

# DAYA MATERIALS BERHAD

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

## CONDENSED CONSOLIDATED INCOME STATEMENT

Quarterly report on results for the 3rd quarter ended 30.09.2006

(The figures have not been audited)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2005 RM'000	CURRENT YEAR TO DATE 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2005 RM'000
Revenue	7,295	7,811	21,277	21,003
Cost of Sales	(5,679)	(6,371)	(16,563)	(17,308)
Gross Profit	<u>1,616</u>	<u>1,440</u>	<u>4,714</u>	<u>3,695</u>
Other Net Operating Income	41	218	156	218
Operating Expenses	(621)	(462)	(1,778)	(1,317)
Profit from operations	<u>1,036</u>	<u>1,196</u>	<u>3,092</u>	<u>2,596</u>
Finance Costs	<u>(19)</u>	<u>(66)</u>	<u>(45)</u>	<u>(195)</u>
Profit before tax	1,017	1,130	3,047	2,401
Income tax expenses	<u>(140)</u>	<u>(453)</u>	<u>(393)</u>	<u>(581)</u>
Net profit for the period	<u><u>877</u></u>	<u><u>677</u></u>	<u><u>2,654</u></u>	<u><u>1,820</u></u>
Basic earnings per share (sen)	<u>0.46</u>	<u>0.39</u>	<u>1.40</u>	<u>2.44</u>

The accompanying notes form an integral part of, and should be read in conjunction with this interim financial report.

# DAYA MATERIALS BERHAD

(Company No: 636357-W)  
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## CONDENSED CONSOLIDATED BALANCE SHEET

AS AT 30 SEPTEMBER 2006

(The figures have not been audited)

	UNAUDITED AS AT END OF CURRENT QUARTER 30/09/2006 RM'000	AUDITED AS AT END OF FINANCIAL YEAR 31/12/2005 RM'000
<b>Assets</b>		
Property, plant and equipment	10,810	9,881
Development expenditure	294	348
<b>Current Assets</b>		
Inventories	4,271	3,652
Trade receivables	9,336	10,081
Other receivables, deposits and prepaid expenses	1,352	114
Tax recoverable	630	0
Short term investments	6,642	8,845
Fixed Deposits	35	35
Cash and bank balances	3,144	4,446
	25,410	27,173
<b>Current Liabilities</b>		
Trade payables	1,210	3,652
Other payables and accrued expenses	682	700
Tax payables	416	63
Bank borrowings (secured)	653	1,967
	2,961	6,382
<b>Net Current Assets</b>	22,449	20,791
	33,553	31,020
<b>Financed by:</b>		
Issued share capital	18,963	18,963
Reserves	13,323	10,669
	32,286	29,632
<b>Non Current Liabilities</b>		
Deferred tax liabilities	673	673
Term loan	594	715
	1,267	1,388
	33,553	31,020
<b>Net assets per share (sen)</b>	17.03	15.63

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# DAYA MATERIALS BERHAD

(Company No: 636357-W)  
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## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Quarterly report on results for the 3rd quarter ended 30.09.2006

(The figures have not been audited)

	Non-Distributable -			Distributable reserve /	Total RM'000
	Share capital RM'000	Share premium RM'000	Merger Reserve RM'000	Unappropriated profit RM'000	
<b>Balance as at 1 Jan 2005</b>	0 *	0	0	3,008	3,008
Issued as consideration for the acquisition of the subsidiary	13,274	0	0	0	13,274
Dividend paid to former shareholders of the subsidiary	0	0	0	(1,000)	(1,000)
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>1,143</u>	<u>1,143</u>
<b>Balance as at 30 June 2005</b>	13,274	0	0	3,151	16,425
Public issue	5,689	7,396	0	0	13,085
Listing expenses	0	(1,368)	0	0	(1,368)
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>677</u>	<u>677</u>
<b>Balance as at 30 Sept 2005</b>	18,963	6,028	0	3,828	28,819
Listing expenses	0	(69)	0	0	(69)
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>882</u>	<u>882</u>
<b>Balance as at 31 Dec 2005</b>	<u>18,963</u>	<u>5,959</u>	<u>0</u>	<u>4,710</u>	<u>29,632</u>
<b>Balance as at 1 Jan 2006</b>	18,963	5,959	0	4,710	29,632
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>971</u>	<u>971</u>
<b>Balance as at 31 Mar 2006</b>	18,963	5,959	0	5,681	30,603
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>806</u>	<u>806</u>
<b>Balance as at 30 June 2006</b>	18,963	5,959	0	6,487	31,409
Net profit for the period	<u>0</u>	<u>0</u>	<u>0</u>	<u>877</u>	<u>877</u>
<b>Balance as at 30 Sept 2006</b>	<u>18,963</u>	<u>5,959</u>	<u>0</u>	<u>7,364</u>	<u>32,286</u>

\* Represent RM2.

