DAYA MATERIALS BERHAD
636357-W

Today's ideas • Tomorrow's growth

Annual Report 2007

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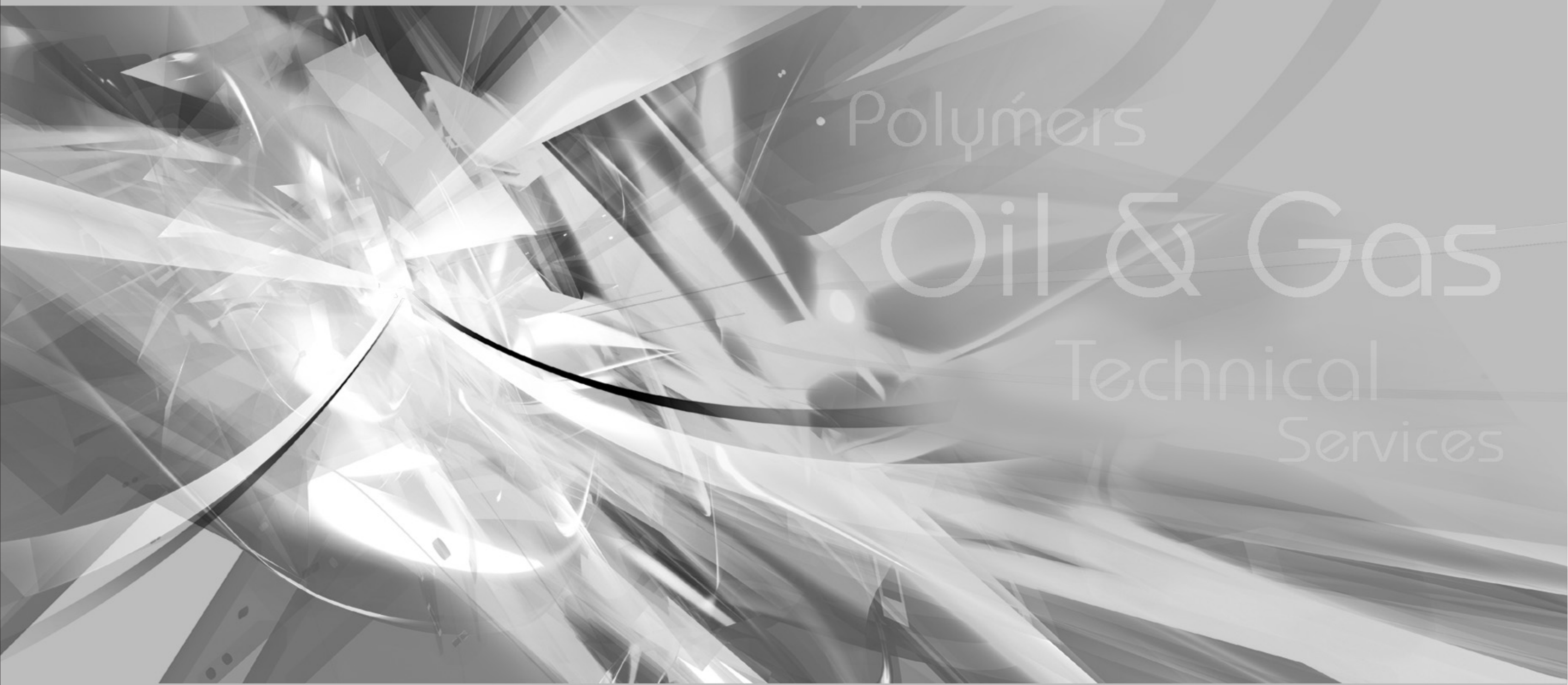

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CORPORATE INFORMATION

BOARD OF DIRECTORS
Dato' Azmil Khalili Bin Dato' Khalid
Chairman/Independent Non-Executive Director

Dato' Mazlin Bin Md.Junid
Vice Chairman/Executive Director

Tham Wooi Loon
Managing Director

Tham Jooi Loon
Executive Director

Fazrin Azwar bin Md. Nor
Independent Non-Executive Director

AUDIT COMMITTEE
Fazrin Azwar bin Md. Nor
Chairman/Independent Non-Executive Director

Tham Jooi Loon
Member/Executive Director

Dato' Azmil Khalili Bin Dato' Khalid
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.dmb.com.my

PRINCIPAL BANKERS
EON Bank Berhad
CIMB 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 Ridzwan
Tel : 05-547 4833
Fax : 05-547 4363

SPONSOR
MIMB Investment Bank Berhad(10209-W)
12th Floor, Menara EON Bank
288, Jalan Raja Laut
50350 Kuala Lumpur
Tel : 03-2691 0200
Fax : 03-2698 5388

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

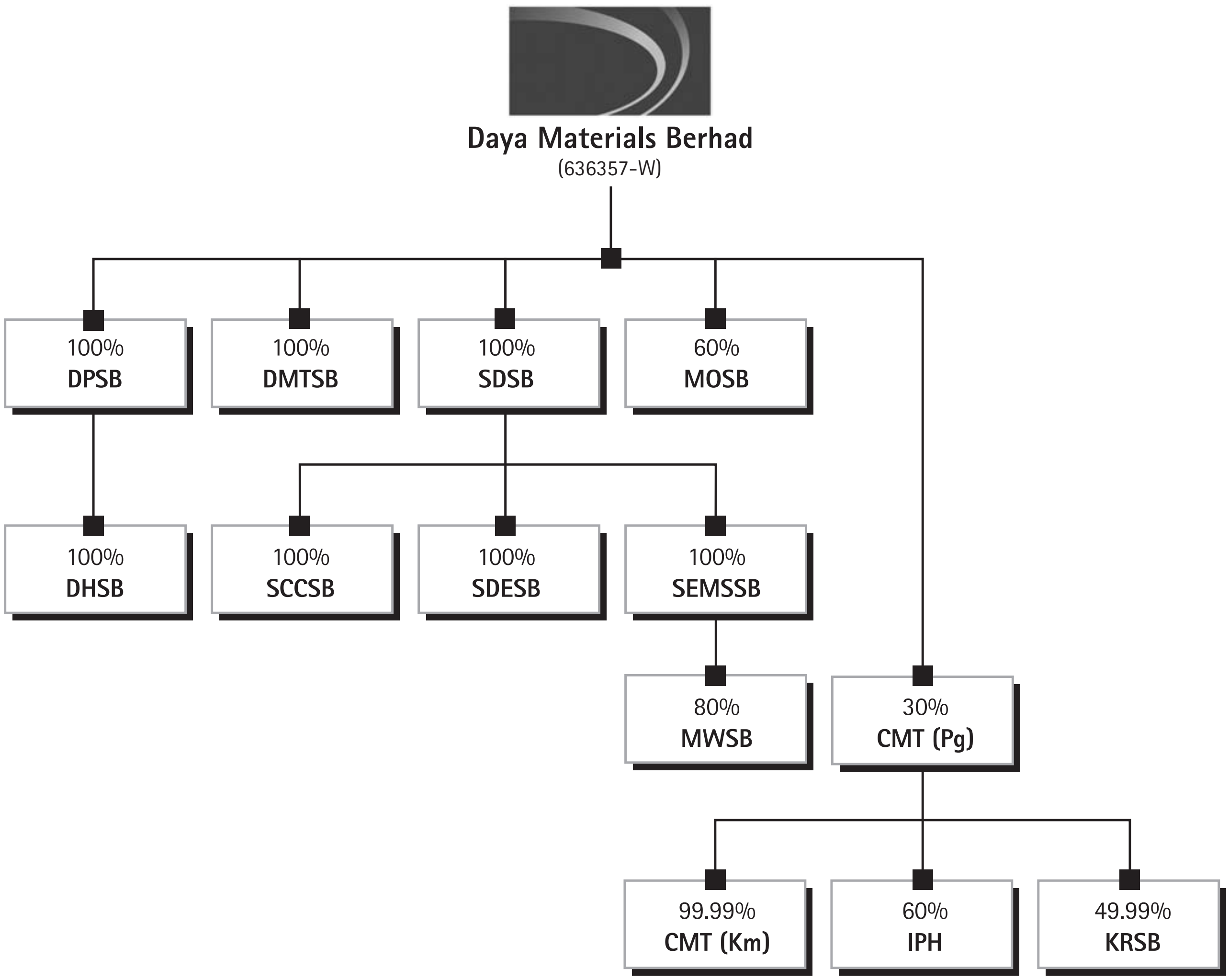
CORPORATE STRUCTURE

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 . The particulars of the subsidiaries, are as follows:-

Subsidiary Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Daya Polymer Sdn. Bhd. (324073-U) ("DPSB")	21-11-1994 / Malaysia	6,000,000.00	100.00%	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) ("DMTSB")	27-02-2006 / Malaysia	2.00	100.00%	General trading, marketing and investment holding
Meridian Orbit Sdn. Bhd. (780242-P) ("MOSB")	09-07-2007 / Malaysia	50,000.00	60.00%	Investment holding
Seca Dyme Sdn. Bhd. (188542-W) ("SDSB")	25-10-1989 / Malaysia	1,008,000.00	100.00%	Trading in petrochemicals products and investment holding
Held through subsidiaries:-				
Daya Hightech Sdn. Bhd. (791561-V) ("DHSB")	10-10-2007 / Malaysia	2.00	100.00%	Dormant
Seca Chemicals and Catalysts Sdn. Bhd. (710772-A) ("SCCSB")	26-09-2005 / Malaysia	100,000.00	100.00%	Dealing in petroleum, oil and gas products
SD Equipment Sdn. Bhd. (651398-P) ("SDESB)	05-05-2004 / Malaysia	100,000.00	100.00%	Providing safety equipment and uniform
Seca Engineering and Manpower Services Sdn. Bhd. (704437-A) ("SEMSSB")	28-07-2005 / Malaysia	100,000.00	100.00%	Providing engineering and manpower services
Matriwell Sdn. Bhd. (736674-D) ("MWSB")	06-06-2006 / Malaysia	1,000.00	80%	Dormant
Associate Company				
CMT (Penang) Sdn. Bhd. (208646-U) ("CMT(Pg)")	28-11-1990 / Malaysia	2,500,000.00	30.00%	Providing industrial facilities management including builder works, facility operation and maintenance services, upgrade, retrofit, design and build plant facilities

CORPORATE STRUCTURE (CONT'D)

Subsidiary Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Held through associate:- CMT Industry (Kulim) Sdn. Bhd. (418776-U) ("CMT(Km)")	27-01-1997 / Malaysia	350,004.00	99.99%	General contractors and related services
IHP Supply Sdn. Bhd. (524602-D) ("IHP")	25-08-2000 / Malaysia	500,000.00	60.00%	Trader of all kinds of building material, hardware equipment and other products
Kejuruteraan Restu Sdn. Bhd. (254830-T) ("KRSB")	02-01-1993 / Malaysia	50,002.00	49.99%	Hiring of machinery, motor vehicles and office equipment



PROFILE OF DIRECTORS

Dato' Azmil Khalili bin Dato' Khalid
Malaysian, aged 48
Independent Non-Executive Chairman

Dato' Azmil was appointed to the Board of Directors of the Company on 19 September 2007. Dato' Azmil graduated with a Bachelor Degree in Civil Engineering and subsequently with a Master in Business Administration. He began his career with a United Kingdom company, Tarmac National Construction and upon his return to Malaysia, he worked for Trust International Insurance and Citibank NA.

Dato' Azmil is currently the Director of MTD Capital Bhd, Metacorp Berhad, MTD Infraperdana Berhad and MTD ACPI Engineering Berhad (formerly known as ACP Industries Berhad). He is also a director of Rangkaian Segar Sdn Bhd (the operator of Touch 'n' Go), and waste concession company, Environment Idaman Sdn Bhd. Dato' Azmil is also a Trustee of the Perdana Leadership Foundation.

Dato' Azmil is the Chairman of the Nomination Committee and Remuneration Committee of the Company. Dato' Azmil is a member of the Audit Committee.

Dato' Mazlin bin Md Junid
Malaysian, aged 46
Non-Independent Executive Vice Chairman

Dato' Mazlin was appointed to the Board of Directors of the Company on 16 August 2007. Dato' Mazlin holds a Bachelor of Science in Mechanical Engineering from Brighton Polytechnic, Sussex, England and a Master in Business Administration from Cranfield University, England. He has extensive experience in corporate management, business and finance after serving Sime Darby Bhd and Aspac Executive Search Sdn Bhd as the Group Manager and the Managing Director respectively.

Dato' Mazlin is currently an Independent, Non-Executive Director of Sapura Industrial Berhad, Sapura Technology Berhad and MTD Infraperdana Berhad. He is the Chairman of the Audit Committee at MTD Infraperdana and member of the Audit Committee, Board Nomination and Remuneration at Sapura Industrial Berhad. He is also a director of several private limited companies which he owns.

Tham Wooi Loon
Malaysian, aged 47
Managing Director

Mr. Tham Wooi Loon 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 43
Executive Director

Mr. Tham Jooi Loon 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.

Mr. Tham Jooi Loon is a member of the Audit Committee.

