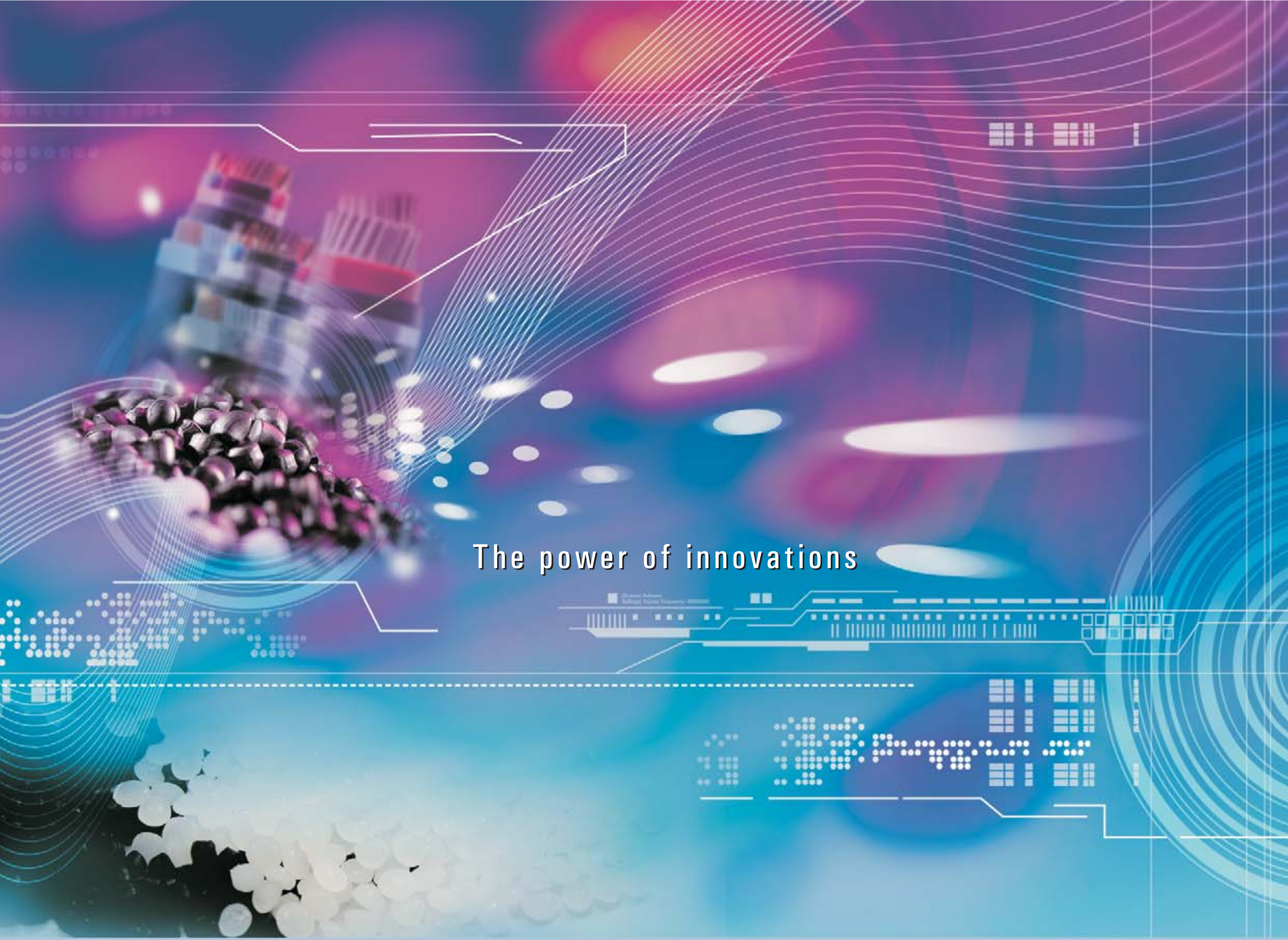


Laporan Tahunan

2005

Annual Report

DAYA MATERIALS BERHAD

DAYA MATERIALS BERHAD

636357-W

CONTENTS

BOARD OF DIRECTORS

Kamalul Arifin bin Yusof
Chairman, Independent Non-Executive Director

Tham Wooi Loon
Managing Director

Tham Jooi Loon
Executive Director

Fazrin Azwar bin Md. Nor
Independent Non-Executive Director

AUDIT COMMITTEE

Kamalul Arifin bin Yusof
Chairman/Independent Non-Executive Director

Tham Jooi Loon
Member/Executive Director

Fazrin Azwar bin Md. Nor
Member/Independent Non-Executive Director

COMPANY SECRETARY

Chai Churn Hwa (MAICSA 0811600)
Suite 18.01, 18th Floor
MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang
Tel : 04-263 7762
Fax : 04-263 5901

AUDITORS

Ernst & Young (AF 0039)
Chartered Accountants
22nd Floor, MWE Plaza
No. 8 Lebuh Farquhar
10200 Penang
Tel : 04-264 1878
Fax : 04-262 1812

REGISTERED OFFICE

Suite 18.01, 18th Floor
MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang
Tel : 04-263 7762
Fax : 04-263 5901

REGISTRAR

Symphony Share Registrar Sdn Bhd
(formerly known as Malaysian Share Registration Services Sdn Bhd)
35 Jalan Hussein
30250 Ipoh
Perak Darul Ridzwan
Tel : 05-241 5633
Fax : 05-241 5578

HEAD/MANAGEMENT OFFICE

1744, Jalan Industri Dua
Taman Industri Bukit Panchor
14300 Nibong Tebal
Penang
Tel : 04-593 8811
Fax : 04-593 8833
Email : dayacom@dayapolymer.com.my
Website : www.dayapolymer.com.my

SPONSOR

Malaysian International Merchant Bankers Berhad (10209-W)
12th Floor, Menara EON Bank
288, Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2691 0200
Fax : 03-2698 5388 /2692 7488

PRINCIPAL BANKERS

EON Bank Berhad
AmBank (M) Berhad
United Overseas Bank (Malaysia) Bhd
Malayan Banking Berhad

STOCK EXCHANGE LISTING

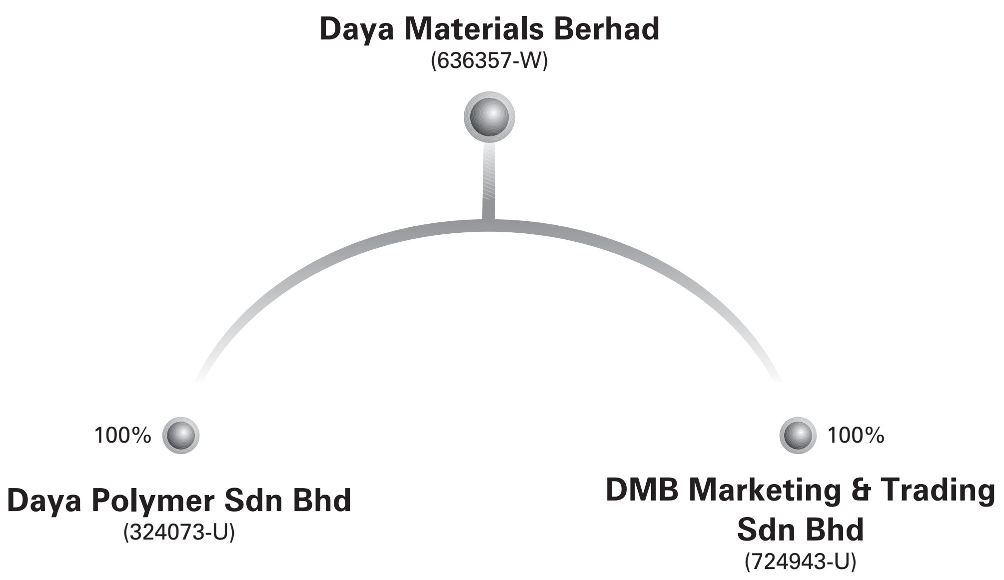
MESDAQ Market of Bursa Malaysia Securities Berhad
Stock Name : Daya
Stock Code : 0091

CORPORATE STRUCTURE

Daya Materials Berhad ("DMB") was incorporated in Malaysia under the Companies Act, 1965 on 8 December 2003 as a public limited company. DMB is principally an investment holding company with two (2) wholly-owned subsidiaries, namely Daya Polymer Sdn Bhd ("DPSB") and DMB Marketing & Trading Sdn. Bhd. ("DMTSB").

Subsidiary Company	Date and Place of Incorporation	Issued and Paid-up Share Capital RM	Effective Equity Interest %	Principal Activity
Daya Polymer Sdn Bhd (324073-U)	21-11-1994/ Malaysia	6,000,000	100	Manufacturing of semi-conductive compounds and cross-linkable polyethylene compounds for cable and wire and trading of specialty chemicals, related polymer compounds and hardware.
DMB Marketing & Trading Sdn Bhd (724943-U)	27-02-2006/ Malaysia	2	100	General trading, marketing and investments holding.

The corporate structure of the DMB Group is as follows:-



Kamalul Arifin bin Yusof, Malaysian, aged 46, is the Independent Non-Executive Chairman and was appointed to the Board of Directors of the Company on 30 May 2005. He is also the Chief Executive Officer cum Managing Director of Aldwich Enviro-Management Sdn Bhd, a leading environmental management company. He started his career as an Environmental Control Officer in the Malaysian Department of Environment. Prior to joining the company, he held various positions at Dow Chemical Pacific Ltd with his last being the Product and Marketing Manager cum Business Operations Manager for Asia Pacific Liquid Separations Business. During his tenure at Dow Chemical Pacific Ltd, he was exposed to a broad range of industries including Specialty Plastics. He holds a Bachelor of Technical Science with Honours in Chemical Engineering and Fuel Technology from Sheffield University, United Kingdom and a Masters of Business Administration with merits from University of Bath, United Kingdom. He sits on the board of several private limited companies.

Kamalul Arifin bin Yusof is the Chairman of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Tham Wooi Loon, Malaysian, aged 44, is the Managing Director and was appointed to the Board of Directors of the Company on 30 May 2005. He is one of the co-founders of DPSB since 1994. He graduated from University of Waterloo in Ontario, Canada in 1984 with an Honours Degree in Mathematics double majors in Computer Science and Combinatorics and Optimisations. He started his career as a Marketing Executive in a trading company under the Inchcape Group in 1984. In 1986, he joined Hup Loong Food Products, a family business, and has been responsible for its business development and overall expansion until today. Presently, he also sits on the board of several private limited companies in Malaysia, China and Hong Kong.

Tham Jooi Loon, Malaysian, aged 40, is the Executive Director and was appointed to the Board of Directors of the Company on 30 May 2005. He joined DPSB in 2003 as a Director. He graduated from McGill University in Montreal, Canada in 1988 with a Master of Business Administration specialising in corporate finance. He is also a qualified Chartered Financial Analyst. He started his career as a credit analyst with Chase Manhattan Bank in Kuala Lumpur in 1989. In 1995, he joined UBS Waburg (Union Bank of Switzerland) and later became its Executive Director responsible for Malaysian investment banking and Asia-Pacific Mergers and Acquisitions practices. Presently, he is a Director of several private companies in Malaysia, China, Hong Kong and British Virgin Islands.

