the property, that the 2nd Defendant has committed fraud against them, that the Plaintiff and the 2nd Defendant had conspired to cause losses to them (which the 1st Defendant did not plead for losses that they have incurred), that the 2nd Defendant to incur the losses claimed by the Plaintiff and general damages against the 2nd defendant. The Plaintiff filed a Reply and Defence to Counter-Claim dated 21 December 2009 to the 1st Defendant's Amended Defence and Counter-Claim.

DCMT filed an injunction application on 3 September 2010 against 1st Defendant to restrain them from selling or transferring the said Land until the disposal of the Writ. The court dismissed the application on 28 September 2010. There is no further appeal.

The 1st Defendant filed a striking out application of DCMT's civil suit against the Defendants dated 15 October 2010. The Court allowed the suit against the 1st Defendant's to be struck off. There is no further appeal.

The outcome of the case will depend on the evidence adduced at trial.

b) Daya CMT Sdn Bhd ("DCMT") has on 3 September 2010 filed an application to extend the private caveat against Perbadanan Kemajuan Negeri Selangor ("PKNS") ("Defendant") vide High Court in Malaya at Kuala Lumpur, Originating Summons No.S21-231-2010. DCMT has entered a private caveat on the said Land on 19 October 2009 pending the transfer of the said Land. DCMT was served with a notice of an application to remove the private caveat by the Defendant on 2 August 2010. The Defendant is the registered proprietor of the said Land. The court dismissed DCMT's application on 28 September 2010. There is no further appeal.

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B14 Proposed Dividends

No interim dividend has been declared for the current quarter under review.

The Company is pleased to propose a final single tier dividend of 2.4% in respect of the financial year ended 31 December 2010. These final dividend payable will be proposed for shareholders' approval at the forthcoming Annual General Meeting and the date payable will be announced at a later date.

B15 Earnings per share

| a) Basic earnings per share | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|-----------------------------------|---|-----------------------------------|--|
| | CURRENT YEAR QUARTER 31.3.2011 | PRECEDING YEAR CORRESPONDING QUARTER 31.3.2010 | CURRENT YEAR TO DATE 31.3.2011 | PRECEDING YEAR CORRESPONDING PERIOD 31.3.2010 |
| Net profit for the period attributable to ordinary equity holders of the company (RM'000) | 2,688 | 2,353 | 2,688 | 2,353 |
| Weighted average number of shares in issue ('000) | 1,113,590 | 826,300 | 1,113,590 | 826,300 |
| Basic earnings per share (sen) | <u>0.24</u> | <u>0.28</u> | <u>0.24</u> | <u>0.28</u> |
| b) Diluted earnings per share | | | | |
| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
| | CURRENT YEAR QUARTER 31.3.2011 | PRECEDING YEAR CORRESPONDING QUARTER 31.3.2010 | CURRENT YEAR TO DATE 31.3.2011 | PRECEDING YEAR CORRESPONDING PERIOD 31.3.2010 |
| Net profit for the period attributable to ordinary equity holders of the company (RM'000) | 2,688 | 2,353 | 2,688 | 2,353 |
| Effect of dilution (RM'000) | 29 | 53 | 29 | 53 |
| Adjusted net profit for the period attributable to ordinary equity holders of the company (RM'000) | 2,717 | 2,406 | 2,717 | 2,406 |
| Weighted average number of shares in issue ('000) | 1,113,590 | 826,300 | 1,113,590 | 826,300 |
| Effect of dilution ('000) | 16,647 | 28,060 | 16,647 | 28,060 |
| Adjusted weighted average number of shares in issue ('000) | 1,130,237 | 854,360 | 1,130,237 | 854,360 |
| Diluted earnings per share (sen) | <u>0.24</u> | <u>0.28</u> | <u>0.24</u> | <u>0.28</u> |

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B16 Realised and Unrealised Profits/Losses

On 25 March 2010, Bursa Malaysia Securities Berhad ("Bursa Malaysia") issued a directive to all listed issuers pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia 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 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 |
| | 31.3.2011 | 31.12.2010 |
| | RM'000 | RM'000 |
| Total retained earnings of DMB and its subsidiaries: | | |
| - Realised profits | 88,196 | 84,534 |
| - Unrealised profits | 242 | 396 |
| | <u>88,438</u> | <u>84,930</u> |
| Less: Consolidated adjustments | (29,381) | (28,561) |
| Total group retained earnings as per consolidated accounts | <u><u>59,057</u></u> | <u><u>56,369</u></u> |

The determination of realised and unrealised profits is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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

B17 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2010 was unqualified.

By Order of the Board

THAM WOOL LOON
Managing Director

Date: 19 May 2011