PROFILE OF DIRECTORS (CONT'D)

Fazrin Azwar bin Md. Nor
Malaysian, aged 42
Independent Non-Executive Director

Encik Fazrin 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 a Non-Independent Non-Executive Director of Kuchinta Holdings Sdn. Bhd. and its group of companies.

Encik Fazrin is the chairman of the Audit Committee. Encik Fazrin is a member of the 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) Mr. Tham Wooi Loon, the Managing Director and a substantial shareholder of the Company, is the brother of Mr. 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 2007, the Board of Directors of the Company met five (5) times.

CHAIRMAN'S STATEMENT

Dear Shareholders,

First and foremost, it is a great honor for me personally to be appointed as the new Chairman of Daya Materials Berhad ("DMB") on 19 September 2007. I would like to thank existing members of the Board for giving me this unique opportunity to serve the shareholders of the Group. I would also like to extend a warm welcome to Dato' Mazlin Junid who has joined me on this Board as the new Executive Vice Chairman. Together, we recognize the importance of our appointments and the heavy responsibility they carry. I would like to assure all shareholders that, as new members of the Board, Dato Mazlin and I will make every effort to work closely with the existing management team to ensure the long term success of the Group. I would also like to take this opportunity to thank Encik Kamalul Arifin bin Yusof who had served as Chairman of this Board since 2005. His contributions to the Group had been significant.

On behalf of the Board of Directors, it is my pleasure to present to you the annual report and audited financial statements of the Group for the financial year ended 31 December 2007.

RESULTS

For the financial year 2007, our Group's turnover increased substantially by 112% from RM 29.3 million in 2006 to RM 62.3 million. Two key factors contributed to this significant improvement in our results. Firstly, our traditional advanced polymer business witnessed a marked increase in demand for our products, especially semi-conductive compounds. Overall, sales of polymer products grew by 29% in 2007. Secondly, and perhaps more importantly, our Group successfully acquired Seca Dyme Sdn. Bhd. ("Seca Dyme"), an oil & gas company, on 1 August 2007. While we only factored in the 5-months period post acquisition, this new business contributed RM24.3 million in turnover to the Group. Strategically, oil & gas will become the mainstay of the Group going forward, complementing and gradually replacing our traditional polymer business. Nonetheless, I want to assure you that the latter will continue to be an important business to the Group, providing a consistent and growing base of recurring cash flows.

In line with this fundamental swift in our business, our Group's profitability had also increased markedly. Net earnings increased 132% from RM2.9 million in 2006 to RM6.8 million last year. Of this, our oil & gas business contributed RM2.1 million or 31%. Advanced polymer business also enjoyed a strong year, with net earnings increased from RM2.4 million to RM3.3 million, representing an increase of 36%. Overall earning base was also augmented by the acquisition of a 30% stake in CMT (Penang) Sdn. Bhd. ("CMT"), which was completed on 31 October 2007. For the year, CMT contributed 6% to the net earnings of the Group.

CORPORATE DEVELOPMENTS

2007 represented a significant milestone in our corporate history. Our successful acquisition of Seca Dyme on 1 August 2007 signaled the crystallization of one of our core long-term corporate strategies to expand progressively into the oil & gas business. This business is highly synergistic to our traditional advanced polymer business in that both of them share a common denominator – i.e. petrochemicals. Seca Dyme is a well-managed, growth-oriented company specializing in the distribution, warehousing, transportation, handling of catalysts, dimethyl disulfide, odorants and a whole host of process and specialty chemicals used in refineries and petrochemical industries. It has enjoyed a rapidly expanding business relationship with Petronas group of companies and other oil majors over the past 15 years as well as a strong long-term product and technical support from an extensive group of international principals. Operationally, the acquisition of Seca Dyme is critical to the Group as it will gradually enable us to merge our procurement, marketing and trading activities, reducing our cost structure while making us more efficient and competitive. More importantly, it will also serve as a catalyst to our future growth. Already we have witnessed the strong contribution from this new business in 2007. We are glad to report that since our acquisition, Seca Dyme is now one of the largest downstream chemical suppliers in Malaysia.

CHAIRMAN'S STATEMENT (CONT'D)

CORPORATE DEVELOPMENTS (CONT'D)

In line with our expansion into the oil & gas business, our Group embarked on the next phase of our long-term corporate strategies – i.e. technical services. We had correctly observed since 2003/2004 the increasing importance of oil & gas sector to the global economy. Our proposal in early 2006 to acquire Seca Dyme represented our first critical move toward this corporate direction. With Seca Dyme now within our stable, our efforts began in earnest to try to capture and realize the significant potential of the services side of the oil & gas sector. To this end, we made our next move by acquiring an equity stake in CMT to spearhead our newly-formed technical services business. CMT is a well-run, highly-competitive market leader in specialized industrial construction. As a Class A contractor, it is an integrated service provider, offering its clients a full suite of services ranging from design, engineering, repair & maintenance and construction. It is also capable of undertaking turnkey projects for clients looking for built-to-lease facilities. One of its key strengths is its diverse base of multinational clients, most of whom are among the Fortune 500 companies. These clients offer CMT not only an opportunity of develop high-end industrial and research facilities, but also a recurring stream of maintenance business. We believe that we can combine their proven track record in industrial facility projects with our established marketing and networking in oil & gas to offer an interesting value proposition to our existing clients and secure a growing slice of the oil & gas services business. I am glad to report to that CMT is already building a new RM6.2 million 20,000-sq ft chemical tanking facility for Seca Dyme in Kemaman, Terengganu.

We made another add-on acquisition to our services business division last year by acquiring a 55% stake in Clarimax Consolidated Sdn. Bhd. ("Clarimax") through our 60% subsidiary, Meridian Orbit Sdn. Bhd. Clarimax had conducted an Environmental Impact Assessment study and secured a vital Department of Environment approval to construct a tank cleaning, repair and recycling plant in Pulau Indah, Selangor. Over the past four months, we have been working actively with Chem-Solv Technologies Pte. Ltd. and Syed Nasir, our Singaporean partners in this venture, with respect to regulatory approvals, technical assistance, technology transfer, plant design and engineering as well as business development.

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 December 2007, the Company has utilised approximately 76% of the total gross proceeds raised from its listing exercise on the MESDAQ Market on 25 July 2005 and the status of the utilisation of proceeds is as follows:-

	Utilisation Schedule Per Prospectus RM'000	Revised Utilisation Schedule(i) RM'000	Actual Utilisation RM'000	← Deviation → Amount RM'000	%	Explanation
Expansion in production facility	8,500	6,500	4,347	2,153	33.12	(ii)
Investment in R&D and new product development	1,700	1,300	747	553	42.54	(iii)
Working capital	1,385	3,848	3,448	400	10.40	-
Listing expenses	1,500	1,437	1,437	-	-	-
Total	13,085	13,085	9,979	3,106		

Notes:

(i) On 20 December 2005, the Company 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 Company had also resolved to reallocate the unutilised proceeds for listing expenses amounting to approximately RM63,000 to be utilised for working capital purposes. On 17 January 2008, the Company has obtained the approval from the Securities Commission ("SC') to reduce the earlier allocation of proceeds of RM1.7 million for the investment in R&D and new product of the Group as disclosed in the DMB's Prospectus dated 30 June 2005 to RM1.3 million. The difference of RM0.4 million was allocated for working capital purposes of the Group. On the same date, the Company has also obtained the approval from SC on extension of time from end 2007 to end 2008 for the Company to fully utilise the balance unutilised IPO proceeds.

(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. The balance unutilised proceeds are expected to be used by end of 2008.

(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 2008.

PRIVATE PLACEMENT

As at 31 December 2007, the Company has utilised approximately 75% of the total gross proceeds raised and the status of the utilisation of proceeds is as follows:-

	Proceeds from Placement Shares RM'000	Actual Utilisation RM'000	Intended Time Frame For Utilisation	← Deviation → Amount RM'000	%
Expansion in production facility	1,000	-	within 12 months	1,000	100.00
Investment in tanks and tank cleaning/repair activities	1,500	820	within 24 months	680	45.33
Working capital & future investments*	8,420	7,230	within 24 months	1,190	14.13
Estimated expenses	850	753	within 6 months	97	11.41
Total	**11,770**	**8,803**		**2,967**	25.21

* Any variations to the total proceeds raised will result in an adjustment to the amount allocate for utilisation as working capital and vice versa.

CHAIRMAN'S STATEMENT (CONT'D)

PROSPECTS

Our Group expects a solid financial performance in the coming financial year notwithstanding the prevailing uncertain global economic and market conditions. Our advanced polymer business is expected to continue to contribute positively in 2008 as a new product, medium-voltage cross-linked polyethylene (MV-XLPE) compound, begins to make inroads and capture a larger share of the domestic market. Our optimism is premised on the encouraging response and broadening market reception from our customers to-date. In the coming year, our planned expansion of a new semi-conductive line will add another 130MT per month of production capacity, further cementing our leadership position in the domestic advanced polymer industry. With additional commitments into research & development, we will continue to reinvest in this industry with a view of elevating our position as the top producer in the ASEAN region.

In addition, our ventures into the oil & gas and services sectors are expected to contribute more significantly to our operating performance in the coming years. Since our acquisition, Seca Dyme has emerged as one of the largest downstream chemical players in the country, and will be targeting to secure larger supply contracts with most of the oil majors operating in Malaysia.

Our Group will continuously be looking for opportunities to enlarge our market share by expanding our oil & gas client base as well as increasing our product and services offerings to our existing clients. To this end, we have established a services business division spearheaded by CMT and Clarimax. More services are expected to be offered by this division in the coming years via organic growth as well as selective acquisitions. In addition, Seca Dyme will reorganize its operations into two units – namely, upstream and downstream operations in order to better explore and capture the increasing opportunities on the upstream end of the oil & gas sector. Finally, our Group has also set up a China business development unit with a view of partnering proven Chinese oil & gas companies whose products and services are complementary to our existing operations.

Barring any unforeseen circumstances, we expect the operating performance for the financial year ending 2008 to be strong.

DIVIDENDS & BONUS ISSUE

In line with our performance in 2007, the Company is pleased to propose a final dividend of 2.465% less income tax of 26% amounting to RM538,465.60 and a final tax exempt dividend of 0.49% amounting to RM144,645.66 in respect of the financial year ended 31 December 2007. The Company also proposes to undertake a bonus issue of 196,796,811 new ordinary shares of RM0.10 each in DMB ("DMB Shares") ("Bonus Shares"), on the basis of two (2) Bonus Shares for every three (3) existing DMB Shares held. These proposals will be tabled for shareholders' approval at the forthcoming Annual General Meeting and Extraordinary General Meeting expected in June 2008.

PROPOSED ACQUISITION OF CMT

The Company also proposes to acquire 1,750,000 ordinary shares of RM1.00 each representing 70% of the issued and paid-up share capital of CMT not already owned by DMB, for a cash consideration of RM19 million. This proposal will be tabled for shareholders' approval at the forthcoming Extraordinary General Meeting expected in June 2008.

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 five (5) members, comprising three (3) 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 1/3rd of the board of directors of a listed company, whichever is the higher, are independent Directors with an appropriate mix of skills and experience.

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

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

1.1b Duties and Responsibilities

The Board is primarily responsible for:-

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

1.2 Supply of Information

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

1. DIRECTORS (CONT'D)

1.2 Supply of Information (Cont'd)

During the financial year ended 31 December 2007, the Board met five (5) times where it deliberated on and considered matters relating to the Group's financial performance, significant investments, change to management and control structure of the Group, corporate development, strategic issues and business plan. Details of each Director's attendance of Board meetings are set out below.

Name of Director		No. of meetings attended
Dato' Azmil Khalili bin Dato' Khalid	(appointed on 19/9/2007)	1/1
Dato' Mazlin bin Md. Junid	(appointed on 16/8/2007)	2/2
Kamalul Arifin bin Yusof	(resigned on 16/8/2007)	3/3
Tham Wooi Loon		5/5
Tham Jooi Loon		5/5
Fazrin Azwar bin Md. Nor		5/5

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 2007, members of the Nomination Committee were as follows:

Chairman :	Dato' Azmil Khalili bin Dato' Khalid	(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. DIRECTORS (CONT'D)

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 2007, members of the Remuneration Committee were as follows:

Chairman :	Dato' Azmil Khalili bin Dato' Khalid	(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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

3. DIRECTORS' REMUNERATION (CONT'D)

The details of the remuneration for Directors during the financial year ended 31 December 2007 are as below:-

Aggregate remuneration categorized into components:-

	Executive Directors	Non-Executive Directors	Total
Fees (RM)	43,500	34,500	78,000
Salaries & other emoluments (RM)	1,942,276	25,500	1,967,776
Total(RM)	1,985,776	60,000	2,045,776

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

Range	Executive Directors	Non-Executive Directors
Below RM50,000	-	3
RM500,001 - RM550,000	2	-
RM950,001 - RM1,000,000	1	-

4. SHAREHOLDERS

4.1 Dialogue with investors

The Board recognises 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.dmb.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 72 of the Annual Report and the Statement explaining the responsibility for preparing the annual audited fin ancial statements is set out on page 74 of the Annual Report.

