We are confident that with a clear strategy for growth, profit maximization and product differentiation, as well as keeping a close eye on managing efficiencies and costs, we will be able to achieve better results, strengthen the MIECO brand and maintain our leadership position in the industry.

MIECO CHIPBOARD BERHAD
Annual Report 2006

MIECO

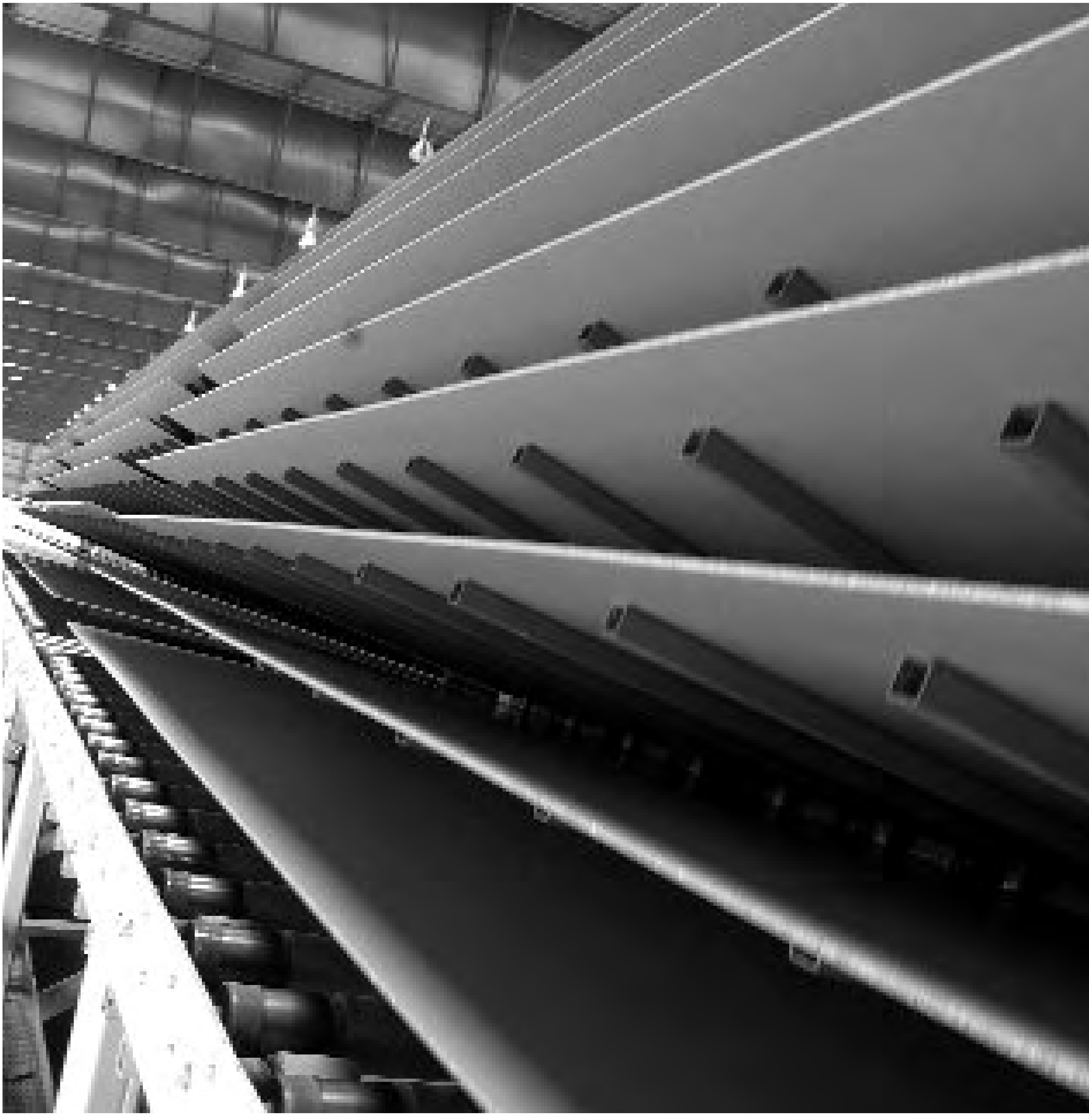
COVER RATIONALE

The cover of this report features one of MIECO's latest products – the Andalusia Waves wood panel. Inspired by a teak with characteristically narrow cathedrals, this panel has a understated, elegant feel, with a soft, handscraped effect, suitable for use in large surfaces in commercial interiors and furniture.

Creating Products of Enduring Value

2006 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, 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

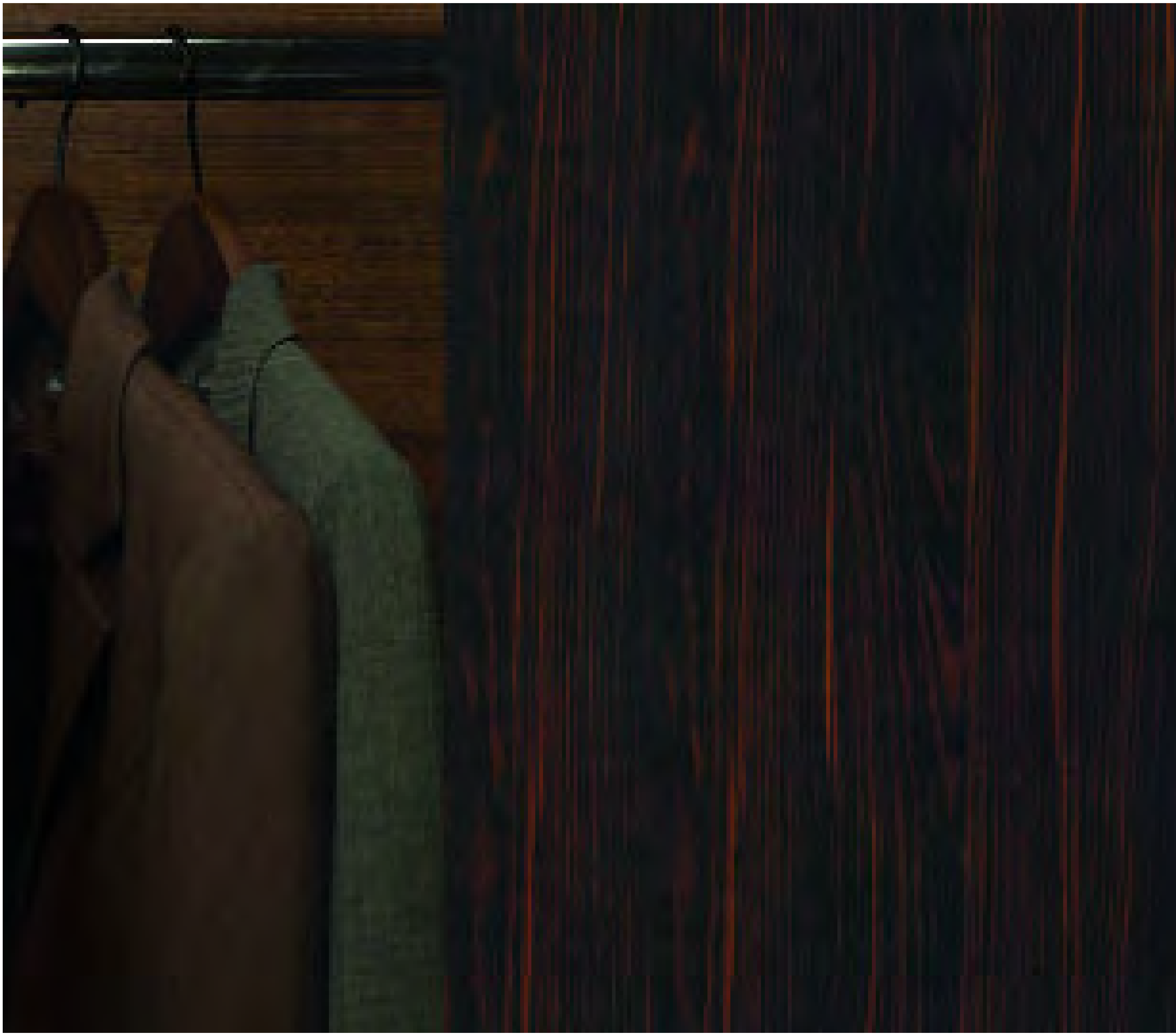
WE EMPHASIZE DYNAMIC INNOVATION AND CREATING VALUE IN ALL OUR PRODUCTS AND SERVICES.

