2005 MIECO ANNUAL REPORT

"Companies that survive the vagaries of the cyclical manufacturing environment are those that have the winning combination of a wide range of products to meet different needs and the right price, cemented by solid, long-term customer relationships. MIECO's strategy will be to focus on being a key player in this space.

We will do this by ensuring a greater range of quality products, excellent customer service, and the combined strengths of the MIECO and BRDB brands."

MIECO

MIECO CHIPBOARD BERHAD

2005 MIECO ANNUAL REPORT

Contents

The MIECO Story

Mieco Chipboard Berhad ('MIECO'), the manufacturing division of the Bandar Raya Developments Berhad Group of Companies, was incorporated in 1972. The Company was listed on the Main Board of Bursa Malaysia Securities Berhad in 1998.

MIECO commissioned its first production line in 1976, making it the pioneer in particleboard manufacturing in Malaysia using rubber wood, or now known as tropical oak wood. MIECO has three factories located in Semambu, Gebeng and Kechau Tui, Pahang with a combined capacity of more than 900,000 cubic meters per annum. MIECO also has the single largest particleboard line in the Asia-Pacific region, located at its latest plant in Kechau Tui, which started production in March 2005. This plant attained the BS EN ISO 9001:2000 and MS ISO 9001: 2000 Quality Management Systems on 1 June 2005.

MIECO's particleboards, or sometimes known as chipboards, conform to international quality standards such as the European Community's BS EN 312 standard, applicable for both moisture-resistant and non-moisture resistant boards with E1 and E2 formaldehyde emission levels. Under MIECO's Corporate Mission from being a plain particleboard producer in 1976, MIECO developed and expanded into value-added products such as MIECO Decorative MFC, Electron Beam Foil Chipboard ('EBFC') and Polymer Faced Chipboard ('PFC') products, MIECO Worktop, MIECO DPF Board, MIECO Laminate Flooring, to value-added services and DIY furniture series under the MIECO Livin Style brand name.

With the growing concern for the environment, especially from the developed countries, MIECO commercialised the production of the Super E0 particleboard in 2003, or referred to as the F-4 Star grade in Japan, designed with very low formaldehyde emission.

In 2004, MIECO became the first company in the Malaysian wood-panel industry to receive the prestigious BS EN ISO 14001:1996 Environmental Management System accredited by Lloyd's Register Quality Assurance. In line with this, MIECO also successfully attained the certification for the Occupational Health and Safety Management System 18001:1999 in March 2005.

Having established a dominant presence in the domestic market, MIECO went on an export campaign in 1995 and today, is exporting to over 20 countries including China, Taiwan, Japan, Korea, Hong Kong, South East Asia, the Indian subcontinent, the Middle East, Africa, and the Australasian countries. In anticipation of the economic expansion in China, MIECO set up a representative office in Guangzhou, China and a regional office in Hong Kong in Year 1999 and 2000 respectively.

With the expanded capacity, MIECO will be a force to be reckoned with in the Asia-Pacific region and is set to be a major player in the particleboard industry.

MISSION

We emphasize dynamic innovation and creating value in all our products and services.

We pledge to strive for total quality and excellence as a wood-based company in Malaysia and beyond.

QUALITY POLICY

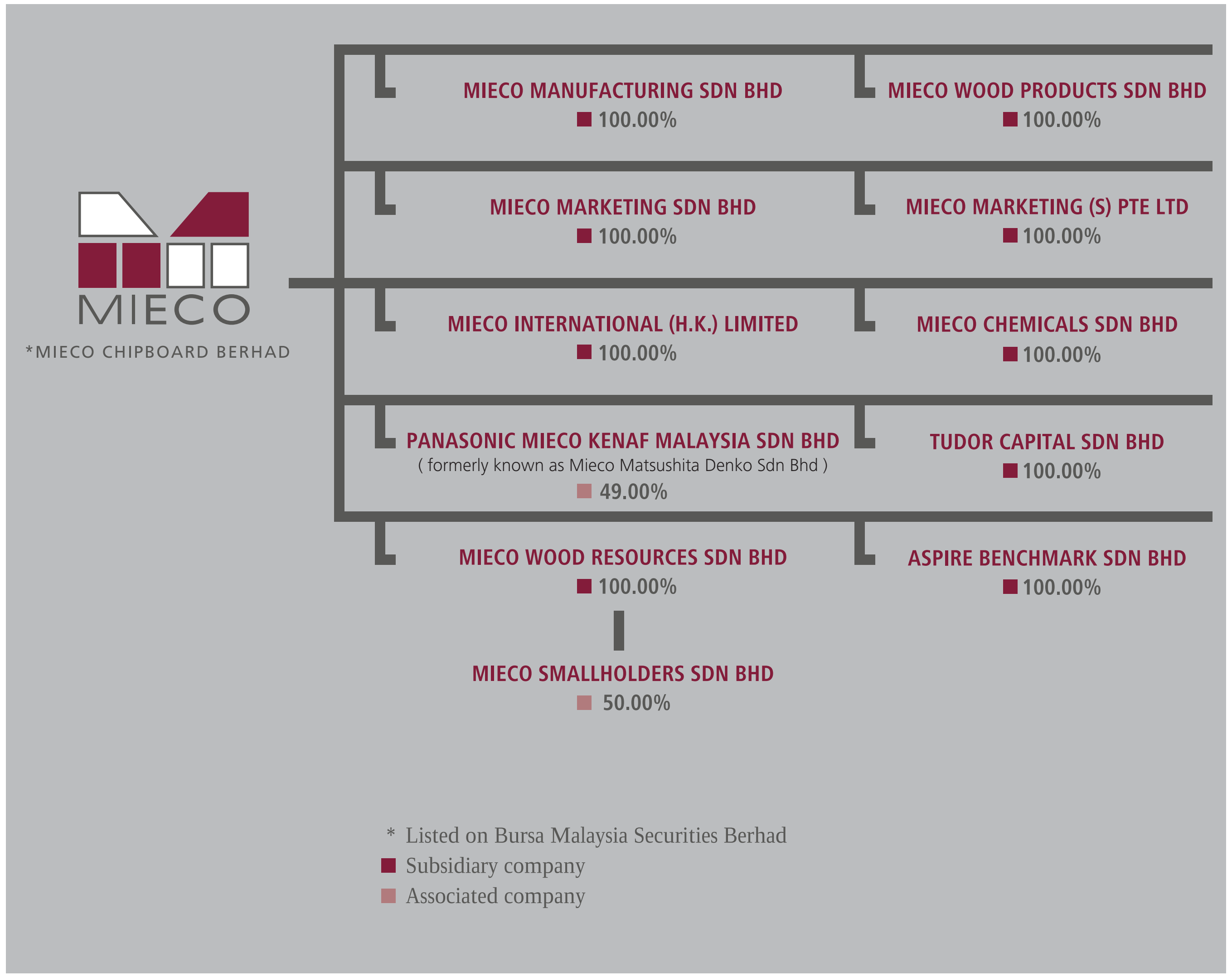
- Mastering Total Quality
- Customer Service
- Building Excellence

DYNAMIC INNOVATION

CREATING VALUE

TOTAL QUALITY

Group Corporate Structure As At 28 April 2006



Corporate Information

BOARD OF DIRECTORS

Dato' Mohamed Moiz bin J M Ali Moiz
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Yong Seng Yeow
EXECUTIVE DIRECTOR

Dato' Jaganath Derek Steven Sabapathy
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr Amarjit Singh a/l Santokh Singh
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Low Kim Seng
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

REGISTERED OFFICE

31st Floor, Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-2694 6622
Fax : 603-2694 1922

BURSA MALAYSIA STOCK NUMBER

MIECO 5001
MIECO - WA 5001WA

INTERNATIONAL SECURITIES IDENTIFICATION NUMBER (ISIN)

MIECO MYL5001OO002
MIECO - WA MYL5001WAJ48

REUTERS CODE

MIEC.KL

SECRETARY

Ho Swee Ling
MAICSA No. 7009936

REGISTRARS

Metra Management Sdn Bhd
30.02, 30th Floor
Menara Multi-Purpose
Capital Square
No. 8 Jalan Munshi Abdullah
50100 Kuala Lumpur, Malaysia
Tel : 603-2698 3232
Fax : 603-2698 0313

AUDITORS

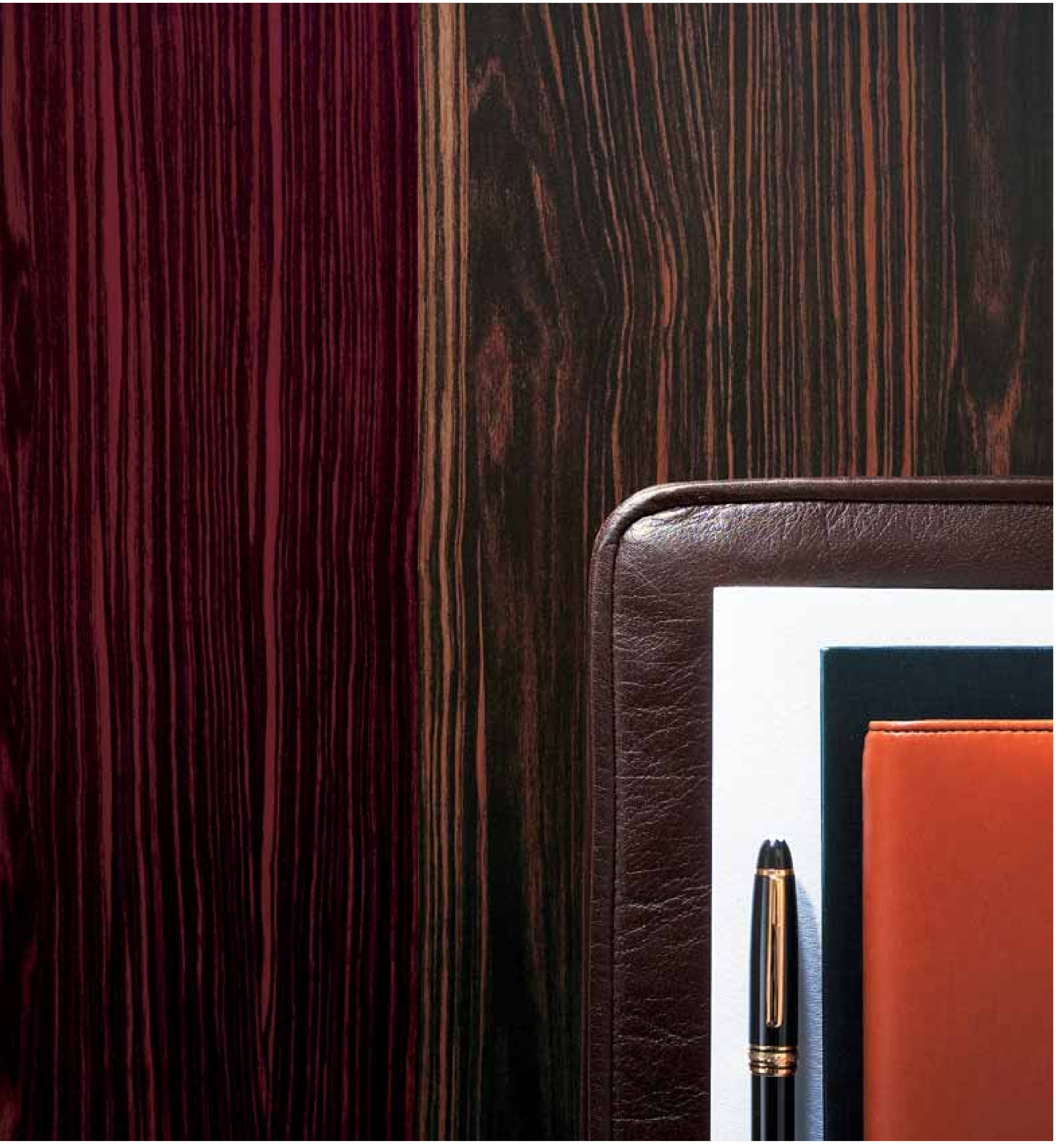
Messrs PricewaterhouseCoopers

BANKERS

Alliance Bank Malaysia Berhad
HSBC Bank Malaysia Berhad
AmMerchant Bank Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad

Leadership

"In a market where we are very much subject to the cyclical nature of the manufacturing environment, we have to expand our reach globally, to maintain a strong presence in markets that are growing."



Board Of Directors

Sitting, from left to right:

Dato' Yong Seng Yeow
EXECUTIVE DIRECTOR

Dato' Mohamed Moiz bin J M Ali Moiz
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Jaganath Derek Steven Sabapathy
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
INDEPENDENT NON-EXECUTIVE DIRECTOR

Standing, from left to right:

Mr Low Kim Seng
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr Amarjit Singh a/l Santokh Singh
INDEPENDENT NON-EXECUTIVE DIRECTOR

Board Of Directors' Profile

Dato' Mohamed Moiz bin J M Ali Moiz
NON-INDEPENDENT NON-EXECUTIVE CHAIRMAN

Dato' Mohamed Moiz bin J M Ali Moiz, a Malaysian, aged 45, was appointed to the Board on 14 October 2000 and as Chairman on 15 August 2002. He graduated with a Bachelor of Science degree in Business Administration and International Finance in 1985. He joined Timbco Sdn Bhd, a company involved in timber trading, processing and forestry management, as Project Manager from 1985 to 1986. In 1987, he was appointed as Chief Executive Officer of the Tradium group of companies, which has interests in property development, fashion retailing, manufacturing, F & B and equity investments. In 1999, he was appointed as Chief Executive Officer of Effective Capital Sdn Bhd, the company which successfully undertook the migration of the CLOB securities from Central Depository (Pte) Limited in June 2000.

Currently, Dato' Mohamed Moiz also sits on the boards of Bandar Raya Developments Berhad and several other private limited companies. He is a member of the Executive Committee and Nomination Committee of the Company.

Dato' Mohamed Moiz has a deemed interest in 119,193,971 ordinary shares of RM1.00 each in the Company by virtue of his interest in Ambang Sehati Sdn Bhd. He does not have any family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Dato' Yong Seng Yeow
EXECUTIVE DIRECTOR

Dato' Yong Seng Yeow, a Malaysian, aged 53, was appointed as Executive Director on 16 November 1998. He has over 25 years of experience in sales and marketing in the building materials and furniture industries.

On 1 January 1994, Dato' Yong joined Mieco Chipboard Berhad as Executive Director. He left Mieco Chipboard Berhad in July 1995 and rejoined Mieco Chipboard Berhad as Executive Director on 16 November 1998.

He also sits on the board of several subsidiaries in the Mieco Chipboard Berhad Group and is currently a member of the Executive Committee of the Company.

Presently, Dato' Yong also serves as member on the Boards of Trustees of the Malaysian Timber Industry Board and Malaysian Furniture Promotion Council. He is also the Honorary Secretary-General of the Malaysian Furniture Industry Council and Chairman of the Asean Furniture Industries Council.

Dato' Yong holds directly 44,800 ordinary shares of RM1.00 each in the Company. He does not have any family relationship with any other director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Dato' Jaganath Derek Steven Sabapathy
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Jaganath Derek Steven Sabapathy, a Malaysian, aged 49, was appointed to the Board on 15 September 1999. He attended Edinburgh University in the United Kingdom and holds a Master of Arts majoring in Corporate Finance and International Trade. Upon graduation in 1981, he joined the leading London firm of Chartered Accountants, Price Waterhouse, where he articled and qualified as a Chartered Accountant.

Dato' Jagan returned to Malaysia in 1984 and joined KPMG Peat Marwick. He was admitted as a Partner of KPMG Malaysia and a Director of Peat Marwick Consultants in 1990.

Whilst at KPMG Peat Marwick, he was involved in a wide range of assignments covering audit, investigations, management consultancy and corporate finance, in Malaysia, the ASEAN countries, North America and Europe. He sat on a variety of KPMG International Committees including committees for Mergers and Acquisitions, Privatisation and Management Consultancy. He was also an examiner for the professional examinations of the Malaysian Association of Certified Public Accountants ('MACPA').

He left the partnership in late 1994 and took up a senior appointment with a Malaysian public-listed plantations company. At the end of 1995, he left and led a group of Australian and British investors to successfully privatise the overseas operations of Tasmania's Hydro Electric Commission. He joined the Board of Prime Utilities Berhad and Indah Water Konsortium Sdn Bhd, Malaysia's privatised national wastewater utility in September 1997 as Managing Director, a position he held up to August 1999.

Currently, Dato' Jagan also sits on the boards of Bandar Raya Developments Berhad and several subsidiaries in the Bandar Raya Developments Berhad Group. He is a member of the Audit Committee, Executive Committee and Remuneration Committee of the Company.

Dato' Jagan does not hold any shares in the Company or its subsidiaries. He does not have any family relationship with any other director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
INDEPENDENT NON-EXECUTIVE DIRECTOR

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar, a Malaysian, aged 70, was appointed to the Board on 24 March 1997. He graduated from the world-renowned Royal Military Academy, Sandhurst, United Kingdom in December 1956, the Army Staff College, Camberley, United Kingdom and the Royal College of Defence Studies, United Kingdom and served the Malaysian Army with distinction for 36 years. During his military career, he was appointed to various key command and staff appointments both in the field headquarters and in the Ministry of Defence and has also served in various military committees at national and international levels.

Currently, Dato' Seri Mohamed Daud also sits on the boards of Johan Ceramics Berhad, Proton Holdings Berhad and Bank Kerjasama Rakyat Malaysia Berhad and several other private limited companies. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and Nomination Committee of the Company.

Dato' Seri Mohamed Daud holds directly 16,000 ordinary shares of RM1.00 each in the Company. He does not have any family relationship with any other director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Dato' Dr Amarjit Singh a/l Santokh Singh
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr Amarjit Singh a/l Santokh Singh, a Malaysian, aged 56, was appointed to the Board on 3 April 1997. He graduated as a Doctor with a degree in Bachelor of Medicine and Bachelor of Surgery, from Bombay University, India in 1973. He also obtained certificates in Sports Medicine and Genito-Urinary Medicine from the College of General Practitioners of Malaysia in 1988 and 1989, respectively. In addition, he is a Fellow of the Royal Society of Health, United Kingdom. In 1990 he established his own practice in Kuala Lumpur.

He is an Ex-National Cricket Captain and former Vice-President of the Malaysian Cricket Association. He is presently the Chairman of the Society of Sports Medicine of the Malaysian Medical Association and President of the Malaysian Association of Sports Medicine.

Dato' Dr. Amarjit is currently a member of the Audit Committee, Remuneration Committee and Nomination Committee of the Company. He holds directly 100,000 ordinary shares of RM1.00 each in the Company. He does not have any family relationship with any other Director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no conviction for offences within the past ten years.

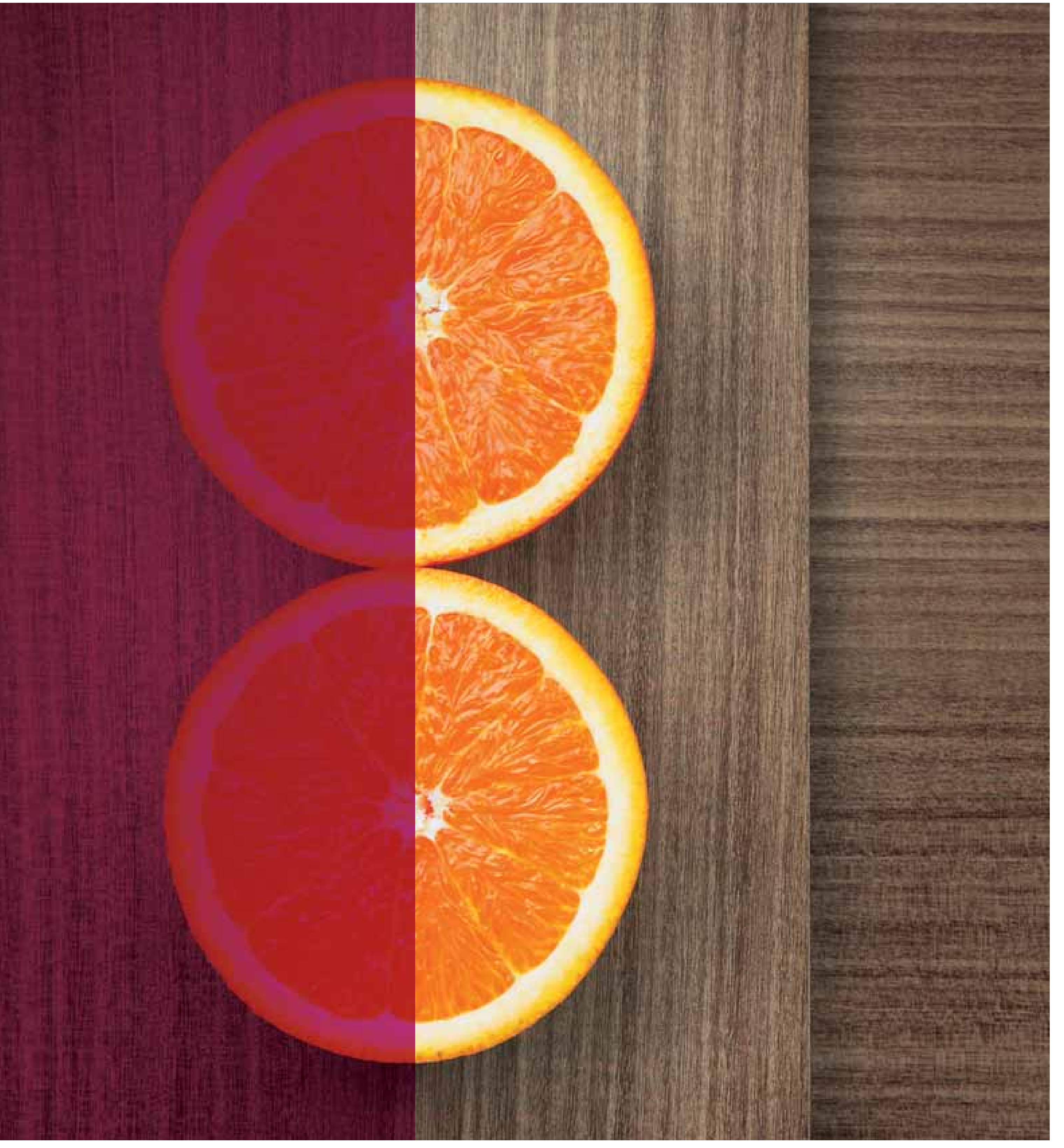
Mr Low Kim Seng
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Low Kim Seng, a Malaysian, aged 51, was appointed to the Board on 25 April 1991. He is an accountant by training and has experience in accounting, corporate finance and general management. He is a member of the Executive Committee of the Company.

