



DAYA MATERIALS BERHAD

Company No. 636357-W
(Incorporated in Malaysia)

Quarterly Report 30 June 2014

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 2014

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR	PRECEDING YEAR	CURRENT YEAR	PRECEDING YEAR
	QUARTER	CORRESPONDING	TO DATE	CORRESPONDING
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
	RM'000	RM'000	RM'000	RM'000
Revenue	174,089	131,052	303,396	231,202
Cost of Sales	(143,860)	(110,279)	(257,285)	(195,338)
Gross Profit	<u>30,229</u>	<u>20,773</u>	<u>46,111</u>	<u>35,864</u>
Other Income	1,425	854	2,052	1,352
Operating Expenses	(20,691)	(10,146)	(32,359)	(16,975)
Profit from operations	<u>10,963</u>	<u>11,481</u>	<u>15,804</u>	<u>20,241</u>
Finance Costs	(2,290)	(1,595)	(4,300)	(2,910)
Share of results of jointly controlled entities	<u>101</u>	<u>136</u>	<u>289</u>	<u>227</u>
Profit before tax	8,774	10,022	11,793	17,558
Income tax expense	<u>(2,985)</u>	<u>(2,877)</u>	<u>(5,005)</u>	<u>(5,394)</u>
Profit for the period	<u><u>5,789</u></u>	<u><u>7,145</u></u>	<u><u>6,788</u></u>	<u><u>12,164</u></u>
Attributable to :				
Equity holders of the Company	4,675	6,744	5,624	11,775
Non-controlling interests	<u>1,114</u>	<u>401</u>	<u>1,164</u>	<u>389</u>
	<u><u>5,789</u></u>	<u><u>7,145</u></u>	<u><u>6,788</u></u>	<u><u>12,164</u></u>
Earnings per share (sen):				
Basic	<u>0.34</u>	<u>0.54</u>	<u>0.41</u>	<u>0.96</u>
Diluted*	<u>-</u>	<u>0.54</u>	<u>-</u>	<u>0.96</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 ("RCSLN") which was fully redeemed in 2013.

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 2013.

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CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30.6.2014 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30.6.2013 RM'000	CURRENT YEAR TO DATE 30.6.2014 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30.6.2013 RM'000
Profit for the period	5,789	7,145	6,788	12,164
Other comprehensive income:				
Foreign currency translation differences for foreign subsidiaries	(3,265)	(3)	(1,557)	11
Total comprehensive income for the period, net of tax	2,524	7,142	5,231	12,175
Total comprehensive income for the period attributable to:				
Equity holders of the Company	1,410	6,741	4,067	11,786
Non-controlling interests	1,114	401	1,164	389
	2,524	7,142	5,231	12,175

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 2013.

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CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2014

(The figures have not been audited)

	UNAUDITED 30.6.2014 RM'000	AUDITED 31.12.2013 RM'000
Non Current Assets		
Property, plant and equipment	172,614	143,845
Land held for property development	11,574	11,294
Investment properties	9,257	9,813
Intangible assets	85,476	85,699
Deferred tax assets	4,816	2,800
Investment in joint ventures	2,217	1,790
Available-for-sale financial asset	2,400	2,400
Other receivable	-	103
	288,354	257,744
Current Assets		
Inventories	18,655	17,465
Trade receivables	94,558	107,244
Other receivables	26,267	19,709
Other current assets	103,427	51,024
Tax recoverable	465	1,931
Financial assets at fair value through profit or loss	127	130
Cash and cash equivalents	71,093	69,977
	314,592	267,480
Current Liabilities		
Trade payables	93,336	78,590
Other payables	39,407	59,711
Provisions	2,187	611
Tax payables	5,447	3,240
Loans and borrowings	85,889	77,766
	226,266	219,918
Net Current Assets	88,326	47,562
	376,680	305,306
Financed by:		
Share capital	138,882	126,304
Reserves	150,436	114,379
	289,318	240,683
Non-controlling interests	2,606	1,278
	291,924	241,961
Non Current Liabilities		
Deferred tax liabilities	-	-
Loans and borrowings	84,756	63,345
	84,756	63,345
	376,680	305,306
Net assets per share (sen)	20.83	19.06

These condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 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 2014

(The figures have not been audited)

	-----Attributable to Equity Holders of the Company-----								Total Equity RM'000
	-----Non-Distributable-----				Distributable				
	Share capital RM'000	Share premium RM'000	Equity component of RCSLN RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	
Balance as at 1 January 2013	123,400	22,172	131	278	(3,049)	88,036	230,968	(54)	230,914
Total comprehensive income for the period	-	-	-	14	-	5,031	5,045	(12)	5,033
Transactions with owners:									
Conversion of RCSLN	1,452	1,048	(65)	-	-	-	2,435	-	2,435
Issuance of shares to non-controlling interests	-	-	-	-	-	-	-	70	70
Balance as at 31 March 2013	<u>124,852</u>	<u>23,220</u>	<u>66</u>	<u>292</u>	<u>(3,049)</u>	<u>93,067</u>	<u>238,448</u>	<u>4</u>	<u>238,452</u>
Total comprehensive income for the period	-	-	-	(3)	-	6,744	6,741	401	7,142
Transactions with owners:									
Conversion of RCSLN	1,452	1,049	(66)	-	-	-	2,435	-	2,435
Purchase of treasury shares	-	-	-	-	(9)	-	(9)	-	(9)
Acquisition of a subsidiary	-	-	-	-	-	-	-	631	631
Balance as at 30 June 2013	<u>126,304</u>	<u>24,269</u>	<u>-</u>	<u>289</u>	<u>(3,058)</u>	<u>99,811</u>	<u>247,615</u>	<u>1,036</u>	<u>248,651</u>
Total comprehensive income for the period	-	-	-	3	-	7,218	7,221	(100)	7,121
Transactions with owners:									
Dividends paid	-	-	-	-	-	(3,118)	(3,118)	-	(3,118)
Disposal of treasury shares	-	338	-	-	459	-	797	-	797
Balance as at 30 September 2013	<u>126,304</u>	<u>24,607</u>	<u>-</u>	<u>292</u>	<u>(2,599)</u>	<u>103,911</u>	<u>252,515</u>	<u>936</u>	<u>253,451</u>
Total comprehensive income for the period	-	-	-	829	-	(15,396)	(14,567)	342	(14,225)
Transactions with owners:									
Disposal of treasury shares	-	1,152	-	-	1,583	-	2,735	-	2,735
Balance as at 31 December 2013	<u>126,304</u>	<u>25,759</u>	<u>-</u>	<u>1,121</u>	<u>(1,016)</u>	<u>88,515</u>	<u>240,683</u>	<u>1,278</u>	<u>241,961</u>

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CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D) QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

(The figures have not been audited)

	-----Attributable to Equity Holders of the Company-----							Total Equity RM'000
	<-----Non-Distributable----->			Distributable				
	Share capital RM'000	Share premium RM'000	Foreign Currency Translation Reserve RM'000	Treasury Shares RM'000	Retained earnings RM'000	Total RM'000	Non- controlling interests RM'000	
Balance as at 1 January 2014	126,304	25,759	1,121	(1,016)	88,515	240,683	1,278	241,961
Total comprehensive income for the period	-	-	1,708	-	949	2,657	50	2,707
Transactions with owners:								
Issuance of shares	12,578	29,826	-	-	-	42,404	-	42,404
Subscription of shares by non- controlling interest in a subsidiary	-	-	-	-	-	-	164	164
Disposal of treasury shares	-	1,148	-	1,016	-	2,164	-	2,164
Balance as at 31 March 2014	<u>138,882</u>	<u>56,733</u>	<u>2,829</u>	<u>-</u>	<u>89,464</u>	<u>287,908</u>	<u>1,492</u>	<u>289,400</u>
Total comprehensive income for the period	-	-	(3,265)	-	4,675	1,410	1,114	2,524
Transactions with owners:								
Purchase of treasury shares	-	-	-	(0) *	-	(0) *	-	(0) *
Balance as at 30 June 2014	<u>138,882</u>	<u>56,733</u>	<u>(436)</u>	<u>(0) *</u>	<u>94,139</u>	<u>289,318</u>	<u>2,606</u>	<u>291,924</u>

* Negligible

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 2013.