5. ACCOUNTABILITY AND AUDIT (CONT'D)

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 pages 16 to 17 and the Audit Committee Report on pages 18 to 20.

5.3 Relationship with Auditors

The external auditors, Messrs Ernst & Young, have continued to report to members of the Company on theirs 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 recognises 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 recognises its responsibilities with regard to identifying and managing principal risks.

The Group has a formalised 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 prioritise 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 Tan Yen Yeow & Company, 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 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 two 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.

The audit plan for the financial year ending 31 December 2008 was approved at one of the Audit Committee meetings.

The scope of the internal audit work for the year ended 31 December 2007 only covered one of the subsidiary in the Group, Daya Polymer Sdn Bhd. The scope of the internal audit function in 2008 will however be extended to include a subsidiary which was acquired in the current year, Seca Dyme Sdn Bhd.

INTERNAL CONTROL

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

i) An organisation 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 : 15 April 2008

AUDIT COMMITTEE REPORT

COMPOSITION

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

Chairman : FAZRIN AZWAR BIN MD. NOR
Chairman, Independent Non-Executive Director

Members : THAM JOOI LOON
Executive Director

DATO' AZMIL KHALILI BIN DATO' KHALID
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 authorised by the Board to investigate any activity of the Company and its subsidiaries within its terms of reference or as otherwise directed by the Board. It shall have:

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

The Audit Committee is also authorised 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.

AUDIT COMMITTEE REPORT (CONT'D)

Duties of the Audit Committee (Cont'd)

The duties of the Audit Committee include the following:-

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

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2007, 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
Fazrin Azwar bin Md. Nor		5/5
Kamalul Arifin bin Yusof	(resigned on 16/8/2007)	3/3
Tham Jooi Loon		5/5
Dato' Azmil Khalili bin Dato' Khalid	(appointed on 19/9/2007)	1/1

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 Tan Yen Yeow & Company, 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

In accordance with the internal audit plan, the internal audit function carried out a total of two risk-based internal audit assignments during the financial year. The internal audit was focused on one of the subsidiary, Daya Polymer Sdn Bhd. In addition, the internal audit function conducted follow up reviews on previous unresolved audit findings.

The internal auditors presented the internal audit reports to the Audit Committee during two Audit Committee meetings. The reports set out audit findings and recommendations for improvements and status of prior audit findings. The internal auditors also presented the internal audit plan for the financial year ending 31 Decembeer 2008 during one of the meetings.

DIRECTORS' REPORT

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 2007.

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 and associate are set out in Note 11 and 12 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year except for the temporary cessation of trading activities by one of its subsidiary and activities undertaken by the subsidiaries and associate acquired during the year.

RESULTS

	Group RM	Company RM
Profit for the year	6,840,604	3,612,635
Attributable to:		
Equity holders of the Company	6,843,321	3,612,635
Minority interests	(2,717)	-
	6,840,604	3,612,635

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

At the forthcoming Annual General Meeting, a final dividend of 2.465% less income tax of 26% amounting to RM538,465 (0.18241 sen per share) and a final tax exempt dividend of 0.49% amounting to RM144,645 (0.049 sen per share) in respect of the financial year ended 31 December 2007 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2008.

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	
Dato' Mazlin Bin Md. Junid	(Appointed on 16/8/2007)
Dato' Azmil Khalili Bin Khalid	(Appointed on 19/9/2007)
Kamalul Arifin bin Yusof	(Resigned on 16/8/2007)

DIRECTORS' REPORT (CONT'D)

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 31 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 2007/ * At date of appointment	**Acquired**	**Disposed**	**31 December 2007**
The Company				
Direct interest				
Dato' Mazlin Bin Md. Junid	* 83,565,217	11,516,000	157,000	94,924,217
Tham Wooi Loon	4,305,000	13,600,000	790,700	17,114,300
Tham Jooi Loon	7,340,000	35,686,900	11,296,880	31,730,020
Fazrin Azwar Bin Md Nor	-	16,829,000	200,000	16,629,000
Deemed interest				
Tham Wooi Loon *(1)*	104,864,600	-	74,626,050	30,238,550
Tham Jooi Loon *(1)*	11,946,600	-	4,936,500	7,010,100

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

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.

ISSUE OF SHARES

During the financial year, the Company increased its:

(a) authorised ordinary share capital from RM25,000,000 to RM50,000,000 through the creation of an additional 250,000,000 ordinary shares of RM0.10 each; and

(b) issued and paid-up share capital from RM18,963,000 to RM29,519,522 by way of:

(i) the issuance of 83,565,217 ordinary shares of RM0.10 each in the Company at RM0.60 per share, being the published price at the date of acquisition, as partial discharge of the purchase consideration for the acquisition of Seca Dyme Sdn. Bhd. as disclosed in Note 11(a)(i); and

(ii) a private placement of 22,000,000 new ordinary shares of RM0.10 each to Bumiputra investors at an issue price of RM0.535 per share for cash pursuant to the Company's acquisition of Seca Dyme Sdn. Bhd.

The new ordinary shares issued during the year ranked pari passu in all respects with the existing ordinary shares of the Company.

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 all known bad debts had been written off and that no provision for doubtful debts was necessary; 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 make any provision for doubtful debts in respect of the financial statements of the Group and of the Company or the amount written off for bad debts inadequate to any substantial extent; and

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

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

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

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

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

DIRECTORS' REPORT (CONT'D)

(e) (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 their 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 35 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 15 April 2008.

THAM WOOI LOON

THAM JOOI LOON

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	**RM**	RM	**RM**	RM
			(As restated)		
Revenue	3	**62,258,174**	29,319,957	**6,332,890**	1,316,199
Cost of sales		**(48,942,665)**	(23,183,728)	**-**	-
Gross profit		**13,315,509**	6,136,229	**6,332,890**	1,316,199
Other income	4	**950,675**	381,482	**224,346**	295,558
Selling and distribution expenses		**(650,745)**	(338,020)	**-**	-
Administrative and general expenses		**(5,442,578)**	(2,071,208)	**(1,631,119)**	(578,508)
Operating profit		**8,172,861**	4,108,483	**4,926,117**	1,033,249
Finance cost	5	**(252,596)**	(85,055)	**(16,207)**	-
Share of results of an associate		**444,047**	-	**-**	-
Profit before tax	6	**8,364,312**	4,023,428	**4,909,910**	1,033,249
Income tax expense	7	**(1,523,708)**	(1,078,619)	**(1,297,275)**	(205,406)
Profit for the year		**6,840,604**	2,944,809	**3,612,635**	827,843
Attributable to:					
Equity holders of the Company		**6,843,321**	2,944,809	**3,612,635**	827,843
Minority interests		**(2,717)**	-	**-**	-
		6,840,604	2,944,809	**3,612,635**	827,843
Earnings per share (sen)					
- Basic	8	**2.93**	1.55		

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

BALANCE SHEETS
AS AT 31 DECEMBER 2007

		Group		Company	
		2007	2006	**2007**	2006
	Note	**RM**	RM (As restated)	**RM**	RM
NON-CURRENT ASSETS					
Property, plant and equipment	9	**14,095,325**	11,962,164	**569,392**	-
Intangible assets	10	**48,402,966**	276,017	**-**	-
Investment in subsidiaries	11	**-**	-	**86,173,353**	30,530,197
Investment in an associate	12	**7,644,047**	-	**7,200,000**	-
Prepaid land lease payments	13	**1,267,759**	-	**-**	-
		71,410,097	12,238,181	**93,942,745**	30,530,197
CURRENT ASSETS					
Inventories	14	**9,667,809**	3,570,237	**-**	-
Trade receivables	15	**9,388,275**	9,219,438	**-**	-
Other receivables	16	**5,090,392**	3,205,454	**131,000**	755,264
Tax recoverable		**720,206**	-	**66,111**	-
Amounts due by subsidiaries	17	**-**	-	**10,781,827**	5,354,178
Amount due by an associate company	17	**156,700**	-	**156,700**	-
Short term investments	18	**11,511,137**	9,358,777	**7,828,220**	6,380,995
Marketable securities	19	**463,572**	180,900	**-**	-
Fixed deposits with licensed banks	20	**2,301,082**	36,509	**-**	-
Cash and bank balances		**3,050,466**	1,924,177	**214,342**	59,373
		42,349,639	27,495,492	**19,178,200**	12,549,810
CURRENT LIABILITIES					
Trade payables	21	**3,325,971**	1,436,146	**-**	-
Other payables	22	**5,259,560**	902,989	**3,074,507**	69,362
Tax payable		**138,000**	108,301	**-**	46,406
Hire purchase payables	23	**323,579**	-	**177,325**	-
Borrowings (secured)	24	**734,000**	3,538,000	**-**	-
		9,781,110	5,985,436	**3,251,832**	115,768
NET CURRENT ASSETS		**32,568,529**	21,510,056	**15,926,368**	12,434,042
		103,978,626	33,748,237	**109,869,113**	42,964,239
FINANCED BY:					
Share capital	25	**29,519,522**	18,963,000	**29,519,522**	18,963,000
Reserves	26	**71,751,548**	13,614,468	**78,907,633**	24,001,239
Shareholders' equity		**101,271,070**	32,577,468	**108,427,155**	42,964,239
Minority interests		**17,327**	-	**-**	-
TOTAL EQUITY		**101,288,397**	32,577,468	**108,427,155**	42,964,239
Deferred tax liabilities	27	**786,370**	667,019	**8,960**	-
Hire purchase payables	23	**355,109**	-	**232,998**	-
Term loan (secured)	28	**348,750**	503,750	**-**	-
Other payables	22	**1,200,000**	-	**1,200,000**	-
NON-CURRENT LIABILITIES		**2,690,229**	1,170,769	**1,441,958**	-
		103,978,626	33,748,237	**109,869,113**	42,964,239

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2007

Group	Note	← Attributable to Equity Holders of the Company → Share capital RM	Non-distributable Share premium RM	Distributable Retained profit RM	Total RM	Minority interests RM	Total Equity RM
At 1 January 2006		18,963,000	5,959,150	4,710,509	29,632,659	-	29,632,659
Profit for the year, representing total recognised income and expense for the year (as restated)		-	-	2,944,809	2,944,809	-	2,944,809
At 31 December 2006		18,963,000	5,959,150	7,655,318	32,577,468	-	32,577,468
At 1 January 2007							
As previously stated		18,963,000	5,959,150	7,660,118	32,582,268	-	32,582,268
Prior year adjustment	36	-	-	(4,800)	(4,800)	-	(4,800)
At 1 January 2007 (as restated)		18,963,000	5,959,150	7,655,318	32,577,468	-	32,577,468
Issuance of ordinary shares:							
Acquisition of a subsidiary	25	8,356,522	41,782,608	-	50,139,130	20,044	50,159,174
Issued for cash	25	2,200,000	9,570,000	-	11,770,000	-	11,770,000
Transaction costs		-	(58,849)	-	(58,849)	-	(58,849)
Profit/(Loss) for the year, representing total recognised income and expense for the year		-	-	6,843,321	6,843,321	(2,717)	6,840,604
At 31 December 2007		29,519,522	57,252,909	14,498,639	101,271,070	17,327	101,288,397

Company	Note	Share capital RM	← Non-distributable → Share premium RM	Capital reserve RM	Retained profit/ (Accumulated loss) RM	Total Equity RM
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
At 1 January 2007		18,963,000	5,959,150	17,256,197	785,892	42,964,239
Issuance of ordinary shares:						
Acquisition of a subsidiary	25	8,356,522	41,782,608	-	-	50,139,130
Issued for cash	25	2,200,000	9,570,000	-	-	11,770,000
Transaction costs		-	(58,849)	-	-	(58,849)
Profit for the year, representing total recognised income and expense for the year		-	-	-	3,612,635	3,612,635
At 31 December 2007		29,519,522	57,252,909	17,256,197	4,398,527	108,427,155

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

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
		(As restated)		
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	**8,364,312**	4,023,428	**4,909,910**	1,033,249
Adjustments for:				
Amortisation on intangible assets	**72,005**	72,004	**-**	-
Amortisation of prepaid land lease payments	**9,267**	-	**-**	-
Bad debts written off	**87,500**	-	**-**	-
Depreciation	**877,081**	481,820	**101,431**	-
Interest expenses	**252,596**	85,055	**16,207**	-
Loss on disposal of property, plant and equipment	**50,108**	-	**-**	-
Property, plant and equipment written off	**3,248**	7,852	**-**	-
Provision for doubtful debt	**-**	95,111	**-**	-
Dividend income	**(5,535)**	-	**(4,000,000)**	(290,000)
Gain on disposal of other investment	**-**	(62,050)	**-**	(62,050)
Gain on disposal of marketable securities	**(301,507)**	-	**-**	-
Share of results of an associate	**(444,047)**	-	**-**	-
Interest income	**(399,943)**	(356,470)	**(224,346)**	(295,558)
Unrealised foreign exchange loss/(gain)	**1,216**	(10,474)	**-**	-
Operating profit before working capital changes	**8,566,301**	4,336,276	**803,202**	385,641
(Increase)/Decrease in inventories	**(1,905,906)**	81,404	**-**	-
(Increase)/Decrease in trade and other receivables	**(186,150)**	(2,314,149)	**624,264**	(754,264)
Increase in amounts due by subsidiaries	**-**	-	**(5,427,649)**	(2,541,823)
Increase in amount due by an associate company	**(156,700)**	-	**(156,700)**	-
Increase/(Decrease) in trade and other payables	**4,351,755**	(2,012,244)	**4,205,145**	14,147
Cash generated from/(used in) operations	**10,669,300**	91,287	**48,262**	(2,896,299)
Interest paid	**(252,596)**	(85,055)	**(16,207)**	-
Tax paid	**(2,573,064)**	(1,039,308)	**(320,832)**	(159,207)
Net cash from/(used in) operating activities carried forward	**7,843,640**	(1,033,076)	**(288,777)**	(3,055,506)

CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2007

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
		(As restated)		
Net cash from/(used in) operating activities brought forward	**7,843,640**	(1,033,076)	**(288,777)**	(3,055,506)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note A)	**(1,195,240)**	(2,570,996)	**(132,823)**	-
Proceeds from disposal of property, plant and equipment	**38,731**	-	**-**	-
Purchase of marketable securities	**(4,863,430)**	(180,900)	**-**	-
Purchase of other investment	**-**	(5,029,500)	**-**	(5,029,500)
Proceeds from disposal of other investment	**-**	5,091,550	**-**	5,091,550
Proceeds from disposal of marketable securities	**4,882,265**	-	**-**	-
Proceeds from issuance of shares				
- Company	**11,711,151**	-	**11,711,151**	-
- Minority shareholders of a subsidiary	**19,996**	-	**-**	-
Acquisition of subsidiaries (Note 11)	**(2,827,336)**	-	**(5,504,026)**	(2)
Acquisition of an associate	**(7,200,000)**	-	**(7,200,000)**	-
Dividend received	**5,535**	-	**2,920,000**	290,000
Interest received	**399,943**	356,470	**224,346**	295,558
Net cash from/(used in) investing activities	**971,615**	(2,333,376)	**2,018,648**	647,606
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayment of hire purchase	**(313,033)**	-	**(127,677)**	-
Net (repayment)/drawdown of bankers' acceptances	**(2,804,000)**	1,515,000	**-**	-
Repayment of term loan	**(155,000)**	(155,000)	**-**	-
Net cash (used in)/from financing activities	**(3,272,033)**	1,360,000	**(127,677)**	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**5,543,222**	(2,006,452)	**1,602,194**	(2,407,900)
CASH AND CASH EQUIVALENTS AT 1 JANUARY	**11,319,463**	13,325,915	**6,440,368**	8,848,268
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	**16,862,685**	11,319,463	**8,042,562**	6,440,368
Short term investments	**11,511,137**	9,358,777	**7,828,220**	6,380,995
Fixed deposits with licensed banks	**2,301,082**	36,509	**-**	-
Cash and bank balances	**3,050,466**	1,924,177	**214,342**	59,373
	16,862,685	11,319,463	**8,042,562**	6,440,368

As disclosed in Note 20 to the financial statements, the fixed deposits have been pledged to licensed banks for banking facilities granted to the subsidiaries and hence, are not available for general use.

CASH FLOW STATEMENTS (CONT'D)
FOR THE YEAR ENDED 31 DECEMBER 2007

Note A

During the year, the Group and the Company acquired property, plant and equipment with an aggregate cost of RM1,733,240 (2006: RM2,570,996) and RM670,823 (2006: RM Nil) respectively which were financed as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Cash	**1,195,240**	2,570,996	**132,823**	-
Hire purchase	**538,000**	-	**538,000**	-
	1,733,240	2,570,996	**670,823**	-

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 and associate are set out in Note 11 and 12 to the financial statements respectively.

There have been no significant changes in the nature of the principal activities during the financial year except for the temporary cessation of trading activities by one of its subsidiary and activities undertaken by the subsidiaries and associate acquired 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 Company 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 15 April 2008.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards ("FRS") in Malaysia.

The financial statements of the Group and of the Company have also been prepared on a historical cost basis.

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 the income statement.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(a) Subsidiaries and Basis of Consolidation (Cont'd)

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 company being merged are included as if the merger had been effected throughout the current and previous financial years.

Acquisition of the other subsidiaries 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 represent 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 the income statement.

Minority interests represents the portion of profit or loss and net assets in subsidiaries not held by the Group. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since then.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(b) Associates

Associates are entities which the Group has significant influences and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method of accounting. Under the equity method, the investment in an associate is carried in the consolidated balance sheet at cost adjusted for post-acquisition changes in the Group's share of net assets of the associate. The Group's share of the net profit or loss of the associate is recognised in the consolidated income statement. Where there has been a change recognised directly in the equity of the associate, the Group recognises its share of such changes. In applying the equity method, unrealised gains and losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. After application of the equity method, the Group determines whether it is necessary to recognise any additional impairment loss with respect to the Group's net investment in the associate. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortised. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate's profit or loss in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred obligations or made prepayments on behalf of the associate.

The most recent available audited financial statements of the associate are used by the Group in applying the equity method. Uniform accounting policies are adopted for like transactions and events in similar circumstances.

In the Company's separate financial statements, investment in an associate is stated at cost less impairment losses.

(c) 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 associated 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 statements 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 (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(c) Property, Plant and Equipment (Cont'd)

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, renovation and electrical installation	2% - 20%
Plant and machinery	10%
Factory equipment	10% - 30%
Furniture, fittings, computer and office equipment	10% - 30%
Motor vehicles	20%

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 the income statements.

(d) Intangible Assets

i. Goodwill

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following the initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

ii. Research and Development Costs

All research costs are recognised in the income statements 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(e) 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.

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 statements 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 statements, unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

(f) Leases

i. Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purpose of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

ii. Finance Leases – the Group as Lessee

Assets acquired by way of hire purchase or finance leases are stated 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, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. 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 Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(f) Leases (Cont'd)

ii. Finance Leases – the Group as Lessee (Cont'd)

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the income statements over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(c).

iii. Operating Leases – the Group as Lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

iv. Operating Lease – Group as Lessor

Assets leased out under operating lease are presented on the balance sheets according to the nature of the assets. Contingent rent are recognised as income in the period in which they are earned {Note 2.2(l)(v)}.

Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight line basis over the lease term.

(g) 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 (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(h) 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.

(i) 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 statements, 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.

(j) 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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(j) Employee Benefits (Cont'd)

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 statements as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

(k) Financial Instruments

Financial instruments are recognised in the balance sheets 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.

iv. Equity Instruments

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

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, fixed deposits pledged to financial institutions and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(k) Financial Instruments (Cont'd)

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 the income statements. On disposal of marketable securities, the difference between net disposal proceeds and the carrying amount is recognised in the income statements.

(l) Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and to the Company 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 and the Company's right to receive payment is established.

iv. Management Fees

Management fees are recognised when services are rendered.

v. Lease Income

Contingent rents arising from operating lease is recognised in the period which they are earned in accordance with the terms of agreement.

(m) 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 statements in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.2 Summary of Significant Accounting Policies (Cont'd)

(n) 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.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in the income statements for the period. Exchange differences arising on translation of non-monetary items carried at fair value are included in the income statements 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

The MASB has issued FRS 6: Exploration for and Evaluation of Mineral Resources and Amendment to FRS 119_{2004}: Employee Benefits - Actuarial Gains and Losses, Group Plans and Disclosures which are effective for financial periods beginning on or after 1 January 2007. Both FRS 6 and Amendment to FRS 119_{2004} are not applicable to the Group or the Company.

2.4 Standards and Interpretations Issued But Not Yet Effective

At the date of authorisation of these financial statements, the following new and revised FRSs, amendments to FRSs and Interpretations were issued but not yet effective and have not been applied by the Group and the Company:

FRSs, Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 139: Financial Instruments: Recognition and Measurement	Deferred
Amendment to FRS 121: The Effects of Changes in Foreign Exchange Rates - Net Investment in a Foreign Operation	1 July 2007
FRS 107: Cash Flow Statements	1 July 2007
FRS 111: Construction Contracts	1 July 2007
FRS 112: Income Taxes	1 July 2007
FRS 118: Revenue	1 July 2007

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Summary of Significant Accounting Policies (Cont'd)

Standards and Interpretations Issued But Not Yet Effective (Cont'd)

FRSs, Amendments to FRSs and Interpretations	Effective for financial periods beginning on or after
FRS 120: Accounting for Government Grants and Disclosure of Government Assistance	1 July 2007
FRS 134: Interim Financial Reporting	1 July 2007
FRS 137: Provisions, Contingent Liabilities and Contingent Assets	1 July 2007
IC Interpretation 1: Changes in Existing Decommissioning, Restoration and Similar Liabilities	1 July 2007
IC Interpretation 2: Members' Shares in Co-operative Entities and Similar Instruments	1 July 2007
IC Interpretation 5: Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1 July 2007
IC Interpretation 6: Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1 July 2007
IC Interpretation 7: Applying the Restatement Approach under FRS 129_{2004} - Financial Reporting in Hyperinflationary Economies	1 July 2007
IC Interpretation 8: Scope of FRS 2	1 July 2007

The above new and revised FRSs, amendments to FRSs and Interpretations are expected to have no significant impact on the financial statements of the Group and of the Company upon their initial application.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139.

2.5 Change in Estimates

The revised FRS 116: Property, Plant and Equipment requires the review of the residual value and remaining useful life of an item of property, plant and equipment at least each financial year end. A subsidiary has revised the estimated useful lives of certain factory equipment and furniture, fittings, computer and office equipment from 10 years to 3 1/3 years and motor vehicles from 10 years to 5 years with effect from 1 January 2007. The revisions were accounted for prospectively as a change in accounting estimates and the impact of the revision for the current financial year is not material.

2.6 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 have significant effect on the amounts recognised in the financial statements are as discussed below:

i. Operating Lease Commitments – the Group as Lessor

The Group had entered into commercial equipment leases on its logging equipment during the year ended 31 December 2006. The Group had then determined that it had transferred substantially all the risks and rewards of ownership of its logging equipment to the leasee which are leased out as finance lease.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Summary of Significant Accounting Policies (Cont'd)

Significant Accounting Estimates and Judgements (Cont'd)

(a) Critical Judgements Made in Applying Accounting Policies (Cont'd)

i. Operating Lease Commitments – the Group as Lessor (Cont'd)

The Group has in the current year reassessed the accounting judgement made previously and has determined, based on an evaluation of the terms and conditions of the arrangement, that it retains substantially all the risks and rewards of ownership of its logging equipment and so accounts for the contract as an operating lease.

The effect of this change has been accounted for retrospectively and is set out in Note 36.

(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.

ii. Impairment of Goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated. Estimating a value-in-use amount requires management to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill as at 31 December 2007 were RM48,198,954 (2006: RM Nil). Further details are disclosed in Note 10(b).

3. REVENUE

	Group 2007 RM	Group 2006 RM (As restated)	Company 2007 RM	Company 2006 RM
Sale of goods	**62,083,309**	29,319,957	**–**	–
Management fees from				
- subsidiaries	**–**	–	**2,176,190**	1,026,199
- an associate	**156,700**	–	**156,700**	–
Interest income	**12,630**	–	**–**	–
Dividend income from:				
- investment quoted in Malaysia	**5,535**	–	**–**	–
- a subsidiary	**–**	–	**4,000,000**	290,000
	62,258,174	29,319,957	**6,332,890**	1,316,199

4. OTHER INCOME

	Group 2007 RM	Group 2006 RM (As restated)	Company 2007 RM	Company 2006 RM
Interest income	**387,313**	356,470	**224,346**	295,558
Gain on disposal of marketable securities	**301,507**	–	**–**	–
Operating lease rental	**183,769**	20,012	**–**	–
Miscellaneous	**78,086**	5,000	**–**	–
	950,675	381,482	**224,346**	295,558

5. FINANCE COSTS

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Interest expense on bank borrowings	**252,596**	85,055	**16,207**	–

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2007

6. PROFIT BEFORE TAX

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
		(As restated)		
The following amounts have been included in arriving at profit before tax:				
After charging:				
Amortisation of intangible assets (Note 10)	**72,005**	72,004	**-**	-
Auditor's remuneration:				
- Statutory audit:				
- current year	**87,500**	36,000	**10,000**	10,000
- underprovision in prior year	**-**	10,500	**-**	-
- Other services:				
- current year	**7,000**	7,000	**7,000**	7,000
- underprovision in prior year	**-**	3,000	**-**	3,000
Amortisation of prepaid land lease payments (Note 13)	**9,267**	-	**-**	-
Bad debts written off	**87,500**	-	**-**	-
Depreciation (Note 9)	**877,081**	481,820	**101,431**	-
Directors' emoluments	**1,967,776**	358,760	**1,027,900**	358,760
Directors' fees	**78,000**	48,000	**78,000**	48,000
Employees benefit expense (Note 32)	**3,248,823**	1,843,848	**1,099,080**	402,351
Foreign exchange loss				
- unrealised	**1,216**	-	**-**	-
Loss on disposal of property, plant and equipment	**50,108**	-	**-**	-
Property, plant and equipment written off	**3,248**	7,852	**-**	-
Provision for doubtful debt	**-**	95,111	**-**	-
Rental of building	**42,350**	-	**-**	-
Rental of equipment	**8,190**	-	**-**	-
and crediting:				
Gross dividend income:				
- investment quoted in Malaysia	**5,535**	-	**-**	-
- a subsidiary	**-**	-	**4,000,000**	290,000
Interest income	**399,943**	356 ,470	**224,346**	295,558
Gain on disposal of marketable securities	**301,507**	-	**-**	-
Gain on disposal of other investment	**-**	62,050	**-**	62,050
Operating lease rental	**183,769**	20,012	**-**	-
Foreign exchange gains				
- realised	**287,873**	78,151	**-**	-
- unrealised	**-**	10,474	**-**	-