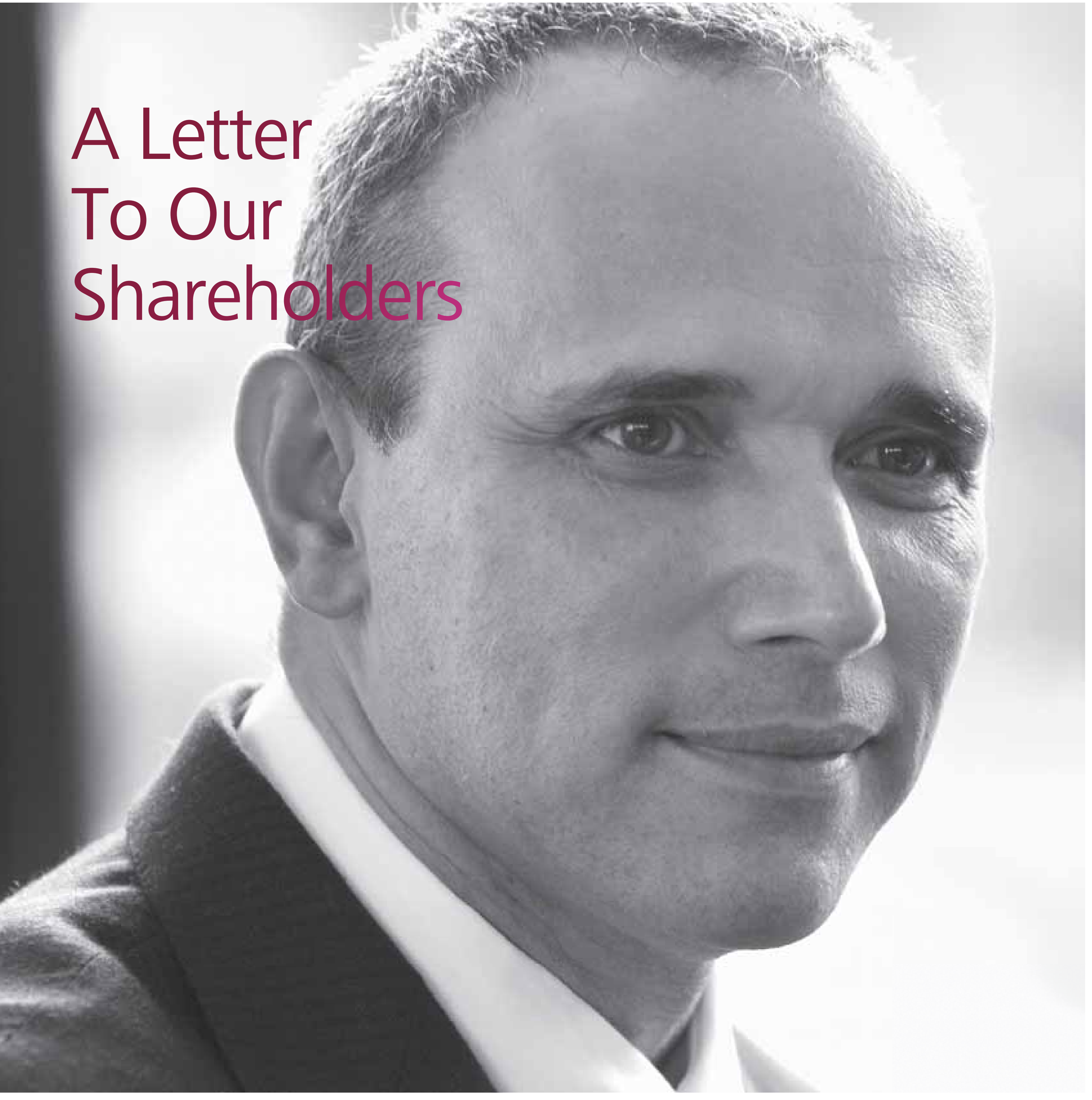
Mr Low holds directly 10,000 ordinary shares of RM1.00 each in the Company. He does not have any family relationship with any other director and/or major shareholder of the Company and has no conflict of interest with the Company. He has had no convictions for offences within the past ten years.

Differentiation

" MIECO will place more emphasis on the development of value-added products, as a clear diffentiator from the competition and to increase the depth of its relationship with its most critical customers."



A Letter To Our Shareholders



DEAR SHAREOWNERS AND STAKEHOLDERS OF MIECO,

In 2007, MIECO will be 35 years old. A major milestone for any company, and especially for one operating in the cyclical manufacturing sector.

As we look towards marking this milestone, we are increasingly aware of the opportunities that are becoming available to us, and the challenges that stand in our way. We are sensitive to the need for us to have a clear, cohesive plan to put us firmly on a path of performance and profit for the coming years, and have started to activate this plan across the Company.

We believe we will see a turnaround in the fortunes of the Company in 2006, through a combination of a clear strategy and continued improvements in operational efficiency, coupled with a strong effort to differentiate ourselves in the competitive marketplace.

I am therefore pleased to present, on behalf of the Board of Directors, the Annual Report and Audited Financial Statements for the MIECO Chipboard Berhad Group ('MIECO' or 'the Group') for the financial year ended 31 December 2005.

HOW OUR BUSINESS AND BRAND DID IN 2005

Group revenue for the year ended 31 December 2005 was RM259 million, up 9% from RM236.7 million in 2004. However, despite our higher export sales volume, MIECO continues to be adversely affected by lower selling prices and the higher cost of raw materials. This resulted in MIECO's profit from operations declining from RM38.5 million in 2004 to RM5.1 million in 2005.

Coupled with the under-recovery of fixed overhead costs of the latest plant, higher depreciation charges and the cessation of capitalization of borrowing cost with the commencement of production in the latest plant, the Group reported a loss before tax of RM6.4 million for the year ended 31 December 2005, compared to profit before tax of RM38.4 million in 2004.

Globally, increased construction and property development activities in markets like the North Asian countries (China, Korea), South East Asia and the Indian subcontinent, drove demand for our products.

These achievements were somewhat tempered by challenges that started to emerge in 2005; after several years of accelerated growth, these had impact on our overall performance this past year.

Internally, the rising cost of fuel drove up the cost of resin and other chemicals, a critical component of production. There were also some operational start-up issues at the latest plant in Kechau Tui, Pahang that needed to be addressed; both impacting operating costs and ultimately resulting in lower margins.

However, our biggest challenges were not internally, but externally.

Market forces continued to drive prices, which fell quicker than anticipated in 2005, mainly due to increased capacities by players in Thailand as well as MIECO. This was further aggravated by other players who dropped prices in an effort to fill up their excess capacities.

MIECO was able to counter this primarily through demand from the home front, China and other key regional East Asian markets.

In an effort to stand out from the competition, MIECO continued to drive differentiation through the creation of more value-added products; new products that entered the market in 2005 included the Electron Beam Foil Chipboard ('EBFC') and the Polymer-Faced Chipboard ('PFC').

Overall, while our performance for 2005 was not as good as we would have liked it to be, I am confident that we have a clear plan for differentiation that will lead to the turnaround of MIECO's fortunes in coming months, and we have much to look forward to.

DIVIDEND

The first and final tax exempt dividend of 7.5 sen per share for year 2004 was approved by the shareholders and subsequently paid on 2 August 2005. The Board, however, does not recommend any dividend payment for financial year ended 31 December 2005.

MOVING FORWARD: WHAT WE THINK WILL HAPPEN

2006 / 2007 should see a turnaround in the prospects of MIECO, having weathered some teething problems at the latest plant and cost increases in some of the primary inputs like wood, resin and fuel.

Moving forward, we will seek to improve margins through a combination of greater concentration in value-added products as well as improvements in operating efficiency.

Geographically, MIECO aims to go beyond its traditional East Asian markets and look to create greater growth in the markets of West Asia, including the Indian subcontinent and the Middle East.

MIECO is also addressing the increasingly critical issue of wood resource, having secured plantation land from the State of Pahang for the harvesting of rubberwood. MIECO will continue to work with the State Government of Pahang to secure more land so that in years to come, up to 30% – 40% of its wood requirements would come from its own plantations.

There is also an overall realisation that the industry cannot continue to absorb cost increases. It is inevitable that these are passed on to the customers in the form of higher prices, so that more meaningful margins can be realised. This will in turn impact the competitive playing field as players consolidate in the face of increased competition.

Those that emerge will be the companies that have the winning combination of the right price and a wide range of products to meet differentiated needs, cemented by solid, long-term customer relationships. MIECO's strategy will be to focus on being a key player in this space.

A CLEAR, STRATEGIC PLAN FOR DIFFERENTIATION AND GROWTH

In a market where we are very much subject to the cyclical nature of the manufacturing environment, we have to expand our reach globally, to maintain a strong presence in markets that are growing.

Priority will be to expand our reach into the Indian subcontinent, where escalating wealth and an opening market are creating an increasingly wealthy and perhaps the largest middle-income population in the world, demanding a better lifestyle and the products to go with it. Similarly the Middle East, which is the single-largest market for property development in the world today.

There are also synergies to be further explored between MIECO's activities and that of BRDB. We will focus on bringing these to fruition.

We will do this by ensuring a greater range of quality products, excellent customer service, and the combined strengths of the MIECO and BRDB brands.

THE PEOPLE WHO ARE MAKING IT HAPPEN

The Group recognizes that the realisation of its plans moving forward cannot be met without the concerted effort of all its team members; we will continue to invest and reinvest in our talent to ensure we meet the needs of Group's future.

On behalf of the Board of Directors, I would like to thank the management and staff of the Group for their efforts this past year. The MIECO team has always been a strong backbone to the performance of the Company, and they continue to rise to greater heights, steadfast in their enthusiasm, commitment and energy. With teamwork between the BRDB and MIECO teams increasingly more efficient, we are seeing the benefits and synergies that both companies are bringing to the table.

I would also like to thank our custommers, especially those who continue to be steadfast and loyal to the MIECO and BRDB brands.

Despite a marketplace very much driven by price, we continue to have dependable, loyal customers who believe in the MIECO brand promise, and who continue to be the reason we strive for even better products.

I would like to extend a special thank you to all shareholders, who have been very clear in their commitment to the Company, and their keen interest in its development and growth. We hear you, and we understand what you would like to see the Company achieve – I assure you that we will give our undivided attention to ensuring that MIECO stays on track for better performance and higher profit, ensuring increasing returns on your investment.

Personally, I would also like to extend a warm thank you to my fellow members of the Board – as always, it is with your support, advice and guidance that we weather the storms and keep moving forward. Thank you.

Dato' Mohamed Moiz bin J M Ali Moiz
Chairman
Kuala Lumpur, Malaysia
21 April 2006

Surat Kepada Pemegang Saham

PARA PEMEGANG SAHAM DAN PEMILIK SEKELIAN,

DALAM masa setahun lagi MIECO akan berusia 35 tahun, satu peristiwa penting untuk mana jua syarikat dan lebih-lebih lagi untuk sebuah syarikat yang terbabit dalam industri perkilangan yang sentiasa berkitar.

Sambil kami menuju kepada batu tanda ini, kami makin menyedari akan peluang-peluang yang boleh kami rebut dan juga cabaran-cabaran yang mungkin menjadi penghalang. Kami peka bahawa kami perlu mempunyai perancangan jelas dan padu yang dapat menunjuk arah kepada prestasi cemerlang serta keuntungan di tahun-tahun akan datang dan telahpun memulakan langkah awal.

Kami yakin bahawa dalam tahun 2006 Syarikat ini akan mencapai perubahan yang positif melalui gandingan strategi yang jelas dan pembaikan berterusan dalam sistem operasi. Turut kami laksanakan ialah usaha-usaha untuk membezakan kami dari saingan di pasaran.

Oleh itu saya, bagi pihak Lembaga Pengarah, dengan sukacita membentangkan Laporan Tahunan dan Penyata Kewangan Beraudit untuk Kumpulan MIECO Chipboard Berhad ('MIECO' atau 'Kumpulan') untuk tahun kewangan berakhir 31 Disember 2005.

PRESTASI PERNIAGAAN DAN JENAMA KAMI

Pendapatan Kumpulan bagi tahun berakhir 31 Disember 2005 ialah RM259 juta, meningkat sebanyak 9% dari RM236.7 juta pada 2004.

Walaupun jualan eksport bertambah, MIECO masih dipengaruhi oleh harga jualan yang kurang memuaskan disamping kenaikan harga bahan mentah yang diluar kawalan. Ini menyebabkan keuntungan operasi menurun dari RM38.5 juta pada 2004 kepada RM5.1 juta pada tahun 2005.

Berikutan dengan pulangan ke atas kos tetap kilang baru yang masih rendah, perbelanjaan susut nilai yang tinggi dan pemberhentian kapitalisasi kos pinjaman dengan bermulanya operasi di kilang baru, Kumpulan mencatat kerugian sebelum cukai sebanyak RM6.4 juta bagi tahun berakhir 31 Disember 2005 berbanding dengan keuntungan RM38.4 juta sebelum cukai pada 2004.

Pada peringkat dunia, peningkatan dalam sektor pembinaan dan pembangunan hartanah di pasaran seperti China, Korea, Asia Tenggara dan benua kecil India membantu menambah permintaan untuk barangan kami.

Bagaimanapun, perkembangan positif ini bertembong dengan beberapa cabaran yang muncul dalam tahun 2005 dan selepas beberapa tahun kami merasai pertumbuhan, cabaran-cabaran ini memberi kesan kepada kedudukan kewangan kami dalam setahun kebelakangan ini.

Dalam negeri pula, harga bahan minyak yang terus naik turut menaikkan harga resin dan bahan kimia, kesemuanya komponen penting proses pengeluaran. Selain itu beberapa kerumitan di peringkat permulaan di kilang baru di Kechau Tui, Pahang juga memberi kesan kepada kos operasi dan seterusnya mengurangkan keuntungan.

Tetapi cabaran-cabaran paling besar adalah dari faktor-faktor luaran.

Faktor-faktor pasaran terus menyebabkan harga jualan menurun lebih cepat dari jangkaan, lebih-lebih lagi kerana keupayaan lebih tinggi oleh pengeluar dari Thailand dan MIECO sendiri. Keadaan menjadi lebih meruncing bila pengeluar lain mengurangkan harga untuk mengisi ruang dari keupayaan berlebihan.

MIECO berjaya menangkis masalah ini terutamanya dengan bantuan permintaan tambahan dari pasaran tempatan, China dan beberapa pasaran di Timur Jauh.

Dalam usaha untuk membezakan diri dari penyaing, MIECO dalam tahun 2005 mengeluarkan beberapa barangan tambah nilai termasuk *Electron Beam Foil Chipboard* ('EBFC') dan *Polymer-Faced Chipboard* ('PFC').

Pada keseluruhannya, walaupun prestasi kami untuk 2005 tidak sebaik yang diharapkan, saya yakin kami mempunyai perancangan jelas yang dapat membezakan kami dari penyaing. Ini kemudiannya akan membolehkan prestasi kami berubah kepada tahap positif. Sama-samalah kami menuju ke matlamat ini dalam bulan-bulan akan datang.

DIVIDEN

Para pemegang saham telah meluluskan dividen pertama dan terakhir dikecualikan cukai berjumlah 7.5 sen untuk 2004 yang dibayar pada 2 Ogos 2005. Lembaga Pengarah bagaimanapun tidak mencadangkan pembayaran dividen untuk tahun berakhir 31 Disember 2005.

MELANGKAH KE HADAPAN: JANGKAAN MASA HADAPAN

Adalah dijangka tahun-tahun 2006/07 akan dapat menampakkan perubahan dalam masa depan MIECO setelah ia berjaya mengharungi serta menyelesaikan pelbagai masalah di kilang baru dan juga kesan dari kenaikan harga bahan-bahan perlu seperti kayu, resin dan bahan bakar.

Dalam menuju ke hadapan, kami merancang untuk memperbaiki perbezaan tahap keuntungan melalui penumpuan kepada barangan tambah nilai dan kecekapan lebih baik di bahagian operasi.

Dari segi pasaran pula MIECO berazam untuk berkembang dari pasaran tradisional di Timur Jauh kepada rantau Asia Barat dan benua kecil India.

MIECO juga sedang menumpu perhatian untuk menyelesaikan masalah bekalan bahan kayu dengan adanya tanah di Pahang yang akan ditanam dengan pokok kayu getah. Syarikat akan terus bekerjasama dengan kerajaan Pahang untuk mendapatkan lebih banyak tanah supaya di masa akan datang 30% hingga 40% bahan kayu keperluan MIECO dapat dibekalkan oleh ladang sendiri.

Timbul juga kesedaran bahawa sektor ini tidak akan terus dapat menyerap kenaikan kos. Kesan dari keadaan ini ialah kenaikan harga barangan siap untuk membolehkan pengeluar mendapat tahap perbezaan keuntungan lebih baik. Ini pula akan memberi kesan kepada pasaran secara menyeluruh bila mereka yang terbabit dalam sektor ini cuba mengukuhkan pegangan dalam pasaran untuk menghadapi persaingan.

Akhirnya pengeluar yang berjaya mengatasi penyaing adalah mereka yang mempunyai formula terbaik yang merangkumi harga berpatutan dan kepelbagaian barangan untuk menampung kehendak berbeza pelanggan serta mereka yang mempunyai hubungan kukuh dan erat dengan pelanggan. Adalah menjadi strategi MIECO untuk menjadi pengeluar utama dalam konteks ini.

PERANCANGAN JELAS SERTA STRATEGIK UNTUK PERTUMBUHAN DAN MEMBEZAKAN DIRI DARI PENYAING

Dalam pasaran yang mendedahkan kami kepada sikap berkitar industri perkilangan, kami mesti memperluaskan jangkauan di peringkat dunia dan mengekalkan kehadiran kami di pasaran-pasaran yang berkembang.

Keutamaan kami ialah untuk memperluaskan jangkauan di benua kecil India, di mana peningkatan tahap kemewahan dan pasaran semakin terbuka menghasilkan masyarakat berpendapatan sederhana yang mungkin terbesar di dunia yang inginkan gaya hidup lebih baik beserta dengan barangannya sekali. Begitu juga dengan wilayah Timur Tengah yang sekarang ini ialah pasaran terbesar di dunia untuk pembangunan hartanah.

Ada juga sinergi yang boleh diperkembangkan antara aktiviti-aktiviti MIECO dan BRDB dan kami akan berusaha untuk menjayakan matlamat ini. Untuk ini kami akan menambah jenis barangan keluaran bermutu, memberi mutu perkhidmatan tinggi dan membina gandingan bersepadu jenama-jenama MIECO dan BRDB.

MEREKA YANG MELAKUKANNYA

Kumpulan ini menyedari bahawa apa jua yang dirancangkan tidak akan tercapai tanpa usaha gigih semua kakitangan. Kami akan terus melabur dalam sumber manusia untuk memastikan semua keperluan Kumpulan di masa depan tercapai.

Bagi pihak Lembaga Pengarah saya ingin mengucapkan terima kasih kepada pasukan pengurusan dan semua kakitangan kerana usaha yang ditunjukkan pada 2005. Pasukan MIECO adalah tunggak kepada prestasi Syarikat dan ahli-ahlinya terus meningkatkan tahap pencapaian, kegigihan serta komitmen dan semangat. Kami sudah mula melihat kelebihan kepada Kumpulan dari kerjasama lebih mantap antara kakitangan MIECO dan BRDB.

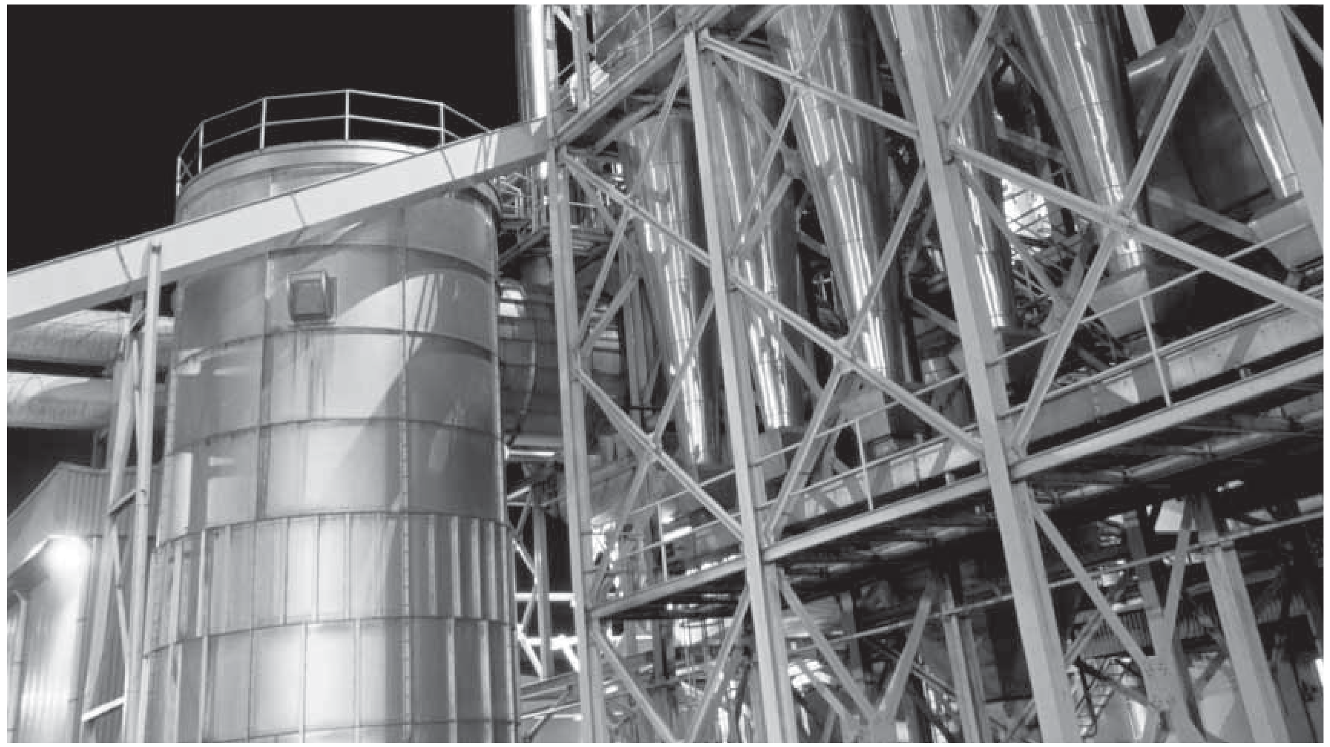
Saya juga ingin merakamkan ucapan terima kasih kepada semua pelanggan, terutama mereka yang terus setia kepada jenama MIECO dan BRDB.