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014 (The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.6.2014 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2013 RM'000
Note		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	11,793	11,467
Adjustments for:		
Share of results of joint ventures	(289)	(528)
Reversal of discount on convertible loan notes	-	(95)
Amortisation on intangible assets	101	372
Depreciation on property, plant and equipment	3,403	5,516
Depreciation on investment property	161	15
Gain on disposal of property, plant & equipment	(49)	(249)
Gain on disposal of investment property	(685)	-
Property, plant and equipment written off	-	19
Fair value gain on financial assets at fair value through profit or loss	-	(22)
Loss on appreciation of market value of marketable securities	3	-
Dividends income	-	(3)
Finance costs	4,300	6,277
Interest income	(398)	(1,152)
Unrealised foreign exchange gain	(179)	(358)
Allowance for impairment loss	-	5,039
Development expenditures incurred	(280)	(424)
Reversal of allowance for impairment loss	-	(46)
Operating profit before working capital changes	17,881	25,828
Changes in working capital:		
Inventories	(1,190)	(3,367)
Trade and other receivables	6,094	(52,475)
Other current assets	(52,403)	(10,899)
Trade and other payables	(5,379)	49,094
Provisions	1,576	286
Cash (used in) / generated from operations	(33,421)	8,467
Finance cost paid	(4,300)	(6,277)
Income tax paid	(3,349)	(8,252)
Net Cash Used In Operating Activities	(41,070)	(6,062)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,224)	(45,085)
Purchase of land held for property development	-	(395)
Purchase of investment property	-	(8,632)
Proceeds from disposal of property, plant and equipment	379	1,942
Proceeds from disposal of investment property	1,080	-
Purchase of intangible assets	(157)	(1,129)
Purchase of available-for-sale financial asset	-	(2,400)
Acquisition of a subsidiary	-	(1,135)
Acquisition of joint venture company	-	(102)
Incorporation of a joint venture company	-	(50)
(Increase)/Decrease in pledged deposits placed with licensed banks	(69)	8,379
Dividends received	-	3
Interest received	398	1,152
Net Cash Used In Investing Activities	(30,593)	(47,452)

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CONDENSED CONSOLIDATED CASH FLOW STATEMENT (CONT'D) QUARTERLY REPORT ON THE RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2014

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30.6.2014 RM'000	AUDITED FOR THE YEAR ENDED 31.12.2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of loans and borrowings	(89,145)	(15,409)
Proceeds from loans and borrowings	111,918	66,220
Proceeds from disposal of treasury shares	2,164	3,533
Proceeds from issuance of shares	42,404	-
Purchase of treasury shares	-	(9)
Issuance of shares in a subsidiary to non-controlling shareholders	165	69
Dividends paid	-	(3,118)
Net Cash Generated From Financing Activities	67,506	51,286
NET DECREASE IN CASH AND CASH EQUIVALENTS		
	(4,157)	(2,228)
Effect of exchange rate fluctuations on cash held	(1,557)	848
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	38,977	40,357
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	33,263	38,977
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		
Cash and bank balances	29,274	25,330
Fixed deposits with licenced banks	35,137	40,096
Short term investments	6,682	4,551
Bank overdraft	(22,891)	(16,130)
	48,202	53,847
Less: Deposits pledged	(14,939)	(14,870)
	33,263	38,977

Note

- (i) The Group, via its subsidiary, Daya Petroleum Ventures Sdn. Bhd. had on 18 March 2013 entered into a Subscription Agreement with Daya Maxflo Sdn. Bhd. (formerly known as Maxflo Energy Products Sdn. Bhd.) ("DMSB"), Sales and Purchase Agreement with Jay Dorfman, Shareholders Agreement and Call and Put Option Agreement with Jay Dorfman and Visual Well Solutions Sdn. Bhd. for the proposed acquisition of 50.70% of the issued and paid up share capital of DMSB for a cash consideration of RM1,900,000. The acquisition was completed on 5 April 2013. DMSB is principally engaged in providing instrumentation and pipelines products specifically for oil & gas, refining, petro-chemical and energy industry.

The acquisitions had the following effect on the Group's assets and liabilities on acquisition date:

Daya Maxflo Sdn. Bhd. (formerly known as Maxflo Energy Product Sdn. Bhd.)

	Pre-acquisition carrying amounts RM'000	Recognised values on acquisition RM'000
2013		
Property, plant and equipment	26	26
Trade and other receivables	4,613	4,613
Cash and cash equivalents	765	765
Tax payables	(133)	(133)
Payables and accruals	(3,570)	(3,570)
Net identifiable assets and liabilities	1,701	1,701
Non-controlling interests		(839)
Goodwill on acquisition		1,038
Consideration paid, satisfied in cash		1,900
Cash acquired		(765)
Net cash outflow		1,135
Goodwill on acquisition consist of:-		
Equity holders of the Company		830
Non-controlling interests		208
		1,038

These condensed consolidated cash flow statement should be read in conjunction with the audited financial statements for the financial year ended 31 December 2013 and accompanying explanatory notes attached to these interim financial statements.

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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 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 year ended 31 December 2013. 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 2013.

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 2013, except for the adoption of the following new Amendments to FRSs and Interpretations as follow:

Amendments to MFRS 10 Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12 Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127 Consolidated and Separate Financial Statements: Investment Entities
Amendments to MFRS 132 Financial Instruments: Presentation
IC Interpretation 21 Levies

The adoption of the above did not have any material impact on the financial statements of the Group in the period of initial application.

At the date of authorisation of these interim financial statements, the following MFRSs and Amendments to MFRSs were issued but not yet effective and have not been applied by the Group:

Effective for financial periods beginning on or after 1 July 2014

Amendments to MFRS 119, Defined Benefits Plans: Employee Contributions
Annual Improvements to FRS 2010 – 2012 Cycle
Annual Improvements to MFRS 2011 – 2013 Cycle

Effective date yet to be determined by Malaysian Accounting Standards Board

MFRS 9 Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities

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 9 Financial Instruments. The Group will assess the financial implications of MFRS 9 Financial Instruments when the full standard is issued.

A3 Seasonal or cyclical factors

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

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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

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

Shares Buy-Back

The Company had repurchased its issued share capital from the open market on 28 April 2014 for 1,000 ordinary shares at RM0.33 per share for a total cash consideration of RM371 inclusive of brokerage, stamping and clearance fees. The repurchase transactions were financed by internally generated funds. The shares repurchased were treated as treasury shares.

A7 Dividends paid

The following dividends was paid during the previous financial year ended:-

	31.12.2013
Final dividends for the financial year	31 December 2012
Approved and declared on	18 June 2013
Date paid	15 August 2013
Number of ordinary shares on which dividends were paid	1,247,317,054
Amount per share	0.25 sen single tier dividends
Net dividends paid (RM)	3,118,295

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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	<u>11,630</u>	<u>149,384</u>	<u>142,382</u>	<u>-</u>	<u>303,396</u>
Segment Results	(82)	591	13,241	383	14,133
Unallocated Results					<u>1,671</u>
Profit from Operations					15,804
Finance Costs					(4,300)
Share of results of jointly controlled entities					<u>289</u>
Profit Before Tax					11,793
Income Tax Expense					<u>(5,005)</u>
Profit After Tax					<u>6,788</u>

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

Geographical Segment

Geographical Segment	Revenue RM'000
Malaysia	202,851
Foreign Countries	<u>100,545</u>
Consolidated	<u>303,396</u>

A9 Valuation of property, plant and equipment

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

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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 2013	83,491	498	-	360	84,349
Acquisition through a business combination	830	-	-	-	830
Additions	-	977	152	-	1,129
Transfers	-	220	-	-	220
At 31 December 2013/1 January 2014	84,321	1,695	152	360	86,528
Additions	-	157	-	-	157
Reversal	-	(279)	-	-	(279)
At 30 June 2014	84,321	1,573	152	360	86,406
Accumulated amortisation					
At 1 January 2013	-	92	-	360	452
Amortisation	-	330	42	-	372
Transfers	-	5	-	-	5
At 31 December 2013/1 January 2014	-	427	42	360	829
Amortisation	-	97	4	-	101
At 30 June 2014	-	524	46	360	930
Net carrying amount:					
At 1 January 2013	83,491	406	-	-	83,897
At 31 December 2013/1 January 2014	84,321	1,268	110	-	85,699
At 30 June 2014	84,321	1,049	106	-	85,476

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A11 Other Current Assets

		AS AT END OF CURRENT QUARTER	PRECEDING YEAR CORRESPON- DING PERIOD
	Note	30.6.2014 RM'000	31.12.2013 RM'000
Amount due from customers on contracts	(i)	99,333	41,961
Prepayments		4,094	9,063
		<u>103,427</u>	<u>51,024</u>

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

	AS AT END OF CURRENT QUARTER	PRECEDING YEAR CORRESPON- DING PERIOD
	30.6.2014 RM'000	31.12.2013 RM'000
Aggregate costs incurred to date	569,752	608,991
Add: Attributable profits	70,713	72,615
	<u>640,465</u>	<u>681,606</u>
Less: Progress billings	(541,132)	(661,477)
	99,333	20,129
Customer advances for construction work in progress	-	21,832
	<u>99,333</u>	<u>41,961</u>

A12 Subsequent Events

Save for Section B7, there were no material events subsequent to the current financial quarter ended 30 June 2014 up to the date of this report which is likely to substantially affect the results of the operations of the Group.