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**

Guiana Rosewood is one of MIECO's most popular finishes. This tropical hard wood, with its warm reddish colour and impactful stripes, adds a very elegant note to high-end furniture pieces, making it popular for interior finishings.



Corporate Structure AS AT 23 APRIL 2007

Mieco Chipboard Berhad

- Mieco Manufacturing Sdn Bhd 100%
- Mieco Wood Products Sdn Bhd 100%
- Mieco Marketing Sdn Bhd 100%
- Mieco Marketing (S) Pte Ltd 100%
- Mieco International (H.K.) Limited 100%
- Mieco Chemicals Sdn Bhd 100%
- Panasonic Mieco Kenaf Malaysia Sdn Bhd 49%
- Tudor Capital Sdn Bhd 100%
- Mieco Wood Resources Sdn Bhd 100%
  - Mieco Smallholders Sdn Bhd 50%
- Aspire Benchmark Sdn Bhd 100%

Key

- Listed on Bursa Malaysia Securities Berhad
- Subsidiary Company
- Associated Company

Corporate Information

Board of Directors

Dato' Mohamed Moiz bin J M Ali Moiz
EXECUTIVE CHAIRMAN

Dato' Yong Seng Yeow
MANAGING 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
AmInvestment Bank Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad

Dato' Mohamed Moiz
EXECUTIVE CHAIRMAN

Dato' Jagan Sabapathy
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Dr Amarjit Singh
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr KS Low
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Seri Mohamed Daud
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' SY Yong
MANAGING DIRECTOR

Board of Directors' Profiles

Dato' Mohamed Moiz bin J M Ali Moiz
EXECUTIVE CHAIRMAN

Dato' Mohamed Moiz Bin J M Ali Moiz, a Malaysian, aged 46, was appointed to the Board on 14 November 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, a company which successfully undertook the migration of the CLOB securities from the 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
MANAGING DIRECTOR

Dato' Yong Seng Yeow, a Malaysian, aged 54, was appointed as Executive Director on 16 November 1998. He was redesignated as Managing Director on 1 January 2007. Dato' Yong has over 25 years of experience in sales and marketing in building materials and furniture industries.

Dato' Yong first joined Mieco Chipboard Berhad on 1 January 1994 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 boards 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.

Dato' Yong holds directly 84,800 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' Jagan Sabapathy, a Malaysian, aged 50, 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 a 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 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 plantation 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 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 71, 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 has 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, 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 57, 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 President of the Malaysian Association of Sports Medicine and immediate past Chairman of the Society of Sports Medicine of the Malaysian Medical Association.

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 52, was appointed to the Board on 25 April 1991. He is a member of the Malaysian Institute of Accountants. Mr Low qualified as a Management Accountant in 1978 and has working experience in accounting, corporate finance and general management. He worked in two Malaysian public listed companies prior to joining Bandar Raya Developments Berhad ("BRDB") in 1989 and is currently the Chief Financial Officer of BRDB. 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.

This Giallo Waves wood panel was gouged to achieve crossfires of different lengths, giving it a rich 3D effect with a natural, handscraped finish. Absolutely stunning when used in large surfaces in commercial interiors and furniture.

A Letter to Our Shareholders

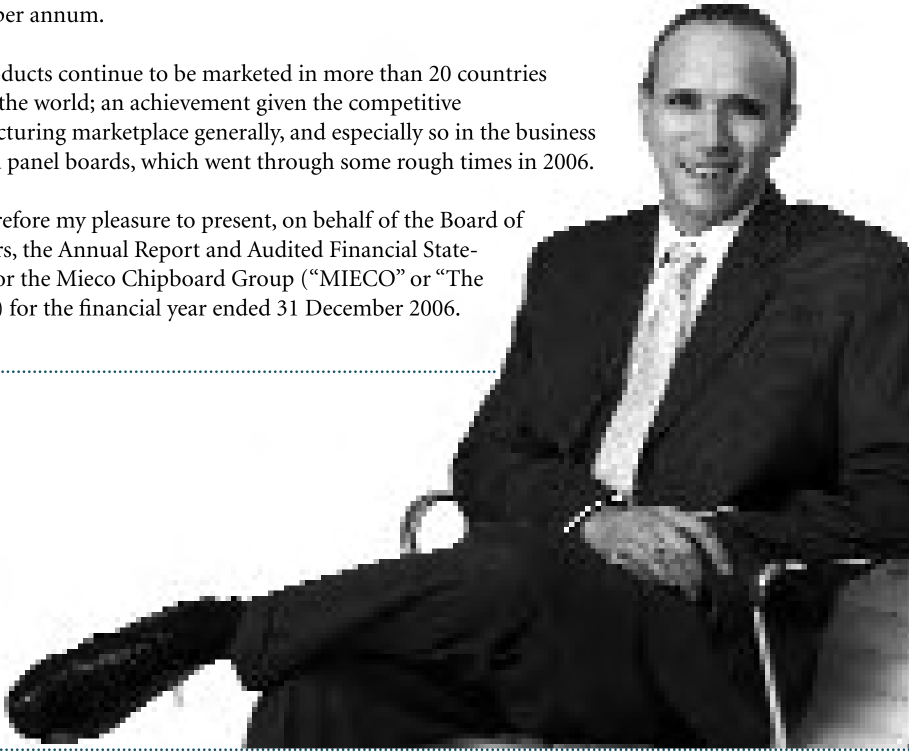
Dear shareholders and stakeholders of the MIECO global community,

IN MANY WAYS, 2006 WAS A CHALLENGING YET SATISFACTORY YEAR FOR MIECO, JUST ONE YEAR AWAY FROM MARKING OUR 35TH YEAR OF OPERATIONS IN 2007.

MIECO is firmly positioned as a leader in the Asia Pacific marketplace. Our plant in Kechau Tui, Pahang, is the single largest particleboard production line in the Asia Pacific region, with built-incapacity of 600,000 cubic metres per annum. Our three plants together give us a combined maximum capacity in excess of 900,000 cubic metres per annum.

Our products continue to be marketed in more than 20 countries around the world; an achievement given the competitive manufacturing marketplace generally, and especially so in the business of wood panel boards, which went through some rough times in 2006.

It is therefore my pleasure to present, on behalf of the Board of Directors, the Annual Report and Audited Financial Statements for the Mieco Chipboard Group ("MIECO" or "The Group") for the financial year ended 31 December 2006.



As an industry, we should take our cue from the MDF market, which has managed to pass on some of their increasing costs back to the end-consumer. Hopefully, as more members of our fibreboard and chipboard industry come to this realization, we will be able to make a collective move towards a more cost-effective and market-driven approach.

How we did in 2006 : Weathering some storms

In 2006, MIECO intensified its marketing efforts to offset increased supply in the marketplace, and strove to improve production efficiencies. These efforts paid off, with the Group realizing revenues of RM330.4 million, up from RM259 million in 2005.

Although adversely affected by increased raw material prices and borrowing costs, we managed to record a profit from operations of RM26.5 million in 2006, a significant increase from RM5.1 million in 2005.

Group profit before tax for the year ended December 31, 2006 was RM10 million, compared to a loss before tax of RM6 million in the preceding year.

Coupled with improvements to our delivery systems, we made significant progress on our key performance indicators. We are confident that we are well-positioned to take advantage of opportunities that come our way, and to offset challenges in the marketplace.

At the same time, we have to be realistic about the issues we still have to face.

In 2006 alone, cost of wood rose 48%. Cumulatively, we have seen an increase of 56% in the cost of glue and 129% in the cost of wood over the past 5 years. In 2007, we expect to see further increases in the cost of raw materials. Whilst MIECO has endeavoured to mitigate these cost increases by further increasing its production efficiency, it has been difficult for us to factor in these cost increases into our selling prices due to the regional increase in supply volume. However we feel that over time, it is inevitable that some of these cost increases be passed on to end users.

In 2006, several new players entered the competitive marketplace. Faced with the unfortunate situation of supply exceeding demand, some resorted to the practice of dumping their excess volume to part-recover their costs.

This increased downward pressure on our prices affected our revenue – we were being squeezed by rising production costs on the one hand and pressure to reduce selling prices on the other.

On the bright side, with new products coming onstream, our efforts at increasing the percentage of revenue contribution from value-added products continue to bear fruit.

In 2006, we launched several new MFC and PFC wood grain colours, all of which met with the approval of the marketplace. This helped us to continue our strategy of differentiation amongst our competitors, and helped us secure important footholds in markets that are increasingly more discerning.