Walaupun kami menghadapi pasaran yang didorong lebih oleh tahap harga, kami berjaya menarik serta mengekalkan minat pelanggan setia yang terus yakin dengan apa yang dijanjikan oleh penjenamaan MIECO. Mereka pula menjadi pendorong untuk kami terus berusaha mengeluarkan barangan yang lebih bermutu dan memberikan khidmat pelanggan yang terbaik.

Ucapan terima kasih istimewa saya ucapkan kepada semua pemegang saham yang sentiasa penuh komitmen kepada Syarikat dan kerana minat mendalam yang mereka tunjukkan terhadap perkembangan dan kemajuan Syarikat. Kami dengar jelas suara anda dan kami peka dengan apa yang anda harapkan dari Syarikat ini. Saya memberi jaminan bahawa kami akan sentiasa memberi perhatian supaya MIECO terus menuju ke arah prestasi dan keuntungan lebih baik dan anda pula mendapat pulangan berlebihan dari pelaburan anda.

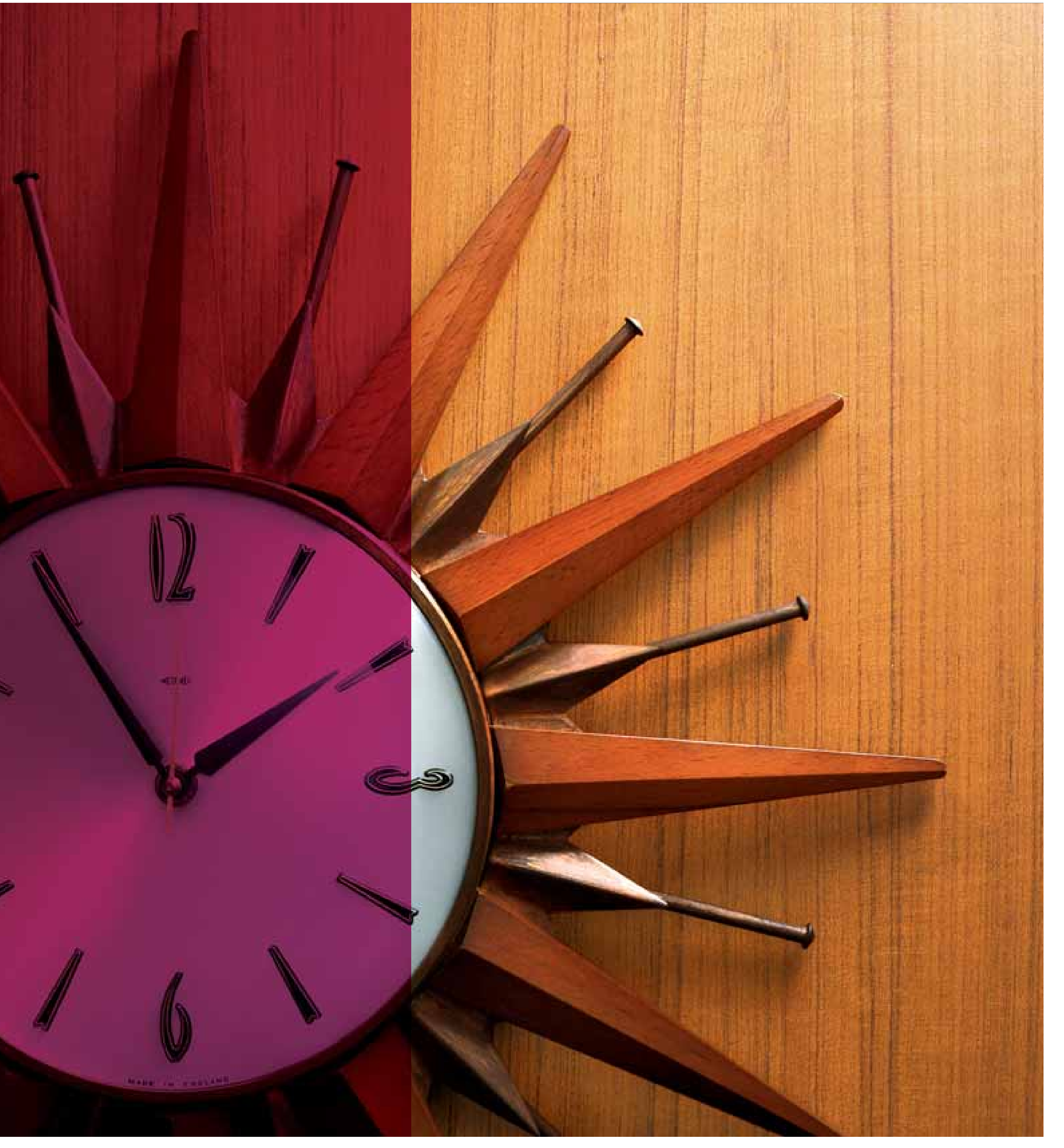
Secara peribadi, saya berterima kasih kepada rakan-rakan dalam Lembaga Pengarah. Seperti biasa kami berjaya mengharungi cuaca buruk dan terus menuju ke hadapan dengan adanya sokongan, nasihat dan bimbingan anda semua. Terima kasih.

Dato' Mohamed Moiz bin J M Ali Moiz
Pengerusi
Kuala Lumpur, Malaysia.
21 April 2006.



Engage

“ Priority will be to expand our reach into the Indian subcontinent, where escalating wealth and an opening market are creating an increasingly wealthy and perhaps the largest middle-income population in the world, demanding a better lifestyle and the products to go with it. Similarly the Middle East, which is the single-largest market for property development in the world today.”



Review Of Operations

WHERE WE ARE

Mieco Chipboard Berhad ('MIECO' or 'The Group') had a challenging year in 2005. Group revenue was up 9% from 2004, on the back of higher export sales. However, MIECO continued to be adversely affected by lower selling prices and higher cost of raw materials, resulting in profit from operations declining from RM38.5 million in 2004 to RM5.1 million in 2005.

The Group reported a loss before tax of RM6.4 million in 2005, compared to a profit before tax of RM38.4 million in 2004. This was attributed to under-recovery of fixed overhead costs at the latest plant in Kechau Tui, Pahang, higher depreciation charges and the cessation of capitalization of borrowing costs with the commencement of production at the latest plant.

There were some operational start-up issues at the latest plant in Kechau Tui; these have been addressed and operations are moving forward smoothly.

Globally, increased construction and property development activities in markets like the North Asian countries (China, Korea), South East Asia and the Indian subcontinent, drove demand for the Company's products.

THE MARKET ENVIRONMENT

Prices are falling quicker than anticipated, mainly due to increased capacities by players in Thailand as well as MIECO. Other players are also dropping prices in an effort to drive demand.

The rising cost of fuel is driving up the cost of resin and other chemicals, with global oil prices hitting new highs. It is inevitable that some of these cost increases are passed on to customers in the form of price increases. MIECO will need to place more emphasis on the development of value-added products, as a clear differentiator from the competition and to increase the depth of its relationship with its most critical customers.

Wood resource is becoming a critical issue, due to the high price of natural latex, and inconsistent weather conditions that affect the supply of wood. The market needs to make a collective effort to address this issue, and gain the support of the government in ensuring more consistent supply. This will ensure that wood supply is available to meet demand, so that Malaysia continues to retain its leadership position in the global solid rubberwood furniture market, as well as in the global market for wood panels such as fibreboards and particleboards.

It is a challenging environment where sustained growth will only come from players with an excellent, differentiated product and an efficient delivery process.

DEVELOPMENTS AT MIECO

MIECO stepped up its marketing efforts throughout the year, to counter the impact of lower prices on our income. Demand in Malaysia, China and other key regional Asian markets improved, as a result of aggressive promotions in India, Dubai and Shanghai via exhibition fairs, as well as domestic sales promotions.

To differentiate ourselves from the competition, the Company created more value-added products. New products that entered the market in 2005 included the Electron Beam Foil Chipboard ('EBFC') and the Polymer-Faced Chipboard ('PFC').

The EBFC uses hi-tech foil laminates that have better stain, scratch, heat and chemical resistance. This is made possible by the unique way in which the foil is cured, using electron beam curing onto the coated foil. The process also creates a surface with a very natural touch and a much closer feel to natural wood finishes; in essence, mimicking the veneering effect. The EB foil is environment-friendly – it can be easily recycled and has no odour, again due to the EB curing technology.

Our PFC laminates, designed with superior polymer coated paper, are offered in both solid designs as well as woodgrain colours, some of which have been engineered with special effects like optical embossed finishes. These finishes offer a visual effect that bring the PFC one step closer to natural timber, making it an excellent choice for home and office applications.

These new products have received good reviews from MIECO's global customers, and have helped in its differentiation strategy.

The Company is putting in place plans to penetrate the markets of West Asia, in particular the Indian subcontinent and the Middle East. In 2005 and early 2006, we participated in exhibitions in Mumbai and Bangalore to explore opportunities and build relationships in these markets. The coming year will see us maximizing these opportunities.

To negate the issue of wood resource, MIECO has secured plantation land from the State of Pahang for harvesting rubberwood. The Company will continue its efforts to secure more land so that it can ensure more consistent supply at affordable rates from MIECO's own plantations.

There are also synergies to be explored with parent company BRDB, especially in light of their expansion into markets like Pakistan and Indonesia. These opportunities are being evaluated and plans developed to take advantage of them.

MIECO has a three-prong strategy moving forward – improve its range of value-added products for existing customers, penetrate new global markets for further growth, and keep manufacturing costs down by ensuring the supply of wood resources and maximising efficiency.

And it aims to do this by ensuring a MIECO team that is passionate, committed, and innovative through a comprehensive and consistent human resource development strategy.

BUILDING THE MIECO TEAM

To remain ahead of the game, MIECO is making the building of a strong MIECO team a key priority.

The Company continued to place heavy emphasis on the knowledge and skills development of its people; it invested heavily in training in 2005, and will continue to do so in 2006.

MIECO also continued its practice of sending its people for training with its business partners like KUNZ (now known as Pfleiderer) and to machine suppliers such as Dieffenbacher, both of Germany. This allows the staff and the Company to increase the depth of their knowledge as well as to establish key contacts with partners critical to its business.

Reward management systems group-wide are being reviewed. Performance expectations are now clearly defined for our senior management teams, and are being cascaded through the organization; we expect to see company-wide implementation fully-completed by 2007.

MIECO also recognizes the benefits of a closer working relationship with its parent company BRDB, and is looking at creating opportunities to make these happen, especially at senior management level.

IN SUMMARY

To set the stage for long-term growth, MIECO will focus on its marketing efforts in existing markets, drive to take advantage of emerging opportunities and new markets, and develop and market new products through stepped-up R&D projects.

The Company will negate the effects of the cyclical manufacturing environment by focusing on cementing solid relationships with a list of blue-chip customers.

It will do this by having a solid people and knowledge development programme, and a performance-driven reward philosophy.

And a clear plan for growth, performance and profit that will drive revenue, maintain profits and deliver increased shareholder and stakeholder returns.

Group Corporate Calendar

16 JUNE 2005

Opening Ceremony of MIECO's new plant at Kechau Tui, Pahang was officiated by Deputy Prime Minister, Dato' Seri Mohd Najib and witnessed by Menteri Besar of Pahang, Dato' Seri Adnan Yaakob, and members of the public sector. The commissioning of this new plant established MIECO as one of the leading particleboard manufacturers in the Asia-Pacific region. This new plant, designed and built by a German company, Dieffenbacher GmbH, will triple MIECO's production capacity to more than 900,000 cubic meters per year.

24 JUNE 2005

Thirty-Second Annual General Meeting of MIECO.

2 AUGUST 2005

Payment of first and final tax exempt dividend of 7.5% for the financial year ended 31 December 2004.

14 – 17 SEPTEMBER 2005

MIECO's first participation in the premier ZOW fair in Shanghai, held concurrently with the Furniture China fair.

12 – 16 OCTOBER 2005

MIECO's first participation in Index International Furniture Fair in Mumbai, India.

28 – 2 DECEMBER 2005

MIECO's participation in the 15th INDEX Dubai 2005 at Dubai International Exhibition & Convention Centre led by the Malaysian Furniture Industry Council.

16 – 20 FEBRUARY 2006

MIECO's first participation in the 4th INDIAWOOD fair held in Bangalore, India.

7 – 11 MARCH 2006

MIECO's participation in the 12th Malaysian International Furniture Fair held at the Putra World Trade Centre, Kuala Lumpur introducing the latest designs in the MIECO Decorative Electron Beam Foil Chipboard range. It also introduced the latest Millennium 2006 collection of MIECO Decorative MFC, consisting of 6 new designs.

27 – 30 MARCH 2006

MIECO's participation in the Interzum Guangzhou exhibition, held concurrently with the 15th China International Furniture Fair.

Value

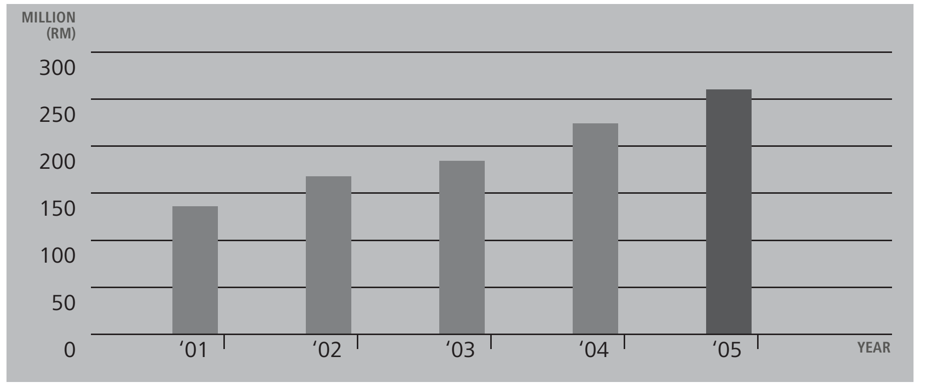
" We are increasingly aware of the opportunities that are becoming available to us, and the challenges that stand in our way. We are sensitive to the need for us to have a clear, cohesive plan to put us firmly on a path to performance and profit for the coming years, and have started to activate this plan across the Company."

Financial Highlights

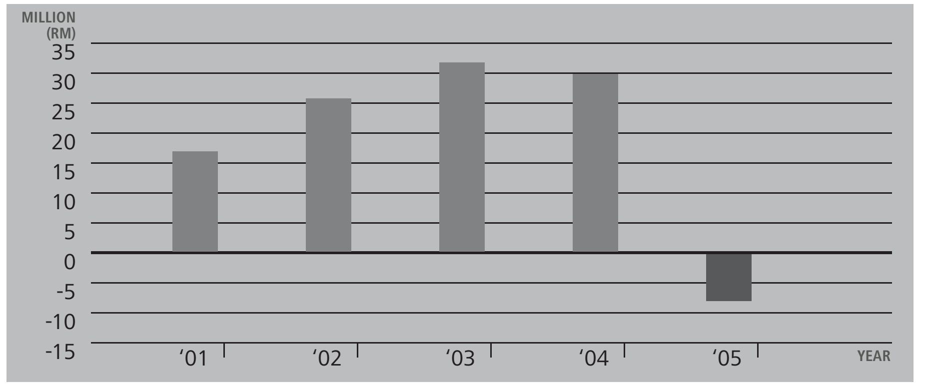
FIVE YEAR GROUP FINANCIAL STATISTICS

	2005 RM '000	2004 RM '000	2003 RM '000	2002 RM '000	2001 RM '000
GROUP TOTAL NET ASSETS					
Property, plant & equipment	548,220	520,218	304,771	153,363	157,406
Deferred tax assets	523	194	219	-	-
Associated companies	673	(83)	-	-	-
Net current (liabilities) / assets	(71,831)	32,263	214,298	196,208	173,182
	477,585	**552,592**	**519,288**	**349,571**	**330,588**
FINANCED BY					
Share capital	210,000	210,000	210,000	210,000	210,000
Reserves	142,240	166,168	137,451	116,180	97,466
Long term liabilities	125,345	176,424	171,837	23,391	23,122
	477,585	**552,592**	**519,288**	**349,571**	**330,588**
GROUP RESULTS					
Revenue	258,986	236,656	182,319	164,541	138,611
(Loss) / profit before taxation	(6,423)	38,418	29,632	26,856	22,108
Taxation	(1,755)	(7,930)	2,139	(789)	(5,254)
(Loss) / profit after taxation	(8,178)	30,488	31,771	26,067	16,854
Dividend paid	15,750	15,750	10,500	7,350	7,350
Retained (loss) / profit	(23,928)	14,738	21,271	18,717	9,504
SELECTED RATIOS					
(Losses) / earnings per share (sen)	(3.89)	14.52	15.13	12.41	8.03
Gross proposed dividend per share (%)	-	7.50	7.50	5.00	3.50
Net tangible assets per share (RM)	1.68	1.79	1.65	1.55	1.46

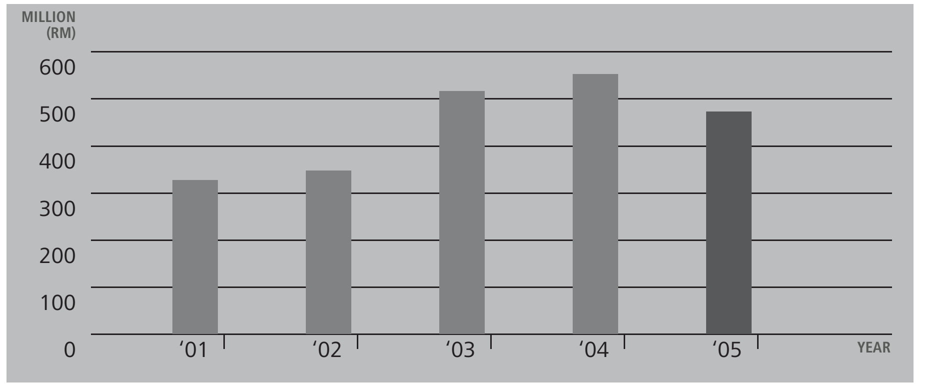
REVENUE



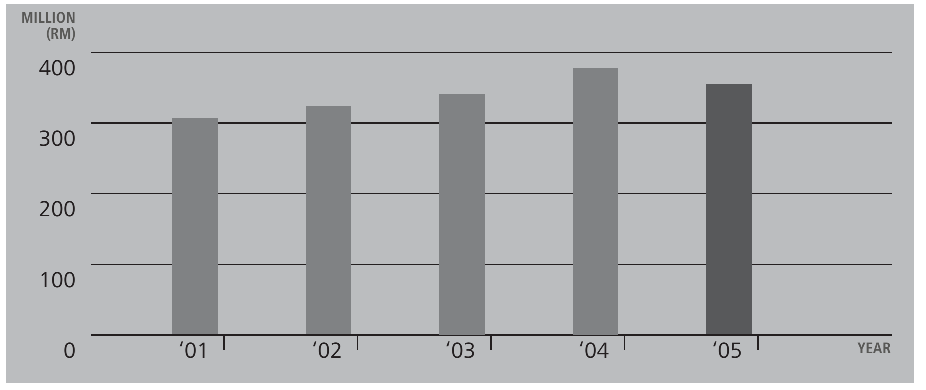
PROFIT AFTER TAXATION



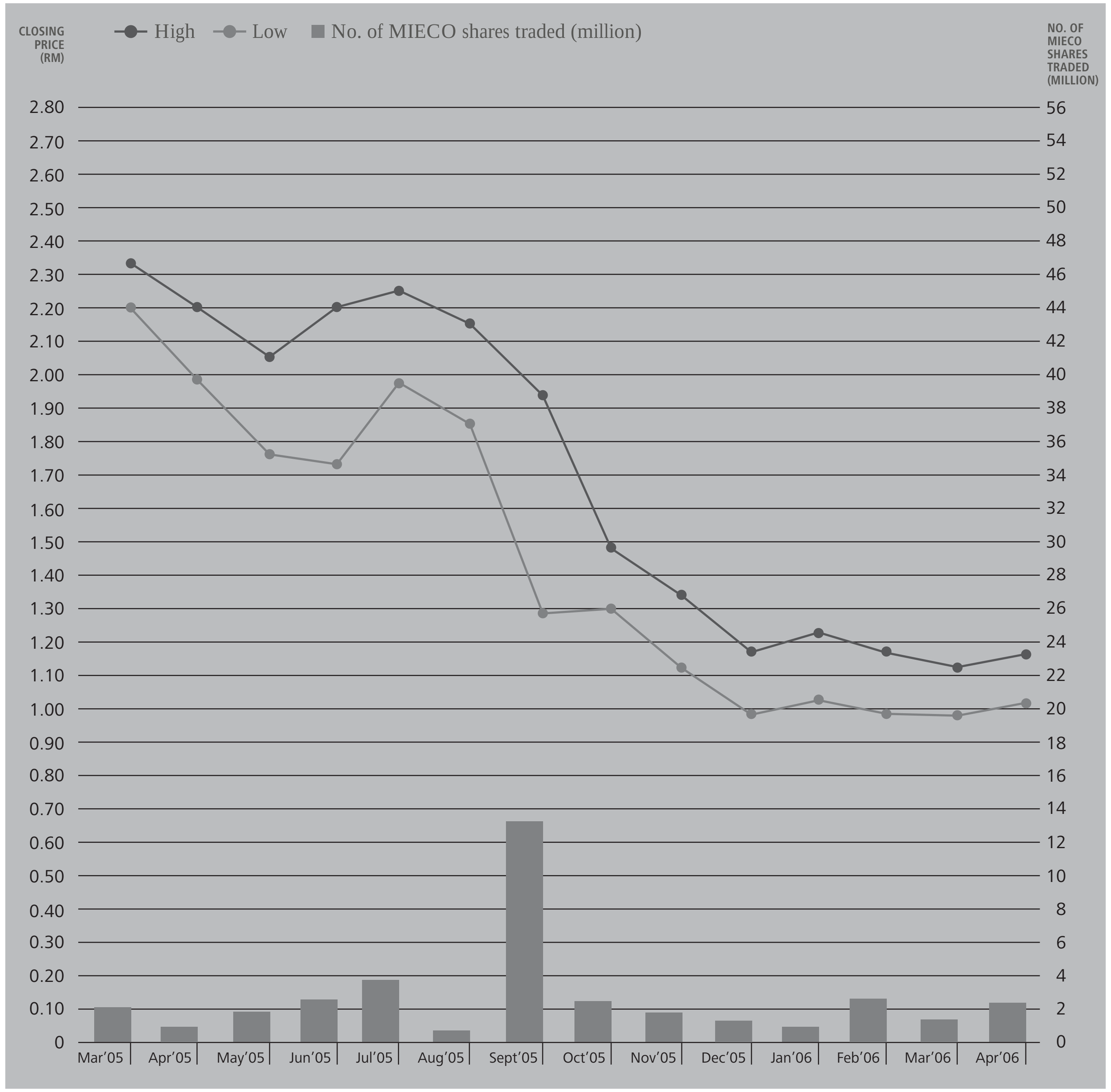
TOTAL NET ASSETS



TOTAL SHAREHOLDERS' FUND



Share Performance



Corporate Statements

Corporate Governance Statement

The Board of Mieco Chipboard Berhad ('MIECO') is committed to ensuring that the highest standards of corporate governance are practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholder value and the financial performance of the MIECO Group.