A13 Changes in the composition of the Group

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

On 29 May 2014, Daya Sheffield Sdn. Bhd., a joint venture company of Daya OCI Sdn. Bhd., which is a subsidiary of DMB had incorporated a wholly-owned limited liability company known as Daya Sheffield Pte. Ltd. ("DSPL") with an authorised and fully paid-up share capital of SGD1.00 divided into 1 ordinary share of SGD1.00 each. The principal activities of DSPL are provision for technical & engineering services in global oil & gas industries as well as overseas consultancy services to oil & gas or any other industries.

The incorporation of DSPL is to facilitate DMB Group to expand and seek international business opportunities in providing specialized recruitment on staffing and executive placement, focusing on major oil & gas operators as well as international engineering, procurement, construction, installation and commissioning companies. The incorporation of DSPL is expected to contribute positively to the future profitability and cash flow of DMB as well as the stability of its future income stream.

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A14 Contingent Assets and Contingent Liabilities

As at 30 June 2014, the Company provides corporate guarantees up to a total amount of RM364,010,537 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 RM164,713,486.

As at 30 June 2014, the Company also provides corporate guarantees up to a total amount of RM4,350,000 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 RM3,137,966.

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

A15 Capital Commitments

	As at 30.6.2014 RM'000
Contracted and not provided for:	<u>35</u>
Approved but not contracted for:	<u>57,056</u>

A16 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 30.6.2014 RM'000	Balance due at 30.6.2014 RM'000	Transaction for the period ended 30.6.2013 RM'000	Balance due at 30.6.2013 RM'000
Interest income charged on housing loan to a director	7	-	15	-
Housing loan to a director	<u>-</u>	<u>407</u>	<u>-</u>	<u>991</u>

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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

(i) Polymer segment

Revenue of RM5.901 million in Polymer for Quarter 2 ("Q2") 2014 was largely consistent with the revenue of RM5.986 million recorded in Q2 2013.

(ii) Oil & Gas segment

The 25% increase in Oil & Gas revenue from RM77.453 million in Q2 2013 to RM96.590 million in Q2 2014 was mainly attributable to the contribution from subsea contract in the North Sea.

(iii) Technical Services segment

The 50% increase in Technical Service revenue from RM47.613 million in Q2 2013 to RM71.598 million in Q2 2014 was mainly attributable to improved progress of several ongoing projects and the delivery of a completed project.

The Group achieved revenue of RM174.089 million for Q2 2014, an increase of 33% from RM131.052 million recorded in Q2 2013. The increase was mainly attributable to the higher revenue contribution from the Oil & Gas and Technical Service segments. However, the Group recorded only a profit before tax of RM8.774 million in Q2 2014, representing a decrease of 12% over RM10.022 million in Q2 2013 mainly due to high operating expenses and set up costs of subsea business.

Current Year-to-Date versus Preceding Year-to-Date

(i) Polymer segment

The Group achieved revenue of RM11.630 million on the Polymer Segment for the financial period ended 30 June 2014, a slight decrease of 0.33% from RM11.668 million recorded in the previous financial period. The revenue achieved in the Polymer Segment remained rather consistent in the current financial period.

(ii) Oil & Gas segment

The Group achieved revenue of RM149.384 million on the Oil & Gas Segment for the financial period ended 30 June 2014, an increase in revenue by 40% as compared to RM106.520 million recorded in the previous financial period. The increase in the revenue on the Oil & Gas segment was mainly due to the increase in sales on downstream chemical and contribution from subsea contract in the North Sea during the period ended 30 June 2013.

(iii) Technical Services segment

The Group achieved revenue of RM142.382 million on the Technical Services Segment for the financial year ended 30 June 2014, an increase of 26% from RM113.014 million recorded in the previous financial period. The increase in revenue in the Technical Services Segment was mainly due to improved progress in several of its projects which were previously delayed, hence higher revenue being recognised during the current financial year ended.

The Group achieved revenue of RM303.396 million for the period ended 30 June 2014, an increase of 31% from RM231.202 million recorded in the previous financial period ended 30 June 2013. The increase was mainly attributed to the higher revenue contribution from the Oil & Gas Segment and Technical Services segment. Notwithstanding with the higher revenue, the Group recorded a profit before tax of RM11.793 million for the financial period ended 30 June 2014, representing a decrease of 33% over RM17.558 million recorded for previous financial period ended 30 June 2013 mainly due to high operating expenses and set up costs in the subsea business.

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B2 Variation of results against preceding quarter

	Quarter ended 30.6.2014 RM'000	Quarter ended 31.3.2014 RM'000
Revenue	174,089	129,307
Profit before tax	8,774	3,019

For Q2 2014, the Group has recorded higher revenue of RM174.089 million, an increase of 35% as compared to RM129.307 million recorded in Q1 2014. The increase in revenue was mainly attributed to the higher sales recognition from subsea contract in the North Sea. The improvement in profitability in Q2 2014 as compared to Q1 2014 was also largely due to full utilization of vessels in Q2 2014.

B3 Prospects

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

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

O&G remains the most strategically important component of our business, especially since the commencement of the long-term deployment in the North Sea in early March 2014. In Q2, we achieved almost full utilization of both vessels and we expect the trend to continue in the coming months.

The Group's investment in Reach Energy Berhad, a Special Purpose Acquisition Company for an initial amount of RM10 million is another strategic move by the Group to facilitate its entry into the exploration and production business. Reach was successfully listed on 15 August 2014, offering significant return on our original investment.

On the downstream side, downstream chemicals and specialized lifting services have performed well in the past and are expected to continue to contribute positively going forward.

The Group is upbeat on its prospects on the Oil & Gas segment in view of the order book it has secured to-date as well as the positive outlook on the global O&G industry as a whole.

(ii) Technical Services Segment

The Technical Services Segment is expected to grow significantly over the next few years as the Group continue to build and execute its order book. The Group will continue to leverage on its engineering expertise to expand the revenue stream, secure new contracts and build its overall brand equity. In July 2014, the Group successfully completed the sale of a 30% equity interest in DCMT, a key unit with the Technical Services Division for RM18 million. This was very much in line with the Group's ultimate plan to transform itself into a full-fledged O&G business.

(iii) Polymer Segment

The underlying economics of the polymer business remain subdued due to the slow growth of the industry and continued foreign competition. The Group is actively looking at alternative business models to ensure consistent profitability in this business.

The Board is of the view that the Group's operational results for the financial year ending 2014 will be satisfactory, barring any unforeseen circumstances.

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
	30.6.2014 RM'000	30.06.2013 RM'000	30.6.2014 RM'000	30.06.2013 RM'000
In respect of the current period:				
Malaysian income tax	3,072	2,876	9,821	5,393
Deferred tax (income)/expense	(87)	1	(4,816)	1
	<u>2,985</u>	<u>2,877</u>	<u>5,005</u>	<u>5,394</u>

The Group's effective tax rate for the quarter under review at 34% was higher than the statutory income tax rate. The comparatively higher effective tax rate was mainly due to the losses incurred in some of the subsidiaries of the Group and certain expenses which are not deductible for tax purposes.