Dividend

Based on our performance in 2006, the Directors have recommended a first and final tax exempt dividend of 1% for the year ended December 31 2006, amounting to RM2.1 million, subject to shareholders' approval at the Annual General Meeting of the Company.

Moving forward : A need for cohesive industry action and a need to stay focused

While the outlook for our industry is good, we will continue to face short-term challenges, especially in terms of selling prices and raw material costs.

As an industry, we should take our cue from the MDF market, which has managed to pass on some of their increasing costs back to the end-consumer. Hopefully, as more members of our fibreboard and chipboard industry come to this realization, we will be able to make a collective move towards a more cost-effective and market-driven approach.

In the meantime, we will stay focused on our plans for MIECO, as we firmly believe that the current market fluctuations will even out over the next 18 months.

Globally, property development is growing at a frenzied pace. In Dubai alone, more than US$40 billion has been pumped into the construction industry in recent years. More importantly, while the emphasis in the Middle East is still very much about marketing, the property development industry there is seeing a shift to product delivery.

As more and more of these developments come to completion, customers are looking at finishing, quality and the fine touches. And this is where our products, known for their value-add features and high quality, will be increasingly noticed.

Our marketing efforts in coming years will increasingly focus on brand building – creating a loyal, discerning base of customers who know and appreciate a MIECO product.

training and knowledge development.

In addition to further improving our delivery systems, we will also step up efforts to recognize and reward our customers, by providing a higher level of end-to-end support and service in ways that matter the most.

We will continue to make R&D a priority, given that our biggest opportunity lies in creating clearly differentiated value-added products that appeal to our global buyers.

The issue of wood resource continues to be firmly on our radar. We have managed to secure 10,000 acres of land in Pahang to

being innovative and keeping communication lines open to gather the latest market trends, we have been able to take advantage of emerging opportunities and offset challenges.

On behalf of the Board of Directors, I would like to thank the management and staff of the Group for their vigour, passion and commitment to building a truly global MIECO brand, and for being our closest partners and strongest supporters in the challenges we have to face.

I would also like to thank our customers, who have been loyal and steadfast in their commitment to MIECO, despite the pricing

Our marketing efforts in coming years will increasingly focus on brand building – creating a loyal, discerning base of customers who know and appreciate a MIECO product.

India and China both offer significant upside potential – the market in the Indian sub-continent has experienced double-digit growth these past two years, while the China market has been experiencing annual growth rates of 8% to 10% per annum over the same period. These are markets to which we will assign additional marketing resources.

Several markets in Asia, the Middle East and Africa are showing signs of an economic boom, in particular India, Bangladesh, Pakistan, Iran, Saudi Arabia and the UAE. We are aggressively looking for further opportunities in these markets, to take advantage of a growing customer base.

While delivery systems have generally improved, we believe there is still some work to be done in our Kechau Tui plant. We are working to iron out some of these kinks through 2007. Towards this end, we are aggressively upgrading our human resource development and investing in

develop plantations. We will continue to work with the various state governments to secure land for plantations so that we can ensure a more consistent and competitive supply. We are also aggressively looking, both locally and abroad, for cheaper alternatives to our traditional rubber and wood-based raw materials.

We are confident that with a clear strategy for growth, profit maximization and product differentiation, as well as keeping a close eye on managing efficiencies and costs, we will be able to achieve better results, strengthen the MIECO brand and maintain our leadership position in the industry.

A loyal, passionate team behind our brand

Despite the turbulence of the past year, we have remained steady and on course. Much of this has been due to the support and passion of our MIECO team around the world. By working closely as a team,

attractions of the competitive marketplace. A heartfelt thank you from all of us.

To all shareholders, I ask that you continue to believe in MIECO. We will have good times ahead, and we ask that you be patient, and stay on course with us. I assure you that we will make giving you higher returns and better value our biggest priority in coming years.

Personally, I would like to thank members of our Board – you have been a steadying hand and guiding presence through the challenges of 2006, and I thank you.

Dato' Mohamed Moiz bin J M Ali Moiz
Executive Chairman
Kuala Lumpur, Malaysia
20 April 2007

Surat Kepada Pemegang Saham

Para pemegang saham dan pemegang taruh masyarakat MIECO yang dihormati,

WALAUPUN 2006 MERUPAKAN TAHUN YANG PENUH CABARAN, PENCAPAIAN MIECO PADA KESELURUHANNYA ADALAH MEMUASKAN – DAN HANYA DALAM SETAHUN LAGI, IAITU PADA TAHUN 2007, KAMI AKAN MERAIKAN ULANG TAHUN YANG KE-35.

Kedudukan MIECO sebagai pembekal utama di pasaran Asia Pasifik diperkukuhkan dengan adanya kilang pengeluaran papan partikel yang tunggal terbesar dengan keupayaan tersedia 600,000 meter padu setahun di Kechau Tui, Pahang. Ia membolehkan kami membuat pengeluaran dengan jumlah keupayaan maksima melebihi 900,000 meter padu setahun.

Produk kami terus dipasarkan kepada lebih daripada 20 negara di serata dunia, satu pencapaian yang baik memandangkan keadaan pasaran pembuatan yang penuh persaingan secara amnya, dan lebih khusus lagi dalam perniagaan papan panel kayu, yang melalui keadaan pasaran yang agak sukar pada tahun 2006.

Oleh itu saya dengan sukacitanya membentangkan, bagi pihak Lembaga Pengarah, Laporan Tahunan dan Penyata Kewangan Beraudit bagi Kumpulan MIECO Chipboard ("MIECO" atau "Kumpulan") bagi tahun kewangan berakhir 31 Disember 2006.

Tindakan yang diambil pada tahun 2006 : Menempuhi pasaran yang mencabar

Pada tahun 2006, MIECO memesatkan usaha pemasaran untuk mengimbangi peningkatan penawaran di pasaran, dan berusaha memperbaiki kecekapan pengeluaran. Usaha ini membuahkan hasil, Kumpulan berjaya memperolehi pendapatan sebanyak RM330.4 juta, bertambah daripada RM259 juta yang diperolehi pada tahun 2005.

Meskipun terdapat kesan negatif akibat kenaikan harga bahan mentah dan kos pinjaman, kami berupaya mencatat keuntungan daripada operasi sebanyak RM26.5 juta pada tahun 2006, kenaikan ketara daripada RM5.1 juta pada tahun 2005.

Keuntungan Kumpulan sebelum cukai bagi tahun berakhir 31 Disember 2006 adalah RM10 juta, berbanding kerugian sebelum cukai sebanyak RM6 juta pada tahun sebelumnya.

Digandingkan dengan pembaikan yang kami lakukan pada sistem penyampaian, kami telah mencapai kemajuan bermakna dalam petunjuk pencapaian utama. Kami yakin bahawa kami berada dalam kedudukan yang baik untuk

Sebagai sebuah industri, kita perlu mengambil petanda daripada pasaran MDF, yang berupaya menyerapkan sebahagian daripada kenaikan kos kepada pengguna terakhir. Adalah diharapkan, apabila lebih ramai ahli dalam industri papan gentian dan papan cip menyedari hakikat ini, kita dapat mengambil tindakan bersepadu, serta pendekatan yang lebih kos efektif dan berpandukan keadaan pasaran.

mengaup peluang yang terbuka nanti, serta dapat mengimbangi sebarang cabaran dalam pasaran.

Pada masa yang sama, kami hendaklah akur tentang isu yang perlu dihadapi.

Pada tahun 2006 sahaja, kos kayu naik 48%. Secara timbunan, kami menghadapi kenaikan kos pelekat sebanyak 56%, dan 129% bagi kos kayu sepanjang 5 tahun yang lepas. Kami menjangka kos bahan mentah akan meningkat lagi pada tahun 2007. Walaupun MIECO berusaha untuk mengurangkan kesan kenaikan kos dengan meningkatkan kecekapan pengeluaran, akibat daripada pertambahan jumlah pengeluaran di peringkat serantau, ia menjadi sukar bagi MIECO untuk mengambil kira kenaikan kos dalam penentuan harga jualan kami. Bagaimanapun kami rasa bagi jangka masa panjang, sudah tidak dapat dielakkan lagi bagi kami untuk mengambil kira sebahagian daripada kenaikan kos dalam penentuan harga jualan kepada pengguna terakhir.