7. INCOME TAX EXPENSE

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
		(As restated)		
Tax expense for the year:				
Malaysian income tax	**1,402,394**	1,107,410	**1,304,699**	205,406
Deferred tax (Note 27):				
Relating to origination and reversal of temporary differences	**140,338**	18,798	**8,960**	-
Relating to change in tax rates	**(29,472)**	(24,705)	**-**	
(Over)/Underprovided in prior year	**(156)**	46	**-**	-
	110,710	(5,861)	**8,960**	-
Under/(Over)provision in prior years:				
Malaysian income tax	**10,604**	(22,930)	**(16,384)**	-
	1,523,708	1,078,619	**1,297,275**	205,406

Domestic income tax is calculated at the Malaysian statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27% effective year of assessment 2008 and to 25% in subsequent years of assessment. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to profit before tax 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		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
		(As restated)		
Profit before tax	**8,364,312**	4,023,428	**4,909,910**	1,033,249
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	**2,258,364**	1,126,560	**1,325,676**	289,310
Effect of income subject to tax of 20%	**(22,990)**	-	**-**	-
Effects of share of taxation of an associate	**(141,170)**	-	**-**	-
Deferred tax recognised at different tax rates	**(29,472)**	(24,705)	**-**	-
Income not subject to tax	**(146,374)**	(56,840)	**(60,574)**	(132,291)
Expenses eligible for double deduction	**(4,754)**	(5,888)	**-**	-
Expenses not deductible for tax purposes	**126,231**	79,599	**48,557**	48,387
Utilisation of current year's reinvestment allowances	**(526,575)**	(17,223)	**-**	-
(Over)/Underprovision of deferred tax in prior year	**(156)**	46	**-**	-
Under/(Over)provision of income tax in prior years	**10,604**	(22,930)	**(16,384)**	-
	1,523,708	1,078,619	**1,297,275**	205,406

8. BASIC EARNINGS PER SHARE

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

The amounts are tabulated as follows:

	Group	
	2007	2006 (As restated)
Profit attributable to ordinary equity holders of the Company (RM)	**6,843,321**	2,944,809
Weighted average number of ordinary shares in issue	**233,880,625**	189,630,000
Basic earnings per share (sen)	**2.93**	1.55

9. PROPERTY, PLANT AND EQUIPMENT

Group	**Freehold land RM**	**Building, renovation and electrical installation RM**	**Plant and machinery RM**	**Factory equipment RM**	**Furniture, fittings, computer and office equipment RM**	**Motor vehicles RM**	**Capital in progress RM**	**Total RM**
2007								
Cost								
At 1 January 2007 (As restated)	1,549,010	4,520,598	5,288,377	598,730	175,101	204,322	3,678,919	16,015,057
Additions	-	80,905	703,540	29,804	143,747	719,500	55,744	1,733,240
Acquisition of a subsidiary	-	917,698	306,104	-	313,602	1,759,316	-	3,296,720
Disposals	-	-	-	(9,330)	(6,165)	(318,000)	-	(333,495)
Reclassification	-	3,730,920	-	-	-	-	(3,730,920)	-
Adjustments	-	(126,000)	-	-	-	-	119,162	(6,838)
At 31 December 2007	1,549,010	9,124,121	6,298,021	619,204	626,285	2,365,138	122,905	20,704,684
Accumulated depreciation								
At 1 January 2007 (As restated)	-	866,473	2,501,654	422,946	113,498	148,322	-	4,052,893
Charge for the year	-	139,223	485,752	29,717	36,899	185,490	-	877,081
Acquisition of a subsidiary	-	154,388	224,065	-	204,526	1,218,653	-	1,801,632
Written back on disposals	-	-	-	(6,529)	(5,718)	(110,000)	-	(122,247)
At 31 December 2007	-	1,160,084	3,211,471	446,134	349,205	1,442,465	-	6,609,359
Net carrying amount								
At 31 December 2007	1,549,010	7,964,037	3,086,550	173,070	277,080	922,673	122,905	14,095,325

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Group	Freehold land RM	Building and electrical installation RM	Plant and machinery RM	Factory equipment RM	Furniture, fittings, computer and office equipment RM	Motor vehicles RM	Capital in progress RM	Total RM
2006 (As restated)								
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	-	-	1,196,000	17,055	12,582	-	1,345,359	2,570,996
Disposals	-	-	(8,500)	(12,290)	(4,752)	-	-	(25,542)
At 31 December 2006	1,549,010	4,520,598	5,288,377	598,730	175,101	204,322	3,678,919	16,015,057
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	343,046	28,494	10,516	10,200	-	481,820
Written back on disposals	-	-	(5,100)	(9,160)	(3,430)	-	-	(17,690)
At 31 December 2006	-	866,473	2,501,654	422,946	113,498	148,322	-	4,052,893
Net carrying amount								
At 31 December 2006	1,549,010	3,654,125	2,786,723	175,784	61,603	56,000	3,678,919	11,962,164

Company	Furniture, fittings, computer and office equipment RM	Motor vehicles RM	Total RM
2007			
Cost			
At 1 January 2007	-	-	-
Additions	22,823	648,000	670,823
At 31 December 2007	22,823	648,000	670,823
Accumulated depreciation			
At 1 January 2007	-	-	-
Charge for the year	4,231	97,200	101,431
At 31 December 2007	4,231	97,200	101,431
Net carrying amount			
At 31 December 2007	18,592	550,800	569,392

The Company did not have any property, plant and equipment for the year ended 31 December 2006.

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(a) The net book value of the Group's property, plant and equipment pledged to financial institutions as securities for bank facilities granted to a subsidiary as disclosed in Note 24 to the financial statements are as follows:

	2007 RM	2006 RM
Freehold land	**1,549,010**	1,549,010
Building and electrical installation	**7,332,038**	3,654,125
Plant and machinery	**1,819,728**	1,685,434
Factory equipment	**173,071**	175,784
Furniture, fittings and office equipment	**154,058**	61,603
Motor vehicles	**113,725**	56,000
Capital-in-progress	**-**	3,678,919
	11,141,630	10,860,875

(b) Included in property, plant and equipment of the Group and of the Company are motor vehicles with net carrying amounts of RM732,293 (2006: RM Nil) and RM550,800 (2006: RM Nil) respectively held under hire purchase.

10. INTANGIBLE ASSETS

	Goodwill RM	Development costs RM	Group Total RM
At cost:			
At 1 January 2007	-	360,022	360,022
Acquisition of a subsidiary	48,198,954	-	48,198,954
At 31 December 2007	48,198,954	360,022	48,558,976
Accumulated amortisation:			
At 1 January 2007	-	84,005	84,005
Amortisation during the year (Note 6)	-	72,005	72,005
At 31 December 2007	-	156,010	156,010
Net carrying amount at 31 December 2007	48,198,954	204,012	48,402,966

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

10. INTANGIBLE ASSETS (CONT'D)

(a) Impairment loss recognised

The Group has not recognised any impairment loss on goodwill during the year.

(b) Impairment tests for goodwill

Allocation of goodwill

Goodwill has been allocated to the Group's cash generating unit ("CGU") identified according to the business segment as follows:

	Group	
	2007	2006
	RM	RM
Trading (oil & gas)	**48,198,954**	-

Key assumptions used in value-in-use calculations

The recoverable amount of the CGU is determined based on value-in-use calculations using cash flow projections based on financial forecasts approved by management covering a five year period. Cash flows beyond the five year period are extrapolated using a growth rate of 3% per annum.

Discount rate is estimated at 11.5% per annum throughout the calculation period.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

i. Budgeted Gross Margin

The basis used to determine the value assigned to the budgeted gross margin is the average gross margin achieved in the year immediately before the budgeted year increased for expected efficiency improvements.

ii. Selling Price

The selling price used to calculate the cash inflows from operations was determined after taking into consideration price trends of the industries which the CGU is exposed. Values assigned are consistent with the external sources of information.

iii. Discount Rate

The discount rate applied to the cash flow projections is based on the cost of borrowings of the Group through out the calculation period.

iv. Growth Rate

The growth rate used is consistent with the projected growth rate of the CGU's industry and economy.

10. INTANGIBLE ASSETS (CONT'D)

Sensitivity to changes in assumptions

Barring any unforeseen circumstances, the management believes that no reasonable change in the above assumptions would cause the net carrying amount of goodwill to materially exceed its recoverable amount.

11. INVESTMENT IN SUBSIDIARIES

	Company 2007 RM	Company 2006 RM
Unquoted shares at cost	**86,173,353**	30,530,197

The subsidiaries which are incorporated in Malaysia are as follows:

Name	Effective equity interest 2007	Effective equity interest 2006	Country of incorporation	Principal activities
Held by the Company:				
Daya Polymer Sdn. Bhd.	100%	100%	Malaysia	Manufacturer of semicon and XLPE compounds for cable and wire and trading in specialty chemicals, related polymer compounds and hardware. It has temporarily ceased its trading activities in the current year
DMB Marketing & Trading Sdn. Bhd.	100%	100%	Malaysia	General trading, marketing and investment holding
Meridian Orbit Sdn. Bhd.	60%	-	Malaysia	Investment holding
Seca Dyme Sdn. Bhd. *	100%	-	Malaysia	Trading in petrochemicals products and investment holding
Held through subsidiaries:				
Daya Hightech Sdn. Bhd.	100%	-	Malaysia	Dormant
Seca Chemicals and Catalysts Sdn. Bhd.*	100%	-	Malaysia	Dealing in petroleum, oil and gas products
SD Equipment Sdn. Bhd. *	100%	-	Malaysia	Providing safety equipment and uniform
Seca Engineering and Manpower Services Sdn. Bhd. *	100%	-	Malaysia	Providing engineering and manpower services
Matriwell Sdn. Bhd. *	80%	-	Malaysia	Dormant

* Audited by firms of auditors other than Ernst & Young

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Subsidiaries

i. The Company had, on 1 August 2007, acquired the entire issued and paid up share capital of Seca Dyme Sdn. Bhd. ("SDSB"), comprising of 1,008,000 ordinary shares of RM1.00 each. Based on the Sales and Purchase Agreement ("Agreement") entered into between the Company and the vendors of SDSB ("Vendors"), the purchase consideration of RM24,000,000 is 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, thereafter making SDSB, a wholly-owned subsidiary of DMB ("Acquisition of SDSB"). At the date of acquisition, the fair value of DMB shares was RM0.60 each, being the published price.

The vendors have also given a profit guarantee under the Agreement that SDSB will be able to achieve a consolidated profit before tax of at least RM4,000,000 ("Guaranteed Profits") for each of the financial years ended/ending 2006 to 2008. Should SDSB be unable to achieve the guaranteed profits, the vendors are required to make payment to the Company on the shortfall between the actual consolidated profit before tax and the guaranteed profits.

The cost of acquisition comprised of the following:

	RM
Purchase consideration satisfied by cash	4,780,000
Ordinary shares issued, at fair value (Note 25)	50,139,130
Costs attributable to the acquisition, paid in cash	694,026
	55,613,156

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

	2007 RM
Revenue	**24,366,245**
Profit for the year	**2,139,397**

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

	Fair value recognised on acquisition RM	Acquiree's carrying value RM
Property, plant and equipment	1,495,088	1,495,088
Prepaid land lease payments	1,277,026	1,277,026
Inventories	4,191,666	4,191,666
Trade and other receivables	1,830,588	1,830,588
Cash and bank balances	2,646,686	2,646,686
Trade and other payables	(1,589,792)	(1,589,792)
Tax payable	(469,558)	(469,558)
Borrowings	(1,958,569)	(1,958,569)
Deferred tax liabilities	(8,641)	(8,641)
Fair value of net assets	7,414,494	7,414,494
Minority interests	(292)	
Group's share of net assets	7,414,202	
Goodwill on acquisition (Note 10)	48,198,954	
Total cost of acquisition	55,613,156	

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Subsidiaries (Cont'd)

The cash out flow arising from the acquisition of SDSB are as follows:

	2007 RM
Purchase consideration satisfied by cash	**4,780,000**
Costs attributable to the acquisition, paid in cash	**694,026**
	5,474,026
Cash and cash equivalents of subsidiary acquired	**(2,646,686)**
Net cash out flow of the Group	**2,827,340**

ii. The Company had, on 29 August 2007, acquired six (6) ordinary shares of RM1.00 each in Meridian Orbit Sdn. Bhd. ("MOSB"), representing 60% of the issued and paid-up share capital for a total cash consideration of RM6.00. DMB further subscribed for 29,994 shares of RM1 each for a cash consideration of RM29,994 when MOSB increased its paid up share capital to RM50,000 on 14 September 2007.

