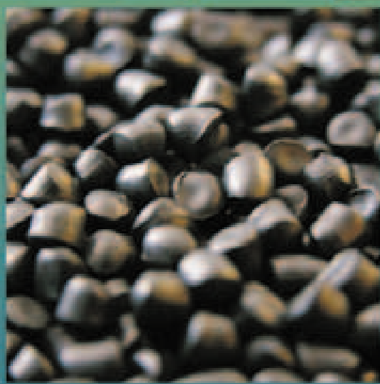
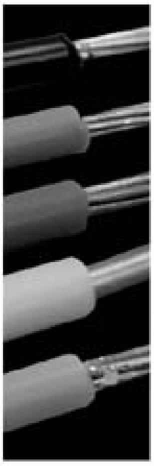
DAYA MATERIALS BERHAD
636357-W



Laporan Tahunan
2006
Annual Report

The Power of Innovations



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CORPORATE INFORMATION

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

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

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

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

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

REGISTRAR
Symphony Share Registrar Sdn Bhd
55 Medan Ipoh 1A,
Medan Ipoh Bistari,
31400 Ipoh
Perak Darul Ridzuan
Tel : 05-547 4833
Fax : 05-547 4363

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

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 investment holding.

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

DAYA MATERIALS BERHAD

Daya Materials Berhad
(636357-W)

100%

Daya Polymer Sdn Bhd
(324073-U)

100%

DMB Marketing & Trading Sdn Bhd
(724943-U)

PROFILE OF DIRECTORS

Kamalul Arifin bin Yusof
Malaysian, aged 47
Independent Non-Executive Chairman

He 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 45
Managing Director

He 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 41
Executive Director

He 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.

PROFILE OF DIRECTORS (CONT'D)

Fazrin Azwar bin Md. Nor
Malaysian, aged 40
Independent Non-Executive Director

He 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 was also formerly an Independant Non-Executive Director of Tek Seng Holdings Berhad.

In 2007, he was appointed as an Independant Non-Executive Director of Times Offet (M) Sdn. Bhd., the holding company of Times Publishing Group in Malaysia. 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 2006, the Board of Directors of the Company met six (6) times.

CHAIRMAN'S STATEMENT

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 2006.

RESULTS

For the financial year 2006, our turnover increased marginally by 1% from RM 29.172 million to RM 29.320 million. Similar to the past financial year, we continued to operate in a challenging environment. Oil price remained volatile, briefly reaching a high of approximately US$77 per barrel in July 2006 before declining towards the end of the year. The cost of our major raw materials thus remained high. Our industry was also impacted by continued high copper prices which directly increased the feedstock cost of our target customers, i.e. the power cable producers.

In the face of tough market conditions, we embarked on several exercises. Firstly, we concentrated our marketing efforts on products that yielded higher margins. Secondly, we enhanced our asset conversion cycle by strengthening collection and reducing the level of outstanding receivables. Thirdly, we consciously diverted our resources from low-growth, low-margin activities such as trading. Fourthly, we embarked on selective new investments to generate higher returns on our previously idle cash position. The combinations of the above enabled us to record pre-tax profit increased by 9.3% from RM 3.685 million for FYE2005 to RM 4.028 million for FYE2006.

CORPORATE DEVELOPMENTS

In line with our stated goals to expand into synergistic petrochemical businesses, we announced on 23 August 2006 the proposed acquisition of Seca Dyme Sdn Bhd ("SDSB"), a company involved in the oil & gas sector. SDSB is a well-managed, growth-oriented company which has enjoyed strong long-term support from an extensive group of international principals on the supply side as well as local oil companies as its customers. This acquisition is critical to the Group operationally as it will enable us to merge some of our procurement, marketing and trading activities, reducing our cost structure while making us more efficient. It will also serve as a catalyst to our future growth. We are pleased to announce that we received conditional approval from the Securities Commission ("SC") and the SC on behalf of Foreign Investment Commission and Ministry of International Trade and Industry on 9 November 2006 and 22 January 2007 respectively. We are now working actively with the relevant authorities and our professional advisers to comply with those conditions stipulated in the approvals. Barring any unforeseen circumstances, we expect to finalize the proposed acquisition by the end of first half of 2007.

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 2007, the Company has utilised approximately 69% of the total gross proceeds raised and the status of the utilisation of proceeds is as follows:-

			← Deviation →		
	Proposed Utilisation (i)	**Actual Utilisation**	**Amount**		
	RM'000	**RM'000**	**RM'000**	**%**	**Explanation**
Expansion in production facility	6,500	3,555	2,945	45	(ii)
Investment in R&D and new product development	1,700	612	1,088	64	(iii)
Working capital	3,448	3,448	-	-	-
Listing expenses	1,437	1,437	-	-	-
Total	13,085	9,052	4,033		

Notes:

(i) 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. On 21 November 2006, the Board had also resolved to reallocate the unutilised proceeds for listing expenses amounting to approximately RM63,000 to be utilized for working capital purposes.

(ii) Actual utilisation incurred mainly in relation to the construction of second factory building. The deviation is mainly due to the delay in securing approvals from the regulatory authorities, namely Majlis Perbandaran Seberang Perai and other relevant authorities for the construction of the new factory building. On 26 January 2007, the Group announced that they have obtained the certificate of fitness for occupation for its second factory building on 19 January 2007.The balance unutilised proceeds are expected to be used by end of 2007.

(iii) Actual utilisation incurred mainly in relation to the development costs of new products. The deviation is mainly due to the delay in procuring of R&D processing equipment. The balance unutilised proceeds are expected to be used by end of 2007.

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. jacketing compounds and is introducing the product into the market.

PROSPECTS

The Group expects the positive financial performance to continue for the coming financial year after taking into consideration of the Group's current level of operations and prevailing market conditions. For the financial year ended 31 December 2006, the Group achieved manufacturing revenue amounted to RM28.633 million as compared to RM22.479 million for the previous financial year. The increase of approximately 27% was mainly due to the rebound of the cable industries, which directly increased the demand of polymer compounds. The Group believes that this improved business volume reflected our customer's general acceptance to higher commodity prices.

The Group believes that the outlook of the cable and wire business in Malaysia as a whole is encouraging. Based on inputs from publications, the Malaysian economy will continue to remain resilient in an environment of healthy global economic condition with the stabilising of crude oil pricing. The Nineth Malaysia Plan (9MP) which was scheduled to kick off in early 2007 and be sustained throughout the following 4 years may boost the power industries. Approximately RM29.8billion has been earmarked for transmission, distribution and rural electrification and this in turn will bode well for the polymer industry.

The Group has recently obtained the SC's approval for its proposed acqusition of Seca Dyme Sdn Bhd ("SDSB"). SDSB is a trader and distributor of special chemicals and catalysts and providing technical services to the oil, gas and petrochemical industries in Malaysia. With this acquisition, the Group can participate more actively in the petrochemical industries, in particular, the oil and gas sector. The Group believes that this will not only serve as a natural hedge for our core polymer business, but it will also represent an effective platform for a more sustainable growth.

Barring any unforeseen circumstances, we expect the operating performance for FYE2007 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.

CORPORATE GOVERNANCE STATEMENT

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 four (4) members, comprising two (2) Executive Directors and two (2) Independent Non-Executive Directors. With this Board composition, the Company complies with paragraph 15.02(1) of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) for the MESDAQ Market where at least two (2) Directors or 1/3 of the board of directors of a listed company, whichever is the higher, are independent Directors.

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 2006, the Board met six (6) 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.

1.2 Supply of Information (Cont'd)

Details of each Director's attendance of Board meetings are set out below.

Name of Director	No. of meetings attended
Kamalul Arifin bin Yusof	6/6
Tham Wooi Loon	5/6
Tham Jooi Loon	6/6
Fazrin Azwar bin Md. Nor	6/6

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

During the financial year ended 31 December 2006, members of the Nomination Committee were 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;
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.