Pada tahun 2006, beberapa peserta baru muncul dalam pasaran yang kompetitif ini. Berhadapan dengan situasi di mana penawaran melebihi permintaan, terdapat pihak mengambil jalan keluar dengan melambakkan lebihan stok mereka di pasaran dalam usaha menampung sebahagian daripada kenaikan kos.

Tindakan seperti ini menekan harga jualan yang memberi kesan kepada pendapatan kami – kami berhadapan dengan masalah kenaikan kos pengeluaran dan pada masa yang sama menghadapi persaingan untuk menurunkan harga.

Sesuatu yang positif ialah dengan terdapatnya produk baru dalam pengeluaran kami, memperlihatkan kejayaan usaha kami bagi menambah peratusan bahagian pendapatan daripada produk tambah nilai yang terus mendatangkan hasil.

Pada tahun 2006, kami melancarkan warna ira kayu MFC dan PFC yang baru, kesemuanya mendapat sambutan baik di pasaran, usaha ini menyokong strategi pembezaan antara pesaing yang kami amalkan, dan membantu kami mengukuhkan kedudukan dalam pasaran di mana pengguna mula lebih bijak membuat pilihan.

Dividen

Bedasarkan pencapaian kami pada tahun 2006, pihak Lembaga Pengarah mengesyorkan dividen pertama dan terakhir sebanyak 1% bagi tahun berakhir 31 Disember 2006, berjumlah RM2.1 juta, tertakluk kepada kelulusan pemegang saham pada Mesyuarat Agung Tahunan Syarikat.

Maju ke hadapan : Perlu adanya tindakan bersepadu serta fokus dalam industri

Walaupun masa hadapan industri dijangka cerah, kami akan terus berhadapan dengan cabaran jangka pendek, terutamanya dalam pembabitan harga jualan dan kos bahan mentah.

Sebagai sebuah industri, kita perlu mengambil petanda daripada pasaran MDF, yang berupaya menyerapkan sebahagian daripada kenaikan kos kepada pengguna terakhir.

Adalah diharapkan, apabila lebih ramai ahli dalam industri papan gentian dan papan cip menyedari hakikat ini, kita dapat mengambil tindakan bersepadu, serta pendekatan yang lebih kos efektif dan berpandukan keadaan pasaran.

Pada masa yang sama, kami akan tetap fokus kepada rancangan kami bagi MIECO, oleh kerana kami yakin bahawa keadaan naik turun pasaran yang dialami sekarang akan beransur pulih dalam tempoh 18 bulan nanti.

Di peringkat global, pembangunan harta sedang mengalami kepesatan. Di Dubai sahaja, lebih daripada AS$40 bilion telah dibelanjakan dalam industri pembinaan pada tahun-tahun akhir ini. Lebih penting lagi, walaupun penumpuan di Timur Tengah masih mengenai pemasaran, industri pembangunan harta di sana memperlihatkan perubahan hala tuju ke arah penyampaian produk.

Apabila lebih banyak pembangunan tersebut hampir siap, perhatian pelanggan akan bertumpu kepada kemasan akhir, mutu dan kerja-kerja penyesuaian. Di sinilah produk kami semakin menyerlah, yang mana terkenal kerana ciri-ciri tambah nilai dan bermutu tinggi.

Usaha pemasaran kami di tahun-tahun hadapan akan memberi fokus dengan lebih giat lagi kepada pembinaan jenama – mewujudkan pelanggan yang setia, bijak membuat pilihan dan dapat mengenali serta menghargai produk MIECO.

Kedua-dua pasaran India dan China menawarkan potensi yang sangat baik – pasaran di benua kecil India mengalami pertumbuhan dua angka pada dua tahun yang lepas, manakala pasaran di China pula mencapai pertumbuhan tahunan pada kadar 8% hingga 10% setahun, bagi tempoh yang sama. Kami akan memperuntukkan sumber pemasaran yang lebih besar kepada kedua pasaran ini.

Beberapa pasaran di Asia, Timur Tengah dan Afrika menunjukkan petanda pertumbuhan ekonomi melambung, khususnya India, Bangladesh, Pakistan, Iran, Arab Saudi dan negara-negara UAE. Kami akan meneliti peluang untuk memasuki pasaran ini serta mengambil kesempatan sebaik-baiknya

Isu sumber kayu sentiasa mendapat perhatian kami. Kami berjaya mendapat 10,000 ekar tanah di Pahang untuk membangun ladang. Kami akan terus mencari peluang untuk bekerja sama dengan kerajaan–kerajaan negeri bagi mendapat tanah untuk perladangan supaya kami dapat memastikan pengeluaran yang lebih konsisten dan bersaingan. Kami juga secara agresif sedang mencari, di dalam negeri dan juga di luar negara, bagi mendapat pilihan yang lebih murah berbanding bahan mentah tradisional kami yang berasaskan getah dan kayu.

Kami yakin dengan adanya strategi yang jelas untuk pertumbuhan, memaksimakan keuntungan, pembezaan produk, serta memberi penelitian bagi pengurusan

Bagi pihak Lembaga Pengarah, saya ingin merakamkan terima kasih kepada pihak pengurusan dan kakitangan Kumpulan di atas semangat tinggi, kesungguhan dan komitmen yang diberikan ke arah membina jenama MIECO bertaraf global, juga atas kesudian mereka menjadi rakan kongsi yang intim dan penyokong terkuat dalam menghadapi segala cabaran.

Juga saya ingin mengucapkan terima kasih kepada para pelanggan kami, yang sentiasa setia dan tetap memberi komitmen kepada MIECO, meskipun terdapat penawaran harga yang menarik di pasaran yang kompetitif ini. Ucapan terima kasih seikhlas hati daripada kami semua diberikan kepada anda.

Usaha pemasaran kami di tahun-tahun hadapan akan memberi fokus dengan lebih giat lagi kepada pembinaan jenama – mewujudkan pelanggan yang setia, bijak membuat pilihan dan dapat mengenali serta menghargai produk MIECO.

bagi mendapat segmen pelanggan yang lebih meluas.
Manakala sistem penyampaian bertambah baik secara amnya, kami percaya masih ada ruang pembaikan yang perlu dilakukan di kilang kami di Kechau Tui. Kerja–kerja mengatasi beberapa kepincangan yang sedang dilaksanakan akan kami teruskan sehingga tahun 2007. Bagi mencapai matlamat ini, kami mempergiatkan usaha bagi meningkat pembangunan sumber manusia. Selain daripada memperbaiki lagi sistem penyampaian, kami juga akan menggandakan usaha bagi mengenali dan mengimbuhi pelanggan kami, dengan memberi sokongan dan khidmat yang lebih menyeluruh serta bermakna kepada pelanggan kami.

Dalam bidang R&D, kami akan terus berusaha memberi penekanan bagi menjadikan ia sebagai satu keutamaan, memandangkan peluang terbesar bagi kami terletak pada kebolehan mewujudkan produk tambah nilai yang jelas ada pembezaannya, yang mana dapat menarik minat pembeli global.

kecekapan dan kos, kami akan beroleh pencapaian yang lebih baik, dapat mengukuhkan jenama MIECO dan berupaya mengekalkan kedudukan kami sebagai peneraju dalam industri.

Jenama yang didokongi oleh pasukan setia serta bersemangat tinggi.

Walaupun berhadapan dengan keadaan yang mencabar pada tahun lepas, kami dapat bertahan dan bergerak maju mengikut perancangan. Sebahagian besar kejayaan ini dicapai kerana sokongan dan semangat tinggi yang diberikan oleh pasukan MIECO di seluruh dunia. Dengan bekerja rapat sebagai satu pasukan, bersedia melakukan pembaharuan, melakukan kerja lebih masa dan menyediakan saluran komunikasi yang efisien untuk mengumpul maklumat arah aliran pasaran terkini, kami berupaya merebut peluang-peluang baru dan dapat mengimbangi cabaran yang dihadapi.

Kepada para pemegang saham, saya berharap anda terus memberi kepercayaan kepada MIECO. Kita berhadapan dengan masa depan yang cerah, dan kami berharap anda dapat bersabar serta terus berada bersama kami. Saya memberi jaminan bahawa keutamaan terulung kami di tahun-tahun akan datang adalah untuk memberi pulangan yang lebih tinggi dan nilai yang lebih baik kepada anda.

Secara peribadi, saya ingin mengucapkan terima kasih kepada ahli Lembaga Pengarah – anda merupakan penyokong yang amat setia dan sentiasa bersama membantu mengharungi cabaran sepanjang tahun 2006, dengan demikian saya mengucapkan terima kasih.