Tham Jooi Loon is a member of the Audit Committee.

Fazrin Azwar bin Md. Nor, Malaysian, aged 39, is the Independent Non-Executive Director and was appointed to the Board of Directors of the Company on 30 May 2005. He graduated in 1990 from the University of Malaya with a Bachelor of Law (LLB) Honours Degree. He is an Advocate and Solicitor and a member of the Malaysian Bar, being called to the Bar in 1991. He was a Legal Assistant with Messrs. Adnan Sundra & Low until 1998. In 1999 until 2004, he was the Managing Partner of Messrs. Michael Chen, Gan, Muzafar & Azwar. In 2005, he became the Managing Partner of Messrs. Rashidah Muzafar & Azwar.

He holds directorship in both listed and non-listed companies. In 1999, he was appointed as an Independent Non-Executive Director of Tong Herr Resources Berhad. In 2000, he was appointed as the Independent Non-Executive Chairman of Mercury Industries Berhad. In 2003, he was appointed as an Independent Non-Executive Director of Ire-Tex Corporation Berhad. In 2004, he was appointed as a Non-Independent Non-Executive Director of Poh Kong Holdings Berhad and an Independent Non-Executive Director of DK Leather Corporation Berhad, DPS Resources Berhad and Englotechs Holding Berhad.

He is also Non-Independent Non-Executive Director of Kuchinta Holdings Sdn. Bhd. and its group of companies.

Fazrin Azwar bin Md. Nor is a member of the Audit Committee, Nomination Committee and Remuneration Committee of the Company.

Family Relationship and Substantial Shareholders

Save as disclosed herein, none of the Directors of the Company have any family relationship with any director or major shareholders of the Company:-

a) Tham Wooi Loon, the Managing Director and a substantial shareholder of the Company, is the brother of Tham Jooi Loon, who is an Executive Director and a substantial shareholder of the Company.

Conflict of Interest

All the Directors do not have any conflict of interest with the Company.

Conviction of Offences

All the Directors have not been convicted of any offence within the past ten (10) years other than traffic offences, if any.

Attendance at Board Meetings

For the financial year ended 31 December 2005, the Board of Directors of the Company met two (2) times with full attendance after the listing of the Company on the MESDAQ Market of Bursa Malaysia Securities Berhad on 25 July 2005.

Dear Shareholders,

On behalf of the Board of Directors of Daya Materials Berhad ("DMB"), it is my pleasure to present to you the annual report and audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

RESULTS

For the financial year 2005, our turnover decreased by 6% to RM 29.2 million from RM 31.0 million for the preceding financial year on proforma basis. This was due to the more challenging market conditions prevailing during the year. The industry in which we operate was negatively affected by two major factors: 1) the significant (approximately) 40% increase in oil prices which directly raised the cost of our raw materials; and 2) the significant increase in copper prices which directly increased the feedstock cost of our target customers, i.e. the power cable producers. The combination of these two factors weighed down on our operating results.

As a result, our pretax profit declined from RM 3.9 million for FYE2004 on proforma basis to RM 3.7 million for FYE2005.

CORPORATE DEVELOPMENTS

On 10 March 2005 and 11 March 2005, the Group received the approval from the Securities Commission and Bursa Malaysia Securities Berhad ("Bursa Securities") respectively for the listing and quotation of its share capital on the Mesdaq Market of Bursa Securities. The Group was subsequently listed on 25 July 2005.

Subsequent to the financial year ended 31 December 2005, the Group announced the formation of a new wholly-owned subsidiary, DMB Marketing & Trading Sdn Bhd. The primary purpose of this subsidiary is to undertake trading and marketing of the Group's products as well as related petrochemical products, specialty chemical products and commodities as well as to make strategic and synergistic investments. It is the Group's intention to venture and participate more actively in the broader petrochemical industry, in particular, the oil and gas sector.

UTILISATION OF LISTING PROCEEDS

The Company raised RM13.085 million from its Initial Public Offering (IPO) exercise primarily for the purpose of expansion in production facility, investment in R&D and new product development as well and working capital requirements of the Group.

As at 31 March 2006, the Company has utilised approximately 64% of the total gross proceeds raised and the status of the utilisation of proceeds is as follows:

	Proposed Utilisation as per Prospectus dated 30 June 2005 RM'000	Changes * RM'000	Revised Proposed Utilisation RM'000	Actual Utilisation RM'000	Balance RM'000
Expansion in production facility	8,500	(2,000)	6,500	3,125	3,375
Investment in R&D and new product development	1,700	-	1,700	429	1,271
Working capital	1,385	2,000	3,385	3,385	-
Listing expenses	1,500	-	1,500	1,437	63
Total	13,085		13,085	8,376	4,709

* In the announcement to Bursa Securities on 20 December 2005, the Board of Directors of DMB 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 was allocated for working capital purposes of the Group.

Actual utilisation incurred on research and development activities are mainly for the development of new and enhanced products. In so far as new product development, the Group has developed a new product, i.e. UV Black Cross-Linkable Polyethylene and is introducing the product into the market. The Group will develop a wider range of Low Voltage Cross-Linkable Polyethylene ("LV-XLPE") products, and with this, the Group believes it can increase its market share both domestically and overseas.

PROSPECTS

Under the recently announced 9th Malaysian Plan, approximately RM 29.8 billion has been earmarked for transmission, distribution and rural electrification throughout the country over the next five (5) years. We believe that this will translate into improved demand for power cable products which in turn will bode well for industry in which we operate.

As in the past, the prospects of the polymer compounds industry going forward hinge upon the price of two (2) key commodities, principally oil and copper. Our management team has committed significant efforts to minimize the impact of such price fluctuations by developing 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. We believe 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.

Barring unforeseen circumstance, we expect the operating performance for FYE2006 to be satisfactory.

APPRECIATION

On behalf of the Board of Directors, I would like to thank our employees and management team for their hard work and dedication during the past year. Similarly, I would like to express our appreciation to our customers, business associates and shareholders for their continual support and confidence in the Group.

The Board of Directors (the "Board") of Daya Materials Berhad is pleased to report to shareholders on the manner the Company has applied the Principles, and the extent of compliance with the Best Practices as set out in Part 1 and Part 2 respectively of the Malaysian Code on Corporate Governance (the "Code").

The Board is supportive of the recommendations of the Code, which sets out the Principles and Best Practices on structures and processes that the Company may use in its operations towards achieving optimal governance framework.

The following paragraphs describe how the Company has applied the principles and complied with the best practices of the Code.

1. DIRECTORS

1.1a Composition and Balance

As at the date of this statement, the Board consists of 4 members, comprising two (2) Executive Directors and two (2) Independent Non-Executive Directors. With this Board composition, the Company complies with paragraph 13.2 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") for the MESDAQ Market where at least 2 Directors are independent Directors with an appropriate mix of skills and experience.

The Directors from different backgrounds and specialization collectively bring depth and diversity in experience to the Group's operations. The Independent Non-Executive Directors are independent from management and have no relationships that could interfere with the exercise of their independent judgment. They bring to bear objective and independent judgment to the decision making of the Board and provide an effective check and balance for the Executive Directors.

The profiles of the members of the Board are set out in this Annual Report under the section named Profile of Directors.

1.1b Duties and Responsibilities

The Board is primarily responsible for:-

- Reviewing and adopting a strategic plan for the Group;
- Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed;
- Identify principal risk and ensure the implementation of appropriate systems to manage these risks;
- Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing senior management;
- Developing and implementing an investor relations program or shareholder communications policy for the Company; and
- Reviewing the adequacy and the integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

1.2 Supply of Information

The Board has unrestricted access to timely and accurate information necessary in the furtherance of their duties. All Directors are furnished with the meeting agenda and other documents on matters requiring their consideration prior to and in advance of each meeting. The documents are comprehensive and include qualitative and quantitative information to enable the Board members to make an informed decision. Senior management is invited to attend these meetings to explain and clarify matters being tabled.

During the financial year ended 31 December 2005, the Board met 2 times where it deliberated on and considered matters relating to the Group's financial performance, significant investments, change to management and control structure of the Group, corporate development, strategic issues and business plan. Details of each Director's attendance of Board meetings are set out below.

Name of Director	No. of meetings attended
Kamalul Arifin bin Yusof	2/2
Tham Wooi Loon	2/2
Tham Jooi Loon	2/2
Fazrin Azwar bin Md. Nor	2/2

1.2 Supply of Information (cont'd)

All the Directors have access to the advice and services of the Company Secretary. If required, the Directors may engage independent professionals at the Group's expense, in the furtherance of their duties.

1.3 Appointments to the Board

On 23 August 2005, the Board established a Nomination Committee, the members of which are as follows:

Chairman	:	Kamalul Arifin bin Yusof	(Independent Non-Executive Director)
Member	:	Fazrin Azwar bin Md. Nor	(Independent Non-Executive Director)

The duties and functions of the Nomination Committee are:-

i) To review regularly the Board structure, size and composition and make recommendations to the Board with regards to any adjustments that are deemed necessary;
ii) To propose and identify new nominees for appointment to the Board of Directors;
iii) To assess Directors on an on-going basis, the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director;
iv) To recommend to the Board, candidates for all directorships to be filled by the shareholders or the Board;
v) To recommend to the Board, Directors to fill the seats on Board Committees;
vi) To review annually the Board's mix of skills and experience and other qualities including core competencies which non-executive Directors should bring to the Board. This should be disclosed in the Annual Report;
vii) To determine annually whether or not a Director is Executive, Non-Executive or Independent;
viii) To assess effectiveness of the Board and contribution by each Director to the effectiveness of the Board;
ix) To recommend to the Board for continuation (or not) in service of executive Director(s) and Directors who are due for retirement by rotation;
x) To consider, in making its recommendations, candidates for directorships proposed by the Chief Executive Officer and, within the bounds of practicability, by any other senior executive or any Director or shareholder; and
xi) To orientate and educate new Directors on the nature of the business, current issues within the Company and the corporate strategy, the expectations of the Company concerning input from the Directors and the general responsibilities of Directors.

The decision on appointment of new Directors rests with the Board after considering the recommendations of the Nomination Committee.

The first meeting held by the Nomination Committee was on 23 February 2006.

1.4 Re-election of Directors

In accordance with the Company's Articles of Association, one third or the number nearest to one-third of the Directors shall retire from office and be eligible for re-election at the annual general meeting. Furthermore, each Director shall retire from office at least once in every three years.

Information of the Directors who will be retiring at the forthcoming Annual General Meeting ("AGM") is disclosed in the Statement Accompanying Notice of Annual General Meeting.

1.5 Directors' Training

All members of the Board except for Fazrin Azwar bin Md. Nor, who has completed the Mandatory Accreditation Programme (MAP), will attend the MAP conducted by the Research Institute of Investment Analysts Malaysia as required by the Bursa Securities. The Directors will continue to undergo further Continuous Education Program to enhance their skills and knowledge where relevant.

2. THE AUDIT COMMITTEE

The Board has on 1 June 2005 established the Audit Committee. The present Audit Committee comprises 3 members. Please refer to the Audit Committee Report for further details.

3. DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels, which will enable the Company to attract and retain Directors with the relevant experience and expertise to run the Company successfully. The remuneration of Executive Directors is structured to link rewards to corporate and individual performance.

On 23 August 2005, the Board established the Remuneration Committee which comprises the following members:

Chairman : Kamalul Arifin bin Yusof (Independent Non-Executive Director)
Member : Fazrin Azwar bin Md. Nor (Independent Non-Executive Director)

The duties and functions of the Remuneration Committee are:-

i) To recommend to the Board the framework of Executive Directors' remuneration and the remuneration package for each Executive Director, drawing from outside advise as necessary;
ii) To recommend to the Board, guidelines for determining remuneration of Non-Executive Directors;
iii) To recommend to the Board any performance related pay schemes for Executive Directors.
iv) To review Executive Directors' scope of service contracts, and
v) To consider the appointment of the service of such advisers or consultants as it deems necessary to fulfill its functions.

The details of the remuneration for Directors during the financial year ended 31 December 2005 are as below:-

Aggregate remuneration categorized into components:-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	12,000	12,000	24,000
Salaries & other emoluments (RM)	254,040	6,800	260,840
Total (RM)	266,040	18,800	284,840

The number of Directors whose total remuneration fall within the following bands:-

Range	Executive Directors	Non-Executive Directors
Below RM50,000		2
RM50,001 - RM100,000		
RM100,001 – RM150,000	2	

4. SHAREHODLERS

4.1 Dialogue with investors

The Board recognizes the importance of timely dissemination of information to shareholders and other stakeholders. The primary tools of communication with the shareholders of the Company are through the annual report, announcements through Bursa Securities and circulars. The annual and quarterly reports and share price information are available on Bursa Securities website: www.bursamalaysia.com. The participation of shareholders and investors, both individual and institutional, at general meeting is encouraged whilst request for briefing from the press and investment analysts are usually met as a matter of course. Additional information about the Group is made available at its website: www.dayapolymer.com.my.

4.2 General Meeting

At the annual general meeting and extraordinary general meeting, the Chairman gives shareholders ample opportunity to participate through questions on the prospects, performance of the Group and other matters of concern addressed to the Board. Notice of the AGM and the Group's annual report are sent out to the shareholders within the period prescribed by the Company's Articles of Association. The notice of the meeting will also be advertised in the newspaper.

5. ACCOUNTABILITY AND AUDIT

5.1 Financial Reporting

The Board is responsible for presenting a balanced and meaningful assessment of the Group's financial performance and prospects primarily through the annual report, financial statements and quarterly announcements of the Group's results. The Audit Committee assists the Board in ensuring accuracy, adequacy and completeness of information for disclosure. The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out on page 45 of the Annual Report and the Statement explaining the responsibility for preparing the annual audited financial statements is set out on page 47 of the Annual Report.

5.2 Internal Control

The Board is ultimately responsible for the overall system of internal controls, which includes not only financial controls but also controls relating to operations, compliance and risk management. The internal control system which is designed to meet the needs of the Company and to manage risks to which the Company is exposed can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Further details relating to internal control are set out in the Statement on Internal Control on page 12 and the Audit Committee Report on pages 13 to 15.

5.3 Relationship with Auditors

The external auditors Messrs Ernst & Young, have continued to report to members of the Company on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the auditors to meet their professional requirements.

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report.

The Board of Directors (the "Board") of Daya Materials Berhad is pleased to provide the following statement on the state of internal control of the Group, which had been prepared in accordance with the "Statement of Internal Control: Guidance for Directors of Public Listed Companies" (the "Internal Control Guidance") as adopted by the Bursa Malaysia Securities Berhad ("Bursa Securities").

RESPONSIBILITY

The Board recognizes the importance of maintaining a sound internal control system covering risk management and the financial, operational and compliance controls to safeguard shareholders' investment and the Group's assets. The Board acknowledges that it is responsible for the Group's system of internal control and for the continuing review of its adequacy and integrity. The internal control system is designed to cater for the Group's needs and to manage the risks to which it is exposed. It should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve the business objectives of the Group, and can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognizes its responsibilities with regard to identifying and managing principal risks.

To formalize the process, the Board has engaged Moores Rowland, an independent firm of Chartered Accountants in October 2005 to assist it in establishing a risk management framework. As part of the framework, risk management workshops were organized wherein the importance of risk management were emphasized. During the same workshops, significant risks and the corresponding controls to manage those risks were identified and documented. Management action plans were discussed and put forward for implementation.

Before October 2005, there was no formal documentation on risk management framework. In the absence of a formal framework, the Board monitored risks by relying on the existing internal controls and timely reporting by the management. The Audit Committee also assisted the Board by bringing areas of significant concern to the attention of the Board. Business risks and strategic issues were discussed during Board and Audit Committee meetings.

INTERNAL AUDIT

The Board acknowledges the importance of internal audit function and has outsourced the internal audit function to Moores Rowland, an independent firm of Chartered Accountants to provide much of the assurance it requires regarding the effectiveness as well as the adequacy and integrity of the Group's systems of internal control.

The internal audit function will adopt a risk-based approach in developing its audit plan which will address all the core auditable areas of the Group based on their risk profile. Scheduled internal audits are to be carried out by the internal auditors based on the audit plan presented to and approved by the Audit Committee. The audit will focus on the areas with high risk and weak controls to ensure that an adequate action plan are in place to improve the controls. For those areas with high risk and strong controls, the audit will ascertain that the risks are effectively mitigated by the controls. On a half yearly basis or earlier as appropriate, the internal auditors will report to the Audit Committee on areas for improvement and will subsequently follow up to determine the extent of their recommendations that have been implemented.

INTERNAL CONTROL

Apart from risk management and internal audit, the Group has put in place the following key elements of internal control:-

i) An organization structure with clearly defined lines of responsibility, authority and accountability;
ii) Clearly documented internal policies, manuals, procedures and work instructions, and are updated from time to time;
iii) Regular Board and management meetings are held where information is provided to the Board and management covering financial performances and operations;
iv) Regular training and development programs are being attended by employees with the objective of enhancing their knowledge and competency; and
v) Management accounts and reports are prepared monthly for monitoring of actual performance versus budget. In this instance, material variances are explained and corrective actions, where necessary, are taken.

The internal control system will continue to be reviewed, added on or updated in line with the changes in the operating environment.

CONTROL WEAKNESS

The management continues to take measures to strengthen the control environment. During the current year, there were no material losses, incurred as a result of weakness in the internal control that would require disclosure in the Group's annual report.

CONCLUSIONS

The Board is of the opinion that based on the current level of activities; the Group's system of internal control is adequate and accords with the guidance provided by the Internal Control Guidance adopted by the Bursa Securities.

Date : 5 April 2006

COMPOSITION

Members of the Audit Committee, their respective designations and directorships are as follow:-

Chairman : KAMALUL ARIFIN BIN YUSOF
Chairman, Independent Non-Executive Director

Members : THAM JOOI LOON
Executive Director

FAZRIN AZWAR BIN MD. NOR
Independent Non-Executive Director

TERMS OF REFERENCES

Objective

The principal objective of the Audit Committee (as a committee of the Board) is to assist the Board of Directors (the "Board") in the effective discharge of its fiduciary responsibilities for corporate governance, financial reporting and internal control.

Reporting Responsibility

The Audit Committee will report to the Board on the nature and extent of the functions performed by it and may make such recommendations to the Board on any audit and financial reporting matters as it may think fit.

Composition of Audit Committee

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members, a majority of whom shall be Independent Directors.

The Board shall, within three (3) months of a vacancy occurring in the Audit Committee which results in the number of members reduced to below three (3), appoint such number of new members as may be required to make up the minimum number of three (3) members.

The members of the Audit Committee shall elect a Chairman from among their members who shall be an Independent Director. An alternate Director must not be appointed as a member of the Audit Committee.

Membership of Audit Committee

At least one member of the Audit Committee:

i) Must be a member of the Malaysian Institute of Accountants; or
ii) If not a member of the Malaysian Institute of Accountants, that member must have at least three (3) years' working experience and; must have passed the examinations specified in part I of the 1st Schedule of the Accountants Act, 1967; or must be a member of one of the associations of the accountants specified in Part II of the 1st Schedule of the Accountants Act, 1967.
iii) Fulfills such other requirements as prescribed by Bursa Malaysia Securities Berhad ("Bursa Securities").

The definition of 'independent directors" shall have the meaning given in Chapter 1.1 of the Listing Requirements of Bursa Securities for MESDAQ Market.

Authority of Audit Committee

The Audit Committee is authorized by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or as otherwise directed by the Board. It shall have:

i) The authority to investigate any matter within its terms of reference;
ii) The resources which are required to perform its duties;
iii) Full and unrestricted access to any information pertaining to the Company;
iv) Direct communication channels with the external auditors and the internal auditors;
v) The right to obtain independent professional or other advice;
vi) The rights to convene meetings with the external auditors, excluding the attendance of the executive members of the Committee, whenever deemed necessary.

The Committee is also authorized by the Board to obtain outside legal or other independent professional advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and reasonable for the performance of its duties.

Meeting and Minutes

The Audit Committee shall meet at least four (4) times a year and such additional meetings as the Chairman shall decide in order to fulfill its duties.

In addition to the Audit Committee members, the meetings will normally be attended by a representative of the departments in the Company and by the external auditors as and when required.

The Audit Committee may invite any person to be in attendance to assist it in its deliberations.

A quorum shall consist of a majority of Independent Non-Executive Directors and shall not be less than two.

The decision of the Audit Committee shall be decided by a majority of votes. In the case of an equality of votes, the Chairman shall have a second or casting vote, provided that where two (2) members form a quorum, or at which only two (2) Directors are competent to vote on the question in issue, the Chairman shall not have a casting vote.

The Audit Committee shall be reporting to the full Board from time to time its recommendations for consideration and implementation. However, the actual decisions shall be the responsibility of the Board after considering the recommendations of the Audit Committee.

The Company Secretary shall act as Secretary of the Audit Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation to Audit Committee members prior to each meeting.

The Secretary shall also be responsible for recording the proceedings of the Audit Committee and the minutes of meetings tabled at Board meetings.

Duties of the Audit Committee

The duties of the Audit Committee include the following:-

i) To recommend the nomination of a person or persons as external auditors.
ii) To review with the external auditors:
  - The audit plan;
  - Their evaluation of the system of internal controls; and
  - The audit report on the financial statements.
iii) To review the assistance given by the employees of the Group to the external auditors.
iv) To review the scope and results of the internal audit procedures, if any.
v) To review the quarterly unaudited financial results, for announcement to Bursa Securities, the audited financial statements of the Group before recommending for the approval of the Board, focusing on:-
  - Compliance with accounting standards and any other legal requirements;
  - Any changes in or implementation of major accounting policies; and
  - Significant and unusual issues arising from the audit.
vi) To consider any related party transaction and conflict of interest situation that may arise within the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
vii) To consider and recommend to the Board:
  - Any letter of resignation from the external auditors of the Company; and
  - Any reason to believe that the Company's external auditors are not suitable for reappointment.
viii) To consider any matters the auditors wish to bring to the attention of Directors or shareholders.
ix) To review the credit applications and fix credit limits of customers.
x) To review collection and trade debtors' position.
xi) Such other responsibilities as may be agreed to by the Committee and the Board.