During the last financial year, the Nomination Committee convened one (1) meeting with full attendance by the members.

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 have completed the Mandatory Accreditation Programme ("MAP") which was 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 three (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.

During the financial year ended 31 December 2006, members of the Remuneration Committee were 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 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.

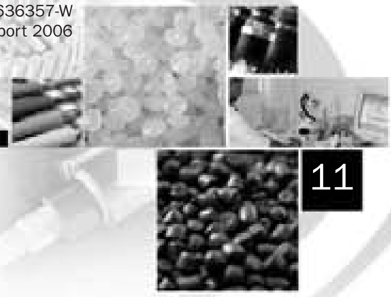
The details of the remuneration for Directors during the financial year ended 31 December 2006 are as below:-

Aggregate remuneration categorized into components:-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	24,000	24,000	48,000
Salaries & other emoluments (RM)	338,060	20,700	358,760
Total (RM)	362,060	44,700	406,760

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		
RM150,001 – RM200,000	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 54 of the Annual Report and the Statement explaining the responsibility for preparing the annual audited financial statements is set out on page 56 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.

STATEMENT ON INTERNAL CONTROL

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 have 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.

The Group has a formalized risk management framework in which the existence of significant risks of the Group have been identified and quantified. The corresponding controls to manage the risks have also been documented. The framework also sets out the management action plan to improve on the system of controls in order to manage the risks more effectively. The risk profile of the Group has been compiled to help the Board and management to prioritize their focus on areas of high risks.

The senior management is responsible for identifying, managing and reporting on significant risks on an ongoing basis. Significant risk matters are brought to the attention of the Executive Directors, and if necessary, are also discussed at Board meetings.

INTERNAL AUDIT

The Board acknowledges the importance of the 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 on the effectiveness as well as the adequacy and integrity of the Group’s systems of internal control.

The internal audit function has adopted a risk-based approach in its audit work. The audit plan, which covered a two-year cycle period, was approved by the Audit Committee. The audit focused on areas with high risk, which were identified in the risk management framework, to ensure that the controls were functioning and where necessary, action plans were developed to improve on controls to manage significant risks.

The internal audit function has presented its audit findings and recommendations to the Audit Committee during one of the Audit Committee meetings. The internal audit function will continuously monitor the status of implementation of its recommendations and report on their progress in future Audit Committee meetings.

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 which 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. In the year under review, there were no material losses, incurred as a result of weakness in the internal control that would require disclosure in this annual report.

CONCLUSION

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: 16 April 2007

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 REFERENCE

Objective

The principal objective of the Audit Committee (as a committee of the Board) is to assist 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;

Authority of Audit Committee (Cont'd)

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 Audit 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.

Duties of the Audit Committee (Cont'd)

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

During the financial year ended 31 December 2006, the Audit Committee met five (5) times and the details of attendance of each member are as follows:-

Name of Director	No. of meetings attended
Kamalul Arifin bin Yusof	5/5
Tham Jooi Loon	5/5
Fazrin Azwar bin Md. Nor	5/5

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.

Since the date of the last report, the internal auditor has carried out an audit assignment in accordance with the audit plan. Internal audit reports, which set out audit findings and recommendations for improvement were presented to the Audit Committee during one of the Audit Committee meeting. The content of the reports were also discussed at the same meeting.

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 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company is that of an investment holding company and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are the manufacture of semicon and XLPE compounds for cable and wire, trading in specialty chemicals, related polymer compounds and hardware, general trading, marketing and investment holding.

There have been no significant changes in the nature of the principal activities during the financial year other than the provision of management services to the subsidiaries and general trading, marketing and investment holding which arose due to the acquisition of a new subsidiary during the year.

RESULTS

	Group RM	Company RM
Profit for the year	2,949,609	827,843

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.

DIRECTORS

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
Tham Jooi Loon
Fazrin Azwar bin Md. Nor
Kamalul Arifin bin Yusof

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 30 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 or subsidiaries during the financial year were as follows:

	Number of ordinary shares of RM0.10 each			
	1 January 2006	**Acquired**	**Disposed**	**31 December 2006**
The Company				
Direct interest				
Tham Wooi Loon	405,000	3,900,000	-	4,305,000
Tham Jooi Loon	310,000	7,030,000	-	7,340,000
Kamalul Arifin bin Yusof	500,000	-	-	500,000

	Number of ordinary shares of RM0.10 each			
	1 January 2006	**Acquired**	**Disposed**	**31 December 2006**
Deemed interest				
Tham Wooi Loon *(1)*	104,864,600	-	-	104,864,600
Tham Jooi Loon *(2)*	11,946,600	-	-	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's 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 subsidiaries 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 or subsidiaries during the financial year.

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.

OTHER STATUTORY INFORMATION (cont'd)

(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 34 to the financial statements.

AUDITORS

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

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2007.

THAM WOOI LOON **THAM JOOI LOON**

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	**RM**	**RM**	**RM**	**RM**
Revenue	3	29,319,957	29,171,940	1,316,199	-
Cost of sales		(23,111,724)	(23,583,314)	-	-
Gross profit		6,208,233	5,588,626	1,316,199	-
Other income	4	377,028	105,422	295,558	103,692
Selling and distribution expenses		(338,020)	(301,487)	-	-
Administrative and general expenses		(2,133,958)	(1,516,780)	(578,508)	(139,591)
Operating profit/(loss)		4,113,283	3,875,781	1,033,249	(35,899)
Finance cost	5	(85,055)	(190,664)	-	-
Profit/(Loss) before tax	6	4,028,228	3,685,117	1,033,249	(35,899)
Income tax expense	7	(1,078,619)	(982,748)	(205,406)	(207)
Profit/(Loss) for the year		2,949,609	2,702,369	827,843	(36,106)
Attributable to:					
Equity holders of the Company		2,949,609	2,702,369	827,843	(36,106)
Earnings per share (sen)					
- Basic	8	1.56	1.72		

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

BALANCE SHEETS
AS AT 31 DECEMBER 2006

		Group		Company	
		2006	**2005**	**2006**	**2005**
	Note	**RM**	**RM**	**RM**	**RM (Restated)**
NON-CURRENT ASSETS					
Property, plant and equipment	9	10,860,875	9,880,840	-	-
Intangible assets	10	276,017	348,021	-	-
Investment in subsidiaries	11	-	-	30,530,197	30,530,195
Finance lease receivables	15	1,047,512	-	-	-
		12,184,404	10,228,861	30,530,197	30,530,195
CURRENT ASSETS					
Inventories	12	3,570,237	3,651,641	-	-
Trade receivables	13	9,219,438	10,081,393	-	-
Other receivables	14	3,205,454	113,987	755,264	1,000
Finance lease receivables	15	58,577	-	-	-
Amounts due by subsidiaries	16	-	-	5,354,178	2,812,355
Short term investments	17	9,358,777	8,844,664	6,380,995	8,844,664
Marketable securities	18	180,900	-	-	-
Fixed deposits with licensed banks	19	36,509	34,835	-	-
Cash and bank balances		1,924,177	4,446,416	59,373	3,604
		27,554,069	27,172,936	12,549,810	11,661,623
CURRENT LIABILITIES					
Trade payables	20	1,436,146	3,652,101	-	-
Other payables	21	902,989	699,278	69,362	55,215
Tax payable		108,301	63,129	46,406	207
Borrowings (secured)	22	3,538,000	2,023,000	-	-
		5,985,436	6,437,508	115,768	55,422
NET CURRENT ASSETS		21,568,633	20,735,428	12,434,042	11,606,201
		33,753,037	30,964,289	42,964,239	42,136,396
FINANCED BY:					
Share capital	23	18,963,000	18,963,000	18,963,000	18,963,000
Reserves	24	13,619,268	10,669,659	24,001,239	23,173,396
SHAREHOLDERS' EQUITY		32,582,268	29,632,659	42,964,239	42,136,396
Deferred tax liabilities	25	667,019	672,880	-	-
Term loan (secured)	26	503,750	658,750	-	-
NON-CURRENT LABILITIES		1,170,769	1,331,630	-	-
		33,753,037	30,964,289	42,964,239	42,136,396