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

	2007 RM
Loss for the period	**5,960**

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

	Fair value recognised on acquisition RM	Acquiree's carrying amount RM
Cash and bank balances	10	10
Minority interests	(4)	-
Group's share of net assets/Total cost of acquisition	6	10

The cash outflows arising from the acquisition of MOSB are as follows:

	2007 RM
Purchase consideration satisfied by cash	6
Cash and cash equivalents of subsidiary acquired	(10)
Net cash inflow of the Group	(4)

iii. The Company had, on 29 October 2007, via Daya Polymer Sdn. Bhd., a wholly owned subsidiary of the Company acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Daya Hightech Sdn. Bhd..

There are no assets, liabilities or cash flows on acquisition net of cash and cash equivalents arising from this acquisition.

11. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Acquisition of Subsidiaries (Cont'd)

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

	2007 RM
Loss for the period	4,730

There were no acquisitions in the financial year ended 31 December 2006 and subsequent to 31 December 2007 except as disclosed in Note 38.

12. INVESTMENT IN AN ASSOCIATE

	Group		Company	
	2007 RM	2006 RM	**2007 RM**	2006 RM
Unquoted shares, at cost	**7,200,000**	-	**7,200,000**	-
Shares of post acquisition reserve	**444,047**	-	**-**	-
Share of net assets, other than goodwill	**7,644,047**	-	**7,200,000**	-

Pursuant to the Sales and Purchase Agreement entered into between the Company and the vendors of CMT (Penang) Sdn. Bhd. ("Vendors"), the vendors have given a profit guarantee that CMT (Penang) Sdn. Bhd. will be able to achieve a consolidated profit before tax of at least RM4,000,000 ("Guaranteed Profits") for each of the financial years ended/ending 2007 to 2009. Should CMT (Penang) Sdn. Bhd. be unable to achieve the guaranteed profits, the Company is entitled to utilise the deposits received from the vendors against the Company's share of the shortfall of the guaranteed profits as disclosed in Note 22.

The associate which is incorporated in Malaysia is as follows:

Name Held by the Company:	Effective equity interest 2007	2006	Country of incorporation	Principal activities
CMT (Penang) Sdn. Bhd.	30%	-	Malaysia	Providing industrial facilities management including builder works, facility operation and maintenance services, upgrade, retrofit, design and build plant facilities.

The financial statements of the above associate is coterminus with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2007

12. INVESTMENT IN AN ASSOCIATE (CONT'D)

The summarised financial information of the associate is as follows:

	Group 2007 RM
Assets and liabilities	
Current assets	30,147,160
Non-current assets	7,061,988
Total assets	37,209,148
Current liabilities	(20,554,709)
Non-current liabilities	(424,044)
Total liabilities	(20,978,753)
Minority interest	(474,120)
	15,756,275
Results	
Revenue	81,502,081
Profit for the year	3,125,559

Share of associate's net tangible assets and net profit are as follows:

	Group 2007 RM
Group's share of net assets	15,756,275
Effective interest	30%
Share of net tangible assets	4,726,883
Goodwill arising from investment in associate	2,917,164
	7,644,047
Profit for the year of the associate	3,125,559
Pre-acquisition profits	(1,645,402)
Post-acquisition profits	1,480,157
Effective interest	30%
Share of post-acquisition	444,047

13. PREPAID LAND LEASE PAYMENTS

	Group 2007 RM	2006 RM
Long term leasehold land, at cost		
At 1 January	-	-
Acquisition of a subsidiary (Note 11)	1,277,026	-
Amortisation for the year (Note 6)	(9,267)	-
At 31 December	1,267,759	-

The leasehold land has an unexpired lease period of 58 years.

14. INVENTORIES

	Group 2007 RM	Group 2006 RM
At cost:		
Raw materials	**7,988,055**	2,284,990
Work-in-progress	**98,547**	76,959
Finished goods	**1,359,682**	1,076,560
Consumables	**221,525**	131,728
	9,667,809	3,570,237

The Group's inventories have been pledged to a licensed bank as securities for bank facilities granted to a subsidiary as disclosed in Note 24.

15. TRADE RECEIVABLES

	Group 2007 RM	Group 2006 RM
Trade receivables	**9,388,275**	9,354,549
Provision for doubtful debts	**-**	(135,111)
	9,388,275	9,219,438

(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 2007, 56% (2006: 64%) of trade receivables balance consist of five major customers of the Group.

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

16. OTHER RECEIVABLES

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Deposits	**1,053,924**	491,160	**101,000**	481,000
Prepayment	**1,196,809**	2,149,033	**30,000**	274,264
Sundry receivables	**2,839,659**	565,261	**-**	-
	5,090,392	3,205,454	**131,000**	755,264

16. OTHER RECEIVABLES (CONT'D)

Included in deposits of the Group and of the Company is an advance amounting to RM Nil (2006: RM480,000) paid for the acquisition of Seca Dyme Sdn. Bhd. which was completed during the year.

Included in prepayments of the Group are advance payments made to suppliers for the purchase of raw materials amounting to RM 1,131,855 (2006: RM982,184).

Included in sundry receivables of the Group is a payment made on behalf of Clarimax Consolidated Sdn. Bhd. for the purchase of land amounting to RM1,631,459. Clarimax Consolidated Sdn. Bhd. become a 55% owned subsidiary of the Group subsequent to year end as disclosed in Note 38.

Other information on financial risks of other receivables are disclosed in Note 34.

17. AMOUNTS DUE BY SUBSIDIARIES AND AN ASSOCIATE COMPANY

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

Further details on related party transactions are disclosed in Note 31.

18. SHORT TERM INVESTMENTS

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Investments in money market, at cost	**11,511,137**	9,358,777	**7,828,220**	6,380,995
Market value of investments	**11,511,137**	9,358,777	**7,828,220**	6,380,995

Other information on financial risks of short term investments are disclosed in Note 34.

19. MARKETABLE SECURITIES

	Group	
	2007	2006
	RM	RM
Share quoted in Malaysia, at cost	**463,572**	180,900
Market value of quoted shares	**474,744**	183,800

20. FIXED DEPOSITS WITH LICENSED BANKS

The Group's fixed deposits have been pledged to licensed banks for banking facilities granted to the subsidiaries.

21. TRADE PAYABLES

	Group	
	2007	2006
	RM	RM
Trade payables	**3,325,971**	1,436,146

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 34.

22. OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Accruals	**2,122,139**	517,430	**649,400**	65,000
Other payables	**3,137,421**	385,559	**2,425,107**	4,362
	5,259,560	902,989	**3,074,507**	69,362

During the year, the Company received a deposit for a profit guarantee (as disclosed in Note 12) amounting to RM3,600,000 from the vendors of CMT (Penang) Sdn. Bhd., an associate company pursuant to the sales and purchase agreement between CMT (Penang) Sdn. Bhd. and the Company.

Under the terms of the profit guarantee, RM1,200,000 will be refunded by the Company to the vendors of CMT (Penang) Sdn. Bhd. each year for the 3 financial years ended/ending 2007 to 2009 in the event where CMT (Penang) Sdn. Bhd. achieves a consolidated profit before tax of at least RM4,000,000 for each of the 3 financial years. The amount refundable after the next 12 months amounting to RM1,200,000 has been included under non-current liabilities.

Other information on financial risks of other payables are disclosed in Note 34.

23. HIRE PURCHASE PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Minimum lease payment				
Not later than 1 year	**348,648**	–	**191,844**	–
Later than 1 year and not later than 2 years	**264,319**	–	**191,844**	–
Later than 2 years and not later than 5 years	**103,981**	–	**47,908**	–
	716,948	–	**431,596**	–
Future finance charges	**(38,260)**	–	**(21,273)**	–
Present value of hire purchase liabilities	**678,688**	–	**410,323**	–
Present value of hire purchase liabilities				
Not later than 1 year	**323,579**	–	**177,325**	–
Later than 1 year and not later than 2 years	**253,654**	–	**185,428**	–
Later than 2 years and not later than 5 years	**101,455**	–	**47,570**	–
	678,688	–	**410,323**	–
Analysed as				
Due within 12 months	**323,579**	–	**177,325**	–
Due after 12 months	**355,109**	–	**232,998**	–
	678,688	–	**410,323**	–

Other information on financial risks of borrowings are disclosed in Note 34.

24. BORROWINGS (SECURED)

	Group	
	2007	2006
	RM	RM
Bankers' acceptances	**579,000**	3,383,000
Term loan (Note 28)	**155,000**	155,000
	734,000	3,538,000

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

(a) legal charges over a subsidiary's freehold land and building;

(b) corporate guarantee by the Company;

(c) a debenture over all assets of a subsidiary; and

(d) a pledge on the subsidiaries' fixed deposits.

Other information on financial risks of borrowings are disclosed in Note 34.

25. SHARE CAPITAL

	Number of ordinary shares of RM0.10 each		Amount	
	2007	2006	**2007**	2006
			RM	RM
Authorised:				
At 1 January	**250,000,000**	250,000,000	**25,000,000**	25,000,000
Created during the year	**250,000,000**	-	**25,000,000**	-
At 31 December	**500,000,000**	250,000,000	**50,000,000**	25,000,000
Issued and fully paid:				
At 1 January	**189,630,000**	189,630,000	**18,963,000**	18,963,000
Ordinary shares issued during the year:				
Acquisition of a subsidiary (Note 11)	**83,565,217**	-	**8,356,522**	-
Issued for cash	**22,000,000**	-	**2,200,000**	-
At 31 December	**295,195,217**	189,630,000	**29,519,522**	18,963,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

(a) Ordinary shares issued for the acquisition of the subsidiary

During the financial year, the Company issued 83,565,217 new ordinary shares of RM0.10 each in the Company at RM0.60 each, being the published price at the date of acquisition amounting to RM50,139,130 as partial discharge of the purchase consideration for the acquisition of Seca Dyme Sdn. Bhd. {Note 11(a)}. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

(b) Ordinary shares issued for cash

During the financial year, the Company issued 22,000,000 new ordinary shares of RM0.10 each through a private placement to Bumiputra investors at an issue price of RM0.535 per ordinary shares for cash pursuant to the Company's acquisition of Seca Dyme Sdn. Bhd..

The share premium of RM9,570,000 arising from the issuance of ordinary shares and the share issue costs of RM58,849 have been included in the share premium account. The new ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

26. RESERVES

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Distributable reserve:				
Retained profit	**14,498,639**	7,655,318	**4,398,527**	785,892
Non-distributable reserve:				
Capital reserve	**-**	-	**17,256,197**	17,256,197
Share premium	**57,252,909**	5,959,150	**57,252,909**	5,959,150
	71,751,548	13,614,468	**78,907,633**	24,001,239

Retained profit

Prior to the year of assessment 2008, Malaysian companies adopt the full imputation system. In accordance with the Finance Act 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in the hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the 108 balance and opt to pay dividends under the single tier system. The change in the tax legislation also provides for the 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act 2007.

The Company did not elect for the irrevocable option to disregard the 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the 108 balance as at 31 December 2007 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act 2007. As at 31 December 2007, the Company has sufficient credit in the 108 balance to pay franked dividends amounting to RM4,250,000 (2006: RM430,000) out of its retained earnings. If the balance of the retained earnings of RM150,000 were to be distributed as dividends, the Company may distribute such dividends under the single tier system.

The Company has, pending agreement with the tax authorities, tax-exempt income of approximately RM290,000 (2006: RM290,000) as at 31 December 2007 available for distribution by way of tax-exempt dividends.

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.

26.1 The movement in share premium account is as follows:

	Group and Company	
	2007	2006
	RM	RM
At 1 January	**5,959,150**	5,959,150
Ordinary shares issued during the year:		
Acquisition of a subsidiary	**41,782,608**	-
Issued for cash	**9,570,000**	-
Transaction costs	**(58,849)**	-
	57,252,909	5,959,150

27. DEFERRED TAX LIABILITIES

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
At 1 January	**667,019**	672,880	**-**	-
Acquisition of a subsidiary	**8,641**			
Recognised in income statements (Note 7)	**110,710**	(5,861)	**8,960**	-
At 31 December	**786,370**	667,019	**8,960**	-

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

Group

	At 1 January 2007 RM (As restated)	**Acquisition of a subsidiary RM**	**Recognised in income statements RM**	**At 31 December 2007 RM**
2007				
Property, plant and equipment	584,351	8,641	135,422	728,414
Others	82,668	-	(24,712)	57,956
	667,019	8,641	110,710	786,370

	At 1 January 2006 RM	**Acquisition of a subsidiary RM**	**Recognised in income statements RM (As restated)**	**At 31 December 2006 RM (As restated)**
2006				
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 2007 RM	**Recognised in income statements RM**	**At 31 December 2007 RM**
Company			
Property, plant and equipment	-	8,960	8,960

There was no deferred tax liability for the Company for the financial year ended 31 December 2006.