SUMMARY OF ACTIVITIES

Since the Company's listing on 25 July 2005, the Audit Committee has held two (2) audit committee meetings for financial year ended 31 December 2005. The details of attendance of each member are as follows:-

	Date of Meetings	
	23/8/05	18/11/05
Kamalul Arifin bin Yusof	X	X
Tham Jooi Loon	X	X
Fazrin Azwar bin Md. Nor	X	X

In discharging its functions and duties, the Committee have considered, reviewed and discussed the followings:-

i) the unaudited quarterly financial results and research report of the Group and making relevant recommendations to the Board for approval;
ii) reviewed related party transactions and report the same to the Board;
iii) the appointment of Moores Rowland, an independent firm of Chartered Accountants to carry out the internal audit function of the Group; and
iv) pertinent issues of the Group which has significant impact on the results of the Group.

SUMMARY OF ACTIVITIES OF THE INTERNAL AUDIT FUNCTION

The Group has outsourced the Internal Audit function to Moores Rowland, which reports to the Audit Committee and assists the Board in monitoring and managing risks and internal control. The internal auditor carries out its duties impartially and independently of the activities reviewed. The principal responsibility of the internal auditor is in carrying out audits on the operations within the Group and in providing general assurances to the management and Audit Committee.

During the year, the internal audit function has assisted the Audit Committee in conducting a risk assessment exercise. The risk management report arising from the exercise along with the internal audit plan were presented to the Audit Committee during the fourth Audit Committee meeting. The internal audit plan has been derived based on a risk-based assessment of all units and operations within the Group. As indicated in the internal audit plan, the internal audit reports will highlight significant deficiencies and findings which will be discussed with the management and relevant action plans are put forward and agreed upon for implementation. Significant findings are to be presented in the Audit Committee meetings for consideration and subsequent reporting to the Board. A follow-up audit review is also to be conducted to determine whether all audit recommendations are effectively implemented.

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiary are the manufacture of semicon and XLPE compounds for cable and wire and trading in specialty chemicals, related polymer compounds and hardware.

There have been no significant changes in the nature of the principal activities during the financial year other than the commencement of hardware trading by the subsidiary.

RESULTS

	Group RM	Company RM
Net profit/(loss) for the year	2,702,369	(36,106)

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

No dividend was paid during the year and the Directors do not recommend any dividend to be paid for the year under review.

DIRECTOR

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Tham Wooi Loon	(Appointed on 30/5/2005)
Tham Jooi Loon	(Appointed on 30/5/2005)
Fazrin Azwar bin Md. Nor	(Appointed on 30/5/2005)
Kamalul Arifin bin Yusof	(Appointed on 30/5/2005)
Chai Churn Hwa	(Resigned on 31/5/2005)
Honey Mok Swee Bee	(Resigned on 31/5/2005)

DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement, to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than benefits included in the aggregate amount of emoluments received or due and receivables by the directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest, except as disclosed in Note 28 to the financial statements.

DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of ordinary shares of RM0.10 each			
	1 January 2005/* Date of appointment	**Acquired**	**Disposed**	**31 December 2005**
The Company				
Direct interest				
Tham Wooi Loon	-	405,000	-	405,000
Tham Jooi Loon	-	319,900	9,900	310,000
Kamalul Arifin bin Yusof	-	500,000	-	500,000

	Number of ordinary shares of RM1.00/RM0.10 each			
	1 January 2005/* Date of appointment	**Share Split**	**Disposed**	**31 December 2005**
Deemed interest				
Tham Wooi Loon *(1)*	* 10,486,460	94,378,140	-	104,864,600
Tham Jooi Loon *(2)*	* 1,194,660	10,751,940	-	11,946,600

(1) Deemed interest through his shareholding in Daya Capital Sdn. Bhd.** and Capital Nexus Sdn. Bhd.**

(2) Deemed interest through his shareholding in Capital Nexus Sdn. Bhd.**

** Shares held by a body corporate in which a director is deemed to have an interest by virtue of Section 6A of the Companies Act, 1965.

By virtue of Mr. Tham Wooi Loon and Mr. Tham Jooi Loon's interest in shares in the Company, they are also deemed to have an interest in the shares of the Company's subsidiary to the extent that the Company has an interest under Section 6A of the Companies Act, 1965.

None of the other directors in office at the end of the financial year has any interest in shares in the Company during the financial year.

ISSUE OF SHARES

During the financial year, the Company:

(a) increased its authorised share capital from RM100,000 to RM25,000,000 by the creation of 24,900,000 ordinary shares of RM1 each. The Company subsequently subdivided the 25,000,000 ordinary share of RM1 each into 250,000,000 ordinary shares of RM0.10 each.

(b) increased its issued and paid-up share capital from RM2 to RM18,963,000 by way of:

  (i) the issuance of 13,273,998 ordinary shares of RM1 each, at par, as consideration for the acquisition of the wholly owned subsidiary, Daya Polymer Sdn. Bhd. as disclosed in Note 31; and

  (ii) the public issue of 56,890,000 new ordinary shares of RM0.10 each at an issue price of RM0.23 per share.

OTHER STATUTORY INFORMATION

(a) Before the income statements and balance sheets of the Group and of the Company were made out, the directors took reasonable steps:

(i) to ascertain that proper action has been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and

(ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.

(b) At the date of this report, the directors are not aware of any circumstances which would render:

(i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and

(ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

(c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

(e) As at the date of this report, there does not exist:

(i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or

(ii) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

(f) In the opinion of the directors:

(i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations when they fall due; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS

The significant events are disclosed in Note 31 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed in accordance with a resolution of the directors:

THAM WOOI LOON **THAM JOOI LOON**

Penang, Malaysia
Date: 5 April 2006

		Group		Company	
			Proforma		
		2005	2004	2005	2004
	Note	RM	RM	RM	RM
Revenue	3	29,171,940	31,033,853	-	-
Cost of sales		(23,583,314)	(25,151,306)	-	-
Gross profit		5,588,626	5,882,547	-	-
Other net operating income		280,422	76,864	103,692	-
Selling and distribution expenses		(301,487)	(363,663)	-	-
Administrative and general expenses		(1,619,622)	(1,353,123)	(138,989)	(1,545)
Profit/(Loss) from operations	4	3,947,939	4,242,625	(35,297)	(1,545)
Finance cost	5	(262,822)	(297,732)	(602)	-
Profit/(Loss) before taxation		3,685,117	3,944,893	(35,899)	(1,545)
Taxation	6	(982,748)	(932,279)	(207)	-
Net profit/(loss) after taxation		2,702,369	3,012,614	(36,106)	(1,545)
Earnings per share (sen)					
- Basic	7	1.72	2.27		

The accompanying notes form an integral part of the financial statements.

BALANCE SHEETS
AS AT 31 DECEMBER 2005

	Note	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
NON-CURRENT ASSETS					
Property, plant and equipment	8	9,880,840	8,255,059	-	-
Development expenditure	9	348,021	198,733	-	-
Investment in a subsidiary	10	-	-	13,273,998	-
		10,228,861	8,453,792	13,273,998	-
CURRENT ASSETS					
Inventories	11	3,651,641	2,392,895	-	-
Trade receivables	12	10,081,393	12,175,724	-	-
Other receivables	13	113,987	504,520	1,000	465,383
Amount due by a subsidiary	14	-	-	2,812,355	-
Short term investments	15	8,844,664	-	8,844,664	-
Fixed deposits with licensed banks	16	34,835	13,795	-	-
Cash and bank balances		4,446,416	152,563	3,604	2
		27,172,936	15,239,497	11,661,623	465,385
CURRENT LIABILITIES					
Trade payables	17	3,652,101	1,774,769	-	-
Other payables	18	699,278	689,598	55,215	471,228
Tax payable		63,129	16,187	207	-
Borrowings (secured)	19	1,967,284	3,563,565	-	-
		6,381,792	6,044,119	55,422	471,228
NET CURRENT ASSETS/ (LIABILITIES)		20,791,144	9,195,378	11,606,201	(5,843)
		31,020,005	17,649,170	24,880,199	(5,843)
FINANCED BY:					
Share capital	20	18,963,000	13,274,000	18,963,000	2
Accumulated loss		-	-	(41,951)	(5,845)
Reserves	21	10,669,659	3,008,140	5,959,150	-
Shareholders' equity		29,632,659	16,282,140	24,880,199	(5,843)
Deferred tax liabilities	22	672,880	550,316	-	-
Term loan (secured)	23	714,466	816,714	-	-
Non-current liabilities		1,387,346	1,367,030	-	-
		31,020,005	17,649,170	24,880,199	(5,843)

The accompanying notes form an integral part of the financial statements.

Group	Note	Share capital RM	← Non Distributable Share premium RM	Merger deficit RM →	Distributable (Accumulated loss)/ Retained profit RM	Total RM
Proforma balance as at 1 January 2004 before merger deficit		13,274,000	-	(7,273,998)	7,269,524	13,269,526
Merger deficit applied against retained profits	24	-	-	7,273,998	(7,273,998)	-
Proforma balance as at 1 January 2004	33	13,274,000	-	-	(4,474)	13,269,526
Proforma profit for the year		-	-	-	3,012,614	3,012,614
Proforma balance as at 31 December 2004		13,274,000	-	-	3,008,140	16,282,140
At 1 January 2005		13,274,000	-	-	3,008,140	16,282,140
Dividend paid to former shareholders of the subsidiary		-	-	-	(1,000,000)	(1,000,000)
Public issue	20	5,689,000	7,395,700	-	-	13,084,700
Listing expenses		-	(1,436,550)	-	-	(1,436,550)
Net profit for the year		-	-	-	2,702,369	2,702,369
At 31 December 2005		18,963,000	5,959,150	-	4,710,509	29,632,659

Company	Note	Share capital RM	Non-distributable Share premium RM	Accumulated loss RM	Total RM
At 1 January 2004		2	-	(4,300)	(4,298)
Net loss for the year		-	-	(1,545)	(1,545)
At 31 December 2004		2	-	(5,845)	(5,843)
At 1 January 2005		2	-	(5,845)	(5,843)
Issuance for the acquisition of the subsidiary	20	13,273,998	-	-	13,273,998
Public issue	20	5,689,000	7,395,700	-	13,084,700
Listing expenses		-	(1,436,550)	-	(1,436,550)
Net loss for the year		-	-	(36,106)	(36,106)
At 31 December 2005		18,963,000	5,959,150	(41,951)	24,880,199

The accompanying notes form an integral part of the financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2005