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2006

Group	Note	Share capital RM	Non-distributable Share premium RM	Distributable Retained profit RM	Total RM
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	23	5,689,000	7,395,700	-	13,084,700
Listing expenses		-	(1,436,550)	-	(1,436,550)
Profit for the year, representing total recognised income and expense 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
At 1 January 2006		18,963,000	5,959,150	4,710,509	29,632,659
Profit for the year, representing total recognised income and expense for the year		-	-	2,949,609	2,949,609
At 31 December 2006		18,963,000	5,959,150	7,660,118	32,582,268

			← Non-distributable →			
Company	**Note**	**Share capital RM**	**Share premium RM**	**Capital reserve RM**	**Retained profit/ (Accumulated loss) RM**	**Total RM**
At 1 January 2005		2	-	-	(5,845)	(5,843)
Issuance for the acquisition of the subsidiary	23 & 2.3(i)	13,273,998	-	17,256,197	-	30,530,195
Public issue	23	5,689,000	7,395,700	-	-	13,084,700
Listing expenses		-	(1,436,550)	-	-	(1,436,550)
Loss for the year, representing total recognised income and expense for the year		-	-	-	(36,106)	(36,106)
At 31 December 2005 (Restated)		18,963,000	5,959,150	17,256,197	(41,951)	42,136,396
At 1 January 2006		18,963,000	5,959,150	17,256,197	(41,951)	42,136,396
Profit for the year, representing total recognised income and expense for the year		-	-	-	827,843	827,843
At 31 December 2006		18,963,000	5,959,150	17,256,197	785,892	42,964,239

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

CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group		Company	
	2006 RM	**2005 RM**	**2006 RM**	**2005 RM**
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before taxation	4,028,228	3,685,117	1,033,249	(35,899)
Adjustments for:				
Amortisation on intangible assets	72,004	12,001	-	-
Depreciation	472,566	461,011	-	-
Interest expenses	85,055	190,664	-	-
Property, plant and equipment written off	7,852	163	-	-
Provision for doubtful debt	95,111	40,000	-	-
Dividend income	-	-	(290,000)	-
Gain on disposal of property, plant and equipment	-	(175,000)	-	-
Gain on disposal of other investment	(62,050)	-	(62,050)	-
Interest income	(356,470)	(105,422)	(295,558)	(103,692)
Unrealised foreign exchange gain	(10,474)	(8,752)	-	-
Operating profit/(loss) before working capital changes	4,331,822	4,099,782	385,641	(139,591)
Decrease/(Increase) in inventories	81,404	(1,258,746)	-	-
(Increase)/Decrease in trade and other receivables	(3,420,238)	2,444,864	(754,264)	464,383
Increase in amounts due by subsidiaries	-	-	(2,541,823)	(2,812,355)
(Decrease)/Increase in trade and other payables	(2,012,244)	1,895,764	14,147	(416,013)
Cash (used in)/generated from operations	(1,019,256)	7,181,664	(2,896,299)	(2,903,576)
Interest paid	(85,055)	(190,664)	-	-
Tax paid	(1,039,308)	(813,242)	(159,207)	-
Net cash (used in)/from operating activities carried forward	(2,143,619)	6,177,758	(3,055,506)	(2,903,576)

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

CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2006

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Net cash (used in)/from operating activities brought forward	(2,143,619)	6,177,758	(3,055,506)	(2,903,576)
CASH FLOWS FROM INVESTING ACTIVITIES				
Development expenditure	-	(82,859)	-	-
Purchase of property, plant and equipment	(1,460,453)	(2,165,385)	-	-
Proceeds from disposal of property, plant and equipment	-	175,000	- -	- -
Purchase of marketable securities	(180,900)	-	-	-
Purchase of other investments	(5,029,500)	-	(5,029,500)	-
Proceeds from disposal of other investments	5,091,550	-	5,091,550	-
Proceeds from issuance of shares	-	13,084,700	-	13,084,700
Acquisition of a subsidiary	-	-	(2)	-
Listing expenses	-	(1,436,550)	-	(1,436,550)
Dividend paid to former shareholders of the subsidiary	-	(1,000,000)	-	-
Dividend received	-	-	290,000	-
Interest received	356,470	105,422	295,558	103,692
Net cash (used in)/from investing activities	(1,222,833)	8,680,328	647,606	11,751,842
CASH FLOWS FROM FINANCING ACTIVITIES				
Net repayment of trust receipts	-	(984,036)	-	-
Net drawdown of bankers' acceptances	1,515,000	227,000	-	-
Payment of term loan	(155,000)	(116,250)	-	-
Net cash from/(used in) financing activities	1,360,000	(873,286)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,006,452)	13,984,800	(2,407,900)	8,848,266
CASH AND CASH EQUIVALENTS AT 1 JANUARY	13,325,915	(658,885)	8,848,268	2
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	11,319,463	13,325,915	6,440,368	8,848,268
CASH AND CASH EQUIVALENTS AT 31 DECEMBER				
Short term investments	9,358,777	8,844,664	6,380,995	8,844,664
Fixed deposit with licensed banks	36,509	34,835	-	-
Cash and bank balances	1,924,177	4,446,416	59,373	3,604
	11,319,463	13,325,915	6,440,368	8,848,268

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

1. CORPORATE INFORMATION

The principal activities of the Company is that of an investment holding company and provision of management services to the subsidiaries.

The principal activities of the subsidiaries are the manufacture of semicon and XLPE compounds for cable and wire, trading in specialty chemicals, related polymer compounds and hardware, general trading, marketing and investment holding.

There have been no significant changes in the nature of the principal activities during the financial year other than the provision of management services to the subsidiaries and general trading, marketing and investment holding which arose due to the acquisition of a new subsidiary during the year.

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 principal place of business of the subsidiaries 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 16 April 2007.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 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 for Entities Other Than Private Entities.

At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2006 as described fully in Note 2.3.

The financial statements are presented in Ringgit Malaysia (RM).

2.2 Summary of Significant Accounting Policies

(a) Subsidiaries and Basis of Consolidation

i. Subsidiaries

Subsidiaries are entities over which the Group has the ability to control the financial and operating policies so as to obtain benefits from their activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investments in subsidiaries are stated at cost less impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is included in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(a) Subsidiaries and Basis of Consolidation (Contd.)

ii. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries are prepared for the same reporting date as the Company.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtain control, and continue to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions, and resulting unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

One of the subsidiaries, Daya Polymer Sdn. Bhd., 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 fair 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.

Acquisition of the other subsidiary and all others arising from business combinations after 1 January 2006 are accounted for using the purchase method. The purchase method of accounting involves allocating the cost of acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill.

Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statement.

(b) Property, Plant and Equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits asociated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period which they are incurred.

Subsequent to recognition, property, plant and equipment except for freehold land are stated at cost less accumulated depreciation and any accumulated impairment losses.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(b) Property, Plant and Equipment (Contd.)

Freehold land has an unlimited useful life and therefore is not depreciated. Building-in-progress are not depreciated as these assets are not available for use. 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%

The residual values, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future benefits embodied in the items of property, plant or equipment.

All item of property, plant or equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any and the net carrying amount is recognised in income statement.

(c) Intangible Assets

Research and development costs

All research costs are recognised in the income statement as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over five years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each balance sheet date.

(d) Impairment of Non-Financial Assets

The carrying amounts of assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(d) Impairment of Non-Financial Assets (Contd.)