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# DAYA MATERIALS BERHAD

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## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

(The figures have not been audited)

	UNAUDITED CURRENT YEAR TO DATE 30/09/2006 RM'000	AUDITED PRECEDING YEAR FOR THE YEAR ENDED 31/12/2005 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	3,047	3,685
Adjustments for:		
Amortisation on development expenditure	54	12
Depreciation	352	461
Gain on disposal of PPE	0	(175)
PPE written off	7	0
Provision for doubtful debts	0	40
Interest expenses	56	191
Interest income	(122)	(105)
Operating profit before working capital changes	3,394	4,109
Changes in working capital:		
Net change in inventories	(619)	(1,259)
Net change in trade & other receivables	(493)	2,445
Net change in trade & other payables	(2,460)	1,887
Cash used in operations	(178)	7,182
Interest paid	(56)	(191)
Income tax paid	(670)	(813)
<b>Net Cash Used In Operating Activities</b>	<b>(904)</b>	<b>6,178</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Development expenditure	0	(83)
Listing Expenditure	0	(1,437)
Purchase of PPE	(1,289)	(2,165)
Proceeds from disposal of PPE	0	175
Proceeds from issuance of shares	0	13,085
Dividend paid	0	(1,000)
Interest received	122	105
<b>Net Cash From Investing Activities</b>	<b>(1,167)</b>	<b>8,680</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Change in FD	0	(21)
Change in trade facilities	(1,318)	(757)
Change in term loan	(116)	(116)
<b>Net Cash From Financing Activities</b>	<b>(1,434)</b>	<b>(894)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>(3,505)</b>	<b>13,964</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD</b>	<b>13,291</b>	<b>(673)</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE PERIOD</b>	<b>9,786</b>	<b>13,291</b>

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## A EXPLANATORY NOTES PURSUANT TO FRS 134 INTERIM FINANCIAL REPORTING (FORMERLY KNOWN AS MASB 26)

### 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" (formerly known as MASB 26); and Appendix 9B of the Listing Requirements of Bursa Malaysia Securities Berhad for the MESDAQ Market.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 31 December 2005. 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 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the annual financial statements for the year ended 31 December 2005, save for the adoption of the new/revised Financial Report Standards ("FRS") as mentioned in A2 below.

### A2 Changes in Accounting Policies

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 31 December 2005 except for the adoption of the following new/revised FRS effective for financial period beginning 1 January 2006:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investment in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

However, the adoption of the above FRS does not have significant financial impact on the Group.

### A3 Qualification of Annual Financial Statements

The preceding year annual audited financial statements were not subject to any qualification.

### A4 Seasonal or cyclical factors

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

### A5 Unusual items affecting assets, liabilities, equity, net income or cash flows

During the quarter under review, 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.

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## A6 Changes in estimates

The Group revised the fixed assets depreciation policy i.e. capitalised assets are depreciated on a straight line basis over the estimated useful lives from the month of acquisition. Prior to 1 January 2006, capitalised assets are depreciated on a straight line basis over the estimated useful lives from the year of acquisition. The revisions were accounted for as a change in accounting estimates. However, the depreciation charges for the current quarter under review were not significantly reduced as no significant fixed assets addition during the quarter under review.

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

## A7 Debt and equity securities

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

## A8 Dividends paid

The Board has not recommended any payment of dividend for the period under review.

## A9 Segment information

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

Business Segment	Trading RM'000	Manufacturing RM'000	Total RM'000
External Revenue	687	20,590	21,277
Segment Results	127	2,640	2,767
Unallocated Results			325
Profit from Operations			3,092
Finance Costs			(45)
Profit Before Tax			3,047
Taxation			(393)
Profit After Tax			2,654
<b>Geographical Segment</b>			External Revenue RM'000
Malaysia			20,174
Foreign Countries			1,103
Consolidated			21,277

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## A10 Valuation of property, plant and equipment

The Group did not revalue any of its property, plant and equipment.

## A11 Subsequent Events

There were no material events subsequent to the current financial quarter ended 30 September 2006 up to the date of this report which is likely to substantially affect the results of the operations of the Company.

## A12 Changes in the composition of the Group

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

## A13 Contingent Assets and Contingent Liabilities

RM'000

Corporate guarantee given to licensed banks for banking facilities granted to its subsidiary as at 14 November 2006

870

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

## A14 Capital commitments

RM'000

Approved but not contracted for:

4,213

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## B EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA SECURITIES FOR THE MESDAQ MARKET

### B1 Review of performance

#### Current Year Quarter versus Preceding Year Corresponding Quarter

For the quarter under review, the Group achieved revenue amounted to RM7.295 million as compared with RM7.811 million for the previous year corresponding quarter. The decrease of approximately 7% was mainly due to the lower sales registered by the trading segment. As a result, the Group recorded a lower profit before taxation of RM1.017 million for the current quarter under review as compared to RM1.130 million in the previous year corresponding quarter, representing a decreased of 10%.