	Group		Company	
		Proforma		
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	3,685,117	3,944,893	(35,899)	(1,545)
Adjustments for:				
Amortisation on deferred expenditure	12,001	-	-	-
Depreciation	461,011	471,941	-	-
Interest expenses	190,664	238,386	-	-
(Gain)/loss on disposal of property, plant and equipment	(175,000)	135	-	-
Property, plant and equipment written off	163	1,369	-	-
Provision for doubtful debt	40,000	-	-	-
Interest income	(105,422)	(9,664)	(103,692)	-
Operating profit/(loss) before working capital changes	4,108,534	4,647,060	(139,591)	(1,545)
Increase in inventories	(1,258,746)	(1,993)	-	-
Decrease/(Increase) in receivables	2,444,864	(2,864,547)	464,383	(428,883)
Increase in amount due by subsidiary	-	-	(2,812,355)	-
Increase/(Decrease) in payables	1,887,012	(2,003,974)	(416,013)	430,428
Cash generated from/(used in) operations	7,181,664	(223,454)	(2,903,576)	-
Interest paid	(190,664)	(238,386)	-	-
Tax paid	(813,242)	(991,845)	-	-
Net cash from/(used in) operating activities	6,177,758	(1,453,685)	(2,903,576)	-
CASH FLOWS FROM INVESTING ACTIVITIES				
Development expenditure	(82,859)	(100,668)	-	-
Purchase of property, plant and equipment	(2,165,385)	(1,599,335)	-	-
Proceeds from disposal of property,			-	-
plant and equipment	175,000	150	-	-
Proceeds from issuance of shares	13,084,700	-	13,084,700	-
Listing expenses	(1,436,550)	-	(1,436,550)	-
Dividend paid to former shareholders of the subsidiary	(1,000,000)	-	-	-
Interest received	105,422	9,664	103,692	-
Net cash from/(used in) investing activities	8,680,328	(1,690,189)	11,751,842	-

	Group		Company	
		Proforma		
	2005	2004	2005	2004
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Net (repayment)/drawdown of trust receipts	(984,036)	970	-	-
Net drawdown of banker's acceptance	227,000	1,641,000	-	-
Additional fixed deposits pledged	(21,040)	-	-	-
Withdrawal of fixed deposits pledged	-	259,345	-	-
Drawdown of term loan	-	930,000	-	-
Payment of term loan	(116,250)	(848,951)	-	-
Net cash (used in)/from financing activities	(894,326)	1,982,364	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	13,963,760	(1,161,510)	8,848,266	-
CASH AND CASH EQUIVALENTS AT 1 JANUARY	(672,680)	488,830	2	2
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	13,291,080	(672,680)	8,848,268	2
CASH AND CASH EQUIVALENTS AT 31 DECEMBER				
Cash and bank balances	4,446,416	152,563	3,604	2
Fixed deposit with licensed banks	34,835	13,795	-	-
Short term investments	8,844,664	-	8,844,664	-
Bank overdraft	-	(825,243)	-	-
	13,325,915	(658,885)	8,848,268	2
Fixed deposit pledged with licensed banks	(34,835)	(13,795)	-	-
	13,291,080	(672,680)	8,848,268	2

The accompanying notes form an integral part of the financial statements.

1. CORPORATE INFORMATION

The principal activity of the Company is that of an investment holding company.

The principal activities of the subsidiary are the manufacture of semicon and XLPE compounds for cable and wire and trading in specialty chemicals, related polymer compounds and hardware.

There have been no significant changes in the nature of the principal activities during the financial year other than the commencement of hardware trading by the subsidiary.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 18.01, 18th Floor, MWE Plaza, 8 Lebuh Farquhar, 10200 Penang. The registered office and principal place of business of the subsidiary is located at 1744, Jalan Industri 2, Taman Industri Bukit Panchor, 14300 Nibong Tebal.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 5 April 2006.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is that company in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The subsidiary is consolidated using the merger method of accounting as the combination is an internal group reorganisation. Under the merger method of accounting, the cost of investment on the Company's financial statements is recorded at the nominal value of shares issued and the difference between the carrying value of the investment and the nominal value of shares acquired is treated as merger reserve or merger deficit. Where the carrying value of investment is less than the nominal value of shares acquired, the merger reserve should be treated as reserve on consolidation. Where the carrying value of investment is greater than the nominal value of shares acquired, the merger deficit is treated on consolidation as a reduction of reserve. The results of the companies being merged are included as if the merger had been effected throughout the current and previous financial years.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

(c) Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Freehold land and building-in-progress are not depreciated. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Building and electrical installation	2% - 10%
Plant and machinery	10%
Factory equipment	10%
Furniture, fittings and office equipment	10%
Motor vehicles	10%

Upon the disposal of an item of property, plant or equipment, the difference between the net disposal proceeds and the net carrying amount is recognised in the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(d) Development Expenditure

Expenditure on research activities is recognised as an expense in the year in which it is incurred.

Expenditure on development activities is also recognised as an expense in the year it is incurred except when the expenditure meets the following criteria where it will be capitalised as intangible assets:

(i) the product or process is clearly defined and costs are separately identified and measured reliably;

(ii) the technical feasibility of the product is demonstrated;

(iii) the product or process will be sold or used-in-house;

(iv) the assets will generate future economic benefits (e.g a potential market exists for the product or its usefulness in case of internal use is demonstrated); and

(v) an adequate technical, financial and other resources required for completion of the project are available.

Development expenditure initially recognised as an expense is not recognised as an asset in subsequent periods.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Amortisation is recognised as an expense in the income statement based on a straight-line basis over 5 years.

(e) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication of impairment. If any such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised as an expense in the income statement immediately, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of any unutilised previously recognised revaluation surplus for the same asset.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the first-in, first-out method. The cost of raw materials comprise costs of purchase. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs to completion and the estimated costs necessary to make the sale.

(g) Provisions for Liabilities

Provisions for liabilities are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(h) Income Tax

Income tax on the profit for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax is not recognised if the temporary difference arises from goodwill or negative goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

Deferred tax is measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly in equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill or negative goodwill.

(i) Employee Benefits

i. Short Term Benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees to the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

(j) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument classified as a liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

i. Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at balance sheet date.

ii. Payables

Payables are stated at cost which is the fair value of the consideration to be paid in future for goods and services received.

2. **SIGNIFICANT ACCOUNTING POLICIES (cont'd)**

(j) **Financial Instruments (cont'd)**

iii. **Interest-Bearing Borrowings**

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. The amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate which is the weighted average of the borrowing costs applicable to the Company's borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of acquiring another qualifying asset. For borrowings made specifically for the purpose of acquiring a qualifying asset, the amount of borrowings costs eligible for capitalisation is the actual borrowing costs incurred on that borrowings during the period less any investment income on the temporary investment of funds drawndown from that borrowing facility.

All other borrowing costs are recognised as an expense in the income statement in the year in which they are incurred.

iv. **Equity Instruments**

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the year in which they are declared.

(k) **Revenue Recognition**

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the Group and the amount of revenue can be measured reliably.

i. **Sale of Goods**

Revenue relating to sale of goods is recognised net of discounts upon the transfer of risks and rewards.

ii. **Interest Income**

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

(l) **Foreign Currencies**

Transactions in foreign currencies are initially recorded in Ringgit Malaysia at rates of exchange ruling at the date of the transaction. At each balance sheet date, foreign currency monetary items are translated into Ringgit Malaysia at exchange rates ruling at that date. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition and non monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined.

All exchange rate differences are taken to the income statement.

The principal exchange rates used for each respective unit of foreign currency ruling at balance sheet date are as follows:

	2005 RM	2004 RM
United States Dollars	3.780	3.800
Singapore Dollars	-	2.308

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(m) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdraft.

3. REVENUE

Revenue consists of:

	Group	
		Proforma
	2005	2004
	RM	RM
Sales of goods	29,171,940	31,033,853

4. PROFIT/(LOSS) FROM OPERATIONS

	Group		Company	
		Proforma		
	2005	2004	2005	2004
	RM	RM	RM	RM
Profit/(Loss) from operations is stated:				
After charging:				
Amortisation of deferred expenditure	12,001	-	-	-
Auditor's remuneration	30,000	8,000	10,000	500
Depreciation	461,011	471,941	-	-
Directors' fees	24,000	-	24,000	-
Directors' emoluments				
- holding company	260,840	174,720	86,120	-
- subsidiary	23,538	32,624	-	-
Loss on disposal of property, plant and equipment	-	135	-	-
Property, plant and equipment written off	163	1,369	-	-
Preliminary expenses written off	-	-	-	3,800
Provision for doubtful debt	40,000	-	-	-
and crediting:				
Interest income	105,422	9,664	103,692	-
Gain on disposal of property, plant and equipment	175,000	-	-	-
Management fees	-	67,200	-	-
Net foreign exchange gain				
- realised	9,599	12	-	-
- unrealised	8,752	-	-	-

5. FINANCE COST

	Group 2005 RM	Group Proforma 2004 RM
This includes interest expense as follows:		
Interest expense	190,664	238,386

6. TAXATION

	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
Tax expense for the year:				
Malaysian income tax	903,538	856,597	207	-
Deferred tax:				
Relating to origination and reversal of temporary differences (Note 22)	95,383	80,260	-	-
Underprovided in prior year (Note 22)	27,181	9,056	-	-
	122,564	89,316	-	-
Overprovision in prior years:				
Malaysian income tax	(43,354)	(13,634)	-	-
	982,748	932,279	207	-

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2004: 28%) of the estimated assessable profit for the year.

A reconciliation of income tax expense applicable to profit/(loss) before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
Profit/(Loss) before taxation	3,685,117	3,944,893	(35,899)	(1,545)
Taxation at Malaysian statutory tax rate of 28% (2004: 28%)	1,031,832	1,104,570	(10,052)	(433)
Income not subject to tax	(28,816)	-	(28,816)	-
Expenses eligible for double deduction	(14,466)	(13,389)	-	-
Expenses not deductible for tax purposes	56,533	10,090	39,075	433
Utilisation of current year's reinvestment allowances	(46,162)	(164,414)	-	-
Underprovision of deferred tax in prior year	27,181	9,056	-	-
Overprovision of income tax in prior years	(43,354)	(13,634)	-	-
	982,748	932,279	207	-

7. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the net profit for the year by the weighted average number of ordinary shares in issue during the financial year. The shares issued in respect of the merger is presumed to be in issue from the first day of the earliest period presented.

The amounts are tabulated as follows:

	Group	
		Proforma
	2005	2004
Net profit for the year (RM)	2,702,369	3,012,614
Weighted average number of ordinary shares in issue	157,522,219	132,740,000
Basic earnings per share (sen)	1.72	2.27

8. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Building and electrical installation RM	Plant and machinery RM	Factory equipment RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Capital in progress RM	Total RM
Cost								
At 1 January 2005	1,549,010	4,450,748	3,917,800	502,267	149,406	204,322	532,190	11,305,743
Additions	-	69,850	183,077	91,698	19,390	-	1,801,370	2,165,385
Disposals	-	-	-	-	(1,525)	-		(1,525)
At 31 December 2005	1,549,010	4,520,598	4,100,877	593,965	167,271	204,322	2,333,560	13,469,603
Accumulated depreciation								
At 1 January 2005	-	683,781	1,798,063	359,780	91,371	117,689	-	3,050,684
Charge for the year	-	93,128	365,645	43,832	16,403	20,433	-	539,441
Recognised in income statement (Note 4)	-	93,128	287,215	43,832	16,403	20,433	-	461,011
Capitalised in development expenditure (Note 9)	-	-	78,430	-	-	-	-	78,430
Written back on disposals	-	-	-	-	(1,362)	-	-	(1,362)
At 31 December 2005	-	776,909	2,163,708	403,612	106,412	138,122	-	3,588,763
Net book value								
At 31 December 2005	1,549,010	3,743,689	1,937,169	190,353	60,859	66,200	2,333,560	9,880,840
At 31 December 2004 (Proforma)	1,549,010	3,766,967	2,119,737	142,487	58,035	86,633	532,190	8,255,059
Details at 1 January 2004 (Proforma)								
Cost	1,500,000	3,709,010	3,716,547	469,252	136,727	179,322	-	9,710,858
Accumulated depreciation	-	591,376	1,406,283	310,613	77,945	97,257	-	2,483,474
Depreciation charge for 2004 (Proforma)								
Recognised in income statement (Note 4)	-	92,405	293,715	50,448	14,941	20,432	-	471,941
Capitalised in development expenditure (Note 9)	-	-	98,065	-	-	-	-	98,065
	-	92,405	391,780	50,448	14,941	20,432	-	570,006

(a) The Group's property, plant and equipment are charged to a licenced bank as securities for bank facilities granted to the wholly-owned subsidiary.