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

An impairment loss is recognised in the income statement in the period in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is accounted for as a revaluation decrease to the extent that the impairment loss does not exceed the amount held in the asset revaluation reserve for the same asset.

An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in the income statement, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(e) Leases

i. Classification

A lease is recognised as a finance lease if substantially all the risks and rewards incidental to legal ownership are transferred by the Group.

ii. Finance Lease - Group as Lessor

Assets leased out under finance lease are presented as a receivable at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Group's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments receivable are treated by the Group as repayment of principal and finance income to reimburse and reward the Group for its investment and services. Finance income, which represents the difference between the total minimum lease payments receivable and the net investment (or the fair value) of the assets leased out, are recognised in the income statement over the term of the relevant lease on a systematic and rational basis. This income allocation is based on a pattern reflecting a constant periodic rate of return on the net investment in the finance lease.

(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 cost of 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(g) Provisions

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, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(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 recognised 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 the amount of any excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the combination.

(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. 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

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the income statement as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(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 and 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 recognised 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 the balance sheet date.

ii. Payables

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

iii. Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are initially recognised at the fair value of the consideration received, net of directly attributable transaction costs. After initial recognition, interest bearing borrowings are subsequently measured at amortised cost using the effective interest method.

vi. Equity Instruments

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

v. Cash and Cash Equivalents

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

vi. Marketable Securities

Marketable securities are carried at the lower of cost and market value, determined on an aggregate basis. Cost is determined on the weighted average basis while market value is determined based on quoted market values. Increases or decreases in the carrying amount of marketable securities are recognised in income statement. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(k) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

i. Sale of Goods

Revenue is recognised net of discounts upon transfer of significant risks and rewards of ownership to the buyer. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

iii. Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

iv. Management Fees

Management fees are recognised when services are rendered.

(l) Borrowing 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 added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in the income statement in the period in which they are incurred.

(m) Foreign Currencies

i. Functional and Presentation Currency

The financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

ii. Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are translated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost are not translated.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.2 Summary of Significant Accounting Policies (Contd.)

(m) Foreign Currencies (Contd.)

ii. Foreign Currency Transactions (Contd.)

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statement for the period. Exchange differences arising on translation of non-monetary items carried at fair value are included in the income statement for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs

On 1 January 2006, the Group and the Company adopted the following FRSs mandatory for financial period beginning on or after 1 January 2006:

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

In addition, the Group has early adopted the following new and revised FRSs for the financial period beginning 1 January 2006:

FRS 117	Leases
FRS 124	Related Party Disclosures

The Group has not early adopted the deferred FRS 139 - Financial Instruments: Recognition and Measurement. At the date of authorisation of these financial statements, the following FRS, amendments to FRS and Interpretations were in issue but not yet effective:

(i) FRS 6: Exploration for and Evaluation of Mineral Resources

(ii) Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures

(iii) Amendment to FRS 121 : The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation.

(iv) IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.3 Changes in Accounting Policies and Effects Arising from Adoption of New and Revised FRSs (Contd.)

(v) IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments.

(vi) IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds.

(vii) IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment.

(viii) IC Interpretation 7 : Applying the Restatement Approach under FRS 129 2004 Financial Reporting in Hyperinflationary Economies.

(ix) IC Interpretation 8 : Scope of FRS 2

FRS 6, IC Interpretation 2 and IC Interpretation 6 are not relevant to the Group's and Company's operations and the adoption of the above amendments to FRSs and Interpretations will have no significant impact on the financial statements of the Group and of the Company.

The adoption of the above new and revised FRSs do not have significant changes in accounting policies of the Group and of the Company except as discussed below:

i. FRS 127 Consolidated and Separate Financial Statements

Prior to 1 January 2006, the cost of investment in a subsidiary which met the criteria for merger was recorded at the nominal value of the number of shares issued in the Company's separate financial statements based on MASB 21. However, under FRS 127, investment in subsidiaries shall be accounted for either at cost or in accordance with FRS 139. The Company has applied the cost method and the cost of investment is measured based on the fair value of the shares issued. This change in accounting policy has been accounted for retrospectively and related comparatives have been restated. The effects on the Company's balance sheet as at 31 December 2006 are set out below. There were no effects on the Group's balance sheets and income statements and the Company's income statement for the year ended 31 December 2006.

Effects on balance sheet as at 31 December 2006

	Increase RM
Company	
Investment in subsidiaries	17,256,197
Reserves:	
- Capital reserve	17,256,197

The following comparative amounts have been restated as a result of adopting FRS 127:

	Previously Stated RM	**Increase RM**	**Restated RM**
At 1 January 2005 / 31 December 2005			
Company			
Investment in subsidiary	13,273,998	17,256,197	30,530,195
Capital reserve	-	17,256,197	17,256,197

2. SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

2.4 Change in Estimates

There were no changes in estimates that have a material effect in the current financial year's results.

2.5 Significant Accounting Estimates and Judgements

(a) Critical Judgements Made in Applying Accounting Policies

The critical judgements made by management in the process of applying the Group's accounting policies that has significant effect on the amounts recognised in the financial statements is as discussed below:

i. Finance Lease Commitments - the Group as Lessor

The Group has entered into commercial equipment leases on its logging equipment. The Group has determined that it will transfer substantially all the risks and rewards of ownership of these equipment to the lessee which are leased out as finance lease.

(b) Key Sources of Estimation Uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

i. Depreciation of Plant and Machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these plant and machinery to be 10 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

3. REVENUE

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Sale of goods	29,319,957	29,171,940	-	-
Management fees from subsidiaries	-	-	1,026,199	-
Dividend income from a subsidiary	-	-	290,000	-
	29,319,957	29,171,940	1,316,199	-

4. OTHER INCOME

	Group		Company	
	2006 RM	2005 RM	2006 RM	2005 RM
Interest income	356,470	105,422	295,558	103,692
Finance lease income	15,558	-	-	-
Miscellaneous	5,000	-	-	-
	377,028	105,422	295,558	103,692

5. FINANCE COSTS

	Group 2006 RM	Group 2005 RM
Interest expense on bank borrowings	85,055	190,664

6. PROFIT/(LOSS) BEFORE TAX

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
The following amounts have been included in arriving at profit/(loss) before tax:				
After charging:				
Amortisation of intangible assets (Note 10)	72,004	12,001	-	-
Auditor's remuneration:				
- current year	36,000	30,000	10,000	10,000
- underprovision in prior year	10,500	-	-	-
Other services:				
- current year	7,000	-	7,000	-
- underprovision in prior year	3,000	-	3,000	-
Depreciation (Note 9)	472,566	461,011	-	-
Directors' emoluments	358,760	284,378	358,760	86,120
Directors' fees	48,000	24,000	48,000	24,000
Employees benefit expense (Note 31)	1,843,848	1,455,553	402,351	77,327
Property, plant and equipment written off	7,852	163	-	-
Provision for doubtful debt	95,111	40,000	-	-
and crediting:				
Gain on disposal of other investments	62,050	-	62,050	-
Gain on disposal of property, plant and equipment	-	175,000	-	-
Net foreign exchange gains				
- realised	78,151	9,599	-	-
- unrealised	10,474	8,752	-	-

7. INCOME TAX EXPENSE

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Tax expense for the year:				
Malaysian income tax	1,107,410	903,538	205,406	207
Deferred tax (Note 25):				
Relating to origination and reversal of temporary differences	18,798	95,383	-	-
Relating to change in tax rates	(24,705)			
Underprovided in prior year	46	27,181	-	-
	(5,861)	122,564	-	-
Overprovision in prior years:				
Malaysian income tax	(22,930)	(43,354)	-	-
	1,078,619	982,748	205,406	207

Domestic income tax is calculated at the Malaysian statutory tax rate of 28% (2005: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 27% from the current year's rate of 28% effective year of assessment 2007 and to 26% effective year of assessment 2008. The computation of deferred tax as at 31 December 2006 has reflected these changes.