B6 Sale of unquoted investments and properties

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

B7 Status of corporate proposals

The status of a corporate proposal announced by the Company and completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below:

(i) Subscription in Reach Energy Berhad for a total consideration of RM10,000,001.25

On 29 July 2013, the Board announced that DMB had on 26 July 2013, entered into a subscription agreement ("Subscription Agreement") with Reach Energy Berhad ("Reach Energy") for the subscription of the following:

(a) 533,334 redeemable convertible preference shares of RM0.01 each ("RCPS") at an issue price of RM4.50 each in Reach Energy for a consideration of RM2,400,003.00 ("RCPS Subscription"); and

(b) 12,444,444 ordinary shares of RM0.01 each ("Shares") together with 12,444,444 free detachable Warrants at an issue price of RM0.45 per Share in Reach Energy for a consideration of RM5,599,999.80 ("Shares Subscription").

Each RCPS subscribed will be convertible into 10 Shares together with 10 free detachable warrants of Reach Energy upon receipt of approval from the Securities Commission for the Proposed IPO (as defined below).

DMB has fully paid for the RCPS Subscription on the even date.

Reach Energy proposes to undertake an initial public offering and listing on the Main Market of Bursa Malaysia Securities Berhad as a Special Purpose Acquisition Company ("SPAC") ("Proposed IPO") focused on the oil and gas industry.

The Subscription will enable DMB to invest in Reach Energy, a company which will be an oil and gas exploration and production company, once it completes its qualifying acquisition.

On 29 July 2013, pursuant to the Subscription Agreement, DMB has subscribed for 533,334 RCPS at an issue price of RM4.50 each in Reach Energy for a consideration of RM2,400,003.00.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company and completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(i) Subscription in Reach Energy Berhad for a total consideration of RM10,000,001.25 (cont'd)

Subsequently on 2 July 2014, DMB has entered into the following:

(a) Sale and Purchase Agreement between Midvest Asia Sdn Bhd ("Vendor") and DMB for the acquisition of 133,333 RCPS ("Sale RCPS") by DMB from the Vendor for a consideration of RM599,998.50 ("Acquisition of RCPS") ("SPA");

(b) Novation Agreement between Reach Energy, the Vendor and DMB for the Vendor to novate its rights, title, interests, duties and obligations under the Subscription Agreement dated 26 July 2013 entered into between Reach Energy and the Vendor ("Vendor Subscription Agreement") for the subscription of (a) the Sale RCPS and (b) 3,111,111 Reach Energy Shares together with 3,111,111 free detachable Warrants at an issue price of RM0.45 per Reach Energy Share for a consideration of RM1,399,999.95 ("Reach Energy Share Subscription") ("Novation Agreement");

(c) Supplemental Agreement (to the Vendor Subscription Agreement) between Reach Energy and DMB ("Supplemental Agreement to the Vendor Subscription Agreement"); and

(d) Supplemental Agreement (to the Subscription Agreement dated 26 July 2013 between Reach Energy and DMB) between Reach Energy and DMB ("Supplemental Agreement to the DMB Subscription Agreement").

The Acquisition of RCPS and the Reach Energy Share Subscription will enable DMB to increase its equity holdings in Reach Energy. DMB will hold 1.74% in Reach Energy upon the IPO of Reach Energy.

The Supplemental Agreement to the Vendor Subscription Agreement and the Supplemental Agreement to the DMB Subscription Agreement are to reflect the changes in the terms of all the Warrants of Reach Energy to be issued to DMB in conjunction with the IPO of Reach Energy. The IPO of Reach Energy was approved by the SC on 20 June 2014.

Pursuant to the Subscription Agreement, SPA and Novation Agreement, DMB has completed the subscription in Reach Energy for a total consideration of RM10,000,001.25 on 2 July 2014.

The Reach Energy shares were listed on Bursa Malaysia on 15 August 2014.

(ii) Incorporation of a joint venture company - Daya Sheffield Pte. Ltd. ("DSPL")

On 29 May 2014, Daya Sheffield Sdn. Bhd., a joint venture company of Daya OCI Sdn. Bhd., which is a subsidiary of DMB had incorporated a wholly-owned limited liability company known as Daya Sheffield Pte. Ltd. ("DSPL") with an authorised and fully paid-up share capital of SGD1.00 divided into 1 ordinary share of SGD1.00 each. The principal activities of DSPL are provision for technical & engineering services in global oil & gas industries as well as overseas consultancy services to oil & gas or any other industries.

The incorporation of DSPL is to facilitate DMB Group to expand and seek international business opportunities in providing specialized recruitment on staffing and executive placement, focusing on major oil & gas operators as well as international engineering, procurement, construction, installation and commissioning companies. The incorporation of DSPL is expected to contribute positively to the future profitability and cash flow of DMB as well as the stability of its future income stream.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company and completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(iii) Proposed disposal of 2,400,000 ordinary shares of RM1.00 each in Daya CMT Sdn Bhd ("DCMT") ("Sale Shares") to Perfect Propel Sdn. Bhd. ("Purchaser") for a total cash consideration of RM18,000,000.00 ("Proposed Disposal")

On 28 April 2014, the Board announced that DMB had entered into a Share Sale Agreement ("SSA") with the Purchaser to dispose 2,400,000 ordinary shares of RM1.00 each in DCMT ("Sale Shares") representing 30% of the issued and paid-up share capital of DCMT at a total cash consideration of RM18,000,000.00 ("Disposal Consideration")("Proposed Disposal"). Upon the completion of Proposed Disposal, DCMT will become 70% owned subsidiaries of DMB.

In the SSA, DCMT includes DCMT and its existing subsidiaries, together with Daya Land & Development Sdn. Bhd. ("DLD") and its subsidiaries and joint venture companies (collectively referred to as "the Subsidiaries"). DLD is currently a wholly-owned subsidiary of DMB.

DLD has the following subsidiaries and joint venture company:

- (i) Ultrafest Sdn Bhd – 100%
- (ii) Zen Projects Sdn Bhd – 100%
- (iii) Terra Hill Development Sdn Bhd – 100%
- (iv) Semangat Global Sdn Bhd * – 51%

*Joint venture company

DMB undertakes to ensure (and it is also a condition precedent) that DLD shall become 100% subsidiary of DCMT prior to the completion of Proposed Disposal and DLD's subsidiaries shall upon completion, remain subsidiaries in the same percentages stated above.

Cash proceeds amounting to RM18,000,000.00 will be utilised by DMB for its working capital purposes within six (6) months from the receipt of the proceeds. The amount allocated for working capital will be utilized to meet DMB and its group of companies' ("DMB Group" or "the Group") general working capital requirements such as the operating expenses of the DMB Group which include purchase of raw materials as well as repayment of trade and other payables.

If based on the DMB Group's carrying value relating to the disposal percentage of equity interest in the Companies as at 31 December 2013 and on the assumption that the Proposed Disposal was completed on 31 December 2013, the Proposed Disposal of DCMT will result in a gain of approximately RM1.3 million attributable to the DMB Group.

The salient terms of the SSA are as follows:

- (i) The Disposal Consideration for the Sale Shares shall be paid by the Purchaser to DMB in immediately available funds and as follows:
 - (a) RM900,000.00 ("Deposit") shall be paid by telegraphic transfer on the date of the SSA; and
 - (b) The balance RM17,100,000.00 shall be paid on the date within 30 Business Days after the date on which the last of the conditions ("Conditions Precedent") in Clause 4.1 and Schedule 2 of the SSA to be satisfied or waived is satisfied or waived or the date referred to in Clause 6.4(c) of the SSA, or such earlier date as notified by the Purchaser to DMB ("Completion Date").