9. DEVELOPMENT EXPENDITURE

	Group 2005 RM	Group Proforma 2004 RM
At cost:		
At 1 January	198,733	-
Incurred during the year	161,289	198,733
At 31 December	360,022	198,733
Accumulated amortisation:		
At 1 January	-	-
Amortisation during the year	(12,001)	-
At 31 December	(12,001)	-
Net balance	348,021	198,733

Included in development expenditure incurred during the financial year is depreciation charge amounting to RM78,430 (2004: RM98,065).

10. INVESTMENT IN A SUBSIDIARY

	Company 2005 RM	Company 2004 RM
Investment in a subsidiary, at cost	13,273,998	-

The investment is stated at cost in the Company's financial statements. Cost reflects the nominal value of shares issued by the Company for the acquisition.

The subsidiary which is incorporated in Malaysia, is as follows:

Name	Effective equity interest 2005	Effective equity interest 2004	Country of incorporation	Principal activities
Daya Polymer Sdn. Bhd.	100%	-	Malaysia	Manufacture of semicon and XLPE compounds for cable and wire and trading in specialty chemicals, related polymer compounds and hardware

11. INVENTORIES

	Group 2005 RM	Group Proforma 2004 RM
At cost:		
Raw materials	2,227,850	2,037,416
Work-in-progress	29,179	46,158
Finished goods	1,247,935	90,556
Consumables	146,677	218,765
	3,651,641	2,392,895

The Group's inventories have been pledged to licensed banks as securities for bank facilities granted to the subsidiary.

12. TRADE RECEIVABLES

	Group 2005 RM	Group Proforma 2004 RM
Trade receivables	10,121,393	12,175,724
Provision for doubtful debts	(40,000)	-
	10,081,393	12,175,724

The Group's normal trade credit terms range from 30 to 60 days. Other credit terms are assessed and approved on a case-by-case basis.

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

13. OTHER RECEIVABLES

	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
Deposits	11,160	10,160	1,000	-
Prepayment	15,327	22,907	-	-
Sundry receivables	87,500	471,453	-	465,383
	113,987	504,520	1,000	465,383

The Group has no significant concentration of credit risk that may arise from exposures to a single debtor or to groups of debtors.

Company

Sundry receivables in 2004 comprised of listing expenses incurred on the listing of the Company which have been written off against the share premium account during the year.

14. AMOUNT DUE BY A SUBSIDIARY

The amount due by a subsidiary is unsecured, non-trade related, interest-free and have no fixed terms of repayment.

15. SHORT TERM INVESTMENTS

	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
Short term placement in money market fund, at cost	8,844,664	-	8,844,664	-

The fixed income interest rates of the instruments range from 1.5% to 2.89% per annum.

16. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits for the Group amounting to RM34,835 (2004: RM13,795) have been pledged to licensed banks for bankers' guarantees issued on the subsidiary's behalf.

The range of interest rates earned during the financial year are as follows:

	Group	
		Proforma
	2005	2004
	%	%
Licensed banks	3.7	3.7

The maturities of deposits as at 31 December 2005 are as follows:

	Group	
		Proforma
	2005	2004
Licensed banks	12 months	12 months

17. TRADE PAYABLES

	Group	
		Proforma
	2005	2004
	RM	RM
Trade payables	3,652,101	1,774,769

The normal trade credit terms granted to the Group range from 30 to 90 days.

18. OTHER PAYABLES

	Group		Company	
		Proforma		
	2005	2004	2005	2004
	RM	RM	RM	RM
Accruals	418,884	221,416	-	-
Other creditors	280,394	468,182	55,215	471,228
	699,278	689,598	55,215	471,228

Company

Included in other creditors is an amount of RM Nil (2004: RM451,318) due to Daya Polymer Sdn. Bhd., a company which became the Company's wholly owned subsidiary during the year.

19. BORROWINGS (SECURED)

	Group 2005 RM	Group Proforma 2004 RM
Bank overdraft	-	825,243
Bankers' acceptances	1,868,000	1,641,000
Term loan (Note 23)	99,284	113,286
Trust receipts	-	984,036
	1,967,284	3,563,565

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

(a) legal charges over the subsidiary's freehold land and building;
(b) a debenture over all assets of the subsidiary; and
(c) corporate guarantee by the Company.

The range of interest rates incurred during the financial year for bank borrowings are as follows:

	Group 2005 % per annum	Group Proforma 2004 % per annum
Bankers' acceptances	2.90 - 3.60	3.1 - 3.2
Term loan	4.62 - 7.25	4.62 - 7.75
Trust receipts	-	7.25

20. SHARE CAPITAL

	Number of ordinary shares 2005	Number of ordinary shares 2004	Amount 2005 RM	Amount 2004 RM
Authorised:				
At 1 January, par value of RM1.00 each	100,000	100,000	100,000	100,000
Created during the year, par value of RM1.00 each	24,900,000	-	24,900,000	-
	25,000,000	100,000	25,000,000	100,000
Subdivision into 10 shares of RM0.10 each	225,000,000	-	-	-
At 31 December, par value of RM0.10 / (2004: RM1.00) each	250,000,000	100,000	25,000,000	100,000

20. SHARE CAPITAL (cont'd)

	Number of ordinary shares		Group		Company	
				Proforma		
	2005	2004	2005 RM	2004 RM	2005 RM	2004 RM
Issued and fully paid:						
At 1 January, par value of RM1.00 each	2	2	2	2	2	2
Issued as consideration for the acquisition of the subsidiary (Note 10)	13,273,998	-	13,273,998	13,273,998	13,273,998	-
	13,274,000	2	13,274,000	13,274,000	13,274,000	2
Subdivision into 10 shares of RM0.10 each	119,466,000	-	-	-	-	-
	132,740,000	2	13,274,000	13,274,000	13,274,000	2
Public issue	56,890,000	-	5,689,000	-	5,689,000	-
At 31 December, par value of RM0.10 / (2004: RM1.00 each)	189,630,000	2	18,963,000	13,274,000	18,963,000	2

(a) On 28 May 2005, the Company issued 13,273,998 ordinary shares of RM1.00 each, at par, as consideration for the acquisition of the wholly owned subsidiary, Daya Polymer Sdn. Bhd..

(b) On 1 June 2005, the Company effected a change in the par value of its shares from RM1.00 each to RM0.10 each, by way of a sub-division of its shares.

(c) The public issue of 56,890,000 ordinary shares of RM0.10 each were issued at an issue price of RM0.23. The premium of RM0.13 per share arising therefrom amounting to RM7,395,700 is included in the share premium account in the statements of changes in equity.

The share capital of the Group has been restated for the issuance of shares for the acquisition of the subsidiary as if the subsidiary has been owned throughout the current and preceding financial years. Accordingly, the proforma share capital in respect of the Group for the comparative period has been stated at RM13,274,000.

21. RESERVES

	Group		Company	
		Proforma		
	2005	2004	2005	2004
	RM	RM	RM	RM
Distributable reserve:				
Retained profit	4,710,509	3,008,140	-	-
Non-distributable reserve:				
Share premium	5,959,150	-	5,959,150	-
	10,669,659	3,008,140	5,959,150	-

21.1 The movement in share premium account:

	Group and Company	
	2005	2004
	RM	RM
Balance at 1 January	-	-
Public issue of 56,890,000 shares at a premium of RM0.13 per share	7,395,700	-
Listing expenses	(1,436,550)	-
	5,959,150	-

Included in listing expenses are payments made to the directors and employees amounting to RM 52,000 and RM 130,960 respectively as one-time reward for their contribution in conjunction with the listing of the Company.

22. DEFERRED TAX LIABILITIES

	Group	
		Proforma
	2005	2004
	RM	RM
Group		
At 1 January	550,316	461,000
Recognised in income statement (Note 6)	95,383	80,260
Underprovided in prior year (Note 6)	27,181	9,056
At 31 December	672,880	550,316

The movements of deferred tax liabilities during the financial year are as follows:

	At 1 January 2005 RM	Recognised in income statement RM	At 31 December 2005 RM
Property, plant and equipment	522,126	50,858	572,984
Others	28,190	71,706	99,896
	550,316	122,564	672,880

	Proforma Group		
	At 1 January 2004 RM	Recognised in income statement RM	At 31 December 2004 RM
Property, plant and equipment	461,000	61,126	522,126
Others	-	28,190	28,190
	461,000	89,316	550,316

23. TERM LOAN (SECURED)

	Group 2005 RM	Group Proforma 2004 RM
Amount repayable within the next 12 months (Note 19)	99,284	113,286
Amount repayable after the next 12 months	714,466	816,714
	813,750	930,000
Present value of term loan:		
Within one year	99,284	113,286
More than one year and less than two years	106,726	118,786
More than two years and less than five years	370,620	392,093
More than five years	237,120	305,835
	714,466	816,714
	813,750	930,000

The securities given for the term loan are disclosed in Note 19 to the financial statements.

The term loan is repayable by 24 quarterly instalments of RM38,750 each commencing in June 2005 and carries interest rates of 4.62% - 7.25% (2004: 4.62% - 7.75%) per annum.

The amount repayable within the next 12 months is separately disclosed under borrowings.

24. MERGER DEFICIT

The acquisition of the subsidiary during the financial year has been accounted for using the merger method of accounting and the details of the acquisition are as follows:

	Ordinary shares of RM1 each acquired	RM
Daya Polymer Sdn. Bhd.	6,000,000	6,000,000
Number of ordinary shares of RM1 each in the Company issued as purchase consideration		13,273,998
Merger deficit applied against retained profits		(7,273,998)

25. CAPITAL COMMITMENTS

	Group 2005 RM	Group Proforma 2004 RM
Contracted and not provided for	469,242	85,354
Approved but not contracted for	4,402,373	3,776,073

26. CONTINGENT LIABILITIES (UNSECURED)

	Group 2005 RM	Group Proforma 2004 RM
Corporate guarantees given to licensed banks for banking facilities granted to the subsidiary	2,681,750	-

27. STAFF COSTS

	Group 2005 RM	Group Proforma 2004 RM	Company 2005 RM	Company 2004 RM
Wages and salaries	1,267,922	1,053,846	69,000	-
Social security costs	13,590	12,391	47	-
Pension costs - defined contribution plans	153,145	126,944	8,280	-
Overtime and allowances	33,096	34,032	12,200	-
	1,467,753	1,227,213	89,527	-
Number of employees	58	61	3	-

Included in staff costs of the Group, Proforma Group and of the Company are directors' remuneration amounting to RM260,840 (2004: RM174,720) and RM86,120 (2004: RM Nil) respectively.