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 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Profit/(Loss) before taxation	4,028,228	3,685,117	1,033,249	(35,899)
Taxation at Malaysian statutory tax rate of 28% (2005: 28%)	1,127,904	1,031,832	289,310	(10,052)
Effect of changes in tax rates on opening balance of deferred tax	(24,032)	-	-	-
Deferred tax recognised at different tax rates	(673)	-	-	-
Income not subject to tax	(56,840)	(28,816)	(132,291)	(28,816)
Expenses eligible for double deduction	(5,888)	(14,466)	-	-
Expenses not deductible for tax purposes	78,255	56,533	48,387	39,075
Utilisation of current year's reinvestment allowances	(17,223)	(46,162)	-	-
Underprovision of deferred tax in prior year	46	27,181	-	-
Overprovision of income tax in prior years	(22,930)	(43,354)	-	-
	1,078,619	982,748	205,406	207

8. BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing profit for the year attributable to ordinary equity of the Company by the weighted average number of ordinary shares in issue during the financial year.

The amounts are tabulated as follows:

	Group	
	2006 RM	2005 RM
Profit for the year (RM)	2,949,609	2,702,369
Weighted average number of ordinary shares in issue	189,630,000	157,522,219
Basic earnings per share (sen)	1.56	1.72

9. 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
At 31 December 2006								
Cost								
At 1 January 2006	1,549,010	4,520,598	4,100,877	593,965	167,271	204,322	2,333,560	13,469,603
Additions	-	-	85,457	17,055	12,582	-	1,345,359	1,460,453
Disposals	-	-	(8,500)	(12,290)	(4,752)	-	-	(25,542)
At 31 December 2006	1,549,010	4,520,598	4,177,834	598,730	175,101	204,322	3,678,919	14,904,514
Accumulated depreciation								
At 1 January 2006	-	776,909	2,163,708	403,612	106,412	138,122	-	3,588,763
Charge for the year	-	89,564	333,792	28,494	10,516	10,200	-	472,566
Recognised in income statement (Note 6)	-	89,564	333,792	28,494	10,516	10,200	-	472,566
Capitalised in development costs (Note 10)	-	-	-	-	-	-	-	-
Written back on disposals	-	-	(5,100)	(9,160)	(3,430)	-	-	(17,690)
At 31 December 2006	-	866,473	2,492,400	422,946	113,498	148,322	-	4,043,639
Net carrying amount	1,549,010	3,654,125	1,685,434	175,784	61,603	56,000	3,678,919	10,860,875
At 31 December 2005								
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 6)	-	93,128	287,215	43,832	16,403	20,433	-	461,011
Capitalised in development costs (Note 10)	-	-	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 carrying amount	1,549,010	3,743,689	1,937,169	190,353	60,859	66,200	2,333,560	9,880,840

(a) The Group's property, plant and equipment are pledged to financial institutions as securities for bank facilities granted to a subsidiary as disclosed in Note 22 to the financial statements.

10. INTANGIBLE ASSETS

	Group 2006 RM	Group 2005 RM
Development costs		
At cost:		
At 1 January	360,022	198,733
Incurred during the year	-	161,289
At 31 December	360,022	360,022
Accumulated amortisation:		
At 1 January	12,001	-
Amortisation during the year (Note 6)	72,004	12,001
At 31 December	84,005	12,001
Net carrying amount at 31 December	276,017	348,021

Included in development costs incurred during the financial year is depreciation charge amounting to RM Nil (2005: RM78,430).

11. INVESTMENT IN SUBSIDIARIES

	Company 2006 RM	Company 2005 RM (Restated)
Unquoted shares at cost	30,530,197	30,530,195

The subsidiaries which are incorporated in Malaysia are as follows:

Name	Effective equity interest 2006	Effective equity interest 2005	Country of incorporation	Principal activities
Daya Polymer Sdn. Bhd.	100%	100%	Malaysia	Manufacture of semicon and XLPE compounds for cable and wire and trading in specialty chemicals, related polymer compounds and hardware
DMB Marketing & Trading Sdn. Bhd.	100%	-	Malaysia	General trading, marketing and investment holding

(a) Acquisition of Subsidiary

On 20 March 2006, the Company acquired 2 ordinary shares of RM1.00 each fully paid in the capital of DMB Marketing & Trading Sdn. Bhd. for a total consideration of RM2 only, satisfied by cash. There is no cash flow on acquisition net of cash and cash equivalents arising from this acquisition.

The acquired subsidiary has contributed the following results to the Group:

	2006 RM
Revenue	-
Profit for the year	4,772

There were no acquisitions which were accounted for under the purchase method for the financial year ended 31 December 2005 and subsequent to 31 December 2006.

12. INVENTORIES

	Group 2006 RM	Group 2005 RM
At cost:		
Raw materials	2,284,990	2,227,850
Work-in-progress	76,959	29,179
Finished goods	1,076,560	1,247,935
Consumables	131,728	146,677
	3,570,237	3,651,641

The Group's inventories have been pledged to a licensed bank as securities for bank facilities granted to a subsidiary as disclosed in Note 22.

13. TRADE RECEIVABLES

	Group 2006 RM	Group 2005 RM
Trade receivables	9,354,549	10,121,393
Provision for doubtful debts	(135,111)	(40,000)
	9,219,438	10,081,393

(a) Credit Risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The credit period is generally from 30 days to 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivable and to minimise credit risk. Overdue balances are reviewed regularly by senior management. Other credit terms are assessed and approved on a case-by-case basis.

As at 31 December 2006, 64% (2005: 40%) of trade receivables balance consist of four major customers of the Group.

Other information on financial risks of trade receivables are disclosed in Note 33.

14. OTHER RECEIVABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Deposits	491,160	11,160	481,000	1,000
Prepayment	2,149,033	15,327	274,264	-
Sundry receivables	565,261	87,500	-	-
	3,205,454	113,987	755,264	1,000

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

Included in deposits is an advance amounting to RM480,000 (2005: RM Nil) paid for the proposed acquisition of Seca Dyme Sdn. Bhd. as disclosed in Note 34.

Included in prepayments are advance payments made to suppliers for the purchase of raw materials amounting to RM982,184 (2005: RM Nil).

Other information on financial risks of other receivables are disclosed in Note 33.

15. FINANCE LEASE RECEIVABLES

The Group has entered into a finance lease agreement to lease its logging equipment for a period of 9 years. The leased equipment are used within Papua New Guinea. The lease payment is calculated based on 160m^3 logs multiplied by difference between the prevailing selling price of those logs achieved by the lessee in the international markets and a fixed logging cost of USD80 per m^3.

	Group 2006 RM	Group 2005 RM
Finance lease receivables	1,110,543	-
Present value of minimum lease payment	(20,012)	-
Payment of lease rental	15,558	-
Finance income	1,106,089	-

Group

2006	Minimum lease payment RM	Unearned finance income RM	Present value RM
Not later than 1 year	240,142	(181,565)	58,577
Later than 1 year but not later than 5 years	960,569	(598,682)	361,887
Later than 5 years	940,557	(254,932)	685,625
	1,901,126	(853,614)	1,047,512
	2,141,268	(1,035,179)	1,106,089

16. AMOUNTS DUE BY SUBSIDIARIES

The amounts due by subsidiaries are unsecured, non-trade related, interest-free and have no fixed terms of repayment.

Further details on related party transactions are disclosed in Note 30.

17. SHORT TERM INVESTMENTS

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Investments in money market, at cost	9,358,777	8,844,664	6,380,995	8,844,664
Market value of investments	9,358,777	8,844,664	6,380,995	8,844,664

Other information on financial risks of short term investments are disclosed in Note 33.