Dato' Mohamed Moiz bin J M Ali Moiz
Pengerusi Eksekutif
Kuala Lumpur, Malaysia
20 April 2007.

Review of Operations

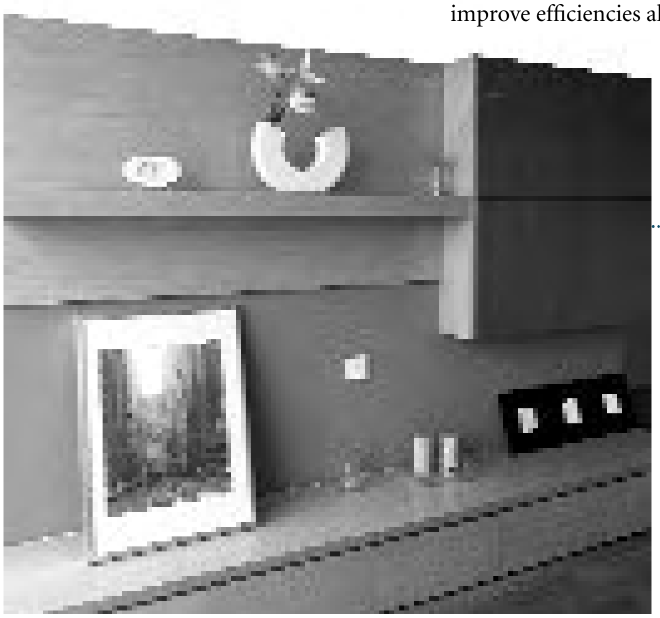
MIECO CHIPBOARD BERHAD ("MIECO" OR "THE GROUP") HAD A SATISFACTORY YEAR IN 2006. THE STRATEGY AND PLANS WE STARTED TO PUT IN PLACE IN 2005 BEGAN TO SHOW RESULTS, AND WE WERE ABLE TO MAKE STEADY PROGRESS AGAINST OUR LONG-TERM PLANS FOR GLOBAL GROWTH.

However, we continued to face some challenges in terms of market conditions, which we expect will remain in the short term. Much of our focus in 2007 will be to identify ways and means to address and overcome these challenges, to pave the way for more sustained growth in the future.

Where we are :

In terms of revenue, MIECO performed well in 2006, enjoying both higher sales volume, as well as higher prices of chipboard and related products. Revenue for the year was RM330.4 million, a 28% increase from RM259 million in 2005.

Our efforts in 2006 to explore ways to improve efficiencies also paid off, with profit from operations up from RM5.1 million in 2005 to RM26.5 million in 2006.



Group pre-tax profit increased by RM16.4 million to RM10 million against the loss of RM6.4 million in 2005. The favourable results were mainly contributed by higher sales volume and sales price, lower depreciation costs with the adoption of FRS 116: Property, Plant and Equipment standards as well as improved production efficiency.

However, raw material prices, especially the cost of wood and glue, continued to increase, as did borrowing costs. New players also entered the market, and in the face of excess supply, resorted to dumping, which drove down prices.

What we did in 2006: Holding steady in a turbulent market

In 2006, we continued to stay focused on our 3-pronged growth strategy – first, to invest in research & development, as we firmly believe that our strategy for effective differentiation will be through the creation of value-added products.

Second was to continue to explore new markets, and third, to find new ways to build and grow our brand reputation.

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Second was to continue to explore new markets and third, to find new ways to build and grow our brand reputation.

Six new colour options of melamine-faced chipboard wood grain entered the mix in 2006, and a further five new colours for polymer-faced chipboard. These were enthusiastically received by our customers, and served to complement our existing range of products.

We made significant inroads into the Indian subcontinent, where a wealthier and growing middle class are demanding higher value, better quality finishings. We also grew steadily in the Middle Eastern markets, where some of the most intensive property development work in the world is happening today.

In November, we launched the inaugural MIECO Designers' Choice Award 2007, with the objective of nurturing young furniture designers on the creative application of wood-panel, such as MIECO particleboards, as well as to strengthen and grow Malaysia's reputation as a key producer and exporter of high quality furniture.

The competition was open to manufacturers, individual professionals and student designers based in Malaysia, with three furniture categories – "Kitchen", for kitchen cabinets and worktops, "Office", for office automation furniture, workstations and partition systems as well as "Home Furniture", for bedroom, living room, dining and buffet & hutch designs.

The designs served to emphasize new concepts and ideas in contemporary living, and showcased our particleboard wood panels to their best advantage, while giving the MIECO brand prominence in the wood panel and furniture industry. We had strong support from leading European business partners, who stepped up to take advantage of the sponsorship and brand-building opportunities the competition provided.

Our success with the competition has spurred us to make this an annual event. The next MIECO Designers' Choice Award will be held later this year.

Human resource development, especially in the areas of R&D, production and engineering continued to be a focus, given that our biggest opportunity lies in creating clearly differentiated, value-add products that appeal to our global buyers. We conducted skills and knowledge development training throughout the organization in 2006.

Looking to 2007 and beyond:

We strongly believe that the challenges of the current marketplace will ease over the next 18 months, and that more inexperienced players, who are currently reacting to the vagaries of the marketplace, will move to focus and consolidate, or leave the industry entirely.

We also believe that more players will come to understand that market and profit growth can only come with taking our cue from the MDF industry, and finding ways to pass on some of the rising costs to the customers. We are already working on ways to do this, and believe that other players of stature will leave the current price undercutting model aside, for a more realistic and mutually-beneficial business strategy in the future.

This will put us firmly in a position to capitalize on the building blocks we have laid, and to make a quantum leap in growth. We must stay focused on our growth strategy, and not be distracted by the short-term pressures of the marketplace. It is only by keeping our attention focused on our long-term goals can we achieve our objective of consistently creating value for the Group and for all our stakeholders.

Group Corporate Calendar

29 June 2006

Thirty-Third Annual General Meeting of MIECO.

11 to 14 September 2006

MIECO's participation in the Furniture Manufacturing & Supply China 2006 in Shanghai held concurrently with Furniture China fair.

25 September 2006

Signing of a Memorandum of Understanding between wholly-owned subsidiary, Mieco Manufacturing Sdn Bhd and Samling Housing Products Sdn Bhd for the proposed merger of the parties' furniture manufacturing facilities for the production of E0 and SE0 grade particle and laminated boards, furniture components and parts for the Japan market.

3 November 2006

MIECO announced its inaugural MIECO Designer's Choice Award 2007 competition which was opened for submission. The primary objective of the competition was to nurture young furniture designers towards creative application of wood panel that befits the new lifestyle of today.

The competition attracted manufacturers, individual professionals and student designers based in Malaysia. The competition was divided into three furniture categories comprising Kitchen (kitchen cabinets and worktops), Office (office automation, workstation and partition systems) and Home furniture (bedroom, living room, dining and buffet & hutch). The designs were focused on new concepts and ideas incorporating modern lifestyle for contemporary living utilising particleboard wood panels.

7 to 11 November 2006

MIECO's participation in the 16th INDEX Dubai 2006 at Dubai International Exhibition & Convention Centre led by the Malaysian Furniture Industry Council.

1 January 2007

Redesignation of Dato' Mohamed Moiz bin J M Ali Moiz from Non-Executive Chairman to Executive Chairman of MIECO.

Redesignation of Dato' Yong Seng Yeow from Executive Director to Managing Director of MIECO.

6 to 10 March 2007

MIECO's participation in the 13th Malaysian International Furniture Fair (MIFF) held at the Putra World Trade Centre (PWTC), Kuala Lumpur launching the latest Millennium 2007 collection of MIECO Decorative MFC and Decorative PFC range with the most contemporary European trends, specially selected by renowned interior designers.

YB Datuk Anifah Hj Aman, Deputy Minister of Plantation Industries and Commodities, officiated the grand prize presentation for the Office & Home Furniture Category, whilst the Parliamentary Secretary Ministry of Domestic Trade and Consumer Affairs, YB Hoo Seong Chang, officiated the Kitchen & Student Category and gave away prizes on the second day of the event.