#### Current Year-to-Date versus Preceding Year Corresponding Period

The Group achieved a higher revenue of RM21.277 million for the nine months ended 30 September 2006, a slightly increase of 1% from RM21.003 million recorded in the first nine months of the previous year. The revenue growth is attributed to the improvement in the manufacturing sales segment, which in turn, offset by the significant reduction in trading sales. The Group recorded a profit before taxation of RM3.047 million for the period ended 30 September 2006, which represents a 27% increase over RM2.401 million profits recorded for the previous year. The improved performance is largely due to the higher margins derived from the significant growth in manufacturing segment which predominantly in the sales of Semicon and LV-XLPE.

### B2 Variation of results against preceding quarter

	Quarter ended 30/09/2006 RM'000	Quarter ended 30/06/2006 RM'000
Revenue	7,295	6,781
Profit before tax	1,017	935

For the third quarter ended 30 September 2006, the Group achieved a higher revenue of RM7.295 million as compared to RM6.781 million in the preceding quarter. The revenue growth is attributed to the improvement in the manufacturing sales segment, which in turn, offset by the reduction in trading sales. The Group recorded a profit before taxation of approximately RM1.017 million for the current quarter, which represents an increase of 9% over RM0.935 million in the preceding quarter. The improved performance is in correspondence with the significant growth in manufacturing segment which predominantly in the sales of Semicon and LV-XLPE.

### B3 Prospects

The Board expects the positive financial performance of the Group to continue for this financial year after taking into consideration of the Group's current level of operations and prevailing market conditions. The performance of the Group had improved meaningfully since early 2006. For the financial period ended 30 September 2006, the Group achieved manufacturing revenue amounted to RM20.590 million as compared with RM15.998 million for the previous year corresponding period. The increase of approximately 29% was mainly due to the rebound of the cable industries, which directly increased the demand of polymer compounds. The Group believes that this improved business volume reflected our customer's general acceptance to higher commodity prices.

The still prevailing high price of crude oil, which in turn maintain the high cost of raw materials such as Polyethylene, carbon black and ethylene vinyl acetate continue to put pressure on the profit margins of the Group. The Group has declared that it has been attempting to stem this concern by increasing its selling price.

In addition, the Group will continue to invest in research and development to enhance its product quality and range, develop new products that are less sensitive to feedstock price swings, venturing into new markets and improving overall production efficiencies.

To further mitigate the risk of price swings, it is the Group's intention to participate more actively in the petrochemical industry, in particular, the oil and gas sector. The Group believes that this will not only serve as a natural hedge for our core polymer business, but it will also represent an effective platform for a more sustainable growth.

The Group believes that the outlook of the cable and wire business in Malaysia as a whole is encouraging. The growth of the industry will be underpinned by Malaysia's rising GDP. The future industry growth will also be driven by the Government's ongoing emphasis and commitment in infrastructure development.

The Board is cautiously optimistic that the Group's operational results for the current financial year will be satisfactory, barring any unforeseen circumstances.



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## B4 Profit forecast

Not applicable.

## B5 Taxation

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2005 RM'000	CURRENT YEAR TO DATE 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2005 RM'000
In respect of the current period:				
Estimated current tax payable	140	453	393	581

The effective tax rate for the quarter under review is lower than the statutory income tax rate. This is attributed to the anticipated tax benefits principally the reinvestment allowances incentives pertaining to the new factory building expected to be in used partly as a warehouse in the second half of year 2006.

## B6 Sale of unquoted investments and properties

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

## B7 Quoted securities

There were no acquisitions or disposals of quoted securities during the quarter under review.

## B8 Status of corporate proposals

The status of corporate proposals announced by the Company on 23 August 2006 but not completed as at the date of this quarterly report is summarised below:

- 1) Proposed acquisition of 1,008,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Seca Dyme Sdn Bhd ("SDSB") from Dato' Mazlin Bin Md Junid and Dato' Muhammad Junid Bin Muhammad Yusof ("SDSB Vendors") for a purchase consideration of RM24,000,000 to be satisfied via issuance of 83,565,217 new ordinary shares of RM0.10 each in DMB ("DMB shares") at an issue price of RM0.23 per new DMB share and cash consideration of RM4,780,000 ("Proposed Acquisition of SDSB").
- 2) Proposed private placement of up to 26,000,000 new DMB Shares representing up to 13.70% of the existing issued and paid-up share capital of DMB to Bumiputera investors to be identified at an issue price to be determined at a later date ("Proposed Private Placement").
- 3) Proposed increase in the authorised share capital of DMB from RM25,000,000 comprising of 250,000,000 DMB shares to RM50,000,000 comprising 500,000,000 DMB shares.