The Board of Directors confirms that the Group has applied the principles set out in Part 1 of the Malaysian Code on Corporate Governance ('Code') to the circumstances of the Group and has complied with the best practices set out in Part 2 of the Code throughout the financial year from 1 January 2005 to 31 December 2005. The Board will continually evaluate the status of the Group's corporate governance practices and procedures to ensure conformance and enhance performance in pursuit of its commitment to the highest standards of corporate governance.

BOARD OF DIRECTORS

The direction and control of the Group is the overall responsibility of the Board as it formulates policies, sets strategic directions and oversees the investments and operations of the Group.

Board Composition And Balance

The Board currently has six (6) members, comprising the Non-Independent Non-Executive Chairman, the Executive Director, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. Together, the Directors bring a wide range of business and financial expertise required for an effective functioning and discharge of the responsibilities of the Board. A brief profile of each Director is presented on pages 12 and 13 of this Annual Report.

There is a clear division of responsibility between the Chairman and the Executive Director to ensure that there is a proper balance of power and authority. The Non-Executive Chairman is entrusted with the task of running the Board while the Executive Director is primarily responsible for managing the Group's day-to-day operations and implementing the policies and strategies adopted by the Board.

There is also balance in the Board because of the presence of the two (2) Independent Non-Executive Directors. The Independent Non-Executive Directors fulfil their role by the exercise of independent judgement and objective participation in the deliberations and thus ensure that the interests of the minority shareholders are given due consideration in the decision-making process.

In the opinion of the Board, the appointment of a senior independent non-executive Director to whom concerns may be conveyed is not necessary. The Board operates in an open environment in which opinions and information are freely exchanged and in these circumstances any concerns need not be focused on a single director as all members of the Board fulfill this role collectively.

Duties And Responsibilities Of The Board

The Board retains full and effective overall control over the affairs of the Company and the Group. The principal duties and responsibilities of the Board are:

- formulating the business direction and objectives of the Group;
- reviewing, adopting and approving the Group's annual budgets, strategic plans, key operational initiatives, major investments and funding decisions;
- overseeing the conduct of business of the Group;
- reviewing the risk management process within the Group;
- assuming its responsibility in succession planning for top management; and
- reviewing and ensuring the adequacy and effectiveness of internal control systems and management information systems to ensure compliance with applicable standards, laws and regulations.

Board Meetings And Supply Of Information

Board meetings are scheduled in advance at the beginning of each new financial year to enable the Directors to plan ahead and fit the year's meetings into their own schedules. The Board meets at least five (5) times a year. Additional meetings are held as and when required.

During the financial year ended 31 December 2005, seven (7) Board meetings were held. The details of attendance of each Director are set out below:

NAME OF DIRECTORS	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Mohamed Moiz bin J M Ali Moiz	5
Dato' Yong Seng Yeow	7
Dato' Jaganath Derek Steven Sabapathy	6
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	7
Dato' Dr Amarjit Singh a/l Santokh Singh	7
Mr Low Kim Seng	7

The agenda for each Board meeting and papers relating to the agenda items are forwarded to all Directors for their perusal prior to the date of each Board meeting. The Directors can thus review the matters to be deliberated at the Board meeting and obtain further information and explanation, where necessary well before the date of the Board meeting.

Minutes of every Board meeting are circulated to all Directors for their perusal prior to confirmation of the minutes at the following Board meeting.

Senior management personnel are invited to attend the Board meetings, where necessary, to provide additional information and insights on the relevant agenda items tabled at Board meetings.

The Directors have full access to senior management for information and assistance and the advice and services of the Company Secretary who is responsible for ensuring that the Board meeting procedures are followed and that applicable rules and regulations are complied. In addition, the Directors may also seek independent professional advice in the furtherance of their duties at the Company's expense, if required.

Directors' Training

The Directors are mindful that they should receive appropriate continuous training and they have attended seminars and briefings in order to further enhance their business acumen and professionalism in discharging their fiduciary duties.

Training programmes and seminars (excluding those attended by Directors to fulfil the CEP requirement) attended by the Directors in 2005 are as follows:

Dato' Mohamed Moiz bin J M Ali Moiz
- Asean Advanced Senior Management Development Program: organised by Harvard Club Malaysia/Harvard Business School

Dato' Yong Seng Yeow
- Organisational Diagnosis and Revisit Mission and Values of MIECO: In-House Training conducted by Adizes Associates
- New FRS Awareness — Overview of the Changes: In-House Workshop conducted by PricewaterhouseCoopers

Dato' Jaganath Derek Steven Sabapathy
- New FRS Awareness — Overview of the Changes: In-House Workshop conducted by PricewaterhouseCoopers
- Updates on Regulatory Issues, Risk Management, Culture of a Performing Company and Directors' Remuneration: organised by Rating Agency Malaysia
- 2005 ICSC Spring Convention on 'Back to Business' at Las Vegas: organised by International Council of Shopping Centers, New York

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
- Organising and Influencing at Board Level: In-House Training conducted by Asian Academy for Corporate Administration Sdn Bhd
- New FRS Awareness — Overview of the Changes: In-House Workshop conducted by PricewaterhouseCoopers

Dato' Dr Amarjit Singh a/l Santokh Singh
- New FRS Awareness — Overview of the Changes: In-House Workshop conducted by PricewaterhouseCoopers
- Understanding and Analysing Financial Statements: organised by Rating Agency Malaysia

Low Kim Seng
- Organising and Influencing at Board Level: In-House Training conducted by Asian Academy for Corporate Administration Sdn Bhd

- New FRS Awareness — Overview of the Changes: In-House Workshop conducted by PricewaterhouseCoopers
- Indonesia Infrastructure Summit 2005: organised by Kadin Indonesia

Appointments To The Board
The appointment of new Directors is under the purview of the Nomination Committee, which is responsible for making recommendations to the Board on the suitable candidates for appointment. During the year, no new appointment was made as the Board is of the opinion that the present mix of experience and expertise is adequate and capable in overseeing and ensuring the Group's strategies are properly considered and implemented.

The Nomination Committee consists of 3 Non-Executive Directors, the majority of whom are Independent. The Nomination Committee currently comprises Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar (Independent Non-Executive Director), Dato' Dr Amarjit Singh a/l Santokh Singh (Independent Non-Executive Director) and Dato' Mohamed Moiz bin J M Ali Moiz (Non-Independent Non-Executive Director).

BOARD COMMITTEES

In ensuring its effectiveness and realising its responsibilities to its shareholders, the Board has delegated specific responsibilities to 4 subcommittees (the Audit Committee, the Nomination Committee, the Remuneration Committee and the Executive Committee), the details of which are set out below. These Committees have the authority to examine particular issues and report back to the Board with their recommendation. The ultimate responsibility for the final decision on all matters, however, lies with the entire Board.

Audit Committee
The terms of reference of the Audit Committee are set out in the Audit Committee Report.

Nomination Committee
The Nomination Committee is responsible for identifying, nominating and orientating new Directors and assessing existing Directors on an on-going basis.

Remuneration Committee
The Remuneration Committee is responsible for recommending to the Board the remuneration of Executive Directors of the Company.

Executive Committee
The Executive Committee is empowered by the Board to inter-alia, implement all policies/decisions that are approved by the Board and formulate and review investment policies/strategies and projects.

RE-ELECTION

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board during the financial year are subject to re-election by shareholders at the next Annual General Meeting ('AGM') held following their appointments.

The Articles of Association also requires that all Directors shall retire from office once in every three (3) years, and shall be eligible for re-election. At least one-third (1/3) of the Directors shall retire from office at every AGM and subject to eligibility, may offer themselves for re-election.

DIRECTORS' REMUNERATION

The remuneration of Directors is determined at levels that enable the Group to attract and retain Directors with the relevant experience and expertise needed to assist in managing the Group effectively and successfully. The Remuneration Committee reviews annually the performance of the Executive Director and furnishes recommendations to the Board on specific adjustments and/or reward payments.

The remuneration of the Non-Executive Directors reflects the level of responsibilities undertaken by the particular Director concerned in the Company and in the Group and after considering directors' remuneration of comparable organisations. The determination of the remuneration of the Non-Executive Directors is a matter for the Board as a whole.

All Directors receive Directors' fees from the Company which are subject to shareholders' approval at the AGM. A sitting allowance is also paid to non-executive Directors for each Board or committee meeting they attend.

The Remuneration Committee is made up of three (3) Non-Executive Directors, the majority of whom are Independent. The Remuneration Committee currently comprises Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar (Independent Non-Executive Director), Dato' Dr Amarjit Singh a/l Santokh Singh (Independent Non-Executive Director) and Dato' Jaganath Derek Steven Sabapathy (Non-Independent Non-Executive Director). The Remuneration Committee met once during the year under review.

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

RANGE OF REMUNERATION	EXECUTIVE DIRECTOR	NON-EXECUTIVE DIRECTORS
< RM50,000	-	3
RM50,001–RM100,000	-	1
RM250,001–RM300,000	-	1
RM550,001–RM600,000	1	-

The remuneration of the Directors for the financial year ended 31 December 2005 are set out on page 94 of this Annual Report.

INVESTOR RELATIONS

Dialogue Between The Company And Investors
The Board recognises the importance of transparency and accountability to its shareholders. The Group communicates with its shareholders and stakeholders regularly through timely release of financial results on a quarterly basis, press releases and announcements which provide an overview of the Group's performance and operations and disclosure of material information. In addition, the Group has established a website (www.mieco.com.my) which shareholders and members of the public can access for corporate information and news/events relating to the Group and for channelling their queries.

During the year, the Group continued to maintain an active investor relations dialogue, encouraging constructive communication with fund managers, analysts and investors.

Annual General Meeting
The AGM represents the principal forum for dialogue and interaction with all shareholders. Shareholders are welcome to attend the Company's AGMs and to actively participate in the proceedings. Every opportunity is given to shareholders to ask questions and seek clarification on the business and performance of the Company and the Group.

ACCOUNTABILITY AND AUDIT

Financial Reporting
In presenting the annual financial statements and quarterly announcements to shareholders, the Board takes responsibility to present a balanced and understandable assessment of the Group's and the Company's position and prospects.

Statement Of Directors' Responsibility In Respect Of Audited Financial Statements
The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and which give a true and fair view of the state of affairs of the Group and the Company at the end of the financial year and of the results and cash flows of the Group and the Company for the financial year.

In preparing the financial statements, the Directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- ensure that all applicable accounting standards have been followed; and

- prepared financial statements on a going concern basis as the Directors have a reasonable expectation, having made enquiries, that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors have the responsibility of ensuring that the Company keeps accounting records which disclose with reasonable accuracy the financial position of the Group and the Company and which enable them to ensure that the financial statements comply with the Companies Act, 1965.

The Directors have overall responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group to prevent and detect fraud and other irregularities.

Relationship With Auditors
The external auditors, Messrs PricewaterhouseCoopers have continued to report to the shareholders of the Group. Through the Audit Committee, the Company has established a transparent relationship with the external auditors to meet their professional requirements. From time to time, the external auditors have highlighted to the Audit Committee and the Board matters that require the Board's attention.

The role of the Audit Committee in relation to the external auditors is set out in the Audit Committee Report on pages 39 to 42 of this Annual Report.

ADDITIONAL COMPLIANCE INFORMATION

Share Buybacks
During the financial year, there were no share buy backs by the Company.

Exercise Of Options, Warrants Or Convertible Securities
Mieco Chipboard Berhad Employee Share Option Scheme came into effect on 13 August 2002. However, as at 31 December 2005, the Company has not granted any options. The Company has not issued any convertible securities in respect of the financial year ended 31 December 2005.

American Depository Receipt Or Global Receipt Programme
During the financial year, the Company did not participate in any American Depository Receipt or Global Receipt Programme.

Sanctions Or Penalties
There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-Audit Fees
Non-audit fees paid by the Company to the external auditors, Messrs PricewaterhouseCoopers for the financial year ended 31 December 2005 amounted to RM22,050.

Profit Guarantee
There were no profit guarantees given by the Company during the financial year.

Revaluation Policy On Landed Properties
The Group does not have a revaluation policy on landed properties.

Material Contracts Involving Directors' And Major Shareholders' Interests
There were no material contracts entered into by the Company and its subsidiaries involving Directors' and major shareholders' interests either subsisting as at 31 December 2005 or entered into since the end of the previous financial year ended 31 December 2004.

This statement was approved by the Board of Directors at its meeting held on 21 April 2006

Audit Committee Report

MEMBERS OF AUDIT COMMITTEE

The Audit Committee of Mieco Chipboard Berhad currently comprises the following Directors:

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
(Chairman/Independent Non-Executive Director)

Dato' Dr Amarjit Singh a/l Santokh Singh
(Member/Independent Non-Executive Director)

Dato' Jaganath Derek Steven Sabapathy
(Member/Non-Independent Non-Executive Director)

OBJECTIVES

The primary objectives of the Audit Committee are:

a. to assist the Board in the discharge of its responsibilities by reviewing the adequacy and integrity of the Company's and the Group's internal control systems and management information systems for compliance with applicable laws, regulations, rules, directives and guidelines;

b. to reinforce the independence of the external auditors and thereby help ensure that they will have free rein in the audit process and to provide, by way of regular meetings, a line of communication between the Board and the external auditors; and

c. to provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is independent of management.

COMPOSITION OF AUDIT COMMITTEE

Members
The Audit Committee shall be appointed by the Directors from amongst their number which fulfills the following requirements:

a. the Audit Committee shall be composed of not fewer than three (3) members;

b. the majority of the Audit Committee shall be Independent Directors; and

c. at least one (1) member of the Audit Committee:

   i. must be a member of the Malaysian Institute of Accountants; or
   ii. if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years' working experience and:

      aa. he must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
      bb. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

   iii. fulfils such other requirements as prescribed by Bursa Malaysia Securities Berhad ('BMSB').

d. No alternate Director shall be appointed as a member of the Audit Committee.

e. If a member of the Audit Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced below three (3), the Board of Directors shall, within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

f. The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board no less than once every three (3) years.

Chairman
The members of the Audit Committee shall elect a Chairman from among their number who shall be an Independent Director.

Secretary
The Company Secretary shall act as the Secretary of the Audit Committee.

FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Audit Committee are as follows:

a. to review with the external auditors, the audit plan, the audit report and their evaluation of the system of internal controls; and the assistance given by employees to the external auditors in discharging their duties;

b. to review the quarterly and year-end financial statements of the Company and the Group, focusing particularly on:

- any changes in accounting policies and practices;
- significant adjustments arising from the audit;
- the going concern assumption; and
- compliance with accounting standards and other legal requirements.

c. to discuss problems and reservations arising from the interim and final audits, and any matter the external auditors may wish to discuss (in the absence of management where necessary);

d. to review the external auditors' management letters and management's response;

e. to review the adequacy of the scope, functions and resources of the internal audit function, and that it has the necessary authority to carry out its works;

f. to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function;

g. to consider any related party transaction and conflict of interest situation that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity;

h. to consider the major findings of internal investigations and management's response;

i. to consider the nomination and appointment of external auditors, the audit fee and any questions of resignation or dismissal;

j. to report promptly to BMSB on any matter reported by the Audit Committee to the Board of Directors which has not been satisfactorily resolved resulting in a breach of the Listing Requirements of BMSB; and

k. to consider and examine other topics as may be defined by the Board of Directors.

RIGHTS OF THE AUDIT COMMITTEE

Wherever necessary and reasonable for the performance of its duties, the Audit Committee shall in accordance with a procedure to be determined by the Board of Directors and at the cost of the Company:

a. have authority to investigate any matter within its terms of reference;

b. have the resources which are required to perform its duties;

c. have full and unrestricted access to any information pertaining to the Company and the Group;

d. have direct communication channels with the external and internal auditors; and

e. be able to obtain independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise it considers necessary.

MEETINGS AND REPORTING PROCEDURES

a. The Audit Committee shall meet as often as the Chairman deems necessary but not less than four (4) times a year.

b. The quorum for an Audit Committee meeting shall be at least two (2) members; the majority of the members present must be Independent Directors.

c. The internal auditors shall be in attendance at meetings to present and discuss the audit reports and other relevant matters and the recommendations relating thereto and to follow up on all relevant decisions made.

d. The Audit Committee may invite the external auditors, any non member Directors or employees of the Group to attend its meetings to assist in its deliberations and resolutions of matters raised.

e. The Audit Committee shall, if so required, meet with the external auditors without any executive Board member present. At the request of the external auditors, the Chairman shall convene an Audit Committee meeting to consider any matter which the external auditors believe should be brought to the attention of the Board or shareholders.

f. The Secretary is responsible for sending out notices of meetings and preparing and keeping minutes of meetings.

g. The Audit Committee meeting minutes are to be extended to all members of the Board.

SUMMARY OF ACTIVITIES

During the financial year ended 31 December 2005, five (5) Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

NAME OF AUDIT COMMITTEE MEMBERS	NUMBER OF MEETINGS ATTENDED
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar — Chairman	5
Dato' Dr Amarjit Singh a/l Santokh Singh	5
Dato' Jaganath Derek Steven Sabapathy	4

The activities carried out by the Audit Committee during the financial year ended 31 December 2005 included the following:

i. review of the risk-based internal audit plan with the internal auditors to ensure adequate scope and coverage on their activities;

ii. review of the annual audit plan with the external auditors, prior to the commencement of the annual audit as to their scope of work and audit strategy;

iii. review of the quarterly unaudited financial results and year-end audited financial statements of the Group before recommending them to the Board for approval;

iv. review of the year-end audited financial statements, the audit memorandum, issues and management response to the external auditors;

v. review of internal audit reports with the internal auditors, especially with regard to the issues raised, audit recommendations and management response. Where necessary, the Audit Committee has directed action to be taken by management to rectify and improve the system of internal controls and procedures; and

vi. review of related party transactions of the Group.

INTERNAL AUDIT FUNCTION

The Internal Audit function of the Group is carried out by an independent professional consulting firm, MustaphaRaj Sdn Bhd ('MRSB'). MRSB reports to the Audit Committee and assists the Board in monitoring and managing risks and internal controls so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. The internal audits are on a risk-based approach, by which process significant risks are identified, assessed and managed. Such an approach also ensures that instituted controls are appropriate and effectively applied to achieve acceptable risk exposures.

During the financial year, audit assignments namely compliance and operational audits were carried out on strategic business units/operations of the Group. The resulting reports of the audits undertaken were issued to the management of the respective operating companies concerned, incorporating audit recommendations and management responses. The completed audits were ultimately reported to the Audit Committee. The areas of work accomplished relate to those stated in the approved Audit Plan and follow-up with management on the implementation of agreed audit recommendations raised in previous audit reports.

Statement On Internal Control

INTRODUCTION

The Malaysian Code on Corporate Governance requires listed companies to maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

Paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad requires directors of listed companies to include a statement in their annual reports on the state of internal control of these companies.

The Board continues with its commitment to maintain a sound system of internal control within the Group through the process of the internal audit function, risk management processes and the review and control by the Audit Committee.

The Board is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the year under review.

BOARD RESPONSIBILITY

The Board affirms its overall responsibility for the Group's system of internal control. This encompasses reviewing and ensuring the effectiveness, adequacy and integrity of the internal control system through regular evaluation of the nature and extent of risk to which the Group is exposed. The principal objective of the system of internal control is to effectively manage business risks to enhance the value of shareholders' investments and safeguard all assets.

In view of the limitations that are inherent in any system of internal control, this system is designed to manage rather than eliminate the risk of failure to achieve corporate objectives. Accordingly, the Group's system of internal control can provide only reasonable and not absolute assurance against material misstatement of management and financial information or against financial losses and fraud.

The Board confirms that it has established an on going process for identifying, evaluating and managing significant risks affecting the achievement of its business objectives for the financial year under review. This process is regularly reviewed by the Board.

RISK MANAGEMENT FRAMEWORK

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of such risks are important to ensure the achievement of the Group's corporate objectives.

The Group embarked on the establishment of a Risk Management Framework in 2003. Senior management and divisional heads of the Group have profiled and compiled their respective risk registers together with the associated controls and mitigation plans to mitigate the identified risks. The Group's risk registers are being updated by the Risk Management Committee and will be submitted for adoption by the Board.

On a day-to-day basis, the management of risks is assigned to the respective heads of operations or divisions who are accountable for the conduct and performance of their businesses within the agreed business strategy.

INTERNAL AUDIT FUNCTION

The Group's internal audit function, which is outsourced to an independent consulting firm, examines the adequacy and effectiveness of the Group's system of internal control, risk management process and compliance framework on behalf of the Board. The internal audit function adopts a risk-based approach and prepares its annual audit plan based on the risk profile of major business units of the Group. The internal audit function performs regular reviews of business processes and also conducts visits to key business units of the Group and reports its findings and recommendations to the Audit Committee.

The Audit Committee on behalf of the Board, reviews with management the actions taken within the internal control system, based on issues identified in reports prepared by the internal auditors and the external auditors. The Audit Committee by reviewing the internal audit reports is able to inform the Board on the adequacy and effectiveness of the Group's internal control system. The minutes of the Audit Committee meetings are tabled to the Board for noting.