27 to 30 March 2007

MIECO's participation in the INTERZUM 2007 Guangzhou exhibition, held concurrently with the 16th China International Furniture Fair

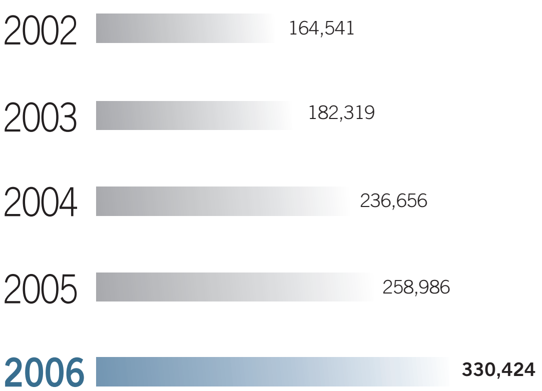
Five Year Group Financial Highlights

FINANCIAL STATISTICS 2002 – 2006

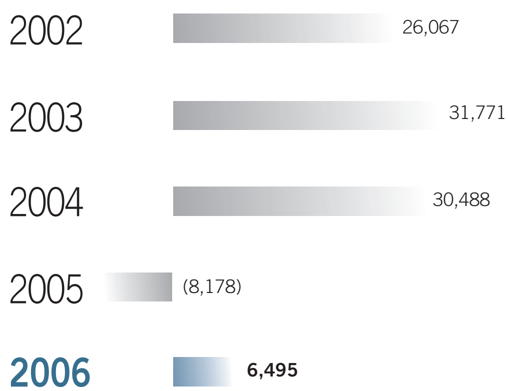
IN RM'000	**2006**	2005*	2004*	2003*	2002*
GROUP TOTAL NET ASSETS					
Property, plant & equipment	**514,438**	524,395	496,069	284,719	132,887
Prepaid lease payments	**17,642**	16,303	16,688	12,432	12,712
Investment properties	**6,878**	7,302	7,461	7,620	7,764
Deferred tax assets	**412**	523	194	219	–
Associated companies	**–**	673	(83)	–	–
Net current (liabilities) / assets	**(103,317)**	(71,611)	32,263	214,298	196,208
	436,053	477,585	552,592	519,288	349,571
FINANCED BY					
Share capital	**210,000**	210,000	210,000	210,000	210,000
Reserves	**148,422**	142,240	166,168	137,451	116,180
Long term liabilities	**77,631**	125,345	176,424	171,837	23,391
	436,053	477,585	552,592	519,288	349,571
GROUP RESULTS					
Revenue	**330,424**	258,986	236,656	182,319	164,541
Profit /(loss) before taxation	**10,030**	(6,423)	38,418	29,632	26,856
Taxation	**(3,535)**	(1,755)	(7,930)	2,139	(789)
Profit /(loss) after taxation	**6,495**	(8,178)	30,488	31,771	26,067
Dividend paid	**–**	15,750	15,750	10,500	7,350
Retained profit /(loss)	**6,495**	(23,928)	14,738	21,271	18,717
SELECTED RATIOS					
Earnings /(losses) per share (sen)	**3.09**	(3.89)	14.52	15.13	12.41
Gross proposed dividend per share (%)	**1.00**	–	7.50	7.50	5.00
Net tangible assets per share (RM)	**1.71**	1.68	1.79	1.65	1.55

* Certain comparative figures have been adjusted to take into account the changes in accounting treatments and to conform with current year's presentation.