(hereinafter will be referred to as "the Proposals")

Malaysian International Merchant Bankers Berhad has been appointed as the Adviser in respect of the above Proposals.

The Company had on 12 September 2006 submitted an application to Securities Commission ("SC") and also to SC pursuant to Foreign Investment Committee's Guidelines and Ministry of International Trade and Industry respectively for the above Proposed Acquisition of SDSB and Proposed Private Placement.

On 3 October 2006, the Company announced that on 27 September 2006, the Company has entered into a supplemental agreement with Vendors of SDSB in respect of the Proposed Acquisition of SDSB.

On 10 November 2006, the Company announced that the SC and the SC on behalf of Foreign Investment Commission had, vide its letter dated 9 November 2006, approved the above mentioned Proposed Acquisition of SDSB and Proposed Private Placement subject to several conditions.

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## B9 Status of utilisation of proceeds from Initial Public Offering

The Public Issue of 56,890,000 new ordinary shares of RM0.10 each at an issue price of RM0.23 per share which was implemented on 25 July 2005, raised a total gross proceeds of approximately RM13.085 million.

As at 30 September 2006, the Company has utilised approximately 66% of the total gross proceeds raised and the status of the utilisation of proceeds is as follows:-

Purpose	Proposed Utilisation* RM'000	Actual Utilisation RM'000	Deviation		Explanation
			Amount RM'000	%	
Expansion in production facility	6,500	3,358	3,142	48.34	(i)
Investment in R&D and new product development	1,700	539	1,161	68.29	(ii)
Working capital	3,448	3,448	-		
Listing expenses	1,437	1,437	-		
<b>Total</b>	<b>13,085</b>	<b>8,782</b>	<b>4,303</b>	<b>32.88</b>	

\* On 20 December 2005, the Board of Directors ("Board") had resolved to reduce the earlier allocation of proceeds of RM8.5 million for the expansion of production facility of the Group as disclosed in the DMB's Prospectus dated 30 June 2005 to RM6.5 million. The difference of RM2.0 million will be utilised for working capital purposes of the group. On 21 November 2006, the Board had also resolved to reallocate the unutilised proceeds for listing expenses amounting to approximately RM63,000 to be utilized for working capital purposes.

- (i) Actual utilisation incurred mainly in relation to the construction of second factory building. The deviation is mainly due to the delay in securing approvals from the regulatory authorities, namely Majlis Perbandaran Seberang Perai and other relevant authorities for the construction of the new factory building. The balance unutilised proceeds are expected to be used by end of 2007.
- (ii) Actual utilisation incurred mainly in relation to the development costs of new products. The deviation is mainly due to the delay in procuring of R&D processing equipment. The balance unutilised proceeds are expected to be used by end of 2007.

## B10 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	550	0	550
Overdraft	0	0	0
Term loans	103	594	697
	<u>653</u>	<u>594</u>	<u>1,247</u>

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

- legal charges over the freehold land and building of the wholly owned subsidiary company, Daya Polymer Sdn Bhd ;
- a corporate guarantee by Daya Materials Berhad; and
- a debenture over all assets of Daya Polymer Sdn Bhd.

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

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## B11 Off balance sheet financial instruments

There were no off-balance sheet financial instruments as at the date of this quarterly report.

## B12 Material litigations

There were no material litigations involving the Group pending as at the date of this quarterly report.

## B13 Dividends

The Board has not recommended any payment of dividend for the period under review.

## B14 Earnings per share

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	CURRENT YEAR QUARTER 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING QUARTER 30/09/2005 RM'000	CURRENT YEAR TO DATE 30/09/2006 RM'000	PRECEDING YEAR CORRESPONDING PERIOD 30/09/2005 RM'000
Net profit for the period (RM'000)	877	677	2,654	1,820
Weighted average number of shares in issue ('000)	189,630	174,171	189,630	74,740
Basic earnings per share (sen)	<u>0.46</u>	<u>0.39</u>	<u>1.40</u>	<u>2.44</u>

## B15 Other corporate development

The SC had via its letter dated 27 June 2006 approved the proposed extension of time of one (1) year until 30 June 2007 for the Company to procure the certificate of fitness for occupation ("CF") for its new factory constructed at No. 1744, Jalan Industri Dua, Taman Industri Bukit Panchor, Nibong Tebal, Penang. As at the date of this quarterly report, the CF is still pending from the relevant authorities.

By Order of the Board

THAM WOOL LOON  
Managing Director

Date: 21 November 2006