28. TERM LOAN (SECURED)

	Group 2007 RM	Group 2006 RM
Amount repayable within the next 12 months (Note 24)	**155,000**	155,000
Amount repayable after the next 12 months	**348,750**	503,750
	503,750	658,750

The securities given for the term loan are disclosed in Note 24 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 34.

29. CAPITAL COMMITMENTS

	Group 2007 RM	Group 2006 RM
Contracted and not provided for	**4,737,794**	-
Approved but not contracted for	**3,391,707**	4,121,601

30. CONTINGENT LIABILITIES (UNSECURED)

	Company 2007 RM	Company 2006 RM
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary	**1,082,750**	4,041,750

31. 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:

	2007 RM	2006 RM
Group		
Management fees received/receivable from an associate	**156,700**	-
Purchases of raw materials from a company in which a director of a subsidiary has an interest		
- Cominet Corporation	**4,826,293**	2,012,120
Company		
Subsidiaries:		
- Dividend received	**4,000,000**	-
- Management fees received/receivable	**2,176,190**	1,026,199
- Advances received	**2,000,000**	-
- Advances given	**2,431,459**	2,000,000
Associate:		
- Management fees received/receivable	**156,700**	-

The directors are of the opinion that these transactions have been entered into in the normal course of business and have been establised 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 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Short term employee benefits	**2,453,574**	846,053	**1,064,500**	410,700
Post employment benefits:				
- Defined contribution plan	**184,006**	91,625	**111,960**	39,180
	2,637,580	937,678	**1,176,460**	449,880

Included in the total compensation of key management personnel are:

	Group 2007 RM	Group 2006 RM	Company 2007 RM	Company 2006 RM
Director's remuneration (Note 6)	**1,967,776**	358,760	**1,027,900**	358,760

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
31 DECEMBER 2007

32. EMPLOYEE BENEFITS EXPENSE

	Group		Company	
	2007	2006	**2007**	2006
	RM	RM	**RM**	RM
Wages and salaries	**2,691,057**	1,559,448	**933,000**	326,500
Social security costs	**22,615**	15,282	**620**	471
Pension costs - defined contribution plans	**296,660**	188,418	**111,960**	39,180
Overtime and allowances	**238,491**	80,700	**53,500**	36,200
	3,248,823	1,843,848	**1,099,080**	402,351

33. 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.

(b) Business Segments

The following table provides an analysis of the Group's revenue, results, assets and liabilities and other information by business segments:

	Manufacturing		Trading		Others		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RM	RM	**RM**	RM	**RM**	RM	**RM**	RM
REVENUE						(As restated)		(As restated)
Revenue from external customers	**37,717,065**	28,632,904	**24,366,244**	687,053	**174,865**	-	**62,258,174**	29,319,957
RESULT								
Segment results	**5,218,060**	4,262,406	**3,887,137**	127,199	**328,427**	1,828	**9,433,624**	4,391,433
Unallocated results							**(1,260,763)**	(282,950)
Profit from operations							**8,172,861**	4,108,483
Finance costs							**(252,596)**	(85,055)
Share of results of an associate							**444,047**	-
Profit before tax							**8,364,312**	4,023,428
Income tax expense							**(1,523,708)**	(1,078,619)
Net profit for the year							**6,840,604**	2,944,809
ASSETS AND LIABILITIES								
Segment assets	**31,119,719**	29,888,211	**13,056,327**	-	**2,669,546**	2,619,830	**46,845,592**	32,538,041
Investment in an associate							**7,644,047**	-
Unallocated assets							**59,270,097**	7,195,632
Total assets							**113,759,736**	39,733,673
Segment liabilities	**3,962,561**	5,649,773	**2,118,463**	-	**6,000**	3,000	**6,087,024**	5,652,773
Unallocated liabilities:								
Corporate liabilities							**4,277,507**	69,362
Hire purchase payables							**678,688**	-
Term loan							**503,750**	658,750
Tax payable							**138,000**	108,301
Deferred taxation							**786,370**	667,019
Total liabilities							**12,471,339**	7,156,205

33. SEGMENTAL REPORTING (CONT'D)

(b) Business Segments (Cont'd)

	Manufacturing		Trading		Others		Group	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
	RM	RM	**RM**	RM	**RM**	RM	**RM**	RM
						(As restated)		(As restated)
OTHER INFORMATION								
Capital expenditure	**839,994**	1,460,453	**222,423**	-	**670,823**	1,110,543	**1,733,240**	2,570,996
Depreciation and amortisation	**627,996**	544,570	**117,873**	-	**212,484**	9,254	**958,353**	553,824
Non cash expenses other than depreciation and amortisation	**87,500**	95,111	**-**	-	**-**	-	**87,500**	95,111

(c) Geographical segments:

	Total revenue from external customers		Segment assets		Capital expenditure	
	2007	2006	**2007**	2006	**2007**	2006
	RM	RM	**RM**	RM	**RM**	RM
				(As restated)		(As restated)
The Group's operations are mainly located in Malaysia:						
Malaysia	**59,228,092**	27,867,613	**46,845,592**	32,538,041	**1,733,240**	2,570,996
Other Asian countries	**2,927,373**	1,452,344	**-**	-	**-**	-
Middle East countries	**102,709**	-	**-**	-	**-**	-
Consolidated	**62,258,174**	29,319,957	**46,845,592**	32,538,041	**1,733,240**	2,570,996

34. 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 2007. 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.

34. FINANCIAL INSTRUMENTS (CONT'D)

(b) Interest Rate Risk (Cont'd)

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 2007									
Fixed rate									
Fixed deposits	20	3.70-3.90	2,301,082	-	-	-	-	-	2,301,082
Hire purchase	23	2.30-4.90	(323,579)	(253,654)	(80,779)	(16,584)	(4,092)	-	(678,688)
Term loan	28	8.0	(155,000)	(155,000)	(155,000)	(38,750)	-	-	(503,750)
Floating rate									
Short term investments	18	2.35-3.27	11,511,137	-	-	-	-	-	11,511,137
Bankers' acceptance	24	3.68-3.99	(579,000)	-	-	-	-	-	(579,000)
At 31 December 2006									
Fixed rate									
Fixed deposits	20	3.88-3.90	36,509	-	-	-	-	-	36,509
Term loan	28	7.50-8.00	(155,000)	(155,000)	(155,000)	(155,000)	(38,750)	-	(658,750)
Floating rate									
Short term investments	18	1.80-3.38	9,358,777	-	-	-	-	-	9,358,777
Bankers' acceptance	24	3.68-4.08	(3,383,000)	-	-	-	-	-	(3,383,000)
Company									
At 31 December 2007									
Fixed rate									
Hire purchase	23	2.30-2.35	177,325	185,428	47,570	-	-	-	410,323
Floating rate									
Short term investments	18	2.36-3.27	7,828,220	-	-	-	-	-	7,828,220
At 31 December 2006									
Floating rate									
Short term investments	18	1.80-3.38	6,380,995	-	-	-	-	-	6,380,995

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.

34. FINANCIAL INSTRUMENTS (CONT'D)

(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 and Singapore 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	**2007 Ringgit Malaysia RM**	2006 Ringgit Malaysia RM
Trade receivables		
United States Dollar	**577,288**	470,349
Trade payables		
United States Dollar	**2,375,387**	679,506
Other payables		
Singapore Dollar	**11,421**	-

(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 15.

34. FINANCIAL INSTRUMENTS (CONT'D)

(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:

	Note	Group Carrying amount RM	Group Fair value RM	Company Carrying amount RM	Company Fair value RM
Financial assets					
At 31 December 2007					
Amounts due by subsidiaries	17	–	–	10,781,827	*
Marketable securities	19	463,572	474,744	–	–
At 31 December 2006					
Amounts due by subsidiaries	17	–	–	5,354,178	*
Marketable securities	19	180,900	183,800	–	–
Financial liabilities					
At 31 December 2007					
Contingent liabilities	30	–	–	1,082,750	**
Hire purchase	23	678,688	705,073	410,323	425,092
Term loan	28	503,750	529,656	–	–
At 31 December 2006					
Contingent liabilities	30	–	–	4,041,750	**
Term loan	28	658,750	698,773	–	–

* It is not practical to estimate the fair value of amount due by subsidiaries 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. 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.

ii. Term Loan and Hire Purchase

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.

35. SIGNIFICANT EVENTS

The following are the significant events during the year:

(a) Acquisition of Seca Dyme Sdn. Bhd.

The Company had, on 1 August 2007, acquired the entire issued and paid up share capital of Seca Dyme Sdn. Bhd. ("SDSB"), comprising of 1,008,000 ordinary shares of RM1.00 each. Based on the Sales and Purchase Agreement ("Agreement") entered into between the Company and the vendors of SDSB ("Vendors"), the purchase consideration of RM24,000,000 is 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, thereafter making SDSB, a wholly-owned subsidiary of DMB ("Acquisition of SDSB"). At the date of acquisition, the fair value of DMB shares was RM0.60 each, being the published price.

The vendors have also given a profit guarantee under the Agreement that SDSB will be able to achieve a consolidated profit before tax of at least RM4,000,000 ("Guaranteed Profits") for each of the financial years ended/ending 2006 to 2008. Should SDSB be unable to achieve the guaranteed profits, the vendors are required to make payment to the Company on the shortfall between the actual consolidated profit before tax and the guaranteed profits.

(b) Acquisition of Meridian Orbit Sdn. Bhd.

The Company had, on 29 August 2007, acquired six (6) ordinary shares of RM1.00 each in Meridian Orbit Sdn. Bhd. ("MOSB"), representing 60% of the issued and paid-up share capital for a total cash consideration of RM6.00. The Company further subscribed for 29,994 shares of RM1.00 each for a cash consideration of RM29,994 when MOSB increased its paid up share capital to RM50,000 on 14 September 2007.

(c) Acquisition of Daya Hightech Sdn. Bhd.

The Company had, on 29 October 2007, via Daya Polymer Sdn Bhd, a wholly owned subsidiary of DMB acquired two (2) ordinary shares of RM1.00 each representing 100% of the issued and paid-up share capital of Daya Hightech Sdn. Bhd..

(d) Acquisition of CMT (Penang) Sdn. Bhd.

The Company had, on 31 October 2007, acquired 750,000 ordinary shares of RM1.00 each representing 30% of the issued and paid-up share capital of CMT (Penang) Sdn Bhd ("CMT") from Goo Bak Hoo @ Goh Bak Hoe, Bong Hock Kim, Chan Thiam Fook, Chin Choon Guan and Chen Soon Loy (collectively "CMT Vendors") for a cash consideration of RM7,200,000.

Pursuant to the Sales and Purchase Agreement entered into between the Company and the vendors of CMT (Penang) Sdn. Bhd. ("Vendors"), the vendors have given a profit guarantee that CMT (Penang) Sdn. Bhd. will be able to achieve a consolidated profit before tax of at least RM4,000,000 ("Guaranteed Profits") for each of the financial years ended/ending 2007 to 2009. Should CMT (Penang) Sdn. Bhd. be unable to achieve the guaranteed profits, the Company is entitled to utilise the deposits received from the vendors against the Company's share of the shortfall of the guaranteed profits as disclosed in Note 22.

36. PRIOR YEAR ADJUSTMENTS AND COMPARATIVES

The Group had entered into commercial equipment leases on its logging equipment for the year ended 31 December 2006. The Group had then determined that it will transfer substantially all the risks and rewards of ownership of these equipments to the leasee which are leased out as finance lease.

The Group has in the current year reassessed the accounting judgement made previously and has determined based on an evaluation of the terms and conditions of the amendments that it retains substantially all the risks and rewards of ownership of its logging equipments and so accounts for the contract as an operating lease.

This change has been accounted for retrospectively and the effects of the adjustments are as follows:

	As previously stated RM	Effect of the prior year adjustments RM	Reclassification* RM	As restated RM
Group				
Income statements				
Cost of sales	(23,111,724)	-	(72,004)	(23,183,728)
Other income	377,028	4,454	-	381,482
Administrative and general expenses	(2,133,958)	(9,254)	72,004	(2,071,208)
Profit before tax	4,028,228	(4,800)	-	4,023,428
Balance sheets				
Property, plant and equipment	10,860,875	1,101,289	-	11,962,164
Finance lease receivables	1,106,089	(1,106,089)	-	-
Retained earnings	7,660,118	(4,800)	-	7,655,318
Cash flow statements				
Depreciation	472,566	9,254	-	481,820
Increase in trade and other receivables	(3,420,238)	1,106,089	-	(2,314,149)
Purchase of property, plant and equipment	(1,460,453)	(1,110,543)	-	(2,570,996)

* In addition to those disclosed elsewhere in the financial statements, the above comparative amounts as at 31 December 2006 have been reclassified to conform with current year's presentation.

37. PROPOSED FINAL DIVIDEND

At the forthcoming Annual General Meeting, a final dividend of 2.465% less income tax of 26% amounting to RM538,465 (0.18241 sen per share) and a final tax exempt dividend of 0.49% amounting to RM144,645 (0.049 sen per share) in respect of the financial year ended 31 December 2007 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2008.