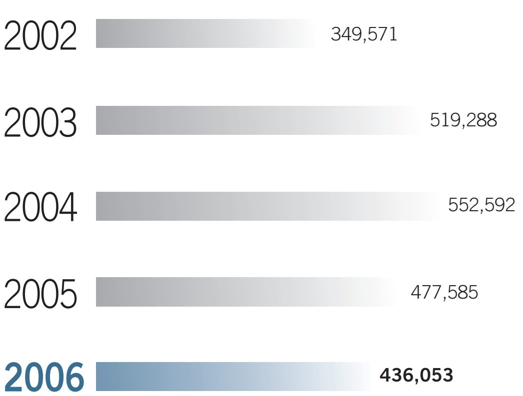
Revenue
RM'000



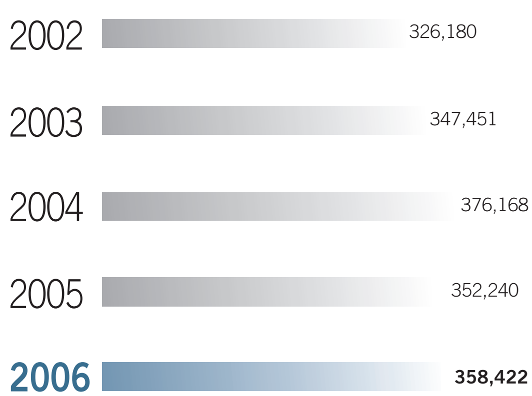
Profit / (Loss) After Taxation
RM'000



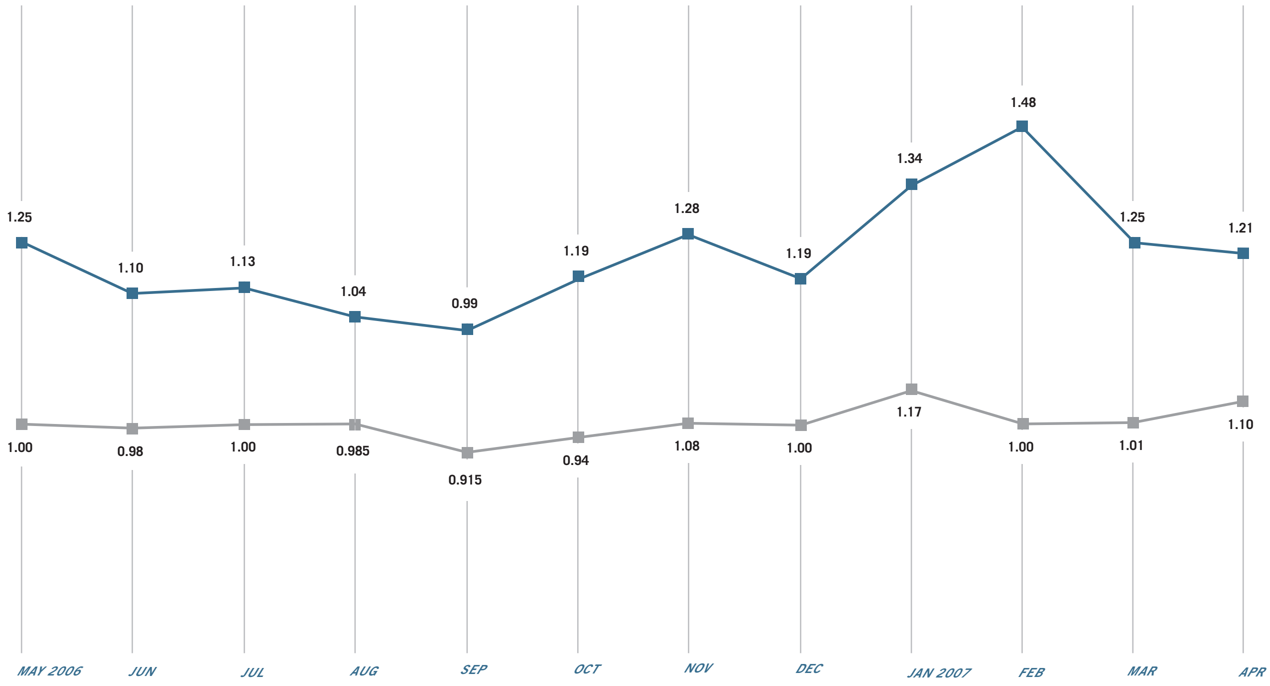
Total Net Assets
RM'000



Total Shareholders' Funds
RM'000

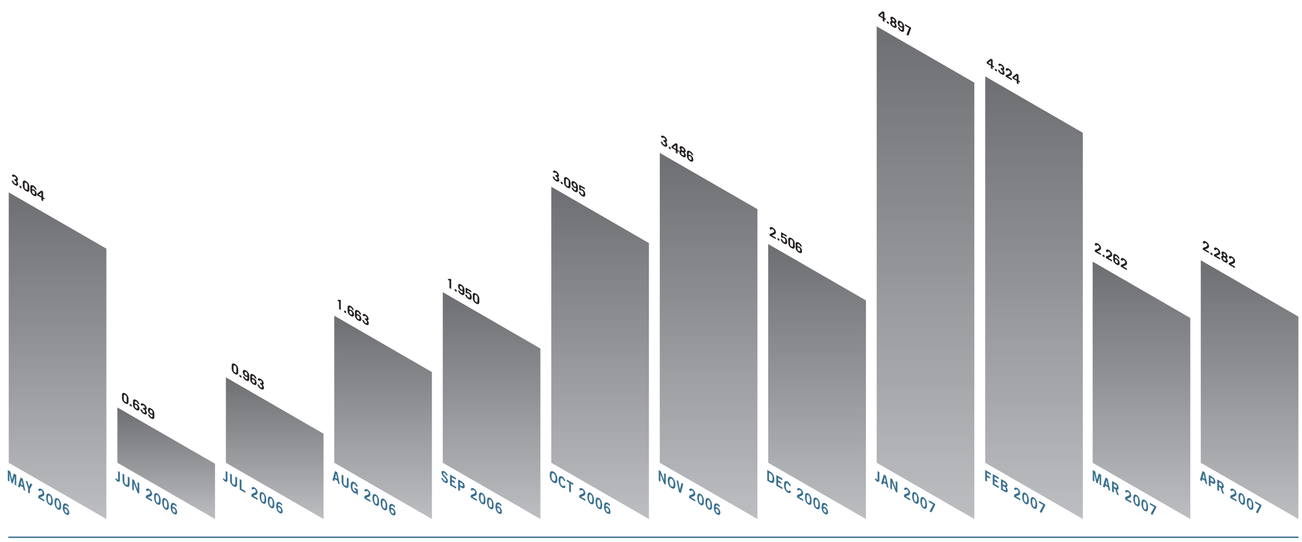


Share Performance



MIECO Share Price (High & Low) HIGH PRICE LOW PRICE

IN RM



Number of MIECO Shares Traded

IN MILLION

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 2006 to 31 December 2006. The Board will continually evaluates 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 Executive Chairman, the Managing Director, two (2) Independent Non-Executive Directors and two (2) Non-Independent Non-Executive Directors. The Board consists of individuals of high caliber and professionals in their own right, with diversified backgrounds, skills and expertise in the fields of business, finance, economics, general management and public service. 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.

During the year, the Board has reorganised the structure of the Board with the redesignations of Dato' Mohamed Moiz Bin J M Ali Moiz from Non-Executive Chairman to Executive Chairman and Dato' Yong Seng Yeow from Executive Director to Managing Director effective 1 January 2007.

There is a clear division of responsibility between the Chairman and the Managing Director to ensure that there is a proper balance of power and authority. The Executive Chairman is responsible for the proper conduct and working of the Board whilst the Managing Director is primarily responsible for the management of the Group's business and implementation of Board's policies and decisions.

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 not only the interests of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business 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 fulfil 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 responsibility in succession planning within the Group; 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 necessary to consider corporate proposals or business issues that require the urgent decision of the Board.

During the financial year ended 31 December 2006, seven (7) Board meetings were held. The details of attendance of each Director are set out below:

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

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. The Board also has a formal schedule of matters reserved specifically for the Board's decision, including the approval of corporate plans and budgets, acquisitions and disposals of assets that are material to the Group, major investments, changes to management and control structure of the Group, including key policies, procedures and authority limits.

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

All the Directors have attended and successfully completed the Mandatory Accreditation Programme and the Continuing Education Programme as required by Bursa Malaysia Securities Berhad. The Directors are mindful that they should receive appropriate continuous training and during the year under review, 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 attended by the Directors in 2006 are as follows:

Dato' Mohamed Moiz Bin J M Ali Moiz

- An Understanding of Business Failure and Corporate Recovery – A Director's Perspective: organised by Rating Agency Malaysia Berhad

Dato' Yong Seng Yeow

- An Understanding of Business Failure and Corporate Recovery – A Director's Perspective: organised by Rating Agency Malaysia Berhad

Dato' Jaganath Derek Steven Sabapathy

- An Understanding of Business Failure and Corporate Recovery – A Director's Perspective: organised by Rating Agency Malaysia Berhad

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

- Improving Board Directors' Performance, Leadership & Governance: organised by Knowledge Group Consulting Sdn Bhd

Dato' Dr Amarjit Singh A/L Santokh Singh

- Improving Board Directors' Performance, Leadership & Governance: organised by Knowledge Group Consulting Sdn Bhd

Low Kim Seng

- Translating Corporate Governance Into Competitive Advantage Program: organised by Asian Academy Corporate Administration Sdn Bhd

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. The Board makes the final decision on appointments.

The Nomination Committee consists of three (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 Executive Director).

The Nomination Committee met once during the year under review.

BOARD COMMITTEES

In ensuring its effectiveness and realising its responsibilities to its shareholders, the Board has delegated specific responsibilities to four (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 and nominating new Directors to the Board. In addition, the Nomination Committee is also responsible for reviewing annually the mix of skills and experience and the effectiveness of the Board as a whole and the committees of the Board and contribution of each individual Director.

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 three (3) times 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
Up to RM50,000	-	2
RM50,001 – RM100,000	-	2
RM300,001 – RM350,000	-	1
RM650,001 – RM700,000	1	-

The remuneration of the Directors for the financial year ended 31 December 2006 are set out on page 93 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.

Internal Control

The Group's Internal Control Statement is set out on pages 40 and 41 of this Annual Report.

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 37 to 39 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 2006, the Company has not granted any options. The Company has not issued any convertible securities in respect of the financial year ended 31 December 2006.

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/payable to the external auditors by the Group for the financial year ended 31 December 2006 amounted to RM12,000.

Variation In Results

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2006 and the unaudited results previously announced.

Profit Guarantee

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

Revaluation Policy On Landed Properties

The revaluation policy of the Company in relation to its landed properties is set out in Note 3.6 of the Notes to the Financial Statements set out on page 62 of this Annual Report.

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 2006 or entered into since the end of the previous financial year ended 31 December 2005.

This statement was approved by the Board of Directors at its meeting held on 20 April 2007.

Audit Comittee 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

Membership

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

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

b. 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.

Audit Comittee Report *(cont.)*

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 2006, six (6) Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

NAME OF AUDIT COMMITTEE MEMBER	TOTAL NUMBER OF MEETINGS ATTENDED
Lt. Gen. (R) Dato' Seri Mohamed Daud Bin Abu Bakar - Chairman	6/6
Dato' Dr Amarjit Singh A/L Santokh Singh	6/6
Dato' Jaganath Derek Steven Sabapathy	6/6

The activities carried out by the Audit Committee during the financial year ended 31 December 2006 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 with 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, MRSB carried out planned visits to key business operating units and conducted various assignments on the Group. Areas audited included procedural audit, sales forecasting and production planning, spare parts management, security management, weighbridge system, wood sourcing function and procurement function. These assignments were carried out in accordance with the Audit Plan.

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. Subsequently, follow-up reviews were conducted to ensure that corrective actions were acordingly implemented. There were no material losses incurred during the financial year as a result of weaknesses in internal control and Management continues to take measures to strengthen the control environment.

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 internal audit function, risk management processes and the review and control of 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 the associated controls and mitigation plans to mitigate the identified risks. During the year under review, the Group's risk registers were updated on high impact risks and they were identified as sales and marketing, and logistics. These were done together with the General Manager - Marketing and Sales and the Internal Auditor. Action plans were also identified and put in place.

On a day-to-day basis, the management of risks is assigned to the respective heads of operations or divisions who is 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.

- 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 certification 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 ungraded to BS EN ISO 14001:2004 in October 2005. In March 2005, the Company's wholly-ownded subsidiary, Mieco Manufacturing Sdn Bhd achieved certification of OHSAS 18001:1999 Occupational Health and Safety Management System 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. As an on going continuous improvement to integrate the best practices within sites, the Group achieved another milestone in March 2007 for single certification covering Semambu, Gebeng and Kechau Tui sites in BS EN ISO 9001:2000 and MS ISO 9001:2000 Quality Management System. 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 20 April 2007.

Financial Statements

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 2006.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of its subsidiary companies and associated companies are as shown in Notes 9 and 10 to the financial statements.

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

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Net profit/(loss) for the year	**6,495**	**(8,080)**

DIVIDENDS

No dividends have been paid or declared by the Company for the financial year ended 31 December 2005.

The Directors recommend the payment of a first and final tax exempt dividend of 1% for the financial year ended 31 December 2006. The proposed dividend amounting to RM2.1 million is subject to shareholders' approval at the forthcoming Annual General Meeting of the Company.

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

DIRECTORS *(CONT.)*

In accordance with Article 81 of the Company's Articles of Association, Dato' Mohamed Moiz Bin J M Ali Moiz and Dato' Yong Seng Yeow 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 31 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 35 to the financial statements.