CONTROL STRUCTURE AND ENVIRONMENT

The Board is fully committed to ensuring that a proper control environment is maintained within the organisation to govern the manner in which the Group and its employees conduct themselves. The other key elements of controls are as follows:

- The Group has in place a defined organisational structure with clear lines of responsibility, delegation of authorities. A process of hierarchical reporting has been established which provides for a documented and audited trail of accountability.
- The Group has defined an Authority Chart that provides the limits authorised to the management in respect of day-to-day banking and financing operations, investments, acquisitions and disposal of assets. The Authority Chart is being reviewed taking into account the Group's increased volume of business, to be in line with the current organisational structure.
- There are proper internal policies and procedures geared towards prevention of assets loss and which cover other major functional aspects of the Group's business operations. These policies and procedures are distributed to the relevant sections across the Group's operations.
- Human resource policies and guidelines are established to provide support to the Group's vision. These policies provide guidance to employees on areas such as hiring and termination of staff, code of conduct and discipline, employee performance appraisals and related matters. On-going training is provided to improve employees' competencies and skills.
- The Group is committed to continuously maintain the MIECO Quality, Environmental, Health and Safety Management Systems Certification. The Company was accorded the prestigious ISO 9002: 1994 certification in April 1988 and which certification was subsequently upgraded to ISO 9001: 2000 in September 2002. In January 2004, the Company was accorded certification in BS EN ISO 14001: 1996 Environmental Management System and which certification was subsequently upgraded to BS EN ISO 14001: 2004 in October 2005. In March 2005, the Company's wholly-owned subsidiary, Mieco Manufacturing Sdn Bhd achieved certification of OHSAS 18001: 1999 Occupational Health and Safety Management System for its plant in Gebeng, Pahang followed with BS EN ISO 9001: 2000 and MS ISO 9001: 2000 Quality Management System certifications for its new plant in Kechau Tui, Pahang. These certifications are an assurance of the procedures and processes used to produce the products and services and also reflect the Group's commitment to meet the needs and expectations of customers. The Group has also implemented and achieved the good standard requirements of the 5S Practices in September 2005 and won the National 5S Award 2005 for the Open-Manufacturing Sector.
- Regular Board and Management meetings are held to assess performance and controls in all facets of operations. Senior management meet on a monthly basis with managers of business units to consider the Group's operational, business development, financial performance and risk related management matters.
- The Group adopts a strategic planning, annual budgeting and target setting process that includes forecasts for each area of business. The Board reviews and approves the Annual Management Plan and Budget. The Board's evaluation includes assessment of risks and opportunities identified by management in the course of the annual budgeting process. Monthly reporting of actual results and review against budget are prepared for monitoring by management.
- The Group has Board representations in its associated companies. Financial and operational information of these associated companies are provided regularly to the management of the Company via the Group management reporting procedures.

CONCLUSION

The Board concurs that the system of internal control will continue to be reviewed, added on or updated in line with the changes in the operating environment. The Board is of the view that the existing system of internal control is adequate to safeguard the Group's assets at the existing level of operations of the Group. There were no material losses incurred during the financial year as a result of weaknesses in internal control.

This statement was approved by the Board of Directors at its meeting held on 21 April 2006

Financial Statement

Directors' Report

The Directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2005.

PRINCIPAL ACTIVITIES

During the financial year under review, the Company changed its principal activities to those of investment holding and provision of management services and ceased its chipboard manufacturing activities following the completion of the Internal Reorganisation exercise referred to in Significant Events and Note 5 to the financial statements.

The principal activities of its subsidiary companies and associated companies are as shown in Notes 7 and 8 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

FINANCIAL RESULTS

	GROUP RM'000	COMPANY RM'000
Net (loss)/profit for the year	(8,178)	2,994

DIVIDENDS

The dividends paid or declared by the Company since 31 December 2004 were as follows:

	COMPANY RM'000
In respect of the year ended 31 December 2004, as shown in the Directors' report of that year, a first and final tax exempt dividend of 7.5 sen per share on 210,000,000 ordinary shares, paid on 2 August 2005	15,750

The Director do not recommend any payment of dividend for the financial year ended 31 December 2005.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are shown in the financial statements.

DIRECTORS

The Directors who have held office since the date of the last report are as follows:

Dato' Mohamed Moiz bin J M Ali Moiz
Dato' Jaganath Derek Steven Sabapathy
Dato' Yong Seng Yeow
Low Kim Seng
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
Dato' Dr. Amarjit Singh a/l Santokh Singh

In accordance with Article 81 of the Company's Articles of Association, Dato' Jaganath Derek Steven Sabapathy and Dato' Dr. Amarjit Singh a/l Santokh Singh retire by rotation and being eligible, offer themselves for re-election at the forthcoming Annual General Meeting.

In accordance with Section 129(2) of the Companies Act, 1965, Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar retires, having attained the age of seventy, the Board of Directors recommends that he be re-appointed in accordance with Section 129(6) of the Companies Act,1965.

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than the Company's Employee Share Option Scheme.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than directors' remuneration disclosed in Note 28 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except as disclosed in Note 31 to the financial statements.

Directors' Report
(CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' shareholdings, particulars of interest of Directors who held office at the end of the financial year in shares and warrants in the Company and its related corporations during the financial year are as follows:

	NUMBER OF ORDINARY SHARES OF RM1.00 EACH			
Direct Interest In Shares	**AT 1.1.2005**	**BOUGHT**	**SOLD**	**AT 31.12.2005**
a. Mieco Chipboard Berhad				
Dato' Yong Seng Yeow	20,000	0	0	20,000
Low Kim Seng	10,000	0	0	10,000
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	16,000	0	0	16,000
Dato' Dr. Amarjit Singh a/l Santokh Singh	60,000	30,000	0	90,000
b. Holding company — Bandar Raya Developments Berhad				
Low Kim Seng	22,000	35,000	0	57,000
Indirect interest in shares				
a. Mieco Chipboard Berhad				
Dato' Mohamed Moiz bin J M Ali Moiz	118,193,971*	1,000,000*	0	119,193,971*
b. Holding company — Bandar Raya Developments Berhad				
Dato' Mohamed Moiz bin J M Ali Moiz	156,070,812*	0	(17,000,000*)	139,070,812*

	NUMBER OF ORDINARY SHARES /WARRANTS			
Warrants 2004/2009	**AT 1.1.2005**	**BOUGHT**	**SOLD**	**AT 31.12.2005**
Mieco Chipboard Berhad				
Dato' Mohamed Moiz bin J M Ali Moiz	40,100,230*	0	0	40,100,230*
Dato' Yong Seng Yeow	6,666	0	0	6,666
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	5,333	0	0	5,333
Low Kim Seng	3,333	0	0	3,333

* Indirect interest held through Ambang Sehati Sdn. Bhd.

Other than as disclosed above, the Directors did not hold any interests in shares and warrants in the Company and its related corporations during the financial year.

Directors' Report
(CONTINUED)

SIGNIFICANT EVENTS

1. Employee Share Option Scheme

   The Employee Share Option Scheme of the Company came into effect on 13 August 2002. As at the date of this report, the Company has not granted any options.

2. Internal Reorganisation

   a. On 2 February 2005, the Company entered into a Sale and Purchase Agreement with its wholly-owned subsidiary, Mieco Manufacturing Sdn Bhd ('MMSB') for the sale and transfer of the Company's chipboard plants located at Kawasan Perindustrian Semambu, Kuantan and Kawasan Perindustrian Gebeng, Kuantan together with all plant and equipment, assets and stocks relating to the Company's manufacturing operations ('Manufacturing Assets') to MMSB for an aggregate consideration of RM179,815,873 which consideration may be adjusted in accordance with the provisions of the Agreement, to be satisfied as follows:

      i. wholly in cash; or

      ii. wholly by the issue of shares in MMSB; or

      iii. partly in cash and partly by the issue of shares in MMSB;

      as the Company and MMSB shall mutually decide and agree upon and subject to the provisions of the Sale and Purchase Agreement. The consideration was adjusted to RM175,911,004, which was satisfied by the issue of 49,999,998 ordinary shares of RM1.00 each by MMSB to the Company and the balance of RM125,911,006 shall be deemed an interest free debt due from MMSB to the Company. The Internal Reorganisation was completed on 1 March 2005.

   b. On 29 August 2005, the Company entered into an Agreement with MMSB for acknowledging the debt owing by MMSB to the Company arising from:

      i. purchase of the Manufacturing Assets from the Company; and

      ii. utilisation of proceeds raised by the Company from the RM175 million Al Murabahah Commercial Papers and Medium Term Notes Programme

SUBSEQUENT EVENTS

RM175 Million Al Murabahah Commercial Paper ('MCP') And Medium Term Note ('MMTN') Programme

On 22 and 23 February 2006, the Company repurchased MCP and MMTN of RM25 million and RM50 million face value respectively issued under the MCP/MMTN Programme. The repurchases were financed by a term loan of RM100 million pursuant to a Facility Agreement dated 20 February 2006.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the income statements and balance sheets of the Group and the Company were made out, the Directors took reasonable steps:

a. to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and

b. to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business their value as shown in the accounting records of the Group and the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the Directors are not aware of any circumstances:

a. which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and the Company inadequate to any substantial extent; or

b. which would render the values attributed to current assets in the financial statements of the Group and the Company misleading; or

c. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

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, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

a. any charge on the assets of the Group or the Company which has arisen since the end of the financial year which secures the liability of any other person; or

b. any contingent liability of the Group or the Company which has arisen since the end of the financial year.

OTHER STATUTORY INFORMATION

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors:

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

b. there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or the Company for the year in which this report is made.

GENERAL INFORMATION

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

The number of employees of the Group and the Company at the end of the financial year amounted to 830 (2004: 840) and 28 (2004: 693) respectively.

The holding company is Bandar Raya Developments Berhad, a company incorporated in Malaysia.

The address of the registered office is 31st Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur.

The addresses of the principal place of business are as follows:

a. 30th Floor, Menara Multi-Purpose, Capital Square, No. 8, Jalan Munshi Abdullah, 50100 Kuala Lumpur;

b. Lot 77-83, Semambu Industrial Estate, P.O. Box 169, 25720 Kuantan, Pahang Darul Makmur;

c. Lot 74, Kawasan Perindustrian Gebeng, 26080 Kuantan, Pahang Darul Makmur;

d. Lot 3, Kawasan Perindustrian Kechau Tui, 27100 Padang Tengku, Pahang Darul Makmur.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

In accordance with a resolution of the Board of Directors dated 21 April 2006.

DATO' JAGANATH DEREK STEVEN SABAPATHY
DIRECTOR

DATO' YONG SENG YEOW
DIRECTOR

Balance Sheets
AS AT 31 DECEMBER 2005

	NOTE	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Non Current Assets					
Property, plant and equipment	6	548,220	520,218	5,052	144,586
Subsidiary companies	7	0	0	52,045	2,045
Associated companies	8	673	(83)	3,430	0
Amount due from a subsidiary company	9	0	0	453,797	371,331
Deferred tax assets	19	523	194	115	0
		549,416	520,329	514,439	517,962
Current Assets					
Inventories	10	43,110	36,793	0	36,048
Receivables, deposits and prepayments	11	42,337	31,035	2,736	26,532
Marketable securities	12	1,476	1,496	0	0
Tax recoverable		3,486	2,114	2,284	1,976
Short term deposits	27	3,846	25,942	276	14,957
Cash and bank balances	27	11,094	4,890	6,355	2,331
		105,349	102,270	11,651	81,844
Current Liabilities					
Trade and other payables	13	60,952	43,995	4,942	40,228
Provisions	14	122	0	1	0
Borrowings	15	116,104	25,128	75,035	25,070
Taxation		2	884	0	0
		177,180	70,007	79,978	65,298
NET CURRENT (LIABILITIES)/ASSETS		(71,831)	32,263	(68,327)	16,546
		477,585	552,592	446,112	534,508

Balance Sheets
AS AT 31 DECEMBER 2005 (CONTINUED)

	NOTE	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Capital And Reserves					
Share capital	17	210,000	210,000	210,000	210,000
Reserves	18	142,240	166,168	136,097	148,853
Shareholders' funds		352,240	376,168	346,097	358,853
Non Current Liabilities					
Provisions	14	6,571	5,946	15	5,540
Borrowings	15	100,066	150,073	100,000	150,035
Deferred tax liabilities	19	18,708	20,405	0	20,080
		125,345	176,424	100,015	175,655
		477,585	552,592	446,112	534,508

Income Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

	NOTE	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Revenue	20	258,986	236,656	40,005	209,220
Other operating income		2,775	2,044	1,139	5,083
Changes in inventories of finished goods and work in progress		6,317	11,649	1,172	10,904
Raw materials and consumables used		(165,440)	(143,236)	(22,160)	(142,491)
Hiring of vehicles and equipment		(7,341)	(670)	(188)	(670)
Cost of investment disposed		(40)	(6,195)	0	0
Staff costs	21	(25,420)	(23,070)	(4,543)	(20,474)
Depreciation of property, plant and equipment		(24,337)	(8,595)	(1,682)	(8,116)
Upkeep, repairs and maintenance of assets		(6,668)	(4,749)	(1,767)	(4,586)
Utilities		(15,913)	(8,737)	(1,721)	(8,712)
Write back of impairment loss of marketable securities		22	71	0	0
Research and development expenses		(368)	(54)	(60)	(54)
Other operating expenses		(17,504)	(16,606)	(3,625)	(15,212)
Profit from operations	22	5,069	38,508	6,570	24,892
Finance costs	23	(8,818)	(7)	(418)	(2)
Share of loss in associated company	8	(2,674)	(83)	0	0
(Loss)/profit before taxation		(6,423)	38,418	6,152	24,890
Tax expense					
• Company and subsidiaries		(1,755)	(7,930)	(3,158)	(3,725)
• Associate		0	0	0	0
	24	(1,755)	(7,930)	(3,158)	(3,725)
Net (loss)/profit for the year		(8,178)	30,488	2,994	21,165
(Loss)/earnings per share (sen)	25	(3.89)	14.5		
Diluted earnings per share (sen)	25	N.A.	12.4		
Proposed dividend per share (sen)	26	0	7.5	0	7.5

Consolidated Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

	ISSUED AND FULLY PAID ORDINARY SHARES OF RM1 EACH		NON-DISTRIBUTABLE		DISTRIBUTABLE	
	NUMBER OF SHARES RM'000	NOMINAL VALUE RM'000	SHARE PREMIUM RM'000	WARRANT RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
At 1 January 2004	210,000	210,000	5,866	0	131,585	347,451
Net profit for the year	0	0	0	0	30,488	30,488
Issuance of warrants	0	0	0	13,979	0	13,979
Final dividends for financial year ended 31 December 2003	0	0	0	0	(15,750)	(15,750)
At 31 December 2004	210,000	210,000	5,866	13,979	146,323	376,168
At 1 January 2005	210,000	210,000	5,866	13,979	146,323	376,168
Net loss for the year	0	0	0	0	(8,178)	(8,178)
Final dividends for financial year ended 31 December 2004	0	0	0	0	(15,750)	(15,750)
At 31 December 2005	210,000	210,000	5,866	13,979	122,395	352,240

Company Statement Of Changes In Equity

FOR THE YEAR ENDED 31 DECEMBER 2005

	ISSUED AND FULLY PAID ORDINARY SHARES OF RM1 EACH		NON-DISTRIBUTABLE		DISTRIBUTABLE	
	NUMBER OF SHARES RM'000	NOMINAL VALUE RM'000	SHARE PREMIUM RM'000	WARRANT RESERVE RM'000	RETAINED EARNINGS RM'000	TOTAL RM'000
At 1 January 2004	210,000	210,000	5,866	0	123,593	339,459
Net profit for the year	0	0	0	0	21,165	21,165
Issuance of warrants	0	0	0	13,979	0	13,979
Final dividends for financial year ended 31 December 2003	0	0	0	0	(15,750)	(15,750)
At 31 December 2004	210,000	210,000	5,866	13,979	129,008	358,853
At 1 January 2005	210,000	210,000	5,866	13,979	129,008	358,853
Net profit for the year	0	0	0	0	2,994	2,994
Final dividends for financial year ended 31 December 2004	0	0	0	0	(15,750)	(15,750)
At 31 December 2005	210,000	210,000	5,866	13,979	116,252	346,097

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2005

		GROUP		COMPANY	
	NOTE	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Cash Flows From Operating Activities					
(Loss)/profit after taxation		(8,178)	30,488	2,994	21,165
Adjustments for:					
Write back of impairment loss of marketable securities		(22)	(71)	0	0
Write back of diminution value of investment in subsidiary		0	0	0	(50)
Depreciation of property, plant and equipment		24,337	8,595	1,682	8,116
(Gain)/loss on disposal of property, plant and equipment		(97)	45	0	45
Allowance/(write back) for bad and doubtful debts		274	69	(399)	65
Allowance/(write back) of inventories obsolescence		1,587	378	(995)	378
Finance cost	23	8,818	7	9,640	2
Finance income		(314)	(659)	(9,381)	(514)
Provision for staff retirement benefits		1,033	1,120	224	1,055
Tax expense		1,755	7,930	3,158	3,725
Dividend income		(27)	(54)	0	(3,343)
Gain on disposal of marketable securities		(1)	(3,947)	0	0
Share of loss in associated company		2,674	83	0	0
Allowance for back dated wages		122	73	1	73
		31,961	44,057	6,924	30,717
Changes in working capital:					
Increase in inventories		(7,904)	(12,027)	(176)	(11,282)
(Increase)/decrease in receivables		(10,089)	(73)	32,527	63
Increase/(decrease) in payables		16,531	14,665	(43,822)	12,983
Increase/(decrease) in intercompany balances		427	(126)	16,174	(194,240)
		30,926	46,496	11,627	(161,759)
Payments of staff retirement benefits		(419)	(105)	(63)	(97)
Income tax paid		(6,035)	(5,888)	(1,836)	(2,193)
Payments of back dated wages		0	(573)	0	(573)
Net cash flows from/(used in) operating activities		24,472	39,930	9,728	(164,622)

Cash Flow Statements

FOR THE YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	NOTE	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Cash Flows From Investing Activities					
Purchase of property, plant and equipment	5, 6, 29	(52,673)	(216,637)	(900)	(11,198)
Finance income		319	2,588	9,345	517
Proceeds from disposal of property, plant and equipment		746	98	60	95
Proceeds from disposal of marketable securities		43	10,142	0	0
Dividend income		27	54	0	3,343
Investment in an associated company	8	(3,430)	*	(3,430)	*
Net cash flows (used in)/from investing activities		(54,968)	(203,755)	5,075	(7,243)
Cash Flows From Financing Activities					
Repayment of hire purchase liabilities		(189)	(83)	(75)	(35)
Finance cost		(10,373)	(10,219)	(9,635)	(523)
Dividend paid		(15,750)	(15,750)	(15,750)	(15,750)
Proceeds from issuance of MCP/MMTN		0	25,000	0	25,000
Proceeds on issuance of warrants		0	14,500	0	14,500
Net proceeds from bankers acceptance		40,916	0	0	0
Net cash flows from/(used in) financing activities		14,604	13,448	(25,460)	23,192
Net Decrease In Cash And Cash Equivalents		(15,892)	(150,377)	(10,657)	(148,673)
Cash And Cash Equivalents At Beginning Of The Financial Year		30,832	181,209	17,288	165,961
Cash And Cash Equivalents At End Of The Financial Year	27	14,940	30,832	6,631	17,288

*RM1

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005

1 PRINCIPAL ACTIVITIES

During the year under review, the Company changed its principal activities to those of investment holding and provision of management services and ceased its chipboard manufacturing activities following the completion of the Internal Reorganisation exercise referred to in significant events and Note 5 to the financial statements.

The principal activities of its subsidiary companies and associated companies are as shown in Notes 7 and 8 to the financial statements.

2 BASIS OF PREPARATION

The financial statements of the Group and the Company, expressed in Ringgit Malaysia, are prepared under the historical cost convention except as disclosed in the summary of significant accounting policies. The financial statements comply with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The preparation of financial statements in conformity with the provisions of the Companies Act, 1965 and the MASB approved accounting standards in Malaysia requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Although these estimates are based on the Directors' best knowledge of current events and actions, actual results could differ from those estimates.

3 SIGNIFICANT ACCOUNTING POLICIES

a. Basis Of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary companies made up to the end of the financial year. Subsidiary companies are the companies in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities.

Subsidiaries are consolidated using the acquisition method of accounting. Under the acquisition method of accounting, subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. The cost of an acquisition is the amount of cash paid and the fair value at the date of acquisition of other purchase consideration given by the acquirer, together with directly attributable expenses of acquisition. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the consolidated financial statements. The difference between the cost of acquisition over the Group's share of the fair value of the identifiable net assets of the subsidiary acquired at the date of acquisition is reflected as goodwill or reserve on consolidation.

Intragroup transactions, balances and unrealised gains on transactions are eliminated; unrealised losses are also eliminated unless cost cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

b. Associated Companies

Associated companies are those companies in which the Group exercises significant influence, but which it does not control. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies. Investments in associates are accounted for in the consolidated financial statements by the equity method of accounting.

Equity accounting involves recognising in the income statement the Group's share of the net results of associates for the year. The Group's investment in associates are carried in the balance sheet at an amount that reflects its share of the net assets of the associates. Equity accounting is discontinued when the carrying amount of the investment in an associate reaches zero unless the Group has incurred obligations or made payments on behalf of the associates.

The Group's share of results and reserves of associates acquired or disposed of are included in the consolidated financial statements from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the associates' net assets are determined and these values are reflected in the consolidated financial statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

The gain or loss on disposal of an associate is the difference between net disposal proceeds and the Group's share of its assets together with share of post acquisition results, which were previously recognised in the consolidated income statement.

c. Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the Group's share of the fair values of their identifiable net assets at the date of acquisition. Goodwill and reserve on consolidation is written off immediately to income statement.

d. Investments

Investments in subsidiary companies and associated companies are stated at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount.

Marketable securities (within current assets) are carried at the lower of cost and market value, determined on an individual portfolio basis. Market value is calculated by reference to stock exchange quoted selling prices at the close of business on the balance sheet date. Increases/decreases in the carrying amount of marketable securities are credited/charged to the income statement.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is charged/credited to the income statement.

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

e. Property, Plant And Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment loss. Cost comprises purchase cost and any incidental costs of acquisition.

Freehold land is not depreciated as it has an infinite life. Capital work in progress is not depreciated as depreciation only commences when the assets are ready for their intended use.

Leasehold land with an unexpired lease period of 50 years and more are classified as long term leasehold land. All other leasehold lands are classified as short term.

Long leasehold land is amortised in equal instalments over the period of the respective leases that range from 66 to 99 years. Short leasehold land is amortised in equal instalments over the remaining period of the lease of 36 years. Other property, plant and equipment are depreciated on the straight line basis to write off the cost of the assets to their residual values over the estimated useful lives at the following annual rates:

	%
Buildings	1– 2
Plant and machinery	5 – 33.3
Furniture, fittings and office equipment	10 – 20
Office renovation	10
Computer equipment	33.3
Motor vehicles	20

At each balance sheet date, the Group assesses whether there is any indication of impairment. If such indication exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 3(f) on impairment of assets.

Subsequent restoration costs relating to an item of property, plant and equipment that has been recognised are capitalised only if such costs improve the condition of the asset beyond its originally assessed standard of performance. All other subsequent expenditures are expensed to income statement when incurred.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and are included in profit/loss from operations.

Borrowing costs directly attributable to the construction of the property, plant and equipment are capitalised in accordance with 3(r)(ii). All other borrowing costs are charged to income statement.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

f. Impairment Of Assets

Property, plant and equipment and other non-current assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest level for which there is separately identifiable cash flows.