18. MARKETABLE SECURITIES

	Group 2006 RM	Group 2005 RM
Share quoted in Malaysia, at cost	180,900	-
Market value of quoted shares	183,800	-

19. FIXED DEPOSITS WITH LICENSED BANKS

The Group's fixed deposits have been pledged to licensed banks for bankers' guarantees issued on a subsidiary's behalf.

20. TRADE PAYABLES

	Group 2006 RM	Group 2005 RM
Trade payables	1,436,146	3,652,101

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

Other information on financial risks of trade payables are disclosed in Note 33.

21. OTHER PAYABLES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Accruals	517,430	418,884	65,000	41,000
Other creditors	385,559	280,394	4,362	14,215
	902,989	699,278	69,362	55,215

Other information on financial risks of other payables are disclosed in Note 33.

22. BANK BORROWINGS (SECURED)

	Group 2006 RM	Group 2005 RM
Bankers' acceptances	3,383,000	1,868,000
Term loan (Note 26)	155,000	155,000
	3,538,000	2,023,000

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

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

Other information on financial risks of borrowings are disclosed in Note 33.

23. SHARE CAPITAL

	Number of ordinary shares		Amount	
	2006	**2005**	**2006 RM**	**2005 RM**
Authorised:				
At 1 January, par value of RM0.10 / (2005: RM1.00) each	250,000,000	100,000	25,000,000	100,000
Created during the year, par value of RM1.00 each	-	24,900,000	-	24,900,000
	250,000,000	25,000,000	25,000,000	25,000,000
Subdivision into 10 shares of RM0.10 each	-	225,000,000	-	-
At 31 December, par value of RM0.10 each	250,000,000	250,000,000	25,000,000	25,000,000
Issued and fully paid:				
At 1 January, par value of RM0.10 / (2005: RM1.00 each)	189,630,000	2	18,963,000	2
Issued as consideration for the acquisition of a subsidiary	-	13,273,998	-	13,273,998
	189,630,000	13,274,000	18,963,000	13,274,000
Subdivision into 10 shares of RM0.10 each	-	119,466,000	-	-
	189,630,000	132,740,000	18,963,000	13,274,000
Public issue	-	56,890,000	-	5,689,000
At 31 December, par value of RM0.10 each	189,630,000	189,630,000	18,963,000	18,963,000

24. RESERVES

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Accumulated loss	-	-	-	(41,951)
Distributable reserve:				
Retained profit	7,660,118	4,710,509	785,892	-
Non-distributable reserve:				
Capital reserve	-	-	17,256,197	17,256,197
Share premium	5,959,150	5,959,150	5,959,150	5,959,150
	13,619,268	10,669,659	24,001,239	23,173,396

Capital Reserve

This reserve is used to record the increase in the cost of investments in a subsidiary to the fair value of the consideration given as a result of adopting FRS 127 (Note 2.3(i)).

24.1 The movement in share premium account is as follows:

	Group & Company 2006 RM	Group & Company 2005 RM
At 1 January	5,959,150	-
Public issue of 56,890,000 ordinary shares at a premium of RM0.13 per share	-	7,395,700
Listing expenses	-	(1,436,550)
	5,959,150	5,959,150

Included in listing expenses were payments made to the directors and employees amounting to RM52,000 and RM130,960 respectively as one-time reward for their contribution in conjunction with the listing of the Company.

The Company has, pending agreement with the tax authorities, tax-exempt income of approximately RM290,000 (2005: RM Nil) as at 31 December 2006 available for distribution by way of tax-exempt dividends.

The Company also has, pending agreement with the tax authorities, sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank by way of non tax-exempt dividend of approximately RM430,000 (2005: RM Nil) of its distributable reserve. Any non tax-exempt dividend paid in excess of this amount will result in a tax charge calculated at 27% of the gross amount of the additional dividend paid

25. DEFERRED TAX LIABILITIES

	2006 RM	2005 RM
Group		
At 1 January	672,880	550,316
Recognised in income statement (Note 7)	(5,861)	122,564
At 31 December	667,019	672,880

25. DEFERRED TAX LIABILITIES (CONTD.)

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

Group	At 1 January 2006 RM	Recognised in income statement RM	At 31 December 2006 RM
Property, plant and equipment	572,984	11,367	584,351
Others	99,896	(17,228)	82,668
	672,880	(5,861)	667,019

	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

26. TERM LOAN (SECURED)

	Group 2006 RM	2005 RM
Amount repayable within the next 12 months (Note 22)	155,000	155,000
Amount repayable after the next 12 months	503,750	658,750
	658,750	813,750

The securities given for the term loan are disclosed in Note 22 to the financial statements.

The term loan is repayable by 24 quarterly instalments of RM38,750 each commencing on June 2005.

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

Other information on financial risks of the term loan are disclosed in Note 33.

27. MERGER DEFICIT

The acquisition of the subsidiary in the previous 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
Fair value of ordinary shares of RM1 each in the Company issued as purchase consideration (Note 2.3 (i))		30,530,195
Merger deficit		(24,530,195)
Applied against capital reserve		17,256,197
Applied against retained earnings		7,273,998
		24,530,195
		-

28. CAPITAL COMMITMENTS

	Group 2006 RM	2005 RM
Contracted and not provided for	-	469,242
Approved but not contracted for	4,121,601	4,402,373

29. CONTINGENT LIABILITIES (UNSECURED)

	Group 2006 RM	2005 RM
Corporate guarantees given to licensed banks for banking facilities granted to the subsidiary	4,041,750	2,681,750

30. RELATED PARTY DISCLOSURES

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company have the following transactions with related parties during the financial year:

	2006 RM	2005 RM
Group		
Purchases of raw materials from a company in which a director of a subsidiary has an interest		
- Cominet Corporation	2,012,120	1,998,457
Company		
Subsidiaries:		
Management fee received	1,026,199	-
Advances given	2,000,000	2,812,355

The directors are of the opinion that these transactions have been entered into in the normal course of business and have been established under negotiated terms.

(b) Compensation of Key Management Personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Short term employee benefits	846,053	571,398	410,700	105,200
Post employment benefits:				
- Defined contribution plan	91,625	61,677	39,180	8,280
	937,678	633,075	449,880	113,480

30. RELATED PARTY DISCLOSURES (CONTD.)

(b) Compensation of Key Management Personnel (Contd.)

Included in the total compensation of key management personnel are:

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Director's remuneration (Note 6)	406,760	308,378	406,760	110,120

31. EMPLOYEE BENEFITS EXPENSE

	Group 2006 RM	Group 2005 RM	Company 2006 RM	Company 2005 RM
Wages and salaries	1,559,448	1,267,922	326,500	69,000
Social security costs	15,282	13,590	471	47
Pension costs - defined contribution plans	188,418	153,145	39,180	8,280
Overtime and allowances	80,700	20,896	36,200	-
	1,843,848	1,455,553	402,351	77,327

32. SEGMENTAL REPORTING

(a) Reporting Format

The primary segment reporting format is determined to be business segments as the Group's risks and rates of return are affected predominantly by differences in the products and services produced. Secondary information is reported geographically. The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

32. SEGMENTAL REPORTING (CONTD.)

(b) 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	
	2006 RM	2005 RM	2006 RM	2005 RM	2006 RM	2005 RM
REVENUE						
Revenue from external customers	28,632,904	22,478,922	687,053	6,693,018	29,319,957	29,171,940
RESULT						
Segment results	4,262,406	3,387,189	127,199	524,491	4,389,605	3,911,680
Unallocated results					(276,322)	(35,899)
Profit from operations					4,113,283	3,875,781
Finance costs					(85,055)	(190,664)
Profit before tax					4,028,228	3,685,117
Income tax expense					(1,078,619)	(982,748)
Net profit for the year					2,949,609	2,702,369
ASSETS AND LIABILITIES						
Segment assets	29,888,211	25,404,610	-	3,147,919	29,888,211	28,552,529
Unallocated assets					9,850,262	8,849,268
Total assets					39,738,473	37,401,797
Segment liabilities	5,649,773	4,488,447	-	1,675,717	5,649,773	6,164,164
Unallocated liabilities:						
Corporate liabilities					72,362	55,215
Term loan					658,750	813,750
Tax payable					108,301	63,129
Deferred taxation					667,019	672,880
Total liabilities					7,156,205	7,769,138

32. SEGMENTAL REPORTING (CONTD.)

(b) Business Segments (Contd.)