28. SIGNIFICANT RELATED PARTY TRANSACTIONS

	Group 2005 RM	Group Proforma 2004 RM
Purchases of raw materials from a company in which a director of the subsidiary has an interest		
- Cominet Corporation	1,998,457	1,318,147
Sales to companies in which a person connected to certain directors of the Company has an interest		
- Leader Cable Industry Berhad	-	5,006,730
- Universal Cable (M) Bhd	-	6,571,120
Insurance premium payable to a company in which a person connected to certain directors of the Company has an interest		
- Leader Agency Sdn. Bhd.	-	66,418

The directors are of the opinion that the transaction above has been entered into in the normal course of business and has been established on terms and conditions that are not materially different from those obtainable in transactions with unrelated parties.

29. SEGMENTAL REPORTING

(a) Business Segments:

The Group is organised into two major business segments:

(i) Manufacturing - manufacturing of semicon and XLPE compounds for cable and wire
(ii) Trading - trading in specialty chemicals, related polymer compounds and hardware

	Manufacturing		Trading		Group	
	2005 RM	Proforma 2004 RM	2005 RM	Proforma 2004 RM	2005 RM	Proforma 2004 RM
REVENUE						
Revenue from external customers	22,478,922	23,851,310	6,693,018	7,182,543	29,171,940	31,033,853
RESULT						
Segment results	3,458,745	3,839,076	524,491	405,094	3,983,236	4,244,170
Unallocated results					(35,297)	(1,545)
Profit from operations					3,947,939	4,242,625
Finance costs					(262,822)	(297,732)
Profit before taxation					3,685,117	3,944,893
Taxation					(982,748)	(932,279)
Net profit for the year					2,702,369	3,012,614
ASSETS AND LIABILITIES						
Segment assets	25,404,610	22,563,388	3,147,919	664,516	28,552,529	23,227,904
Unallocated assets					8,849,268	465,385
Consolidated total assets					37,401,797	23,693,289
Segment liabilities	4,488,447	5,365,736	1,675,717	529,000	6,164,164	5,894,736
Unallocated liabilities:						
Corporate liabilities					55,215	19,910
Term loan					813,750	930,000
Taxation					63,129	16,187
Deferred taxation					672,880	550,316
Consolidated total liabilities					7,769,138	7,411,149

29. SEGMENTAL REPORTING (cont'd)

	Manufacturing		Trading		Group	
		Proforma		Proforma		Proforma
	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM
OTHER INFORMATION						
Capital expenditure	2,165,385	1,599,335	-	-	2,165,385	1,599,335
Depreciation and amortisation	551,442	570,006	-	-	551,442	570,006
Non cash expenses other than depreciation and amortisation	40,000	-	-	-	40,000	-

(b) Geographical segments:

	Total revenue from external customers		Segment assets		Capital expenditure	
		Proforma		Proforma		Proforma
	2005	2004	2005	2004	2005	2004
	RM	RM	RM	RM	RM	RM
The Group's operations are mainly located in Malaysia:						
Malaysia	27,588,688	27,953,218	28,552,529	23,227,904	2,165,385	1,599,335
Other Asian countries	1,574,504	3,080,635	-	-	-	-
Middle East countries	8,748	-	-	-	-	-
Consolidated	29,171,940	31,033,853	28,552,529	23,227,904	2,165,385	1,599,335

30. FINANCIAL INSTRUMENTS

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's primary interest rate risk relates to interest-bearing debts, as the Group had no substantial long-term interest-bearing assets as at 31 December 2005. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes but have been mostly placed in fixed deposits or occasionally, in short term commercial papers which yield better returns than cash at bank.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio, taking into account the investment holding period and nature of its assets. This strategy allows it to capitalise on cheaper funding in a low interest rate environment and achieve a certain level of protection against rate hikes.

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

(c) Foreign Exchange Risk

The Group has exposure to fluctuations in foreign exchange rates mainly in United States Dollar and Singapore Dollar.

The net unhedged financial assets and financial liabilities of the Group as at 31 December 2005 that are not denominated in its functional currency are as follows:

	Ringgit Malaysia Group	
		Proforma
	2005	2004
	RM	RM
Functional currency of the Company		
Trade receivables		
United States Dollar	405,642	866,920
Trade payables		
United States Dollar	1,324,138	519,092
Other payables		
Singapore Dollar	-	38,610

(d) Liquidity Risk

The Group actively manages its operating cash flows and the availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements.

30. FINANCIAL INSTRUMENTS (cont'd)

(e) Credit Risk

Credit risk, or the risk of counterparties defaulting, is controlled by the application of credit approvals, limits and monitoring procedures. Credit risks are minimised and monitored via strictly limiting the Group's associations to business partners with high creditworthiness. Trade receivables are monitored on an ongoing basis via the Group's management reporting procedures.

The Group and the Company does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial instruments.

(f) Fair Values

The aggregate net fair value of financial assets and financial liabilities which are not carried at fair value on the balance sheets of the Company, Group, Proforma Group as at the end of the financial year is represented as follows:

		Group		Company	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets					
At 31 December 2005					
Amount due by a subsidiary	14	-	-	2,812,355	*
Financial liabilities					
At 31 December 2005					
Term loan	23	813,750	704,376	-	-
At 31 December 2004 (Proforma)					
Term loan	23	930,000	750,727	-	-

* It is not practical to estimate the fair value of amount due by a subsidiary due principally to a lack of fixed repayment terms entered by the parties involved and without incurring excessive costs.

The nominal notional amounts and net fair value of financial instruments not recognised in the balance sheet of the Company as at the end of the financial year are:

		Company	
	Note	Nominal notional amount RM	Net fair value RM
At 31 December 2005			
Contingent liabilities	26	2,681,750	**

** It is not practical to estimate the fair value of contingent liabilities realiably due to the uncertainties of timing, costs and eventual outcome.

30. FINANCIAL INSTRUMENTS (cont'd)

(f) Fair Values (cont'd)

The following methods and assumptions are used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

i. Cash and Cash Equivalents, Trade and Other Receivables, Trade and Other Payables and Bank Borrowings

The carrying amounts approximate fair values due to the relatively short term maturity of these financial instruments.

The carrying amounts of receivables and payables approximate fair value because these are subject to normal trade credit terms.

31. SIGNIFICANT EVENTS

The following are the significant events during the year:

(a) Acquisition of Daya Polymer Sdn. Bhd.

On 28 May 2005, the Company issued 13,273,998 new ordinary shares of RM1.00 each to acquire the entire issued and paid-up capital of the subsidiary, Daya Polymer Sdn. Bhd. comprising 6,000,000 ordinary shares of RM1.00 each for a total consideration of RM13,273,998 which was satisfied by the issuance of 13,273,998 new ordinary shares of RM1.00 each at par.

(b) Share Split

On 1 June 2005, every existing one (1) ordinary share of RM1.00 each in the Company was sub-divided into ten (10) ordinary shares of RM0.10 each.

Upon completion of the Share Split, the issued and paid-up capital of the Company was changed from RM13,274,000 comprising of 13,274,000 ordinary shares of RM1 each to RM13,274,000 comprising of 132,740,000 ordinary shares of RM0.10 each.

(c) Public Issue

On 30 June 2005, the Company made a public issue of 56,890,000 new ordinary shares of RM0.10 each at an issue price of RM0.23 per share.

On 25 July 2005, the entire issued and paid-up capital of the Company comprising of 189,630,000 ordinary shares of RM0.10 each was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad.

32. SUBSEQUENT EVENT

Subsequent to the year end, the Company acquired two ordinary shares of RM1.00 each in DMB Marketing & Trading Sdn. Bhd., representing 100% equity interest for a total consideration of RM2.00 only.

33. COMPARATIVES

In accordance with the principles of merger accounting, the results, balance sheets, statements of changes in equity and cash flows of the Group are presented as if the subsidiary has been owned throughout the current and preceding financial years. Accordingly, proforma comparatives of the Group have been presented.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, THAM WOOI LOON and THAM JOOI LOON, being two of the directors of DAYA MATERIALS BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 19 to 44 are drawn up in accordance with applicable MASB Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed in accordance with a resolution of the directors:

THAM WOOI LOON

THAM JOOI LOON

Penang, Malaysia
Date: 5 April 2006

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, THAM JOOI LOON, being the director primarily responsible for the financial management of DAYA MATERIALS BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 19 to 44 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed THAM JOOI LOON
at Georgetown in the state of Penang
on 5 April 2006

THAM JOOI LOON

Before me,

Commissioner for Oaths

We have audited the financial statements set out on pages 19 to 44. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

(a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia so as to give a true and fair view of :

 (i) the financial position of the Group and of the Company as at 31 December 2005 and of the results and the cash flows of the Group and of the Company for the year then ended; and

 (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and

(b) the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF : 0039
Chartered Accountants

OO BOON BENG
1939/12/06 (J)
Partner

Penang, Malaysia
Date: 5 April 2006

In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which shall give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and of their results and their cash flows of the Company and of the Group for the financial year.

The Directors are responsible to ensure that the Company and Group keep proper accounting records to enable the Company to disclose, with reasonable accuracy and without any material misstatement in the financial statements, the financial position, the results and the cash flows of the Company and of the Group. The Directors are also responsible to ensure that the financial statements comply with the Companies Act, 1965 and the relevant accounting standards.

In preparing the financial statements for the financial year ended 31 December 2005, the Directors have:-

- adopted the appropriate accounting policies, which are consistently applied ;
- made judgements and estimates that are reasonable and prudent;
- ensured applicable accounting standards have been followed, subject to any material departures which will be disclosed and explained in the financial statements ; and
- prepared the financial statements on the assumption that the Company and the Group will operate as a going concern.

The Directors have provided the auditors with every opportunity to take all steps, undertake all inspections and seek all explanations they considered to be appropriate for the purpose of enabling them to give their audit report on the financial statements.