The impairment loss is charged to income statement and any subsequent increase in recoverable amount is recognised in the income statement to the extent of the amount originally charged as impairment loss.

g. Research And Development Expenditure

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or imposed products) are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technologies feasibility, and only if the cost can be measured reliably. Other development expenditures are recognised as an expense when incurred.

h. Employee Benefits

i. *Short Term Employee Benefits*

Wages, salaries, paid annual leave, bonuses, and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group. Short term accumulative compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlements to future compensated absences and short term non-accumulative compensated balances such as sick leave are recognised when such absences occur.

ii. *Post Employment Benefits*

Defined contribution plan

The Group contributes to the Employees Provident Fund, the national defined contribution plan. Contributions made to this defined contribution plan are charged to the income statement in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

h. Employee Benefits (Continued)

Defined benefit plan

The liability in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date together with adjustments for actuarial gains/losses and past services cost. The Group determines the present value of the defined obligation with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the balance sheet date.

The defined benefit obligation, calculated using the projected unit credit method, is determined by independent actuaries, considering the estimated future cash outflows using market yield at the balance sheet date of government securities which have currency and terms to maturity approximating the terms of the related liability.

Actuarial gains and losses arise from experience adjustments and changes in actuarial assumptions. The amount of net actuarial gains and losses recognised in the income statement is determined by the corridor method in accordance with FRS 119 'Employee Benefits' and is charged or credited to income over the average remaining service lives of the related employees participating in the defined benefit plan.

Under this scheme, the benefits due to the eligible employees are determined based on the length of service at predetermined factors in accordance with the Group's Employee's Handbook.

i. Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of finished goods and work-in-progress includes raw materials, labour and attributable production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

j. Receivables

Trade receivables are carried at invoiced amount less an allowance for doubtful debts based on a review of outstanding amounts at the year end. Known bad debts are written off in the year in which they are identified.

k. Cash And Cash Equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, bank overdrafts and short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

l. Income Tax

Current tax expense includes all taxes payable based upon the taxable profits, including withholding taxes, by the Company, subsidiaries, associates and real property gains taxes payable upon disposal of properties.

Deferred taxation is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences or unused tax losses can be utilised.

Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred tax.

m. Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, when it is probable that an outflow of resources will be required to settle the obligation, and when a reliable estimate of the amount can be made.

n. Dividends

Dividends on ordinary shares are recognised as liabilities when proposed or declared before the balance sheet date. A dividend proposed or declared after the balance sheet date, but before the financial statements are authorised for issue, is not recognised as a liability at the balance sheet date. When the dividend become payable upon the approval of members of the Company at the Annual General Meeting, it will be accounted for as a liability.

o. Revenue Recognition

Sales are recognised upon delivery of products and customer acceptance, net of returns, rebates and discounts, and after eliminating sales within the Group.

Revenue relating to the disposal of marketable securities is recognised when the disposal contracts become unconditional and on a receivable basis. Proceeds from disposal of marketable securities are net of stamp duties, brokerage and clearing fees.

Sales commission, interest and rental income are recognised on accrual basis. Dividend income is recognised when the Group's right to receive payment is established.

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

p. Foreign Currencies

i. *Foreign Currency Transactions And Balances*

Foreign currency transactions in Group companies are accounted for at exchange rates prevailing at the transaction dates, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Foreign currency monetary assets and liabilities are translated at exchange rates prevailing at balance sheet date, unless hedged by forward foreign exchange contracts, in which case the rates specified in such forward contracts are used. Exchange differences arising from settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in the income statement.

The principal closing rates used in translation of foreign currency amounts are as follows:

FOREIGN CURRENCY	31.12.2005 RM	31.12.2004 RM
1 US Dollar	3.75000	3.75000
1 Singapore Dollar	2.25610	2.25610
1 Hong Kong Dollar	0.48310	0.48310
1 EURO	4.49090	4.87510

ii. *Foreign Operations*

Financial statements of foreign operations that are integral to the operations of the Company are translated using procedures in the preceding paragraph as if the transactions of the foreign operations had been those of the Company.

q. Hire Purchase Liabilities

Property, plant and equipment held under hire purchase agreements are capitalised in the balance sheet and are depreciated in accordance with the policy set out in Note 3(e). Outstanding obligations due under the hire purchase agreements after deducting finance charges are included as liabilities in the financial statements.

Hire purchase finance charges are allocated to the income statement over the hire purchase period so as to give a constant periodic rate of interest on the remaining liabilities.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

r. Borrowings

i. *Classification*

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent periods, the difference between the net proceeds and the total amount of the payments that the Group is required to make are allocated to periods over the terms of the borrowings at a constant rate on the carrying amount and are charged to income statement as finance cost.

ii. *Capitalisation Of Borrowing Cost*

Borrowing costs are the actual borrowing costs incurred on the borrowings during the financial year less any investment income on the temporary investment of those borrowings.

Borrowing costs that are directly attributable to the construction of property, plant and equipment are capitalised as part of the cost of the assets during the period of time that is required to complete and prepare the asset for its intended use.

s. Financial Instruments

i. *Description*

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

ii. *Financial Instruments Recognised On The Balance Sheet*

The recognition method adopted for financial instruments recognised on the balance sheet is disclosed in the individual accounting policy statements associated with each item.

iii. *Financial Instruments Not Recognised On The Balance Sheet*

Foreign currency forward contracts are entered into to protect the Group from exposure to currency movements in exchange rates. Exchange gains and losses arising on contracts entered into as covers of anticipated future transactions are deferred until the date of such transactions, at which time the gains and losses will be included in the measurement of such transactions.

All other exchange gains and losses relating to hedge instruments are recognised in the income statement in the same period as the exchange differences on the underlying hedged items. Gains and losses on contracts that are no longer designed as hedges are included in the income statements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

s. Financial Instruments (Continued)

iv. *Fair Value Estimation For Disclosure Purposes*

The fair value of publicly traded securities is based on quoted market prices at the balance sheet date. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the balance sheet date.

The fair value of financial liabilities is estimated by discounting the future contractual cash flows at the current market interest rate available to the Group for similar instruments.

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

t. Segment Reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. Business segments provide products or services that are subject to risk and returns that are different from those of other business segments. Geographical segments provide products or services within a particular economic environment that is subject to risks and returns that are different from those components operating in other economic environments.

Segment revenue, expense, assets and liabilities are those amounts resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and segment liabilities are determined before intragroup balances and intragroup transactions are eliminated as part of the consolidation process, except to the extent that such intragroup balances and transactions are between group enterprises within a single segment.

4 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 foreign currency exchange risk, interest rate risk, credit risk, liquidity and cash flow risk. The Group operates within clearly defined authority limits that have been approved by the Board of Directors. Further financial risk management is carried out through risk reviews, internal control systems and insurance programme.

Foreign Currency Exchange Risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia.

The Group covers a portion of foreign trade payables denominated in foreign currency when the need arises. All foreign exchange contracts are for the purpose of hedging to protect the Group from foreign currency fluctuations and the Group is not allowed to trade other than for the purpose of hedging.

Interest Rate Risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from the Group's borrowing and deposits. Interest rates of Group's borrowings are managed through fixed and floating rates. Investments in financial assets are short term in nature and are mostly placed as short term deposits with licensed financial institutions.

Credit Risk

The Group has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requesting credit with clear approving authority and limits. Customers with credits granted above specific limits are required to provide collateral in the form of fixed deposits and/or bank guarantees. The credit policy also spells out clearly the guidelines on extending credit terms to customers, including monitoring the process, assessing and valuation of customer's credit reliability and periodic review of their financial status to determine the credit limits to be granted.

At balance sheet date, there were no significant concentration of credit risk.

Liquidity And Cash Flow Risk

The Group's policy on liquidity risk management is to maintain sufficient cash and have available funding through adequate amounts of committed credit facilities and credit lines for working capital requirements.

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

5 INTERNAL REORGANISATION

On 2 February 2005, the Company entered into a Sale and Purchase Agreement with its wholly owned subsidiary company, Mieco Manufacturing Sdn Bhd ('MMSB') for the sale and transfer of the Company's chipboard plants located at Kawasan Perindustrian Semambu, Kuantan and Kawasan Perindustrian Gebeng, Kuantan together with all plant and equipment, assets and stocks relating to the Company's manufacturing operations ('Manufacturing Assets') to the subsidiary company. The Internal Reorganisation was completed on 1 March 2005. Details of the costs of the Manufacturing Assets transferred by the Company as at 1 March 2005 are as follows:

	AT DATE OF TRANSFER RM'000
Property, plant and equipment (Note 6)	138,692
Inventories	37,219
Manufacturing Assets transferred	175,911

	AT DATE OF TRANSFER RM'000
Other Assets And Liabilities Transferred To MMSB:	
Deposits and prepayments	888
Defined benefits plans (Note 14)	(5,686)
Staff related liabilities	(648)
Deferred tax liability (Note 19)	(21,825)
Net liabilities transferred	(27,271)

The purchase consideration was satisfied by the issue of 49,999,998 ordinary shares of RM1.00 each by MMSB to the Company and the remaining amount of RM125,911,006 was converted to an unsecured long term and interest free debt owing to the Company.

On 29 August 2005, the Company entered into an Agreement with MMSB for acknowledging the debt owing by MMSB to the Company arising from:

a. purchase of the Manufacturing Assets from the Company; and

b. utilisation of proceeds raised by the Company from the RM175 million Al Murabahah Commercial Papers and Medium Term Notes Programme

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

6 PROPERTY, PLANT AND EQUIPMENT

GROUP	LONG LEASEHOLD LAND	SHORT LEASEHOLD LAND	BUILDINGS	PLANT & MACHINERY	FURNITURE & FITTINGS, OFFICE RENOVATION & EQUIPMENT	MOTOR VEHICLES	CAPITAL WORK IN PROGRESS	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Book Value								
At 1 January 2005	9,677	7,011	49,852	82,896	1,487	1,888	367,407	520,218
Additions	55	0	10,155	27,968	1,780	1,459	12,995	54,412
Adjustments/ reclassifications	0	0	65,159	312,024	1,796	(1)	(380,402)	(1,424)
Disposals/write off	0	0	0	(82)	(36)	(531)	0	(649)
Depreciation charge for the year	(102)	(117)	(1,248)	(20,769)	(1,412)	(689)	0	(24,337)
At 31 December 2005	9,630	6,894	123,918	402,037	3,615	2,126	0	548,220
At 31 December 2005								
Cost	10,352	7,802	133,106	549,292	13,258	7,683	0	721,493
Accumulated depreciation	(722)	(908)	(9,188)	(143,375)	(9,643)	(5,557)	0	(169,393)
Accumulated impairment loss	0	0	0	(3,880)	0	0	0	(3,880)
Net book value	9,630	6,894	123,918	402,037	3,615	2,126	0	548,220
At 31 December 2004								
Cost	10,297	7,802	57,792	209,458	9,769	6,947	367,407	669,472
Accumulated depreciation	(620)	(791)	(7,940)	(122,682)	(8,282)	(5,059)	0	(145,374)
Accumulated impairment loss	0	0	0	(3,880)	0	0	0	(3,880)
Net book value	9,677	7,011	49,852	82,896	1,487	1,888	367,407	520,218

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

COMPANY	LONG LEASEHOLD LAND	SHORT LEASEHOLD LAND	BUILDINGS	PLANT & MACHINERY	FURNITURE & FITTINGS, OFFICE RENOVATION & EQUIPMENT	MOTOR VEHICLES	TOTAL
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Net Book Value							
At 1 January 2005	5,247	7,011	47,175	82,896	1,147	1,110	144,586
Additions	0	0	0	695	205	0	900
Transfer to a subsidiary (Note 5)	(5,237)	(6,992)	(42,293)	(82,428)	(935)	(807)	(138,692)
Disposals/write off	0	0	0	(49)	(11)	0	(60)
Depreciation charge for the year	(10)	(19)	(198)	(1,114)	(182)	(159)	(1,682)
At 31 December 2005	0	0	468	0	224	144	5,052
At 31 December 2005							
Cost	0	0	5,001	0	5,008	480	10,489
Accumulated depreciation	0	0	(317)	0	(4,784)	(336)	(5,437)
Net book value	0	0	4,684	0	224	144	5,052
At 31 December 2004							
Cost	5,862	7,802	54,994	209,458	8,255	5,634	292,005
Accumulated depreciation	(615)	(791)	(7,819)	(122,682)	(7,108)	(4,524)	(143,539)
Accumulated impairment loss	0	0	0	(3,880)	0	0	(3,880)
Net book value	5,247	7,011	47,175	82,896	1,147	1,110	144,586

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Property, Plant And Equipment Under Hire Purchase

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Motor vehicles under hire purchase:				
• additions during the year	350	473	0	326
• net book value at end of year	317	412	0	285

During the current financial year, net finance cost of RM1.5 million (finance costs amounting to RM 1.502 million less finance income of RM 0.002 million) (2004: RM 7million comprising finance costs amounting to RM 9.3 million less finance income of RM 1.9 million) arising from MCP/MMTN* had been capitalised to property, plant and equipment.

* Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN')

Other costs which are directly attributable to the construction of new property, plant and equipment and capitalised during the financial year are as follow:

	GROUP 2005 RM'000	GROUP 2004 RM'000
Staff Costs		
Wages, salaries and bonus	275	1,097
Defined contribution plan	33	131
Defined retirement benefit plan	11	33
	319	1,261

7 SUBSIDIARY COMPANIES

	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Unquoted shares, at cost	52,045	2,045
Allowance for impairment loss	0	0
	52,045	2,045

7 SUBSIDIARY COMPANIES (CONTINUED)

The subsidiary companies are as follows:

	NAME OF COMPANY	EFFECTIVE INTEREST 2005 %	EFFECTIVE INTEREST 2004 %	PRINCIPAL ACTIVITIES
#	Mieco Manufacturing Sdn. Bhd.	100	100	Manufacturing of chipboards and other related products.
#	Mieco Marketing Sdn. Bhd.	100	100	Selling and marketing of chipboards and related products
*	Mieco Marketing (S) Pte. Ltd.	100	100	Dormant
#	Mieco Chemicals Sdn. Bhd.	100	100	Dormant
#	Mieco Wood Products Sdn. Bhd.	100	100	Reforestation
#	Mieco Wood Resources Sdn. Bhd.	100	100	Investment holding and procurement of rubberwood
+	Mieco International (HK) Limited	100	100	Marketing of chipboards
#	Tudor Capital Sdn. Bhd.	100	100	Investment trading
#	Aspire Benchmark Sdn.Bhd.	100	100	Property investment

All the subsidiary companies are incorporated in Malaysia, except for Mieco Marketing (S) Pte. Ltd. and Mieco International (HK) Limited, which are incorporated in Singapore and Hong Kong respectively.

Audited by PricewaterhouseCoopers, Malaysia

\+ Audited by a member firm of Pricewaterhouse Coopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

* Audited by a firm other than PricewaterhouseCoopers, Malaysia and member firms of Pricewaterhouse Coopers International Limited

	2005 RM'000	2004 RM'000
8 ASSOCIATED COMPANIES		
Company		
Unquoted shares, at cost	3,430	0
Group		
Shares in an associated company, at cost	3,430	*
Share of post acquisition results	(2,757)	(83)
Balance as at 31 December	673	(83)
Represented by:		
Share of net assets/(liabilities) in associated company	673	(83)

* 2 ordinary shares of RM1 each

The associated companies which are incorporated in Malaysia are as follows:

NAME OF COMPANY	EFFECTIVE INTEREST 2005 %	2004 %	PRINCIPAL ACTIVITIES
Mieco Smallholders Sdn. Bhd.	50	50	Reforestation, harvesting, extraction and supply of rubberwood
Mieco Matsushita Denko Sdn. Bhd.	49	49	Manufacturing and marketing of kenaf fibre boards and particle boards and related products

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

9 AMOUNT DUE FROM SUBSIDIARY

The amount due from subsidiary is unsecured, denominated in Ringgit Malaysia and is interest free, except for funds amounting to RM175 million sourced by the Company from external parties to part finance the construction of new plant of a subsidiary. The finance expenses charged to Company on the external borrowings amounting to RM9.22 million (2004: RM9.33 million) is fully re-charged to the subsidiary company.

The interest rates, repayment period and other related disclosures in respect of the RM175 million borrowings sourced by the Company from external parties to part finance the construction of new plant of a subsidiary is as disclosed in Note 15 to the financial statements. The remaining balance of RM278.797 million is repayable as follow:

	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Payable within one to five years	255,000	0
Payable in more than five years	23,797	196,331
	278,797	196,331

The estimated fair value at balance sheet date was RM207.615 million for the Company.

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
10 INVENTORIES				
At cost:				
Raw materials	12,153	15,415	0	14,717
Work-in-progress	778	30	0	30
Finished goods	9,896	8,666	0	8,666
Spares and consumables	7,159	46	0	0
	29,986	24,157	0	23,413
At net realisable value: Spares and consumables	13,124	12,636	0	12,635
Total	43,110	36,793	0	36,048

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
11 RECEIVABLES, DEPOSITS AND PREPAYMENTS				
Trade receivables	38,545	35,468	1,328	17,478
Allowance for doubtful debts	(7,602)	(7,930)	(1,328)	(2,331)
	30,943	27,538	0	15,147
Amount receivable from subsidiaries	0	0	2,002	8.795
Allowance for doubtful debts	0	0	(252)	(252)
	0	0	1,750	8,543
Other receivables	9,579	1,829	793	1,689
Allowance for doubtful debts	(142)	(100)	(42)	0
	9,437	1,729	751	1,689
Deposits	252	241	14	74
Prepayments	264	21	221	20
Amount receivable from associated companies	787	819	0	372
Advance payments to trade creditors	654	687	0	687
	11,394	3,497	986	2,842
Total	42,337	31,035	2,736	26,532

The amounts due from subsidiaries and associated companies are unsecured, interest free and have no fixed terms of repayment.

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
The currency exposure profile of receivables, deposits and prepayments is as follows:				
• Ringgit Malaysia	33,109	22,854	2,736	23,183
• US Dollar	4,173	3,093	0	2,834
• Singapore Dollar	783	515	0	515
• HK Dollar	4,272	4,573	0	0
	42,337	31,035	2,736	26,532

11 RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONTINUED)

Credit terms of trade receivables range from payment in advance to 60 days.

Concentrations of credit risk with respect to trade receivables are limited due to the Group's large number of customers. The Group's historical experience in collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
12 MARKETABLE SECURITIES				
Quoted In Malaysia				
Share in corporations, at cost	1,476	1,518	0	0
Less: allowance for impairment loss	(0)	(22)	0	0
	1,476	1,496	0	0
At Market Value				
Shares in corporations, quoted in Malaysia	1,651	1,755	0	0

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
13 TRADE AND OTHER PAYABLES				
Trade payables	38,469	33,192	598	33,192
Accrued expenses	871	661	0	9
Other payables	18,386	7,644	1,130	4,818
Amount due to subsidiary company	0	0	2,086	0
Amount due to holding company	927	500	927	500
Payroll liabilities	2,299	1,998	201	1,709
	60,952	43,995	4,942	40,228

Included in payroll liabilities is accrual for contributions to the Employees Provident Fund amounting to RM285,279 (2004: RM853,188). The Group companies incorporated in Malaysia contribute to the Employees Provident Fund, the national defined contribution plan. Once the contributions have been paid, the Group has no further payment obligations.

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

13 TRADE AND OTHER PAYABLES (CONTINUED)

The currency exposure profile of trade and other payables is as follows:

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
• Ringgit Malaysia	49,105	38,292	4,779	34,525
• US Dollar	399	808	11	808
• EURO	10,983	4,874	152	4,874
• Others	465	21	0	21
	60,952	43,995	4,942	40,228

Credit terms of trade payables range from payment in advance to 60 days.

Amounts due to subsidiary and holding companies are unsecured, interest free, have no fixed term of repayment and are denominated in Ringgit Malaysia.

14 PROVISIONS

	PROVISION FOR BACK DATED WAGES	PROVISION FOR STAFF RETIREMENT BENEFITS	TOTAL
Group			
At 31 December 2005			
Current	122	0	122
Non current	0	6,571	6,571
	122	6,571	6,693
At 31 December 2004			
Current	0	0	0
Non current	0	5,946	5,946
	0	5,946	5,946

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

14 PROVISIONS (CONTINUED)

	PROVISION FOR BACK DATED WAGES	PROVISION FOR STAFF RETIREMENT BENEFITS	TOTAL
Company			
At 31 December 2005			
Current	1	0	1
Non current	0	15	15
	1	15	16
At 31 December 2004			
Current	0	0	0
Non current	0	5,540	5,540
	0	5,540	5,540

a. Provision For Back Dated Wages

The provision for back dated wages relate to staff claims. The movements during the year in the amounts recognised in the Group's and Company's balance sheet are as follows:

	GROUP RM'000	COMPANY RM'000
At 1 January 2005	0	0
Charged to income statement	122	1
At 31 December 2005	122	1

14 PROVISIONS (CONTINUED)

b. Defined Benefit Plans Of The Group

The Group operates unfunded final salary defined benefit plans for its employees in Malaysia and Hong Kong. The latest actuarial valuations of the plan was carried out on 29 March 2006.

The movements during the year in the amounts recognised in the Group's and Company's balance sheet are as follows:

	GROUP RM'000	COMPANY RM'000
At 1 January 2004	4,898	4,582
Charged to income statement	1,120	1,055
Capitalised as part of property, plant and equipment (Note 6)	33	0
Benefits paid	(105)	(97)
At 31 December 2004	5,946	5,540
Provision transfer to subsidiary company (Note 5)	0	(5,686)
Charged to income statement	1,033	224
Capitalised as part of property, plant and equipment (Note 6)	11	0
Benefits paid	(419)	(63)
At 31 December 2005	6,571	15

The amounts recognised in the consolidated balance sheet may be analysed as follows:

	GROUP RM'000	COMPANY RM'000
At 31 December 2005		
Present value of unfunded obligations	6,571	15
At 31 December 2004		
Present value of unfunded obligations	5,946	5,540

14 PROVISIONS (CONTINUED)

b. Defined Benefit Plans Of The Group (Continued)

The expenses recognised may be analysed as follows:

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Current service cost	585	795	96	716
Interest cost	459	358	128	339
Total included in staff costs (Note 21)	1,044	1,153	224	1,055
Recognised in income statement:				
• staff cost	1,025	1,111	224	1,046
• research and development expenses	8	9	0	9
	1,033	1,120	224	1,055
• capitalised as part of property, plant and equipment (Note 6)	11	33	0	0
Total (Note 21)	1,044	1,153	224	1,055

The principal actuarial assumptions used in respect of the Group's and Company's defined benefit plans were as follows:

LUMP-SUM RETIREMENT BENEFIT PLANS	GROUP 2005 %	GROUP 2004 %	COMPANY 2005 %	COMPANY 2004 %
Discount rates	6.5	7.0	6.5	7.0
Expected rate of salary increases	6.0	5.0	6.0	5.0

15 BORROWINGS

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Current				
Bankers acceptance	40,916	0	0	0
MCP/MMTN*	75,000	25,000	75,000	25,000
Hire purchase liabilities (Note 16)	188	128	35	70
	116,104	25,128	75,035	25,070
Non-Current				
MCP/MMTN*	100,000	150,000	100,000	150,000
Hire purchase liabilities (Note 16)	66	73	0	35
	100,066	150,073	100,000	150,035
Total				
Bankers acceptance (unsecured)	40,916	0	0	0
MCP/MMTN* (unsecured)	175,000	175,000	175,000	175,000
Hire purchase liabilities (Note 16)	254	201	35	105
	216,170	175,201	175,035	175,105

* Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN')

All borrowings are denominated in Ringgit Malaysia.