	Manufacturing 2006 RM	Manufacturing 2005 RM	Trading 2006 RM	Trading 2005 RM	Group 2006 RM	Group 2005 RM
OTHER INFORMATION						
Capital expenditure	1,460,453	2,165,385	-	-	1,460,453	2,165,385
Depreciation and amortisation	544,570	551,442	-	-	544,570	551,442
Non cash expenses other than depreciation and amortisation	95,111	40,000	-	-	95,111	40,000

(c) Geographical segments:

	Total revenue from external customers 2006 RM	Total revenue from external customers 2005 RM	Segment assets 2006 RM	Segment assets 2005 RM	Capital expenditure 2006 RM	Capital expenditure 2005 RM
The Group's operations are mainly located in Malaysia:						
Malaysia	27,867,613	27,588,688	29,888,211	28,552,529	1,460,453	2,165,385
Other Asian countries	1,452,344	1,574,504	-	-	-	-
Middle East countries	-	8,748	-	-	-	-
Consolidated	29,319,957	29,171,940	29,888,211	28,552,529	1,460,453	2,165,385

33. 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 (both fair value and cash flow), foreign currency, liquidity and credit risks. The Board reviews and agrees policies for managing each of these risks and they are summarised below. It is, and has been throughout the year under review, the Group's policy that no trading in derivative financial instruments shall be undertaken.

(b) Interest Rate Risk

Cash flow interest risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates. 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 2006. The investments in financial assets are mainly short term in nature and they are not held for speculative purposes.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group 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.

33. FINANCIAL INSTRUMENTS

(b) Interest Rate Risk (Contd.)

The following tables set out the carrying amounts, the range of interest rates as at the balance sheet date and the remaining maturities of the Group's financial instruments that are exposed to interest rate risk:

	Note	Interest rate %	Within 1 year RM	1-2 year RM	2-3 years RM	3-4 years RM	4-5 years RM	More than 5 years RM	Total RM
Group									
At 31 December 2006									
Fixed rate									
Fixed deposits	19	3.88 - 3.90	36,509	-	-	-	-	-	36,509
Term loan	26	7.50 - 8.00	(155,000)	(155,000)	(155,000)	(155,000)	(38,750)	-	(658,750)
Floating rate									
Finance lease receivable	15	15.88	58,577	69,219	81,795	96,656	114,217	685,625	1,106,089
Short term investments	17	1.80 - 3.38	9,358,777	-	-	-	-	-	9,358,777
Bankers' acceptances	22	3.68 - 4.08	(3,383,000)	-	-	-	-	-	(3,383,000)
At 31 December 2005									
Fixed rate									
Fixed deposits	19	3.70	34,835	-	-	-	-	-	34,835
Term loan	26	4.62 - 7.25	(155,000)	(155,000)	(155,000)	(155,000)	(155,000)	(38,750)	(813,750)
Floating rate									
Short term investments	17	2.45 - 2.89	8,844,664	-	-	-	-	-	8,844,664
Bankers' acceptances	22	2.90 - 3.60	(1,868,000)	-	-	-	-	-	(1,868,000)
Company									
At 31 December 2006									
Floating rate									
Short term investments	17	1.80 - 3.38	6,380,995	-	-	-	-	-	6,380,995
At 31 December 2005									
Floating rate									
Short term investments	17	2.45 - 2.89	8,844,664	-	-	-	-	-	8,844,664

The other financial instruments of the Group and the Company that are not included in the above tables are not subject to interest rate risk.

33. FINANCIAL INSTRUMENTS (CONTD.)

(c) Foreign Exchange Risk

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currency giving rise to this risk is primarily United States Dollar.

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

Functional currency of the Group	2006 Ringgit Malaysia RM	2005 Ringgit Malaysia RM
Trade receivables		
United States Dollar	470,349	405,642
Trade payables		
United States Dollar	679,506	1,324,138

(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.

(e) Credit Risk

The Group's credit risk is primarily attributable to trade receivables. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group exposure to bad debts is not significant.

The credit risk of the Group's other financial assets, which comprise cash and cash equivalents, short term investments and other receivables arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these financial assets.

The Group and the Company do 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 assets other than as disclosed in Note 13.

33. FINANCIAL INSTRUMENTS (CONTD.)

(f) Fair Values

The carrying amounts of financial assets and liabilities of the Group and of the Company at the balance sheet date approximate their fair values except for the following:

		Group		Company	
	Note	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets					
At 31 December 2006					
Amounts due by subsidiaries	16	-	-	5,354,178	*
Finance lease receivables	15	1,106,089	1,281,114	-	-
Marketable securities	18	180,900	183,800	-	-
At 31 December 2005					
Amount due by a subsidiary	16	-	-	2,812,355	*
Financial liabilities					
At 31 December 2006					
Contingent liabilities	29	-	-	4,041,750	**
Term loan	26	658,750	698,773	-	-
At 31 December 2005					
Contingent liabilities	29	-	-	2,681,750	**
Term loan	26	813,750	868,230	-	-

* 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 Company provides financial guarantees to banks for credit facilities granted to a subsidiary. The value of such financial guarantees is not expected to be material as the probability of the subsidiary defaulting on the credit lines is remote.

The methods and assumptions used by management to determine fair values of financial instruments other than those whose carrying amounts reasonably approximate their fair values are as follows:

i. Finance Lease Receivable

Fair value has been determined using discounted estimated cashflows. The discount rates used is the interest rate implicit in the lease.

ii. Marketable Securities

The fair value of quoted shares is determined by reference to stock exchange quoted market bid prices at the close of the business on the balance sheet date.

iii. Term Loan

Fair value has been determined using discounted estimated cash flows. The discount rates used are current market incremental lending rates for similar types of borrowings.

34. SIGNIFICANT EVENTS

The following are the significant events during the year:

(a) Acquisition of Seca Dyme Sdn. Bhd.

The Company had on 23 August 2006 announced that it proposed to undertake the following proposals:

i. Proposed acquisition of 1,008,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Seca Dyme Sdn Bhd ("SDSB") from Dato' Mazlin Bin Md Junid and Dato' Muhammad Junid Bin Muhammad Yusof ("SDSB Vendors") for a purchase consideration of RM24,000,000 to be satisfied via issuance of 83,565,217 new ordinary shares of RM0.10 each in the Company ("DMB shares") at an issue price of RM0.23 per new DMB share and cash consideration of RM4,780,000 ("Proposed Acquisition of SDSB").

ii. Proposed private placement of up to 26,000,000 new DMB Shares representing up to 13.70% of the existing issued and paid-up share capital of DMB to Bumiputera investors to be identified at an issue price to be determined at a later date ("Proposed Private Placement").

iii. Proposed increase in the authorised share capital of DMB from RM25,000,000 comprising of 250,000,000 DMB shares to RM50,000,000 comprising 500,000,000 DMB shares.

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

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

The proposed Acquisition of SDSB and Proposed Private Placement was approved by the SC and Foreign Investment Commission on 9 November 2006 and by the Ministry of International Trade and Industry ("MITI") on 22 January 2007 respectively, subject to certain conditions being complied with.