38. SUBSEQUENT EVENTS

The following events took place subsequent to the year end:

Group

(i) Meridian Orbit Sdn Bhd, a 60% owned subsidiary of the Company acquired 275,000 ordinary shares of RM1.00 each representing 55% of the issued and paid-up share capital of Clarimax Consolidated Sdn. Bhd. ("CCSB") from Mr Ishar Singh Gill S/O Jiwa Singh Gill, a Singaporean, for a cash consideration of RM366,667("Acquisition of CCSB").

The acquisition of CCSB had been duly completed on 4 January 2008.

Company

(i) On 28 February 2008, the Board of Directors announced that the Company proposed to undertake a bonus issue of 196,796,811 new Daya Materials Berhad shares ("Bonus Shares") to be credited as fully paid-up, on the basis of two bonus shares for every three shares of the Company held by shareholders whose name appear in the record of depositors of the Company at the close of business on a date to be determined and announced later. The bonus issue shall be capitalised from the Company's share premium account.

The proposed bonus issue will not have any impact on the percentage shareholdings of the substantial shareholders as the bonus shares will be allotted proportionately to all shareholders of the Company.

(ii) The Company has given a corporate guarantee amounting to RM44,610,000 to a licensed bank for banking facilities granted to a subsidiary.

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 25 to 71 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2007 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 15 April 2008.

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 25 to 71 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 15 April 2008

THAM JOOI LOON

Before me,

Khoo Beng Jin, No. P. 038
Commissioner for Oaths

REPORT OF THE AUDITORS

TO THE MEMBERS OF DAYA MATERIALS BERHAD
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 25 to 71. 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 Financial Reporting Standards in Malaysia so as to give a true and fair view of :

(i) the financial position of the Group and of the Company as at 31 December 2007 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 have considered the financial statements and the auditors' report thereon of the subsidiaries of which we have not acted as auditors, as indicated in Note 11 to the financial statements, being financial statements that have been included in the consolidated financial statements.

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: 15 April 2008

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 the 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 2007, 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 April 2008

Authorised Share Capital	:	RM50,000,000.00
Issued and fully paid-up Share Capital	:	RM29,519,521.70
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	7	0.58	300	0.00
100 to 1,000 shares	96	7.93	81,000	0.03
1,001 to 10,000 shares	571	47.15	3,439,400	1.17
10,001 to 100,000 shares	408	33.69	15,210,900	5.15
100,001 to 14,759,759 shares	122	10.07	105,852,950	35.86
14,759,760 shares and above	7	0.58	170,610,667	57.79
Total	1,211	100.00	295,195,217	100.00

SUBSTANTIAL SHAREHOLDERS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Dato' Mazlin Bin Md Junid	94,524,217	32.02	-	-
Tham Jooi Loon	31,967,820	10.83	7,380,100#	2.50
Daya Capital Sdn Bhd	23,228,450	7.87	-	-
Tham Wooi Loon	17,114,300	5.80	30,238,550@	10.24
Fazrin Azwar Bin Md. Nor	15,629,000	5.29	-	-

\# Deemed interested through his shareholdings in Capital Nexus Sdn Bhd and through the shareholdings of his spouse.
@ Deemed interested through his shareholdings in Daya Capital Sdn Bhd and Capital Nexus Sdn Bhd.

DIRECTORS' SHAREHOLDINGS

Name	Number of Shares Held			
	Direct	%	Indirect	%
Dato' Azmil Khalili Bin Khalid	-	-	-	-
Dato' Mazlin Bin Md Junid	94,524,217	32.02	-	-
Tham Wooi Loon	17,114,300	5.80	30,238,550@	10.24
Tham Jooi Loon	31,967,820	10.83	7,380,100#	2.50
Fazrin Azwar Bin Md. Nor	15,629,000	5.29	-	-

@ 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 and through the shareholdings of his spouse.

ANALYSIS OF SHAREHOLDINGS (CONT'D)

As at 30 April 2008

THIRTY LARGEST SHAREHOLDERS

	Name of Shareholders	No. of Shares	% of total issued capital
1	Mazlin Bin Md Junid	36,274,217	12.29
2	Kenanga Nominees (Tempatan) Sdn Bhd - pledged securities account for Mazlin Bin Md Junid	32,250,000	10.92
3	CIMB Group Nominees (Tempatan) Sdn Bhd - Daya Materials Berhad for Mazlin Bin Md Junid (49990 HDOF)	25,000,000	8.47
4	Daya Capital Sdn Bhd	23,228,450	7.87
5	Kenanga Nominees (Tempatan) Sdn Bhd - pledged securities account for Tham Jooi Loon	22,929,000	7.77
6	Kenanga Nominees (Tempatan) Sdn Bhd - pledged securities account for Tham Wooi Loon	16,000,000	5.42
7	Fazrin Azwar Bin Md. Nor	14,929,000	5.06
8	Rozali Bin Ismail	13,500,000	4.57
9	Ku Azhar Bin Ku Hassan	12,322,000	4.17
10	CIMSEC Nominees (Tempatan) Sdn Bhd - CIMB Bank for Tham Jooi Loon (MM1102)	9,038,820	3.06
11	HSBC Nominees (Asing) Sdn Bhd - exempt an for Credit Suisse (SG BR-TST-ASING)	7,907,900	2.68
12	Capital Nexus Sdn Bhd	7,010,100	2.37
13	Song Tae Chin	4,630,500	1.57
14	Song Tae Chin	4,538,400	1.54
15	Goh Eu Jim	3,305,900	1.12
16	Mayban Nominees (Tempatan) Sdn Bhd - pledged securities account for Chai Koh Hiung	2,940,000	1.00
17	Wong Chin Yoong	2,607,000	0.88
18	Lim Guat Im	1,785,500	0.60
19	Bong Hock Kim	1,193,100	0.40
20	Tham Wooi Loon	1,114,300	0.38
21	Lee Swee Yin	1,100,000	0.37
22	H'ng Bak Tee	1,000,080	0.34
23	Michael Ong Leng Chun	1,000,000	0.34
24	Kenanga Nominees (Tempatan) Sdn Bhd - Kenanga Capital Sdn Bhd for Mazlin Bin Md Junid	1,000,000	0.34
25	E. Zani Bin Mohd Hussain	900,000	0.30
26	Mayban Nominees (Tempatan) Sdn Bhd - pledged securities account for Law Si Yong	870,000	0.29
27	Mayban Nominees (Tempatan) Sdn Bhd - Amanahraya - JMF Asset Management Sdn Bhd for Syed Abdullah Bin Syed Abd Kadir (C350-240557)	850,000	0.29
28	Yeap Teik Yee	850,000	0.29
29	Ng Ooi Heng	700,000	0.24
30	Fazrin Azwar Bin Md Nor	700,000	0.24

ADDITIONAL COMPLIANCE INFORMATION

Share Buyback

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

Options, Warrants or Convertible Securities

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/or Penalties

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

Non-Audit Fees

There were no non-audit fees payable to the external auditors by the Group for the financial year ended 31 December 2007.

Profit Estimates, Forecast or Projection

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

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

There was no variation between the audited results for the financial year ended 31 December 2007 and the unaudited for the year ended 31 December 2007 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 2007 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 31 to the financial statements on page 63.

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.

Corporate Social Responsibility

As part of fulfilling its corporate social responsibilities, the Group donated RM20,000 to Mount Miriam Hospital during the financial year, for the support of cancer patients.

LIST OF PROPERTIES

Registered Owner/ Location	Description And Existing Use	Land/ Built Up Area (sq ft)	Tenure	Approximate Age of Building	Net Book Value as at 31.12.2007 (RM)	Date of Last Revaluation/ Acquisition
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	10 years	8,881,048	15 December 2003
Seca Dyme Sdn Bhd Lot No. 5410, Kawasan Perindustrian Teluk Kalong, 24007 Kemaman Terengganu Darul Iman, Malaysia.	Industrial land	215,280/ Nil	Leasehold 60 years expiring 7 September 2064	N/A	1,267,759	30 August 2006
Seca Dyme Sdn Bhd Suite B-5-2, Setiawangsa Business Suites, Jalan Setiawangsa 11, Taman Setiawangsa, 54200 Kuala Lumpur, Malaysia.	Business/ Office	N/A/ 3229	Freehold	1 year	631,999	23 September 2004 & 4 October 2004

NOTICE OF FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the FIFTH ANNUAL GENERAL MEETING of the Company will be held at Level 2, Function Hall, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Monday, 23 June 2008 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 2007 and the Reports of the Directors and the Auditors thereon. Resolution 1

2. To approve the payment of the first and final dividends of 2.465% less income tax of 26%, and tax exempt dividend of 0.49% for the financial year ended 31 December 2007. Resolution 2

3. To approve the payment of Directors' Fees of RM78,000.00 for the year ended 31 December 2007. Resolution 3

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

   a) THAM JOOI LOON Resolution 4

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

   a) DATO' MAZLIN BIN MD JUNID Resolution 5
   b) DATO' AZMIL KHALILI BIN KHALID Resolution 6

6. To re-appoint Ernst & Young as auditors and to authorise the Directors to fix their remuneration. Resolution 7

   As Special Business:-

7. Ordinary Resolution

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

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

8. Ordinary Resolution

   Proposed increased in Authorised Share Capital of the Company

   "THAT the authorised share capital of the Company be increased from RM50,000,000.00 divided into 500,000,000 Ordinary Shares of RM0.10 each to RM100,000,000.00 divided into 1,000,000,000 Ordinary Shares of RM0.10 each by the creation of 500,000,000 Ordinary Shares of RM0.10 each.

NOTICE OF FIFTH ANNUAL GENERAL MEETING (CONT'D)

AND THAT in consequence thereof, Clause (f) of the Memorandum of Association and Article 4 of the Articles of Association of the Company and all other relevant documents be and are hereby amended accordingly." Resolution 9

9. 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.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS ALSO HEREBY GIVEN that the first and final dividends of 2.465% less income tax of 26%, and tax exempt dividend of 0.49% for the financial year ended 31 December 2007, if approved, will be paid on 24 July 2008 to depositors registered in the Record of Depositors of the Company on 25 June 2008.

A depositor shall qualify for entitlement to the dividends only in respect of :

a. Shares transferred into the depositor's securities account before 4.00 p.m. on 25 June 2008 in respect of ordinary transfers; and

b. Shares bought on Bursa Malaysia Securities Berhad on a cum entitlement basis according to the Rules of Bursa Malaysia Securities Berhad.

By Order of the Board

CHAI CHURN HWA (MAICSA 0811600)

Company Secretary

Penang

Date : 26 May 2008

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 authorised 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 authorised.

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

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

2. Explanatory notes on Special Business

   Ordinary Resolution
   - Resolution 8

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

   Ordinary Resolution
   - Resolution 9

     The Proposed Capital Increase is to accommodate the increase in the issued and paid-up share capital of the company pursuant to the Proposed Bonus Issue as well as to provide for any future increase in the share capital.

STATEMENT ACCOMPANYING NOTICE OF THE FIFTH ANNUAL GENERAL MEETING

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

   a) THAM JOOI LOON

   b) DATO' MAZLIN BIN MD JUNID

   c) DATO' AZMIL KHALILI BIN KHALID

   The details of the Directors seeking re-election are set out in their profiles set out on pages 5 to 6 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 2007 are disclosed in the Corporate Governance Statement set out on page 12 of this Annual report.

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

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

   Date : Monday, 23 June 2008

   Time : 2.00 p.m.

PROXY FORM

NO. OF SHARES	

I/We ________________________________ I.C. No. ____________________

of ____

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

____

I.C. No. ____________________ of ________________________________

____

or failing him the Chairman of the meeting as my/our proxy to attend and vote for me/us on my/our behalf at the Fifth Annual General Meeting of the Company to be held at Level 2, Function Hall, The Gurney Resort Hotel & Residences, 18 Persiaran Gurney, 10250 Georgetown, Penang on Monday, 23 June 2008 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 the first and final dividends of 2.465% less income tax of 26%, and tax exempt dividend of 0.49% for the financial year ended 31 December 2007		
3.	Payment of Directors' Fees		
4.	Re-election of Director, THAM JOOI LOON		
5.	Re-election of Director, DATO' MAZLIN BIN MD JUNID		
6.	Re-election of Director, DATO' AZMIL KHALILI BIN KHALID		
7.	Re-appointment of Auditors, ERNST & YOUNG		
8.	Authority pertaining to Section 132D of the Companies Act, 1965		
9.	Proposed increased in Authorised Share Capital of the Company		

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 ______________, 2008.

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 authorised 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 authorised.

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

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

2. *Explanatory notes on Special Business*

   Ordinary Resolution
   • Resolution 8

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

   Ordinary Resolution
   • Resolution 9

   The Proposed Capital Increase is to accommodate the increase in the issued and paid-up share capital of the company pursuant to the Proposed Bonus Issue as well as to provide for any future increase in the share capital.

Please fold across the lines and close

Stamp

To : *The Company Secretary*

DAYA MATERIALS BERHAD 636357-W
Suite 18.01, 18th Floor, MWE Plaza
No. 8, Lebuh Farquhar
10200 Penang, Malaysia

Please fold across the lines and close

DAYA MATERIALS BERHAD (636357-W)

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