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company and completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(iii) Proposed disposal of 2,400,000 ordinary shares of RM1.00 each in Daya CMT Sdn Bhd ("DCMT") ("Sale Shares") to Perfect Propel Sdn Bhd ("Purchaser") for a total cash consideration of RM18,000,000.00 ("Proposed Disposal") (cont'd)

(ii) The SSA is conditional upon the fulfilment of the following Conditions Precedent:

(a) Approval of DMB's shareholders in a general meeting, if required by law. DMB shall within 7 days from the date of the SSA advise the Purchaser if such approval is required;

(b) The approval and consent of DCMT's financiers to the transactions contemplated by the SSA having been obtained by DMB or by DCMT (as the case may be), if required under existing financing covenants already undertaken by DCMT;

(c) The completion of the internal restructuring by DMB in transferring the entire issued and paid up share capital in DLD to DCMT so that DLD becomes a wholly owned subsidiary of DCMT;

(d) The Purchaser conducting and completing a due diligence exercise on DCMT and the Subsidiaries in respect of the legal, financial and operational matters of DCMT and the Subsidiaries;

(e) The Purchaser not having served notice of termination of the SSA pursuant to Clause 6 of the SSA.

(iii) If completion of the sale and purchase of the Sale Shares ("Completion") does not take place on the Completion Date because the Conditions Precedent are not fulfilled, the Purchaser may by notice to DMB:

(a) proceed to Completion to the extent reasonably practicable;

(b) postpone Completion to such date as the parties may mutually agree in writing; or

(c) terminate the SSA.

(iv) Should the Purchaser terminate the SSA pursuant to Item 3.3 (c) above, DMB shall compensate the Purchaser an amount equivalent to the Deposit as payment of liquidated damages. In addition, DMB shall refund to the Purchaser, free of interest, the amount of the Deposit.

(v) On Completion, DMB warrants that the net tangible asset value of DCMT and the Subsidiaries shall not be less than RM44,000,000.00 only.

(vi) In consideration of the Purchaser agreeing to purchase the Sale Shares, DMB agrees to grant the put option ("Put Option") to the Purchaser in respect of all the ordinary shares in DCMT and not just part thereof ("Put Option Shares") then held by Purchaser upon the occurrence of either of the following:

(a) if the total audited consolidated profits after tax of DCMT of RM10,000,000.00 only for the financial year ending 31 December 2014 and RM12,000,000.00 only for the financial year ending 31 December 2015 ("Guaranteed Profits") is not achieved pursuant to Clause 10 of the SSA; or

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company and completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(iii) Proposed disposal of 2,400,000 ordinary shares of RM1.00 each in Daya CMT Sdn Bhd ("DCMT") ("Sale Shares") to Perfect Propel Sdn Bhd ("Purchaser") for a total cash consideration of RM18,000,000.00 ("Proposed Disposal") (cont'd)

(b) any of the events set out in Clause 7.3 of the SSA if liquidated and ascertained damages are agreed by or judgment debts are entered (and not appealed) against DCMT or the Subsidiaries in respect of contracts/works for existing projects of DCMT or the Subsidiaries entered into/carried out before or during the financial years ending 31 December 2014 and 31 December 2015 only in respect of specific construction projects; or

(c) if DMB fails to procure the release of the corporate guarantee ("Corporate Guarantee") given by DCMT in respect of the banking/credit facilities granted to DMB by Hong Leong Bank Bhd prior to the Completion and no later than 3 months after the Completion Date; or

(d) failure of DMB to obtain shareholders' approval or any other approvals required (whether by law or otherwise), or failure of DMB for any other reason(s) whatsoever to sell the Call Option Shares to the Purchaser (whether in part or in whole) as per Clause 7.2(b) of the SSA.

(vii) In consideration of the Purchaser agreeing to purchase the Sale Shares, DMB agrees to grant the call option ("Call Option") to the Purchaser subject to the DMB's shareholders' approval in a general meeting to be convened, if required by law. The Purchaser is entitled to exercise the Call Option in respect of up to 45% of the issued and paid up share capital of DCMT held by DMB other than the Sale Shares ("Call Option Shares") at any time and from time to time within 24 months from the Completion Date.

The Purchaser, Perfect Propel Sdn. Bhd. was incorporated on 7 April 2014 under the Companies Act, 1965 as a private limited company with an authorised share capital of RM400,000 divided into 400,000 ordinary shares of RM1.00 each, of which 2 ordinary shares of RM1.00 each have been issued and fully paid-up. The Purchaser is principally engaged in the general trading, investment holding and property development. The shareholders of the Purchaser has substantial experience in corporate matters and property sector. The participation of the Purchaser in DCMT will enable to Company to benefit directly from the existing business ventures of the Purchaser. Moreover, the Proposed Disposal is in line with the Group's overall objective of focusing its resources in its core Oil & Gas business.

On 12 May 2014, the Board announced that the Purchaser and DMB have mutually agreed on even date to extend the period for the satisfaction of the Conditions Precedent to 26 May 2014.

On 26 May 2014, the Board announced that the Purchaser and DMB have mutually agreed on even date to extend the period for the satisfaction of the Conditions Precedent to 9 June 2014.

On 5 June 2014, the Board announced that the belowmentioned conditions have been fulfilled by DMB on 5 June 2014:

- (i) the approval and consent of DCMT's financiers to the transactions contemplated by the SSA having been obtained by DMB or by DCMT (as the case may be), if required under existing financing covenants already undertaken by DCMT; and
- (ii) the completion of the internal restructuring by DMB in transferring the entire issued and paid up share capital in DLD to DCMT so that DLD becomes a wholly owned subsidiary of DCMT.

Subsequently on 17 July 2014, the Board announced that the Proposed Disposal is completed on 17 July 2014.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company but not completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are 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.

The ESOS expired on 25 February 2014. As at the date of expiry, no options have been granted under the ESOS.

On 2 May 2014, the Board announced that the Company is seeking its shareholders approval for the Proposed Share Buy-Back Renewal. The Company will seek approval for the Proposed Share Buy-Back Renewal from the shareholders at the Eleventh AGM held on 18 June 2014.

(ii) Memorandum of Understanding ("MOU") between Daya Petroleum Ventures Sdn. Bhd. ("DPV"), a subsidiary of DMB and Kazariah Energy LLP ("Kazariah").

On 31 December 2013, the Board announced that DPV, a 100% owned subsidiary of DMB, has entered into a MOU with Kazariah. The purpose of the MOU is to record the preliminary intentions and understanding between DPV and Kazariah with respect to the supply of oilfield products and services and subsea engineering services to the Oil & Gas industry in Kazakhstan ("the Business") and the establishment and on-going development of a suitable vehicle to carry out the Business, by utilising each respective resources, knowledge and expertise.

Kazariah is involved in the provision of technical services and products to various clients in the marine and offshore industry. Kazariah has the technical know-how and track record to provide such technical services and products to the Oil & Gas industry in Kazakhstan.

On 30 June 2014, the Board announced that the status of the MOU remains unchanged as of to-date and will make the necessary announcements as per the Main Market Listing Requirements of Bursa Malaysia Securities Berhad upon finalisation of the proposals.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company but not completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(iii) Memorandum of Understanding ("MOU") between Daya Proffscorp Sdn. Bhd. ("DPRO"), a subsidiary of DMB and Cimolai Technology SpA ("Cimolai")

On 22 April 2014, the Board announced that DPRO, a subsidiary of DMB has on 21 April 2014 entered into a MOU with Cimolai. The MOU confirms 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 proposed 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.

On 21 July 2014, the Board announced that the status of the MOU remains unchanged as of to-date and will make the necessary announcements as per the Main Market Listing Requirements of Bursa Malaysia Securities Berhad upon finalisation of the proposals.

(iv) Memorandum of Understanding ("MOU") between Daya Offshore Construction Sdn. Bhd. ("DOCSB"), a wholly owned subsidiary of Daya Materials Berhad ("DMB") and Caracal Oil & Gas Services Limited ("Caracal")

On 6 June 2014, the Board announced that DOCSB, a wholly-owned subsidiary of DMB has on 6 June 2014 entered into a MOU with Caracal. The purpose of the MOU is to record the preliminary intentions and understanding of DOCSB and Caracal with respect to their common interest and agreement to combining their complementary resources and collaborating to market the combined services and assets in international markets where each party can bring a level of value and if successful then to undertake the scope under a suitable contracting model or as a subcontractor depending on the scope of work to be executed.