Bankers Acceptance

Bankers acceptance facility, which is unsecured, is utilised to finance the import of raw materials. Interest on bankers acceptance range from 3.49% to 4.03%.

Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN')

The Company launched RM175 million Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN') programme on 18 December 2003. On 29 December 2003, the Company issued RM150 million of the MMTN comprising three series of RM50 million each. Subsequently, on 20 October 2004 the Company further issued RM25 million MCP.

The MCP/MMTN facility has an availability period of 7 years which the Company may issue MCP/MMTN in multiples of RM1 million each and up to a maximum outstanding amount of RM175 million. MCP and MMTN have the following features:

15 BORROWINGS (CONTINUED)

i. MCP will be issued at discount to face value and have a maturity period of not less than 1 month to not more than 12 months. The profit rates are determined on issuance and calculated based on the formula specified in the rules of fully automated system for tendering of private debt securities ('FAST').

ii. MMTN was issued at par or at discount to face value and have a maturity period of not less than 12 months and not more than 84 months. The profit rates are determined on issuance and calculated based on the formula specified in FAST rules. The profit shall be payable semi-annually calculated on an actual/365 basis.

The maturity dates and profit rates of the RM150 million MMTN and RM25 million MCP issued are as follows:

MMTN	MATURITY DATES	PROFIT RATE % PER ANNUM	GROUP/COMPANY RM'000
Issue no.: S1 (Serial no. S0001)	29 December 2006	5.15	50,000
Issue no.: S2 (Serial no. S0002)	31 December 2007	5.65	50,000
Issue no.: S3 (Serial no. S0003)	29 December 2008	6.10	50,000
			150,000
MCP	20 April 2006	2.93	25,000

The estimated fair value of the MMTN (non-current portion) at balance sheet date was RM86,655,000 for the Group and Company.

The MCP/MMTN programme, though unsecured, are supported by a negative pledge over all the assets of the Group other than where the encumbrances to be created by the Group and its subsidiaries do not exceed in aggregate 10% of the consolidated net tangible assets of the Group.

The proceeds from the MCP/MMTN programme have been used to part finance the Group's capital expenditure for the new factory in Lipis, Pahang and to meet general working capital requirements.

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
16 HIRE PURCHASE LIABILITIES				
Payable within one year	200	138	37	75
Payable between one to five years	70	79	0	37
	270	217	37	112
Less: Future finance charges	(16)	(16)	(2)	(7)
Present value of hire purchases liabilities	254	201	35	105
Hire purchase liabilities are classified as follows:				
Current (Note 15)	188	128	35	70
Non-current (Note 15)	66	73	0	35
	254	201	35	105

Hire purchase creditors are denominated in Ringgit Malaysia. The weighted average effective interest rate as at year end is 7.73% (2004: 6.30%) per annum for the Group and Nil (2004: 6.22%) per annum for the Company.

The estimated fair value of the hire purchase liabilities (non-current portion) at balance sheet date was RM66,251 (2004:RM74,302) for the Group and Nil (2004: RM35,113) for the Company.

Hire purchase liabilities are effectively secured as the rights to the leased asset revert to the lessor in the event of default.

	GROUP/COMPANY 2005 RM'000	GROUP/COMPANY 2004 RM'000
17 SHARE CAPITAL		
Authorised:		
1,000,000,000 shares of RM1 each	1,000,000	1,000,000
Issued and fully paid:		
210,000,000 share of RM 1 each	210,000	210,000

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
18 RESERVES				
Non-distributable:				
Share premium	5,866	5,866	5,866	5,866
Warrant reserve:				
Proceeds on issuance of warrants	14,500	14,500	14500	14,500
Expenses related to issuance of warrants	(521)	(521)	(521)	(521)
	13,979	13,979	13,979	13,979
	19,845	19,845	19,845	19,845
Distributable:				
Retained earnings	122,395	146,323	116,252	129,008
	142,240	166,168	136,097	148,853

Warrants

The Company issued 100,000,000 warrants 2004/2009 ('Warrants') on 22 April 2004 as follows:

a. 70,000,000 Rights Warrants at an issue price of RM0.10 per Warrant on the basis of 1 warrant for every 3 existing ordinary shares of RM1.00 each held in MIECO; and

b. 30,000,000 Placement Warrants at an issue price of RM0.25 per Warrant.

Subject to the adjustments in accordance with the Deed Poll dated 20 February 2004 ('Deed Poll'), the Warrant holders are entitled to subscribe for new ordinary shares of RM1.00 each in the Company at any time during the 3-year period commencing from and inclusive of the second anniversary of the date of issue of the Warrants up to the fifth anniversary of the issue date ('Expiry Date'), at RM1.20 payable in cash in respect of each new share in the Company. Accordingly, the warrants issued during this financial year can be exercised from 22 April 2006 to 21 April 2009. Any exercise rights that have not been exercised by the Expiry Date will lapse and every Warrant will cease to be valid for any purpose.

The Warrant reserve arose from the issuance of 100,000,000 Warrants 2004/2009 comprising Rights Issue of 70,000,000 Warrants 2004/2009 and Private Placement of 30,000,000 Warrants 2004/2009 at the issue price of RM0.10 and RM0.25 per warrant respectively resulting in proceeds amounting to RM14.5 million. The proceeds have been set-off against the expenses related to the issuance of warrants and the net proceeds being recognised as Warrant reserve.

Retained Earnings

Subject to the agreement of the tax authorities, the Company has sufficient Section 108 tax credits and exempt account to frank approximately of RM17 million (2004: RM16 million) and RM58 million (2004: RM78 million) of its retained earnings respectively as at 31 December 2005 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM41 million (2004: RM35 million).

19 DEFERRED TAXATION

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the balance sheet:

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Deferred tax assets — subject to income tax	523	194	115	0
Deferred tax liabilities — subject to income tax	(18,708)	(20,405)	0	(20,080)
	(18,185)	(20,211)	115	(20,080)
As start of year	(20,211)	(16,659)	(20,080)	(16,558)
(Charged)/credited to income statement (Note 24)				
• Property, plant and equipment	(8,626)	(379)	382	(376)
• Provisions	(1,117)	139	(1,547)	128
• Inventories	434	(1,589)	(289)	(1,589)
• Receivables	52	3	(128)	17
• Tax losses	0	(1,713)	0	(1,713)
• Unutilised capital allowances	11,246	0	0	0
• Others	37	(13)	(48)	11
	2,026	(3,552)	(1,630)	(3,522)
Transfer to subsidiary company (Note 5)	0	0	21,825	0
At end of year	(18,185)	(20,211)	115	(20,080)

19 DEFERRED TAXATION (CONTINUED)

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Subject to income tax				
Deferred Tax Assets (Before Offsetting)				
Provisions	525	1,642	4	1,551
Inventories	723	289	0	289
Receivables	367	316	71	199
Unutilised capital allowances	11,246	0	0	0
Others	146	131	68	116
	13,007	2,378	143	2,155
Offsetting	(12,484)	(2,184)	(28)	(2,155)
Deferred tax assets (after offsetting)	523	194	115	0
Deferred Tax Liabilities (Before Offsetting)				
Property, plant and equipment	(31,192)	(22,565)	(28)	(22,235)
Others	0	(24)	0	0
	(31,192)	(22,589)	(28)	(22,235)
Offsetting	12,484	2,184	28	2,155
Deferred tax liabilities (after offsetting)	(18,708)	(20,405)	0	(20,080)
The amount of deductible temporary differences and unused tax losses (both of which have no expiry date) for which no deferred tax assets is recognised in the balance sheet are as follows:				
Deductible temporary differences	1	1	0	0
Tax losses	719	712	0	0
As at 31 December 2005, the Group has unutilised investment tax allowance as follows:	416,197	0	0	0

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
20 REVENUE				
Sales of goods	258,943	226,514	34,400	209,220
Sales of quoted investments	43	10,142	0	0
Dividend income	0	0	5,605	0
	258,986	236,656	40,005	209,220

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
21 STAFF COSTS				
Wages, salaries and bonus	15,815	15,681	3,462	12,673
Defined contribution plan	1,903	1,902	418	1,562
Defined retirement benefit plan	1,044	1,153	224	1,055
Other employee benefits	6,985	5,604	439	5,193
	25,747	24,340	4,543	20,483
Less: Staff costs capitalised as part of:				
• property, plant and equipment (Note 6)	(319)	(1,261)	0	0
• research and developments	(8)	(9)	0	(9)
	25,420	23,070	4,543	20,474

The number of staff at the end of the year amounted to 830 (2004: 840) persons for the Group and 28 (2004: 693) persons in the Company.

Details of the defined contribution plan and defined benefit plans for the Group and Company are set out in Note 13 and Note 14 respectively.

Included in staff costs above are the Company's Executive Directors' remuneration, excluding fees and estimated money value of benefits-in-kind, as further disclosed in Note 28 to the financial statement.

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
22 PROFIT FROM OPERATIONS				
The following items have been charged/(credited) in arriving at profit from operations:				
Auditors' remuneration:				
• current financial year	101	87	9	50
• overprovided in prior year	(1)	0	0	0
Allowance/(write back) for bad and doubtful debts	274	69	(399)	65
Directors remuneration (excluding estimated monetary value of benefits-in-kind) (Note 28)	1,033	1,069	1,033	1,069
Recovery of bad and doubtful debts	0	(58)	0	(5)
Rental of building	480	541	18	30
(Gain)/loss on disposal of property, plant and equipment	(97)	45	0	45
Gain on realised foreign exchange	(1,446)	(470)	(630)	(478)
Allowance/(write back) for inventories obsolescence	1,587	378	(995)	378
Finance income	(314)	(659)	(9,381)	(514)
Dividend income	(27)	(54)	(5,605)	(3,343)
Write back for diminution value of investment in subsidiary	0	0	0	(50)
Write back for impairment loss of marketable securities	(21)	(71)	0	0
Gain on disposal of marketable securities	(1)	(3,947)	0	0

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
23 FINANCE COSTS				
Interest expense on:				
• Overdraft interest	145	0	145	0
• Bankers acceptance	871	0	198	0
• Hire purchase liabilities	12	7	5	2
• MCP/MMTN* interest	9,184	8,667	9,184	0
• MMTN* annual expenses	108	666	108	0
	10,320	9,340	9,640	2
Less:				
• Recovery of MCP/MMTN* interest	0	0	(9,184)	0
• Recovery of MMTN* annual expenses	0	0	(38)	0
• Borrowing costs capitalised (Note 6)	(1,502)	(9,333)	0	0
Charged to income statement	8,818	7	418	2

*Al Murabahah Commercial Paper ('MCP')/Medium Term Note ('MMTN')

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
24 TAX EXPENSE				
Tax expense for the year:				
In respect of the current year				
• Malaysian income tax	3,497	3,256	1,604	240
• Foreign tax	631	1,161	27	0
• Deferred tax (Note 19)	(2,026)	3,552	1,630	3,522
	2,102	7,969	3,261	3,762
Over accrual in respect of prior years				
• Malaysian income tax	(347)	(15)	(103)	(37)
• Foreign tax	0	(24)	0	0
	1,755	7,930	3,158	3,725

The effective tax rates of the Group and Company differ from the statutory tax rate of 28% and are reconciled as below:

	GROUP 2005 %	GROUP 2004 %	COMPANY 2005 %	COMPANY 2004 %
Statutory income tax rate of Malaysia	(28)	28	28	28
Income not subjected to tax	0	0	(25)	(4)
Expenses not deductible for tax purposes	20	4	4	5
Claw back/(utilisation) of Reinvestment Allowance and other incentives	44	(9)	46	(14)
Effect of different tax rate	(7)	(2)	0	0
Over accrual in prior year	(2)	0	(2)	0
Effective tax rate	27	21	51	15

25 LOSS/EARNINGS PER SHARE

a. The basic loss/earnings per share is calculated based on the loss attributable to shareholders of RM8.2 million (2004: profit of RM30.5 million) for the Group by the weighted average number of 210,000,000 (2004: 210,000,000) ordinary shares in issue during the year.

b. For the diluted earnings per share calculation, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all dilutive potential ordinary shares. The dilutive potential ordinary shares is referring to the warrants issued. The warrants is assumed to have been converted into ordinary shares as at 31 December 2005. A calculation is done to determine the number of shares that could have been acquired at fair value (determined at the average share price of the Company's shares) based on the exercise price of the warrants. The number of the shares calculated is compared with the number of shares that would have been issued assuming the exercise of the warrants. The difference is added to the denominator as an issue of ordinary shares for no consideration. This calculation serves to determine the 'bonus' element in the ordinary shares outstanding for the purpose of computing the dilution

	GROUP	
	2005 RM'000	2004 RM'000
Net profit for the year	N.A	30,488
Adjustment to net profit for the year	N.A	0
	N.A	30,488
Weighted average number of ordinary shares in issue	N.A	210,000
Adjustment for assumed exercise of warrants	N.A	35,897
Weighted average number of ordinary shares for diluted earnings per share	N.A	245,897
Diluted earnings per share (sen)	N.A	12.4

N.A. Not applicable

The diluted earnings per share is not applicable as the Company has warrants that have an anti-dilutive effects on earnings per share.

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

26 DIVIDENDS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Proposed first and final dividend of nil (2004: 7.5 sen), tax exempt	0	15,750	0	15,750

27 CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Deposits with licensed banks	3,705	8,752	276	2,575
Deposits with licensed discount houses	141	17,190	0	12,382
	3,846	25,942	276	14,957
Cash and bank balances	11,094	4,890	6,355	2,331
	14,940	30,832	6,631	17,288
The currency exposure profile of deposits, cash and bank balances is as follows:				
• Ringgit Malaysia	13,429	23,604	6,577	17,288
• US Dollar	420	1,211	28	0
• Singapore Dollar	120	185	0	0
• Hong Kong Dollar	945	5,824	0	0
• Others	26	8	26	0
	14,940	30,832	6,631	17,288

The weighted average interest rates of deposits, that were effective during the year were as follows:

	GROUP		COMPANY	
	2005 %	2004 %	2005 %	2004 %
Deposits with licensed banks	3.54	1.58	2.79	3.70
Deposits with licensed discount house	2.72	2.63	-	2.63

Deposits of the Group and Company have an average tenure to maturity of 299 days and 176 days (2004: 53 days and 68 days) respectively.

Bank balances are held at call with licensed banks, which are non-interest bearing.

28 DIRECTORS' REMUNERATION

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Directors Of The Company				
Non-executive Directors				
• fees	180	180	180	180
• allowances and other emoluments	287	280	287	280
	467	460	467	460
Executive Director:				
• fees	36	36	36	36
• salaries and bonus	404	474	404	474
• defined contribution plan	48	57	48	57
• defined benefit retirement plan	16	14	16	14
• other employee benefits	62	28	62	28
• estimated money value of benefits-in-kind	29	32	29	32
	595	641	595	641
Sub-total	1,062	1,101	1,062	1,101
Directors Of Subsidiary Companies				
Non-executive Directors:				
• fees	6	5	0	0
• salaries and bonus	164	180	0	0
• defined contribution plan	20	22	0	0
• defined benefit retirement plan	6	6	0	0
• other employee benefits	17	2	0	0
• estimated money value of benefits-in-kind	7	6	0	0
Sub-total	220	221	0	0
Total	1,282	1,322	1,062	1,101
Total (excluding estimated money value of benefits-in-kind)	1,246	1,284	1,033	1,069

As stated in Note 21 to the financial statements, the Company's Executive Directors' remuneration (excluding fees and estimated money value of benefits-in-kind) have been included as part of staff cost.

Details of the defined contribution plan and defined benefit plan of the Group and Company are set out in Note 13 and Note 14 respectively

Notes To The Financial Statements
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2005 (CONTINUED)

29 NON CASH TRANSACTIONS

The principal non cash transactions during the year is as follows:

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
• acquisition of motor vehicles by means of hire purchase	229	190	0	140
• net finance cost capitalised (Note 6)	1,502	7,408	0	0
• other costs capitalised	11	33	0	0
• manufacturing assets transferred to a subsidiary company (Notes 5 and 6)	0	0	138,692	0

30 CAPITAL COMMITMENTS

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
Capital expenditure				
• approved and contracted for	1,032	36,332	0	0
• approved but not contracted for	1,027	0	0	0
	2,059	36,332	0	0
Analysed as follows:				
• property, plant and equipment	2,059	36,332	0	0

31 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions and balances. The related party transactions described below were carried out on terms and conditions negotiated between the Group and the related parties.

a. Relationship with related parties

Related party	**Relationship**
Bandar Raya Developments Berhad	Holding company
Wejay Consult Sdn Bhd	Company in which a Director of the holding company has an interest

b. Transactions with related parties

	GROUP 2005 RM'000	GROUP 2004 RM'000	COMPANY 2005 RM'000	COMPANY 2004 RM'000
i. Management fee payable to holding company:				
• Bandar Raya Developments Berhad	400	400	400	400
ii. Professional fees charged by a company in which a Director of the holding company has an interest				
• Wejay Consult Sdn Bhd	60	60	60	60

32 SEGMENT INFORMATION

Primary Segment — Business Segments

There is no disclosure of segment information by business segment as required by FRS 114, Segment Reporting as the Group operates principally within one industry that is, manufacturing and sales of wood based products. Other operations of the Group mainly comprise investment trading, investment holding, property investment, all of which are not of sufficient size to be reported separately.

Secondary Segment — Geographical Segments

The Group operates in two main geographical areas.

	REVENUE		TOTAL ASSETS		CAPITAL EXPENDITURE	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Malaysia	207,442	198,508	644,281	605,808	54,411	224,166
Hong Kong and China	51,544	38,148	5,679	11,913	1	19
Other	0	0	4,805	4,878	0	0
	258,986	236,656	654,765	622,599	54,412	224,185

33 FOREIGN CURRENCY EXCHANGE RISK

At 31 December 2005, the Group's open forward contracts entered into as cover of anticipated future transaction were as follows:

	AT 31.12.2005			AT 31.12.2004		
HEDGED ITEMS	CURRENCY TO BE RECEIVED/ PAID	RM'000 EQUIVALENT	AVERAGE CONTRACTUAL RATE	CURRENCY TO BE RECEIVED/ PAID	RM'000 EQUIVALENT	AVERAGE CONTRACTUAL RATE
Trade receivable	US Dollar 1.151 million	4,327	3.7604	US Dollar 0.541 million	2,057	3.8018
Future sale of goods	US Dollar 7.546 million	28,331	3.7544	US Dollar 0.893 million	3,394	3.8004
Trade payables	Euro 1.082 million	4,845	4.4766	Nil	Nil	Nil

33 FOREIGN CURRENCY EXCHANGE RISK (CONTINUED)

The settlement date of the above open forward contracts range between 1 and 6 months.

The unrecognised gains at 31 December 2005 on open contracts which hedge anticipated future foreign currency sales and purchases amounted to RM36,450 (2004: RM1,366) and RM55,583 (2004: RM Nil) respectively. These net exchange gains are deferred until the related sales and purchases are transacted, at which time they are included in the measurement of such transactions.

34 CONTINGENT LIABILITY

The Group is not engaged in any material litigation as at the date of this report except for the following:

RB Project Resources Sdn Bhd ('RB') v Mieco Manufacturing Sdn Bhd ('MMSB') and Mieco Chipboard Berhad ('MIECO')

By a summons and statement of claim dated 5 September 2005, vide Kuantan High Court Civil Suit No. 22-74-2005, RB has made a claim against MMSB and MIECO for a sum of RM2,136,239.49 being alleged breach by MMSB and MIECO of payment to RB for alleged installation works done including the supply of labour, material and equipment.

The above matter has been disputed by MMSB and MIECO whose solicitors have filed a Defence and Counter-Claim dated 6 October 2005. RB's solicitors have subsequently filed the Reply and Defence to Counter Claim dated 20 October 2005. The court has set the date for case management on 24 April 2006. The hearing date has yet to be fixed.

35 SUBSEQUENT EVENTS

RM175 million Al Murabahah Commercial Paper ('MCP') and Medium Term Note ('MMTN') Programme

On 22 and 23 February 2006, the Company repurchased MCP and MMTN of RM25 million and RM50 million face value respectively issued under the MCP/MMTN Programme. The repurchases were financed by a term loan of RM100 million pursuant to a Facility Agreement dated 20 February 2006.

36 FAIR VALUES

The carrying amounts of financial assets and liabilities of the Group and Company at the balance sheet date approximated their fair values except as disclosed in Note 9, Note 15 and Note 16 respectively.

Statement By Directors

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

We, Dato' Jaganath Derek Steven Sabapathy and Dato' Yong Seng Yeow, being two of the Directors of Mieco Chipboard Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 52 to 97 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the MASB approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

In accordance with a resolution of the Board of Directors dated 21 April 2006.

DATO' JAGANATH DEREK STEVEN SABAPATHY
DIRECTOR

DATO' YONG SENG YEOW
DIRECTOR

Statutory Declaration

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

I, Yeoh Teik Eng, the officer primarily responsible for the financial management of Mieco Chipboard Berhad, do solemnly and sincerely declare that the financial statements set out on pages 52 to 97 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.

YEOH TEIK ENG

Subscribed and solemnly declared by the above named Yeoh Teik Eng at Kuala Lumpur on 21 April 2006.