35. COMPARATIVES

In addition to those disclosed elsewhere in the financial statements, the following comparative amounts as at 31 December 2005 have been reclassified to conform with current year's presentation:

	As restated RM	Adjustment RM	As previously stated RM
Group			
Income statement			
Other income	105,422	(175,000)	280,422
Administrative and general expenses	(1,516,780)	102,842	(1,619,622)
Finance cost	(190,664)	72,158	(262,822)
Balance sheet			
Bank borrowings (secured)	2,023,000	55,716	1,967,284
Non current liabilities			
- Term loan (secured)	658,750	(55,716)	714,466

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 53 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable MASB Approved Accounting Standards in Malaysia for Entities Other Than Private Entities so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2006 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 16 April 2007.

THAM WOOI LOON

THAM JOOI LOON

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 53 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 16 April 2007

THAM JOOI LOON

Before me,

Commissioner for Oaths

REPORT OF THE AUDITORS
TO THE MEMBERS OF DAYA MATERIALS BERHAD

We have audited the financial statements set out on pages 19 to 53. 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 for Entities Other Than Private Entities 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 2006 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 subsidiaries 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 subsidiaries were 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
1939/12/08 (J)
Partner

Penang, Malaysia
Date: 16 April 2007

DIRECTORS' RESPONSIBILITIES STATEMENT
ON FINANCIAL STATEMENTS

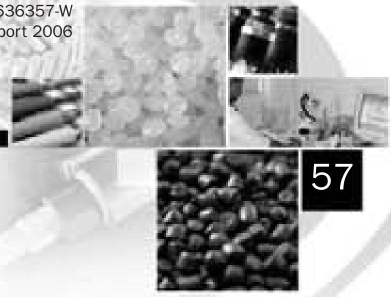
In accordance with the Companies Act, 1965, the Directors of the Company are required to prepare financial statements for each financial year which shall give a true and fair view of the financial position of the Company and of the Group as at the end of the financial year and of their results and their 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 2006, 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.



ANALYSIS OF SHAREHOLDINGS
As at 30 March 2007

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	5	0.54	200	0.00
100 to 1,000 shares	85	9.24	69,900	0.04
1,001 to 10,000 shares	415	45.11	2,657,600	1.40
10,001 to 100,000 shares	319	34.67	11,853,200	6.25
100,001 to 9,481,499 shares	94	10.22	70,184,500	37.01
9,481,500 shares and above	2	0.22	104,864,600	55.30
Total	920	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	-	-
Capital Nexus Sdn Bhd	11,946,600	6.30	-	-
Tham Wooi Loon	4,305,000	2.27	104,864,600@	55.30
Tham Jooi Loon	7,340,000	3.87	11,946,600#	6.30

@ 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

DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Kamalul Arifin bin Yusof	500,000	0.26	-	-
Tham Wooi Loon	4,305,000	2.27	104,864,600@	55.30
Tham Jooi Loon	7,340,000	3.87	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

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 30 March 2007

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	% of total issued capital
1.	Daya Capital Sdn Bhd	92,918,000	49.00
2.	Capital Nexus Sdn Bhd	11,946,600	6.30
3.	Dae Yang Material Co. Ltd	8,423,900	4.44
4.	Tham Jooi Loon	7,030,000	3.71
5.	Song Ha Hyung	4,738,400	2.50
6.	Song Tae Chin	4,630,500	2.44
7.	Goh Eu Jim	3,413,400	1.80
8.	Lim Guat Im	2,674,000	1.41
9.	Mayban Nominees (T) Sdn Bhd - pledged securities account for Chai Koh Hiung	2,612,000	1.38
10.	HSBC Nominees (Asing) Sdn Bhd - exempt an for Credit Suisse (SG BR-TST-ASING)	2,559,900	1.35
11.	Tham Wooi Loon	2,400,000	1.27
12.	CIMSEC Nominees (T) Sdn Bhd - CIMB for Goh Eu Jim (PB)	2,170,900	1.14
13.	Lim Soon Foo	1,931,000	1.02
14.	Tham Wooi Loon	1,905,000	1.00
15.	Wong Chin Yoong	1,782,100	0.94
16.	Lee Swee Yin	1,200,000	0.63
17.	Tan Kok Hong	900,000	0.47
18.	E. Zani Bin Mohd Hussain	840,000	0.44
19.	Syed Hussin Bin Shaikh Aljunid	724,900	0.38
20.	HDM Nominees (T) Sdn Bhd - pledge securities account for Ooi Yeow Peng (MO1)	685,700	0.36
21.	Ong Ai Chin	650,000	0.34
22.	Wong Yoke Tsan @ Wong Yoke Chun	600,000	0.32
23.	Tham Chee Kong	600,000	0.32
24.	H'ng Geok Heang	580,000	0.31
25.	Wong Ah Ngan	579,900	0.31
26.	Chai Koh Hian	521,000	0.27
27.	Wong Kuan Foong @ Wong Kun Fong	500,000	0.26
28.	Mayban Nominees (T) Sdn Bhd - Mayban Investment Management Sdn Bhd for Kamalul Arifin Bin Yusof (8KAY-250064)	500,000	0.26
29.	James Kon Yew Liang	490,000	0.26
30.	Teng Swee Lan @ Fong Swee Lan	457,200	0.24

ADDITIONAL COMPLIANCE INFORMATION

Share Buyback

The Company did not enter into any share buyback transactions during the financial year.

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 RM74,995 in relation to the Proposed acquisition of 1,008,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital of Seca Dyme Sdn Bhd for a purchase consideration of RM24,000,000 to be satisfied via issuance of 83,565,217 new ordinary shares of RM0.10 each in DMB ("DMB Shares") at an issue price of RM0.23 per new DMB Share and cash consideration of RM4,780,000;

Profit Estimates, Forecast or Projection

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

Variation in Results

There was no variation between the audited results for the financial year ended 31 December 2006 and the unaudited for the year ended 31 December 2006 of the Group as previously announced.

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 2006 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 30 to the financial statements on pages 45 & 46.

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.

LIST OF PROPERTY

Registered Owner/Location	Description And Existing Use	Land/ Built Up Area (sq ft)	Tenure	Approximate Age of Building	Net Book Value as at 31.12.2006 (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	9 years	5,203,135	15 Dec 2003

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the FOURTH ANNUAL GENERAL MEETING of the Company will be held at Level 2, Function Hall, The Gurney Resort Hotel, 18 Persiaran Gurney, 10250 Georgetown, Penang on Friday, 25 May 2007 at 2:00 p.m. for the following purposes:-

AGENDA

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 and the Reports of the Directors and the Auditors thereon. — Resolution 1

2. To approve the payment of Directors' Fees of RM48,000.00 for the year ended 31 December 2006. — Resolution 2

3. To re-elect the following director retiring in accordance with Article 104 of the Company's Articles of Association:-

   a) KAMALUL ARIFIN BIN YUSOF — Resolution 3

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

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 5

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 : 3 May 2007

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 5*

   The proposed Resolution No. 5 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.

STATEMENT ACCOMPANYING
NOTICE OF THE FOURTH ANNUAL GENERAL MEETING

1. The Director who is standing for re-election at the Fourth Annual General Meeting is as follows:-

    a) Kamalul Arifin Bin Yusof

    The details of the Director seeking re-election are set out in his profile set out in page 4 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 2006 are disclosed in the Corporate Governance Statement set out in page 9 of this Annual Report.

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

Place	:	Level 2, Function Hall The Gurney Resort Hotel 18 Persiaran Gurney 10250 Georgetown Penang
Date	:	Friday, 25 May 2007
Time	:	2:00 p.m.

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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 Fourth Annual General Meeting of the Company to be held at Level 2, Function Hall, The Gurney Resort Hotel, 18 Persiaran Gurney, 10250 Georgetown, Penang on Friday, 25 May 2007 at 2:00 p.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, KAMALUL ARIFIN BIN YUSOF		
4.	Re-appointment of Auditors, ERNST & YOUNG		
5.	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 ______________, 2007.

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.

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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

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