(v) Proposed Disposal of 140,250 Ordinary Shares of RM1.00 each ("Sale Shares") in Daya Proffscorp Sdn. Bhd. ("DPRO") to Wiramas Baiduri Sdn. Bhd. ("Purchaser") for a total cash disposal consideration of RM2,000,000 ("Proposed Disposal")

On 16 June 2014, the Board announced that DMB had entered into a Share Sale Agreement ("SSA") with the Purchaser to dispose 140,250 ordinary shares of RM1.00 each in DPRO ("Sale Shares") representing 8.5% of the issued and paid-up share capital of DPRO for a total cash disposal consideration of RM2,000,000 ("Purchase Price").

DMB currently owns a 67% equity interest in DPRO and the Purchaser currently owns a 33% equity interest in DPRO. The Proposed Disposal involves the disposal of 8.5% equity interest in DPRO for the Purchase Price. Upon the completion of Proposed Disposal, DPRO will become a 58.5% owned subsidiary of DMB.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company but not completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(v) Proposed Disposal of 140,250 Ordinary Shares of RM1.00 each ("Sale Shares") in Daya Proffscorp Sdn. Bhd. ("DPRO") to Wiramas Baiduri Sdn. Bhd. ("Purchaser") for a total cash disposal consideration of RM2,000,000 ("Proposed Disposal") (cont'd)

The Proposed Disposal is to meet the objectives of enhancing the Bumiputera equity ownership in DPRO. In its ordinary course of business, the DMB Group requires certain licenses and permits to operate its business. The licenses issued enable the DMB Group to market the Group's products and services and are among others, subject to Bumiputera shareholding requirements. Therefore it is crucial and important for the DMB Group to ensure that there is sufficient Bumiputera equity ownership in DPRO.

The Proposed Disposal is not expected to have any material effect on the earnings and earnings per share of the DMB Group for the financial year ending 31 December 2013 and in the future.

As set out in the SSA, the Purchaser agrees that any yield declared and payable or paid by DPRO to the Purchaser for any of its financial year which is in excess of the Guaranteed Yield and all rights, interests, benefits and titles of the Purchaser in and to such yield exceeding the Guaranteed Yield and in and to the Purchaser's entitlement or share of the net assets and profits of DPRO are assigned absolutely to the Company. As a result, the management expects that the Proposed Disposal will not have any financial effect on the Group's future earnings except other than disclosed in section 6.1 of the announcement.

The Audit Committee of DMB, having considered all aspects of the Proposed Disposal, including but not limited to the rationale of the Proposed Disposal, the basis and justification for the Purchase Price, salient terms of the SSA and the effects of the Proposed Disposal, is of the view that the Proposed Disposal is in the best interests of the Company, fair and reasonable and on normal commercial terms and is not detrimental to the interest of the minority shareholders of DMB.

Barring any unforeseen circumstances, the Proposed Disposal is expected to be completed by the third quarter of 2014.

(vi) Proposed Acquisition of Vessels and Proposed Fund Raising Exercise

On 22 August 2014, on behalf of the Board, Hong Leong Investment Bank Berhad ("HLIB") announced that DMB had on 22 August 2014 entered into two (2) memoranda of agreement ("MOAs") with Siem Offshore Rederi AS ("SORA") for DMB or its nominee company to acquire the following vessels:

- (i) a Dynamic Positioning Class 2 ("DP2") offshore subsea construction vessel known as "Siem Daya 1" ("SD1") for a cash consideration of USD140.0 million (equivalent to approximately RM444.1 million) ("Proposed SD1 Acquisition"); and
- (ii) a second DP2 offshore subsea construction vessel known as "Siem Daya 2" ("SD2") for a cash consideration of USD140.0 million (equivalent to approximately RM444.1 million) and an additional USD2.3 million (equivalent to approximately RM7.3 million) for a 50 metric tonnes active heave compensation 3,000 metres crane ("Proposed SD2 Acquisition").

SD1 and SD2 shall collectively hereinafter be referred to as the "Vessels". The Proposed SD1 Acquisition and Proposed SD2 Acquisition shall collectively hereinafter be referred to as the "Proposed Acquisitions".

DMB had also agreed with SORA vide a letter dated 22 August 2014 in relation to the additional terms for the purchase of the said Vessels.

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B7 Status of corporate proposals (cont'd)

The status of a corporate proposal announced by the Company but not completed as at 22 August 2014, being the latest practicable date not earlier than 7 days from the date of issue of this quarterly report are summarised below (cont'd):

(vi) Proposed Acquisition of Vessels and Proposed Fund Raising Exercise (cont'd)

In addition, DMB is undertaking the following proposals:

- (i) placement of up to 25% of the issued and paid-up share capital of the Company ("Proposed Placement");
- (ii) renounceable rights issue of new ordinary shares of RM0.10 each in DMB ("DMB Shares") ("Rights Shares") together with free detachable warrants ("Warrants") to raise gross proceeds of up to RM230,000,000 before the exercise of Warrants ("Proposed Rights Issue");
- (iii) issuance of seven (7)-year redeemable convertible secured bonds ("Bonds") of up to RM120,000,000 nominal value ("Proposed Bonds Issue"); and
- (iv) increase in the authorised share capital of DMB from RM200,000,000 comprising 2,000,000,000 DMB Shares to RM500,000,000 comprising 5,000,000,000 DMB Shares ("Proposed Increase in Authorised Share Capital") and the subsequent amendments to the Company's Memorandum and Articles of Association.

The Proposed Placement, Proposed Rights Issue and Proposed Bonds Issue are collectively hereinafter referred to as the "Proposed Fund Raising Exercise").

The Proposed Acquisitions, Proposed Fund Raising Exercise and Proposed Increase in Authorised Share Capital shall collectively hereinafter be referred to as the "Proposals".

The Proposed Acquisitions will enable the DMB Group to own and operate the Vessels instead of chartering the Vessels from SORA. The Proposed Acquisitions will further enhance the operating cost structure of the Vessels, which is expected to contribute positively to the future profitability of the DMB Group.

The Proposed Acquisitions are also in line with the DMB Group's business strategy to own operating assets to expand its range of subsea services and enhance its subsea capabilities in offshore oil and gas operations.

The Proposed Fund Raising Exercise is undertaken to raise funds to partly finance the acquisition of the Vessels, which is expected to contribute positively to the future performance of the DMB Group.

After due consideration of the various funding methods available to DMB, the Board is of the view that the Proposed Fund Raising Exercise is currently the most appropriate avenue of fund raising.

The Proposed Increase in Authorised Share Capital is required to facilitate the issuance of new DMB Shares under the Proposed Placement and Proposed Rights Issue as well as the conversion of Bonds under the Proposed Bonds Issue. As a consequence of the Proposed Increase in Authorised Share Capital, DMB's Memorandum and Articles of Association will be amended accordingly.

Barring any unforeseen circumstances, the Proposals are expected to be completed in the first quarter of 2015.

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B8 Status of utilisation of proceeds

Private Placement Proceeds- Year 2013

The Company raised approximately RM43.394 million from its private placement exercise proposed in year 2013. As at 30 June 2014, the Company has fully utilised the total proceeds raised and the status of the utilization proceeds as follows:

Description	Proposed utilisation as per announcement dated 21 October 2013	Proceeds from Placement Shares	New proposed utilisation of proceeds	Variation of utilisation proceeds	Actual utilisation	Balance	Deviation	Estimated timeframe for the utilisation of proceeds from the date of listing of the Placement Shares
	RM'000 A	RM'000 B	RM'000 C	RM'000 D = C - B	RM'000 E	RM'000 F = C-E	%	
To refinance existing borrowings	30,000	30,000	5,000	(25,000)	5,000	-	0%	Within three (3) months
Working capital	7,963	12,994 *	37,394	24,400	37,404	(10) #	0%	Within twelve (12) months
To defray estimated expenses in relation to the Proposed Private Placement	400	400	1,000	600	990	10 #	1%	Within one (1) month
Total proceeds	38,363	43,394	43,394	-	43,394	0	0%	

* The variations to the total proceeds raised was adjusted to the amount allocate for utilisation as working capital.

Any variation to the estimated expenses was adjusted to the working capital.

In the announcement to Bursa Malaysia Securities Sdn. Bhd. ("Bursa Malaysia") on 18 February 2014, the Board of Directors of DMB ("the Board") had resolved to revise the revision of utilisation of the Company's private placement proceeds of RM43,394 million as disclosed in the announcement to Bursa Malaysia dated 21 October 2013.