Before me,

COMMISSIONER FOR OATHS

Report Of The Auditors

TO THE MEMBERS OF MIECO CHIPBOARD BERHAD

(Company No: 12849 K)

We have audited the financial statements set out on pages 52 to 97. 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 these 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 approved auditing standards 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 Directors, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

a. the financial statements have been prepared in accordance with the provisions of the Companies Act, 1965 and MASB approved accounting standards in Malaysia so as to give a true and fair view of:

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

   ii. the state of affairs of the Group and the Company as at 31 December 2005 and of the results and cash flows of the Group and the Company for the financial year ended on that date;

   and

b. the accounting and other records and the registers required by the Act to be kept by the Company and by the subsidiary companies in Malaysia of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

The name of the subsidiary companies of which we have not acted as auditors are indicated in Note 7 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors' report thereon.

Report Of The Auditors

TO THE MEMBERS OF MIECO CHIPBOARD BERHAD (CONTINUED)

(Company No: 12849 K)

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements 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' reports on the financial statements of the subsidiary companies were not subject to any qualification and did not include any comment made under subsection (3) of Section 174 of the Act.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
21 April 2006

LEE TUCK HENG
(No. 2092/09/06 (J))
Partner of the firm

Other Information

Analysis Of Shareholdings

AS AT 28 APRIL 2006

Authorised Share Capital	:	RM1,000,000,000
Issued and Fully Paid-Up Capital	:	RM210,00,00
Class of Shares	:	Ordinary Shares of RM1.00 each
Voting Rights	:	1 Vote per Share

	NO. OF HOLDERS	% OF HOLDERS	NO. OF SHARES	% OF SHARES
LARGEST SHAREHOLDERS	30	0.48	161,129,598	76.73
Size Of Holdings				
Less than 100	31	0.50	780	0.00*
100 – 1,000	1,982	31.70	1,905,554	0.91
1,001 – 10,000	3,466	55.43	14,603,134	6.95
10,001 – 100,000	669	10.70	20,268,534	9.65
100,001 – less than 5% of issued shares	103	1.65	43,049,427	20.50
5% and above of issued shares	2	0.03	130,172,571	61.99
Total	6,253	100.00	210,000,000	100.00

DIRECTORS' INTEREST IN SHARES AS AT 28 APRIL 2006

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF SHARES	%	NO. OF SHARES	%
In The Company				
Dato' Mohamed Moiz bin J M Ali Moiz	-	-	119,193,971**	56.76
Dato' Yong Seng Yeow	44,800	0.02	-	-
Dato' Jaganath Derek Steven Sabapathy	-	-	-	-
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	16,000	0.01	-	-
Dato' Dr Amarjit Singh a/l Santokh Singh	100,000	0.05	-	-
Low Kim Seng	10,000	0.00*	-	-
In Holding Company				
Bandar Raya Developments Berhad				
Dato' Mohamed Moiz bin J M Ali Moiz	-	-	139,070,812**	29.19
Dato' Yong Seng Yeow	-	-	-	-
Dato' Jaganath Derek Steven Sabapathy	-	-	-	-
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	-	-	-	-
Dato' Dr Amarjit Singh a/l Santokh Singh	57,000	0.03	-	-
Low Kim Seng	-	-	-	-

* Negligible percentage

** Indirect interest held through Ambang Sehati Sdn Bhd

Analysis Of Shareholdings

AS AT 28 APRIL 2006 (CONTINUED)

THIRTY (30) MAJOR SHAREHOLDERS

NAME	SHAREHOLDING	%
1. Bandar Raya Developments Berhad	119,193,971	56.76
2. Lembaga Tabung Haji	10,978,600	5.23
3. Amanah Raya Nominees (Tempatan) Sdn Bhd *[Amanah Saham Wawasan 2020]*	5,809,500	2.77
4. Employees Provident Fund Board	3,101,000	1.48
5. HSBC Nominees (Asing) Sdn Bhd *[Clariden BK Zurich for Osgiliath International Inc.]*	2,764,400	1.32
6. Bumiputra-Commerce Nominees (Tempatan) Sdn Bhd *[Bumiputra-Commerce Trustee Berhad for Pacific Dana Aman (3717 TRO1)]*	2,171,200	1.03
7. Mayban Nominees (Tempatan) Sdn Bhd *[Malaysian Trustees Berhad for Mayban Smallcap Trust Fund (240165)]*	2,015,500	0.96
8. Amanah Raya Nominees (Tempatan) Sdn Bhd *[Mayban Dana Yakin]*	2,000,000	0.95
9. Universal Trustee (Malaysia) Berhad *[Pacific Premier Fund]*	983,800	0.47
10. AMMB Nominees (Tempatan) Sdn Bhd *[Amtrustee Berhad for Pacific Pearl Fund (5/1-9)]*	808,500	0.39
11. DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *[ICapital. Biz Berhad]*	800,000	0.38
12. Yeoh Ah Tu	800,000	0.38
13. AllianceGroup Nominees (Tempatan) Sdn Bhd *[Pheim Asset Management Sdn Bhd for Employees Provident Fund]*	783,900	0.37
14. Amanah Raya Nominees (Tempatan) Sdn Bhd *[ASM Premier Fund]*	779,300	0.37
15. Lee Thian Fook @ Lee Tian Fook	750,000	0.36
16. Citigroup Nominees (Asing) Sdn Bhd *[CBNY for DFA Emerging Markets Fund]*	732,600	0.35
17. AMMB Nominees (Tempatan) Sdn Bhd *[Amtrustee Berhad for Pacific Select Balance Fund (5/23-0)]*	723,200	0.34

Analysis Of Shareholdings
AS AT 28 APRIL 2006 (CONTINUED)

THIRTY (30) MAJOR SHAREHOLDERS (CONTINUED)

NAME	SHAREHOLDING	%
18. Lim Lee Ling	720,000	0.34
19. Amanah Raya Nominees (Tempatan) Sdn Bhd *[Mayban Dana Ikhlas]*	650,000	0.31
20. Universal Trustee (Malaysia) Berhad *[Mayban Balanced Trust Fund]*	620,000	0.30
21. Mayban Nominees (Tempatan) Sdn Bhd *[Capital Dynamics Asset Management Sdn Bhd for Ace Synergy Insurance Berhad (CDAM23-990350)]*	619,400	0.30
22. Teng Lung Sing	438,000	0.21
23. HSBC Nominees (Asing) Sdn Bhd *[AAB SG for Sentinella Business S.A.]*	404,300	0.19
24. Shoptra Jaya (M) Sdn Bhd	402,000	0.19
25. A. A. Assets Nominees (Asing) Sdn Bhd *[Aliza Abdul Rahim nee Lum Kok Chun]*	395,000	0.19
26. Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pulavanthuran @ Soosai a/l Sinnappah (471308)]*	385,800	0.18
27. Amanah Raya Nominees (Tempatan) Sdn Bhd *[Kumpulan Modal Bumiputera Yang Kesebelas]*	341,400	0.16
28. Amanah Saham Mara Berhad	340,200	0.16
29. Lin Yuet Kam Alice	310,000	0.15
30. Tan Kim Eng	308,027	0.15
Total	161,129,598	76.73

Analysis Of Shareholdings
AS AT 28 APRIL 2006 (CONTINUED)

SUBSTANTIAL SHAREHOLDERS AS AT 28 APRIL 2006

SHAREHOLDERS	DIRECT		INDIRECT		
	NO. OF SHARES	%	NO. OF SHARES	%	
Bandar Raya Developments Berhad	119,193,971	56.76	-	-	
Ambang Sehati Sdn Bhd	-	-	119,193,971	56.76	a
Dato' Mohamed Moiz bin J M Ali Moiz	-	-	119,193,971	56.76	b
Abdul Sathar bin M S M Abdul Kadir	-	-	119,193,971	56.76	c
Sascha Saleem Khan	-	-	119,193,971	56.76	d
Tania Aishah Khan	-	-	119,193,971	56.76	e
Lembaga Tabung Haji	10,978,600	5.23	-	-	

Notes :

a Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through Bandar Raya Developments Berhad.

b Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through 26% shareholding in Ambang Sehati Sdn Bhd.

c Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through 25% shareholding in Ambang Sehati Sdn Bhd.

d Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through 24.5% shareholding in Ambang Sehati Sdn Bhd.

e Deemed interest by virtue of Section 6A(4) of the Companies Act, 1965 held through 24.5% shareholding in Ambang Sehati Sdn Bhd.

Analysis Of Warrantholdings For Warrants 2004/2009

AS AT 28 APRIL 2006

No. of Warrants in Issue : 100,000,000
Exercise Price of Warrants : RM1.20
Exercise Period of Warrants : From 22 April 2004 to 21 April 2009
Expiry Date of Warrants : 21 April 2009
Voting Rights in respect of Warrantholders' Meeting : 1 Vote per Warrant

	NO. OF HOLDERS	% OF HOLDERS	NO. OF WARRANTS	% OF WARRANTS
LARGEST WARRANTHOLDERS	30	0.79	79,634,361	79.63
Size Of Holdings				
Less than 100	271	7.11	10,704	0.01
100 – 1,000	1,718	45.06	977,571	0.98
1,001 – 10,000	1,386	36.35	5,429,353	5.43
10,001 – 100,000	395	10.36	12,361,611	12.36
100,001 – less than 5% of issued warrants	38	1.00	10,016,065	10.02
5% and above of issued warrants	5	0.13	71,204,696	71.20
Total	3,813	100.00	100,000,000	100.00

DIRECTORS' INTEREST IN WARRANTS AS AT 28 APRIL 2006

	DIRECT INTEREST		INDIRECT INTEREST	
	NO. OF WARRANTS	%	NO. OF WARRANTS	%
In The Company				
Dato' Mohamed Moiz bin J M Ali Moiz	-	-	40,100,230**	40.10
Dato' Yong Seng Yeow	6,666	0.01	-	-
Dato' Jaganath Derek Steven Sabapathy	-	-	-	-
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	5,333	0.01	-	-
Dato' Dr Amarjit Singh a/l Santokh Singh	-	-	-	-
Low Kim Seng	3,333	0.00*	-	-

* Negligible percentage
** Indirect interest held through Ambang Sehati Sdn Bhd

Analysis Of Warrantholdings For Warrants 2004/2009

AS AT 28 APRIL 2006 (CONTINUED)

THIRTY (30) MAJOR HOLDERS OF WARRANTS 2004/2009

NAME	WARRANTHOLDING	%
1. Bandar Raya Developments Berhad	40,100,230	40.10
2. HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Credit Suisse (SG BR-TST-Asing)]*	12,243,000	12.24
3. HSBC Nominees (Asing) Sdn Bhd *[Clariden BK Zurich for Osgiliath International Inc.]*	6,901,466	6.90
4. Citigroup Nominees (Asing) Sdn Bhd *[Mellon Bank, N.A. for Gina Investment Ltd]*	5,980,000	5.98
5. HSBC Nominees (Asing) Sdn Bhd *[Coutts BK Von Ernst SG for Myriam Continental S.A.]*	5,980,000	5.98
6. TA Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Liew Yam Fee]*	888,000	0.89
7. Lembaga Tabung Haji	667,933	0.67
8. Kenanga Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pacific Bonanza Sdn Bhd]*	568,800	0.57
9. Tan Jee Ng	545,100	0.55
10. Foo Choon Tow	510,400	0.51
11. AllianceGroup Nominees (Tempatan) Sdn Bhd *[Pheim Asset Management Sdn Bhd for Employees Provident Fund]*	421,000	0.42
12. Mayban Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Ch'ng Gim Chew (07246AP3210)]*	419,700	0.42
13. Cimsec Nominees (Tempatan) Sdn Bhd *[CIMB for Lim Guat Kee (Margin-MM0666)]*	400,000	0.40
14. Irene Lee	388,333	0.39
15. Leong Bee Ling	362,000	0.36
16. Chew Lai Har	329,000	0.33
17. Ter Leong Swee	315,000	0.32
18. Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pulavanthuran @ Soosai a/l Sinnappah (471308)]*	309,733	0.31

Analysis Of Warrantholdings For Warrants 2004/2009

AS AT 28 APRIL 2006 (CONTINUED)

THIRTY (30) MAJOR HOLDERS OF WARRANTS 2004/2009 (CONTINUED)

	NAME	WARRANTHOLDING	%
19.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd *[Kim Eng Securities Pte Ltd for Ramesh s/o Pritamdas Chandiramani]*	251,000	0.25
20.	Lee Thian Fook @ Lee Tian Fook	242,000	0.24
21.	Tan Peng Yam	238,000	0.24
22.	Teh Yew Kheng	208,133	0.21
23.	HLG Nominee (Tempatan) Sdn Bhd *[Hong Leong Bank Bhd for Geruda Shipping Sdn Bhd]*	200,000	0.20
24.	TA Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin]*	200,000	0.20
25.	Teh Bee Gaik	192,300	0.19
26.	Cheong Kwan Choong	172,000	0.17
27.	Yong Yoke Len	166,700	0.17
28.	BHLB Trustee Berhad *[Exempted - Trust Account for EPF Investment for Member Savings Scheme]*	157,233	0.16
29.	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Ng Ching Soong (470478)]*	142,300	0.14
30.	HLG Nominee (Tempatan) Sdn Bhd *[Hong Leong Bank Bhd for Pan Borneo Trading Sdn Bhd]*	135,000	0.14
	Total	79,634,361	79.63

List Of Properties

AS AT 31 DECEMBER 2005

LOCATION	TENURE	LAND AREA	DESCRIPTION	APPROXIMATE AGE OF BUILDING (YEARS)	NET BOOK VALUE RM'000	ACQUISITION DATE
Lot 77-83, Semambu Industrial. Estate, 25720 Kuantan Pahang Darul Makmur	Lease expiring 27.10.2041	609,840 sq.ft	Chipboard factory	11 - 31	7,825	1975
Lot 73, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmur	Lease expiring 18.08.2048	653,670 sq.ft.	Industrial land	-	6,636	26.10.1999
Lot 74, Gebeng Industrial Area 26080 Kuantan Pahang Darul Makmur	Lease expiring 22.02.2097	1,254,528 sq.ft.	Chipboard factory	3 - 11	39,446	24.08.1995
Lot 3, Kawasan Perindustrian Kechau Tui, 27100 Lipis Pahang Darul Makmur	Lease expiring 2104	2,178,000 sq. ft.	Chipboard factory	1	79,233	05.12.2004
14C-A and 14C-B Impiana Condominium No 1 Tasik Ampang, Jalan Hulu Klang, 68000 Ampang, Selangor Darul Ehsan	Lease expiring 21.04.2091	2 units	Condominium apartment	9	2,619	22.11.2002
Blk 457 Upper East Coast Road #10-05 Mount Everest The Summit, Singapore 466503	Freehold	1 unit	Condominium apartment	12	4,684	25.11.2002

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Third Annual General Meeting of Mieco Chipboard Berhad ('MIECO' or 'the Company') will be held at Multi-Purpose Hall, 25th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Thursday, 29 June 2006 at 10.00 a.m.

AGENDA

1. To receive the Report of the Directors and the Audited Financial Statements for the year ended 31 December 2005 together with the Report of the Auditors thereon. **(Resolution 1)**

2. To approve the payment of Directors' fees of RM216,000/= in respect of the year ended 31 December 2005 (2004: RM216,000/=). **(Resolution 2)**

3. To re-elect the following Directors retiring in accordance with Article 81 of the Company's Articles of Association:

   a. Dato' Jaganath Derek Steven Sabapathy **(Resolution 3)**

   b. Dato' Dr Amarjit Singh a/l Santokh Singh **(Resolution 4)**

4. To consider and if thought fit, to pass the following Ordinary Resolution in accordance with Section 129 of the Companies Act, 1965:

   "THAT Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar, retiring pursuant to Section 129 of the Companies Act, 1965 after having attained the age of seventy years, be and is hereby re-appointed a Director of the Company to hold office until the conclusion of the next Annual General Meeting of the Company." **(Resolution 5)**

5. To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

6. **Proposed Purchase By Mieco Of Its Own Shares**

   "THAT subject to the Companies Act, 1965 and the rules, regulations and orders made thereunder (as may be amended, modified or re-enacted from time to time), provisions of the Company's Memorandum and Articles of Association, the requirements of Bursa Malaysia Securities Berhad ('Bursa Malaysia') and any other relevant governmental and/or regulatory authority and if required, the approval of the owners of the Al Murabahah commercial papers and/or Al Murabahah medium term notes issued by MIECO under the RM175 million Al Murabahah commercial paper and medium term note programme ('Noteholders'), the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ('MIECO Shares') as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company ('Proposed Share Buy-Back'), subject further to the following:

   i. the aggregate number of MIECO Shares which may be purchased by the Company shall not exceed ten per centum (10%) of the issued and paid-up share capital of the Company;

   ii. the maximum fund to be allocated by the Company for the purpose of purchasing the MIECO Shares shall not exceed the retained profits and/or the share premium of the Company based on its audited financial statements for the financial year ended 31 December 2005;

   iii. the authorisation conferred by this resolution shall be effective immediately upon the passing of this ordinary resolution and if required, the procurement of the approval of the Noteholders.

   Such authorisation shall subsist until:

   a. the conclusion of the next Annual General Meeting ('AGM') of the Company, at which time such authorisation shall lapse, unless renewed by an ordinary resolution passed by the shareholders of the Company at that meeting, either unconditionally or subject to conditions; or

   b. the expiration of the period within which the next AGM after that date is required by law to be held; or

   c. such authorisation is revoked or varied by an ordinary resolution passed by the shareholders of the Company in a general meeting,

   whichever occurs first, but not so as to prejudice the completion of any purchase of the MIECO Shares by the Company before the aforesaid expiry date and, in any event, in accordance with the provisions of the guidelines issued by Bursa Malaysia or any other governmental and/or regulatory authority.

   AND THAT the Directors of the Company be and are hereby authorised to act and to take all steps and do all things as they may deem necessary or expedient including to enter into any agreements or arrangements with any party or parties in order to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments as may be required by Bursa Malaysia and/or any other relevant authority AND FURTHER THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the MIECO Shares so purchased pursuant to the Proposed Share Buy-Back as treasury shares to be distributed as share dividends or resold on Bursa Malaysia or subsequently cancelled, or to cancel the MIECO Shares so purchased, or to do a combination of both." **(Resolution 7)**

7. **Authority To Issue Shares Pursuant To Section 132D Of The Companies Act, 1965**

   "THAT subject always to the Companies Act, 1965, the Articles of Association of the Company and the approvals of the relevant governmental and/or 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 and upon such terms and conditions and for such purposes as the Directors may deem fit provided that the aggregate number of shares issued pursuant to this resolution does not exceed ten per centum (10%) of the total issued capital of the Company and that such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company." **(Resolution 8)**

Notice Of Annual General Meeting
(CONTINUED)

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

BY ORDER OF THE BOARD
HO SWEE LING
Company Secretary
Kuala Lumpur
2 June 2006

Notes:
1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.
2. To be valid, the duly completed original form of proxy must be deposited at the registered office of the Company at 31st Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time for holding the meeting.
3. A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.

EXPLANATORY NOTES ON SPECIAL BUSINESS

1. The proposed Ordinary Resolution 7 if passed, will empower the Company to purchase shares in the Company of up to 10% of the issued and paid-up share capital of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

   The detailed information on the Proposed Share Buy-Back is set out in the Circular to Shareholders dated 2 June 2006 which is despatched together with the 2005 Annual Report.

2. The proposed Ordinary Resolution 8 if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.

Statement Accompanying Notice Of Annual General Meeting

1. Names of directors who are standing for re-election

   The directors retiring by rotation pursuant to the Articles of Association and seeking re-election are as follows:

   Dato' Jaganath Derek Steven Sabapathy
   Dato' Dr Amarjit Singh a/l Santokh Singh

   The director who is seeking re-appointment pursuant to Section 129 of the Companies Act, 1965 is as follows:

   Lt. Gen.(R) Dato' Seri Mohamed Daud bin Abu Bakar

   The details of the above mentioned directors who are standing for re-election or re-appointment are set out in the Board of Directors' Profile appearing on pages 12 and 13 of the Annual Report.

2. Details of attendance of directors at board meetings

   7 Board meetings were held during the financial year ended 31 December 2005. The details of attendance are as follows:

NAME OF DIRECTORS	TOTAL NUMBER OF MEETINGS ATTENDED
Dato' Mohamed Moiz Bin J M Ali Moiz	5
Dato' Yong Seng Yeow	7
Dato' Jaganath Derek Steven Sabapathy	6
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	7
Dato' Dr Amarjit Singh a/l Santokh Singh	7
Low Kim Seng	7

3. Date, time and venue of the annual general meeting

   The Thirty-Third Annual General Meeting of Mieco Chipboard Berhad will be held at Multi-Purpose Hall, 25th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on Thursday, 29 June 2006 at 10.00 a.m.

MIECO CHIPBOARD BERHAD (12849-K)

FORM OF PROXY

CDS ACCOUNT NUMBER

___ ___ ___ - ___ ___ ___ - ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___ ___

I/WE TEL NO.
(FULL NAME IN BLOCK CAPITALS)

NRIC NO./COMPANY NO.

OF
(ADDRESS)

BEING A MEMBER OF **MIECO CHIPBOARD BERHAD**, HEREBY APPOINT
(FULL NAME IN BLOCK CAPITALS)

NRIC NO.

OF
(ADDRESS)

OR FAILING HIM, NRIC NO.
(FULL NAME IN BLOCK CAPITALS)

OF OR FAILING HIM
(ADDRESS)

the CHAIRMAN OF THE MEETING as my/our proxy to vote on my/our behalf at the Thirty-Third Annual General Meeting of the Company to be held at Multi-Purpose Hall, 25th Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur on **Thursday, 29 June 2006 at 10.00 a.m.** and at any adjournment thereof.

	RESOLUTIONS	*FOR	*AGAINST
1.	To receive the audited financial statements		
2.	To approve the payment of Directors' fees		
3.	To re-elect Dato' Jaganath Derek Steven Sabapathy as a Director		
4.	To re-elect Dato' Dr Amarjit Singh a/l Santokh Singh as a Director		
5.	To re-appoint Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar as a Director		
6.	To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company		
7.	To approve authority to purchase its own shares by the Company		
8.	To approve authority to Directors to issue shares pursuant to Section 132D, Companies Act, 1965		

* Please indicate with an "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion.

As witness my/our hand(s) this ________ day of ________________, 2006.

Signature of Shareholder **Number of Shares Held**

Notes:

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2. To be valid, the duly completed original form of proxy must be deposited at the registered office of the Company at 31st Floor, Menara Multi-Purpose, Capital Square, No. 8 Jalan Munshi Abdullah, 50100 Kuala Lumpur, not less than 48 hours before the time for holding the meeting.
3. A member who is an authorised nominee may appoint one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
4. A member other than an authorised nominee shall be entitled to appoint not more than two (2) proxies to attend and vote at the same meeting.
5. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
6. If the appointor is a corporation, the form of proxy must be executed under its Common Seal or under the hand of an officer or attorney duly authorised.