Authorized Share Capital	:	RM25,000,000.00
Issued and fully paid-up Share Capital	:	RM18,963,000.00
Class of Shares	:	Ordinary Shares of RM0.10 each
Voting Rights	:	One vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of shareholdings	No. of holders	%	No. of shares	%
Less than 100 shares	2	0.21	100	0.00
100 to 999 shares	14	1.50	2,000	0.00
1,000 to 4,999 shares	199	21.37	355,300	0.19
5,000 to 10,000 shares	292	31.36	2,381,000	1.26
10,001 to 100,000 shares	337	36.20	12,468,200	6.57
100,001 to 1,000,000 shares	75	8.06	22,002,300	11.60
Above 1,000,000 shares	12	1.29	152,421,100	80.38
Total	931	100.00	189,630,000	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Daya Capital Sdn Bhd	92,918,000	49.00	-	-
Dae Yang Material Co. Ltd	18,583,600	9.80	-	-
Capital Nexus Sdn Bhd	11,946,600	6.30	-	-
Tham Wooi Loon	405,000	0.21	104,864,600@	55.30
Tham Jooi Loon	310,000	0.16	11,946,600#	6.30
Song Ha Hyung	300,000	0.16	18,583,600&	9.80

@ Deemed interested through his shareholdings in Daya Capital Sdn Bhd and Capital Nexus Sdn Bhd
# Deemed interested through his shareholdings in Capital Nexus Sdn Bhd
& Deemed interested through his shareholdings in Dae Yang Material Co. Ltd

DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Kamalul Arifin bin Yusof	500,000	0.26	-	-
Tham Wooi Loon	405,000	0.21	104,864,600@	55.30
Tham Jooi Loon	310,000	0.16	11,946,600#	6.30
Fazrin Azwar bin Md. Nor	-	-	-	-

@ Deemed interested through his shareholdings in Daya Capital Sdn Bhd and Capital Nexus Sdn Bhd
# Deemed interested through his shareholdings in Capital Nexus Sdn Bhd

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	% of total issued capital
1.	Daya Capital Sdn Bhd	92,918,000	49.00
2.	Dae Yang Material Co. Ltd	18,583,600	9.80
3.	Capital Nexus Sdn Bhd	11,946,600	6.30
4.	Song Tae Chin	9,391,800	4.95
5.	Lew Yuen Kee @ Lew Ah Kee	5,580,000	2.94
6.	Yeap Teik Ee	2,707,000	1.43
7.	Lim Soon Foo	2,500,000	1.32
8.	Lim Guat Im	2,320,000	1.22
9.	Goh Eu Jim	2,274,100	1.20
10.	H'ng Geok Heang	1,600,000	0.84
11.	Lee Swee Yin	1,400,000	0.74
12.	Tan Kok Hong	1,200,000	0.63
13.	Ong Chiow Hock	1,000,000	0.53
14.	Mayban Nominees (T) Sdn Bhd - pledged securities account for Chai Koh Hiung	905,000	0.48
15.	DB (Malaysia) Nominee (Asing) Sdn Bhd - Deutsche Bank AG London	848,600	0.45
16.	HSBC Nominees (Asing) Sdn Bhd - exempt acc for Credit Suisse (SG BR-TST-ASING)	822,000	0.43
17.	Amarjit Singh a/l Sarban Singh	813,000	0.43
18.	Lee Chee Siang	750,000	0.40
19.	Soon Chin Chye	660,800	0.35
20.	Tham Chee Kong	600,000	0.32
21.	Ong Ai Chin	600,000	0.32
22.	Lee Chee Boon	550,000	0.29
23.	Chong Fook Jade	540,000	0.28
24.	Chuah Choon Bin	500,000	0.26
25.	Mayban Nominees (Tempatan) Sdn Bhd - Mayban Investment Management Sdn Bhd for Kamalul Arifin Bin Yusof	500,000	0.26
26.	James Kon Yew Liang	500,000	0.26
27.	Liow Song Hock	413,000	0.22
28.	Tham Wooi Loon	405,000	0.21
29.	Wong Yoke Tsan @ Wong Yoke Chun	400,000	0.21
30.	Teoh Cheng Soon @ Teow Cheng Soon	360,000	0.19

Share Buyback

During the year, the Company did not enter into any share buyback transactions.

Options or Warrants

The Company did not issue any options, warrants and convertible securities during the financial year.

American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme

During the financial year, the Company did not sponsor any ADR or GDR programme.

Imposition of Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, directors or management by the relevant regulatory bodies during the financial year.

Non-Audit Fees

The amount of non-audit fees payable to the external auditors by the Group for the financial year amounted to RM31,000 in relation to the work done for the listing of Daya Materials Berhad on the MESDAQ Market of Bursa Malaysia Securities Berhad.

Profit Estimates, Forecast or Projection

The Company did not issue any profit estimate, forecast or projection for the financial year.

Variation of Actual Basic Earnings per Share ("EPS") from the Unaudited Results

For the financial year ended 31 December 2005, the audited basic EPS was 1.72 sen or 34% lower than the unaudited results of 2.61 sen which was previously announced on 28 February 2006. The lower basic EPS was mainly due to the differences in the computation methodology of weighted average number of ordinary shares in issue. In calculating the audited basic EPS, the shares issued in respect of the merger is presumed to be in issue from the first day of the earliest period presented whereas the calculation of unaudited basic EPS takes into consideration the number of ordinary shares outstanding at the beginning of the financial year, adjusted by the number of ordinary shares issued during the financial year and multiplied by a time-weighting factor.

Profit Guarantee

The Company did not issue any profit guarantee during the financial year.

Material Contract Involving Directors and Major Shareholders

There are no material contracts involving the interests of its Directors and major shareholders either still subsisting at the end of the financial year ended 31 December 2005 or entered into since the end of the previous financial year.

Recurrent Related Party Transactions of a Revenue or Trading Nature

Details of recurrent related party transactions of a revenue or trading nature is disclosed in Note 28 to the financial statements on page 39.

Material Contract Relating to Loans

There are no material contracts relating to loan involving the interests of its Directors and major shareholders during the financial year.

Revaluation Policy

The Company did not revalue any of its property, plant and equipment during the financial year.

Registered Owner/Location	Description And Existing Use	Land/ Built Up Area (sq ft)	Tenure	Approximate Age of Building	Net Book Value as at 31.12.2005 (RM)	Date of Last Revaluation
Daya Polymer Sdn Bhd 1744, Jalan Industri Dua, Taman Industri Bukit Panchor, 14300 Nibong Tebal, Penang, Malaysia.	Industrial land with factory, warehouse and office.	136,394/ 39,526	Freehold	8 years	5,292,699	15 Dec 2003

NOTICE IS HEREBY GIVEN that the THIRD ANNUAL GENERAL MEETING of DAYA MATERIALS BERHAD will be held at Level 2, Function Hall 1, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Monday, 19 June 2006 at 10:30 a.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 and the Reports of the Directors and the Auditors thereon. — Resolution 1

2. To approve the payment of Directors' Fees of RM24,000.00 for the year ended 31 December 2005. — Resolution 2

3. To re-elect the following directors retiring in accordance with Article 91 of the Company's Articles of Association:-

    a) THAM WOOI LOON — Resolution 3
    b) THAM JOOI LOON — Resolution 4
    c) FAZRIN AZWAR BIN MD. NOR — Resolution 5
    d) KAMALUL ARIFIN BIN YUSOF — Resolution 6

4. To re-appoint Ernst & Young as auditors and to authorize the Directors to fix their remuneration. — Resolution 7

    As Special Business:-

5. Ordinary Resolution
    To consider and if thought fit, to pass the following as an Ordinary Resolution:-

    "THAT subject to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the Bursa Malaysia Securities Berhad and other relevant governmental/regulatory authorities, the Directors be and are hereby empowered pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." — Resolution 8

6. To transact any other business for which due notice shall have been given in accordance with the Company's Articles of Association and the Companies Act, 1965.

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang
Date : 26 May 2006

NOTES:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy, and in the case of a corporation, a duly authorized representative to attend and vote in his stead. A proxy may but need not be a member of the Company.

   The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorized.

   A member who appoints two or more proxies shall specify the proportion of his shareholdings to be represented by each proxy.

   The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 18.01, 18th Floor, MWE Plaza, 8 Lebuh Farquhar, 10200 Penang not less than forty-eight (48) hours before the time fixed for holding this meeting or at any adjournment thereof.

2. Explanatory notes on Special Business

   Ordinary Resolution
   - Resolution 8

   The proposed Resolution No. 8 is in line with the Company's expansion plan of which may involve the issue of new shares. Under the Companies Act, 1965, the Directors would have to call a general meeting to approve the issue of new shares even though the number of shares involved is less than 10% of the total issued capital. In order to avoid any delay and cost involved in convening such a general meeting, it is considered appropriate to seek the shareholders' approval for the Directors to issue shares in the Company up to an aggregate amount not exceeding 10% of the total issue share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

1. The Directors who are standing for re-election at the Third Annual General Meeting are as follows :-

   a) Tham Wooi Loon
   b) Tham Jooi Loon
   c) Fazrin Azwar Bin Md Nor
   d) Kamalul Arifin Bin Yusof

   The details of the four Directors seeking re-election are set out in their respective profiles set out in pages 4 and 5 of this Annual Report.

2. The details of attendance of Directors of the Company at Board meetings held during the financial year ended 31 December 2005 are disclosed in the Corporate Governance Statement set out in page 8 of this Annual Report.

3. The details of the place, date and hour of the Third Annual General Meeting are as follows :-

   Place : Level 2, Function Hall 1
   The Gurney Resort Hotel & Residences
   18 Persiaran Gurney
   10250 Georgetown
   Penang

   Date : Monday, 19 June 2006

   Time : 10.30 a.m.

PROXY FORM

NO. OF SHARES	

I/We ______________________________ I.C. No. ______________________

of ____

being a member/members of DAYA MATERIALS BERHAD do hereby appoint Mr / Mrs / Ms ______________

____

I.C. No. ______________________ of ______________________________

____

or failing him the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Third Annual General Meeting of the Company to be held at Level 2, Function Hall 1, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Monday, 19 June 2006 at 10:30 a.m. and at any adjournment thereof.

In case of vote taken by a show of hands, my/our proxy shall vote on my/our behalf.

Please indicate with an 'X' in the spaces provided below how you wish your votes to be cast on the resolutions specified in the Notice of Meeting.

	Ordinary Resolutions	**For**	**Against**
1.	Adoption of Reports and Audited Financial Statements		
2.	Payment of Directors' Fees		
3.	Re-election of Director, THAM WOOI LOON		
4.	Re-election of Director, THAM JOOI LOON		
5.	Re-election of Director, FAZRIN AZWAR BIN MD. NOR		
6.	Re-election of Director, KAMALUL ARIFIN BIN YUSOF		
7.	Re-appointment of Auditors, ERNST & YOUNG		
8.	Authority pertaining to Section 132D of the Companies Act, 1965		

Subject to any voting instruction given, the proxy/proxies will vote, or abstain from voting, on the resolutions as he may thinks fit.

Signed this ______ day of _____________, 2006.

Signature: ______________________________

NOTES:

1. A member of the Company who is entitled to attend and vote at this meeting is entitled to appoint a proxy, and in the case of a corporation, a duly authorized representative to attend and vote in his stead. A proxy may but need not be a member of the Company.

   The instrument appointing a proxy shall be in writing under the hand of the appointer or if such appointer is a corporation, either under its Common Seal or under the hand of an officer or attorney duly authorized.

   A member who appoints two or more proxies shall specify the proportion of his shareholdings to be represented by each proxy.

   The instrument appointing a proxy must be deposited at the Registered Office of the Company at Suite 18.01, 18th Floor, MWE Plaza, 8 Lebuh Farquhar, 10200 Penang not less than forty-eight (48) hours before the time fixed for holding this meeting or at any adjournment thereof.

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Please fold across the lines and close

Stamp

To : *The Company Secretary*

DAYA MATERIALS BERHAD 636357-W

Suite 18.01, 18th Floor MWE Plaza

No. 8, Lebuh Farquhar

10200 Penang, Malaysia

Please fold across the lines and close

1744, Jalan Industri Dua
Taman Industri Bukit Panchor
14300 Nibong Tebal
Penang, Malaysia