As per the announcement dated 21 October 2013, the Board had intended to utilise RM30.0 million of the proceeds from the Private Placement for the purpose of refinancing existing borrowings. However, after taking into consideration the current business needs of the Company and its subsidiaries ("Group"), the Board has resolved to vary the aforementioned balance of RM24.4 million and RM0.6 million out of the RM30.0 million to be utilised as working capital and expenses in relation to the private placement respectively ("Revision of Utilisation of Proceeds").

The rationale for the Revision of Utilisation of Proceeds is to enable the Group to optimise the use of the current borrowings facility instead of an early settlement for the existing borrowings in view that these borrowings are not due for settlement yet and to allow the Company to use part of the proceeds from the Private Placement for the settlement of additional expenses relating to the Private Placement.

As at 30 June 2014, DMB has placed out 125,781,000 placement shares, at an issue price of RM0.345 per share, raising RM43,394,445.00.

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B9 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
Trade facilities (Secured)	52,794	40,000	92,794
Hire purchases (Secured)	1,633	5,961	7,594
Overdraft (Unsecured)	22,891	-	22,891
Term loans (Secured)	8,571	38,795	47,366
	<u>85,889</u>	<u>84,756</u>	<u>170,645</u>

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

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

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

B10 Material litigations

Save for the following, there were no material litigation involving the Group since the last financial year ended 31 December 2013 and 22 August 2014, 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

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 RM1,942,000 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) installments, RM100,000 on or before 31 December 2011, RM370,000 on or before 31 December 2012, RM365,000 on or before 31 December 2013 and RM365,000 on or before 31 December 2014. In default of any one of these installments, the 1st and 2nd Defendants become liable for the payment of the entire sum claimed of RM1,942,250 less any installments paid. The 1st and 2nd Defendants have also agreed to provide security for the installments payments in the form of titles to properties up to the value of RM300,000 on or before 31 December 2011 and RM900,000 on or before 30 June 2012 in default of which the entire sum due on the installments shall fall due as at the date of default. On 16 August 2011, the Court granted Judgment against the 3rd, 4th and 5th defendants for the sum claimed of RM1,942,000 with costs and interest.

The first installment payment of RM100,000 from the first and second Defendants, was due on or before the 31 December 2011. On 29 December 2011, the 1st and 2nd Defendants appealed for the deferment of first installment payment of RM100,000 with a full settlement by end of April 2012. On 30 April 2012, the 1st and 2nd Defendants again appealed for the deferment of another three plus one months with payments of RM10,000 each payable not later than 10 May 2012 and 31 May 2012 respectively as a pledge of commitments. On 16 May 2012 and 10 July 2012 respectively, DSSB received the cheque of RM10,000 from the 1st and 2nd Defendants on each date.

Thereafter, DSSB has not received the settlement as proposed by the 1st and 2nd Defendants. The 1st Defendant has made a fresh set of proposals in 2013 but has not been able to comply with his own terms. Subsequently on 24 December 2013, DSSB received a cheque of RM10,000 from the 1st and 2nd Defendants.

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B10 Material litigations (cont'd)

(a) Kuala Lumpur High Court Suit No. D3-22-360-2008 (cont'd)

His last proposal in November 2013 was as follows:

- payment of RM160,000.00 by or before the end of December 2013;
- payment of RM150,000.00 a month beginning January 2014 till end of June 2014;
- Final Payment of the balance due to DSSB in July 2014 (the difference between total amount due to DSSB and total amount paid till the end of June 2014).

The above proposal was not complied with, the 1st Defendant submitted a revised payment proposal in February 2014. DSSB has informed him repeatedly that he and the 2nd Defendant are in default of the Consent Judgment, and reserves its rights for further legal considerations on the matter, and that any payment made by the 1st Defendant will be received without prejudice to DSSB's rights to take steps to enforce the Consent Judgment.

(b) Kuala Lumpur High Court Suit No. 22NCC-90-03/2014

On 18 March 2014, the Company and its wholly-owned subsidiary, Daya Offshore Construction Sdn. Bhd. (formerly known as SD Equipment Sdn. Bhd.) ("DOCSB"), of DMB, had been notified by their lawyers, Messrs. Zain Megat & Murad, of the said lawyers' receipt in the evening of 17 March 2014, 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 Plaintiff claims that the Company had allegedly breached a shareholders sgreement dated 30 April 2013 ("Shareholders Agreement") in relation to DOCSB and the Plaintiff is claiming for inter alia a Declaration to that effect, valuation of the shares in DOCSB, damages and an injunction to restrain breach or further breach of the Shareholders Agreement.

On 2 April 2014, the Company and DOCSB had been notified by their lawyers that the said lawyers had been served on 1 April 2014 by the Plaintiff's Solicitors, with a Notice of Application and Affidavit in Support dated 31 March 2014 for interlocutory injunction ("Interlocutory Injunction Application").

In the Interlocutory Injunction Application, the Plaintiff is seeking for inter alia the following reliefs:-

- (i) an injunction to restrain the Company and/or DOCSB from excluding the Plaintiff as a director of DOCSB and/or from curtailing, impeding and/or otherwise preventing the Plaintiff's exercise of all his rights as a director of DOCSB and pursuant to the Shareholders Agreement;
- (ii) an injunction to restrain the Company from selling, transferring and/or otherwise dealing in any manner whatsoever the 5 million ordinary shares in DOCSB that is currently held and registered in the name of the Company;
- (iii) an injunction to restrain the Company from requisitioning, calling, convening and/or otherwise holding any Board and/or Shareholder meeting of DOCSB without the Plaintiff's participation and/or consent;
- (iv) an injunction to retrain DOCSB from making, executing and/or otherwise implementing any decisions of DOCSB without the approval of the Plaintiff or court;
- (v) alternatively, that interim Receivers & Managers be hereby appointed to enter, and take control and have full management control of DOCSB.

The High Court granted an ad interim injunction only in relation to part of the reliefs sought for in the Interlocutory Injunction Application to preserve status quo pending the hearing of the Interlocutory Injunction Application. They are as follows:

- (i) an injunction to restrain the Company from selling, transferring and/or otherwise dealing in any manner whatsoever the 5 million ordinary shares in DOCSB that is currently held and registered in the name of the Company; and
- (ii) an injunction to restrain the Company from requisitioning, calling, convening and/or otherwise holding any Board and/or Shareholder meeting of DOC without the Plaintiff's participation and/or consent, in contravention of the Shareholders Agreement.

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B10 Material litigations (cont'd)

(b) Kuala Lumpur High Court Suit No. 22NCC-90-03/2014 (cont'd)

On 17 April 2014, the Company and DOCSB vide their lawyers, filed in and served on the Plaintiff's Solicitors the following:

- (i) Defence and Counterclaim against the Plaintiff; and
- (ii) An Affidavit in Reply to resist the Plaintiff's Injunction Application.

Amongst others, the Company and DOCSB are counter claiming against the Plaintiff for:

- (i) a declaration that the Shareholders Agreement dated 30 April 2013 is not valid and/or not binding and/or otherwise void for total failure of consideration as the Plaintiff had never purchased the 20% shares in DOCSB from the Company as envisaged; and
- (ii) breach of his employment agreement, breach of his fiduciary duties, negligent management and/or mismanagement whilst the Plaintiff was the Chief Executive Officer of DOCSB.

The Company and DOCSB have appointed Messrs. Zain Megat & Murad to inter alia challenge and defend the Suit, counterclaim against the Plaintiff and resist the Plaintiff's Injunction Application.

On 5 May 2014, the Company had been notified by their lawyers that the said lawyers had received the Plaintiff's Affidavit in Reply on 2 May 2014 and in the circumstances, the hearing of the Plaintiff's Interlocutory Injunction Application on 5 May 2014 was adjourned to 3 June 2014 and the following directions were given by the Court:-

- (i) The Company and DOCSB to file and serve its Affidavit in Reply to the Plaintiff's Affidavit in Reply on or before 14 May 2014. The Company and DOCSB vide their lawyers on 14 May 2014, requested for an extension to file and serve its Affidavit in Reply to the Plaintiff's Affidavit in Reply from the Plaintiff's Solicitors. This was agreed by the Plaintiff's Solicitors and filed and served on 15 May 2014; and
- (ii) The Plaintiff to file his Affidavit in Reply to the aforesaid Company and DOCSB's Affidavit in Reply on or before 21 May 2014.

Pending the hearing of the Interlocutory Injunction Application, the ad interim injunction granted on 3 April 2014 is maintained.

On 3 June 2014, the Company and DOCSB had recorded a Consent Order before the High Court, on a without prejudice basis and without admission, for an interlocutory injunction to continue pending the disposal of trial, on the following terms ("Interlocutory Injunction):-

- (i) an injunction to restrain the Company from selling, transferring and/or otherwise dealing in any manner whatsoever the 5 million ordinary shares in DOCSB that is currently held and registered in the name of the Company;
- (ii) an injunction to restrain the Company from requisitioning, calling, convening and/or otherwise holding any Board and/or Shareholder meeting of DOCSB without the Plaintiff's participation and/or consent, in relation to the following Reserved Matters pursuant to the Shareholders Agreement:-
 - (A) New loans and borrowing;
 - (B) Rights issues, capital reductions and any form of fund raising;
 - (C) Amendments to DOCSB's Memorandum and Articles of Association;
 - (D) Joint ventures, mergers and acquisitions and asset sales of or by DOCSB;
 - (E) New businesses which are not directly related to DOCSB's core business; and
 - (F) Change of Board Directors and Signatories.

This is to facilitate an early disposal of the trial of the matter as well as to have a clearer definition of the matters where participation and/or consent of the Plaintiff need to be sought. The liberty for parties to apply to Court in relation to the Interlocutory Injunction is maintained.

The matter is now fixed for full trial on 18th to 20th November 2014.

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B11 Other Litigation

Memorandum of Agreement ("MOA") between Daya Vessels Limited ("DVL"), a subsidiary of Daya OCI Sdn. Bhd. ("DOCI"), which in turn is a subsidiary of Daya Materials Berhad ("DMB") and SBM Installer S.A.R.L Construction Vessel ("VESSEL")

On 7 November 2013, the Board announced that DVL, a 100% owned subsidiary of DOCI, which in turn is a 67% owned subsidiary of DMB, allegedly entered into the MOA with SBM in relation to the acquisition of one newbuild Diving Support and Construction Vessel ("DSCV") named the "SBM Installer" for a purchase consideration of USD180 million, equivalent to approximately RM577 million.

The salient terms of the MOA are as follows:

- (a) No deposit is required.
- (b) An irrevocable on demand bank guarantee of 10% of the Purchase Price ("Bank Guarantee") is to be issued in favour of SBM and called no earlier than 15 January 2013, by Fortress Bank or any other bank acceptable to SBM ("Bank Guarantor").
- (c) On delivery of the Vessel, but no later than three (3) banking days after the date that notice of readiness has been given, as set out in Clause 5 of the MOA, DVL is to pay the full amount of the Purchase Price and all other sums payable on delivery.
- (d) No later than five (5) banking days after the execution of the MOA, DVL shall provide SBM with a parent company guarantee ("PCG") from DMB and documentary evidence that DVL has secured the necessary loan and/or equity funding in order to allow it to purchase the Vessel ("Documentary Evidence of Financing").
- (e) Should DVL fail to provide either the PCG or Documentary Evidence of Financing in accordance with Item 1 (d), SBM shall have the right to cancel the MOA and claim compensation for their direct losses and for all expenses incurred in relation to the transaction, together with interest.
- (f) Should the Bank Guarantee not be issued by the Bank Guarantor in accordance with Item 1 (b), SBM shall have the right to cancel the MOA and claim compensation for their direct losses and for all expenses incurred in relation to the transaction, together with interest.

The Board of Directors of DMB ("Board") wishes to clarify that:

- (a) DVL had no intention to purchase the Vessel and as such has not attempted to meet any of the terms of the MOA.
- (b) The MOA was signed without the knowledge or prior approval of the Board or board of directors of DVL.
- (c) No shareholders' approval of DVL was sought or given.
- (d) The press release issued by SBM on 11 November 2013 was inaccurate.
- (e) DVL had notified SBM to terminate the MOA.
- (f) No deposits, Documentary Evidence of Financing or other forms of payment in accordance with the salient terms of (b) and (d) have been made.

Having obtained legal opinions from Lee Choon Wan & Co and Clyde & Co respectively, the Board has decided to make an announcement confirming all the relevant facts of the matter and will continue to seek further legal advice.

On 7 August 2014, the Board announced that DVL had through its solicitors, received a letter from SBM's lawyers dated 6 August 2014 giving DVL notice that SBM has appointed its arbitrator in relation to all disputes arising out of and/or in connection with the MOA. DVL is to appoint its arbitrator within 14 calendar days, failing which SBM shall take steps to appoint its nominated arbitrator as sole arbitrator.

DVL is seeking legal advice from its solicitors and the Company will make the necessary announcements as and when there are material developments in this case. As at 7 August 2014, DVL has not received the details of SBM's claims and the Company is therefore not in the position to assess the impact of the arbitration on the operations and financial position of DVL, the Company and the group. In this regard, the Company will make the relevant announcement(s) in due course.

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B12 Proposed Dividends

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

The Board of Directors does not recommend the payment of any dividends for the financial year ended 31 December 2013.

B13 Earnings per share

a) Basic earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Net profit for the period attributable to ordinary equity holders of the company (RM'000)	4,675	6,744	5,624	11,775
Weighted average number of shares in issue ('000)	1,388,818	1,239,990	1,386,959	1,231,784
Basic earnings per share (sen)	0.34	0.54	0.41	0.96

b) Diluted earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPONDING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPONDING PERIOD
	30.6.2014	30.6.2013	30.6.2014	30.6.2013
Net profit for the period attributable to ordinary equity holders of the company (RM'000)	4,675	6,744	5,624	11,775
Adjusted net profit for the period attributable to ordinary equity holders of the company (RM'000)	4,675	6,744	5,624	11,775
Weighted average number of shares in issue ('000)	1,388,818	1,239,990	1,386,959	1,231,784
Effect of dilution ('000)	-	645	-	645
Adjusted weighted average number of shares in issue ('000)	1,388,818	1,240,635	1,386,959	1,232,429
Diluted earnings per share (sen)*	-	0.54	-	0.96

* 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 ("RCSLN") which was fully redeemed in 2013.

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B14 Additional disclosure as per Appendix 9B , Part A, Note 16 of Bursa Listing Requirement

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER	PRECEDING YEAR CORRESPON- DING QUARTER	CURRENT YEAR TO DATE	PRECEDING YEAR CORRESPON- DING PERIOD
	30.6.2014 RM'000	31.6.2013 RM'000	30.6.2014 RM'000	31.6.2013 RM'000
The following amounts have been included in arriving at profit before tax:				
Finance costs	2,290	1,595	4,300	2,910
Depreciation on property, plant and equipment	1,523	1,549	3,403	2,917
Depreciation on investment property	60	(3)	161	7
Amortisation on intangible assets	42	47	101	72
Realised foreign exchange loss	-	-	282	-
and after crediting:				
Interest income	153	443	398	685
Rental income	265	128	384	283
Reversal of discount on convertible loan notes	-	53	-	95
Reversal of allowance for impairment loss	-	10	-	39
Unrealised foreign exchange gains	9	12	179	44
Realised foreign exchange gains	115	-	-	-
Gain on disposal of property, plant & equipment	49	208	49	208
Gain on disposal of investment property	685	-	685	-
Fair value gain on marketable securities	-	17	-	17

There is no any impairment of other assets and gain or loss on derivatives.

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B15 Realised and Unrealised Profits/Losses

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 30.6.2014 RM'000	AS AT 31.12.2013 # RM'000
Total retained earnings of DMB and its subsidiaries:		
- Realised profits	118,697	117,630
- Unrealised losses	3,889	3,181
	<u>122,586</u>	<u>120,811</u>
Less: Consolidated adjustments	(28,447)	(32,296)
Total group retained earnings as per consolidated accounts	<u>94,139</u>	<u>88,515</u>

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

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 Securities Berhad and should not be applied for any other purposes.

B16 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2013 was unqualified.

By Order of the Board

Tham Jooi Loon
Managing Director

Date: 26 August 2014