DIRECTORS' INTERESTS IN SHARES AND WARRANTS

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			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Direct interest in shares				
a. *Mieco Chipboard Berhad*				
Dato' Yong Seng Yeow	20,000	64,800	0	**84,800**
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	90,000	10,000	0	**100,000**
b. Holding company - *Bandar Raya Developments Berhad*				
Low Kim Seng	57,000	0	0	**57,000**

DIRECTORS' INTERESTS IN SHARES AND WARRANTS *(CONT.)*

	Number of ordinary shares of RM1.00 each			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Indirect interest in shares				
a. *Mieco Chipboard Berhad*				
Dato' Mohamed Moiz bin J M Ali Moiz	119,193,971*	0	0	**119,193,971***
b. Holding company - *Bandar Raya Developments Berhad*				
Dato' Mohamed Moiz bin J M Ali Moiz	139,070,812*	0	(47,000,000*)	**92,070,812***

	Number of warrants			
	At 1.1.2006	Bought	Sold	At 31.12.2006
Warrants 2004/2009				
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.

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.

SIGNIFICANT EVENTS

1. Proposed Share Buy-Back

At the Annual General Meeting held on 29 June 2006, the shareholders of the Company approved that the Company be authorised to purchase shares of up to 10% of the issued and paid-up share capital of the Company.

SIGNIFICANT EVENTS *(CONT.)*

The said authorisation shall expire at the conclusion of the next Annual General Meeting of the Company to held in 2007.

As at the date of this report, the Company has not bought back any ordinary shares of RM1.00 each in the Company.

2. Memorandum of Understanding

On 25 September 2006, the Company's wholly-owned subsidiary, Mieco Manufacturing Sdn Bhd ("MMSB") entered into a Memorandum of Understanding with Samling Housing Products Sdn Bhd ("Samling") to record the parties' intention to merge their combined furniture manufacturing plant, machinery and equipment at Samling's branch furniture manufacturing facilities at Port Klang for the production of E0 and SE0 grade Particle Boards, E0 and SE0 grade laminated boards and furniture components and parts for the Japan market.

3. Additional Subscription of Shares in Mieco Wood Products Sdn Bhd

On 4 December 2006, the Company subscribed for an additional 450,000 new ordinary shares of RM1.00 each in its wholly-owned subsidiary, Mieco Wood Products Sdn Bhd.

4. Acquisition of Industrial Lands

On 20 December 2006, MMSB entered into four (4) Sale and Purchase Agreements ("SPAs") with Perbadanan Kemajuan Negeri Pahang ("PKNP") for the acquisition of 4 pieces of industrial lands known as Lots 27, 28, 29 and 30, Kawasan Perindustrian Kechau Tui, Lipis, Pahang Darul Makmur from PKNP for a full consideration of RM2,086,785.36 which consideration was set off against the external infrastructure costs of RM2,086,785.36 incurred by the Company for Lot 3, Kawasan Perindustrian Kechau Tui and certain neighbouring lots, all located within Kawasan Perindustrian Kechau Tui as agreed between the parties in the SPAs.

SUBSEQUENT EVENTS

1. RM180 million Dual Currency Syndicated Credit Facility

On 15 January 2007, the Company secured a RM180 million Dual Currency Syndicated Credit Facility comprising a Transferable Reducing Limit Revolving Credit Facility of RM132 million and a Transferable Term Loan Facility of USD13.5 million jointly lead arranged by AmInvestment Bank Berhad and OCBC Bank (Malaysia) Berhad.

2. RM175 Million Al Murabahah Commercial Paper ("MCP") and Medium Term Note ("MMTN") Programme

On 29 and 30 January 2007, the Company repurchased MMTN totalling RM80 million face value issued under the MCP/MMTN Programme.

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.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS *(CONT.)*

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 843 (2005: 830) and 32 (2005: 28) 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.

GENERAL INFORMATION *(CONT.)*

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 20 April 2007.

DATO' JAGANATH DEREK STEVEN SABAPATHY
DIRECTOR

DATO' YONG SENG YEOW
DIRECTOR

Balance Sheets AS AT 31 DECEMBER 2006

	NOTE	Group 2006 RM'000	Restated Group 2005 RM'000	Company 2006 RM'000	Restated Company 2005 RM'000
ASSETS					
NON CURRENT ASSETS					
Property, plant and equipment	6	**514,438**	524,395	**298**	368
Prepaid lease rentals	7	**17,642**	16,303	**0**	0
Investment properties	8	**6,878**	7,302	**4,402**	4,684
Subsidiary companies	9	**0**	0	**52,495**	52,045
Associated companies	10	**0**	673	**0**	3,430
Amount due from a subsidiary company	11	**0**	0	**457,405**	453,797
Deferred tax assets	21	**412**	523	**184**	115
		539,370	549,196	**514,784**	514,439
CURRENT ASSETS					
Inventories	12	**51,789**	43,110	**0**	0
Receivables, deposits and prepayments	13	**61,826**	42,557	**3,129**	2,736
Marketable securities	14	**884**	1,476	**0**	0
Tax recoverable		**3,051**	3,486	**1,269**	2,284
Short term deposits	15	**26,641**	3,846	**365**	276
Cash and bank balances	15	**11,014**	11,094	**150**	6,355
		155,205	105,569	**4,913**	11,651
Non-current asset held for sale	16	**1,750**	0	**0**	0
		156,955	105,569	**4,913**	11,651
TOTAL ASSETS		**696,325**	654,765	**519,697**	526,090

	NOTE	Group 2006 RM'000	Restated Group 2005 RM'000	Company 2006 RM'000	Restated Company 2005 RM'000
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
CAPITAL AND RESERVES					
Share capital	17	**210,000**	210,000	**210,000**	210,000
Reserves	18	**148,422**	142,240	**128,017**	136,097
TOTAL EQUITY		**358,422**	352,240	**338,017**	346,097
NON CURRENT LIABILITIES					
Provisions	19	**7,232**	6,571	**151**	15
Borrowings	20	**50,000**	100,066	**50,000**	100,000
Deferred tax liabilities	21	**20,399**	18,708	**0**	0
		77,631	125,345	**50,151**	100,015
CURRENT LIABILITIES					
Trade and other payables	22	**78,248**	60,952	**4,529**	4,942
Provisions	19	**1,051**	122	**0**	1
Borrowings	20	**180,950**	116,104	**127,000**	75,035
Taxation		**23**	2	**0**	0
		260,272	177,180	**131,529**	79,978
TOTAL LIABILITIES		**337,903**	302,525	**181,680**	179,993
TOTAL EQUITY AND LIABILITIES		**696,325**	654,765	**519,697**	526,090

Income Statements **FOR THE YEAR ENDED 31 DECEMBER 2006**

		Group	Restated Group	Company	Restated Company
	NOTE	**2006 RM'000**	2005 RM'000	**2006 RM'000**	2005 RM'000
Revenue	24	**330,424**	258,986	**3,371**	40,005
Other operating income		**7,552**	2,775	**350**	1,139
Changes in inventories of finished goods and work-in-progress		**8,679**	6,317	**0**	1,172
Raw materials and consumables used		**(214,887)**	(165,440)	**0**	(22,160)
Hiring of vehicles and equipment		**(8,331)**	(7,341)	**0**	(188)
Cost of investment disposed		**(592)**	(40)	**0**	0
Staff costs	25	**(27,559)**	(25,420)	**(2,146)**	(4,543)
Depreciation		**(15,274)**	(24,337)	**(97)**	(1,682)
Amortisation of prepaid lease rentals		**(220)**	0	**0**	0
Impairment and fair value losses		**(1,081)**	0	**(3,712)**	0
Upkeep, repairs and maintenance of assets		**(7,391)**	(6,668)	**(153)**	(1,767)
Utilities		**(19,115)**	(15,913)	**(2)**	(1,721)
Write back of impairment loss of marketable securities		**0**	22	**0**	0
Research and development expenses		**(447)**	(368)	**0**	(60)
Other operating expenses		**(25,263)**	(17,504)	**(1,650)**	(3,625)
Profit from operations	26	**26,495**	5,069	**(4,039)**	6,570
Finance costs	27	**(15,792)**	(8,818)	**(3,088)**	(418)
Share of loss in associated company	10	**(673)**	(2,674)	**0**	0
Profit/(loss) before taxation		**10,030**	(6,423)	**(7,127)**	6,152
Tax expense					
- Company and subsidiaries	28	**(3,535)**	(1,755)	**(953)**	(3,158)
Net profit/(loss) for the year		**6,495**	(8,178)	**(8,080)**	2,994
Earning/(loss) per share (sen)	29	**3.09**	(3.89)		
Diluted earnings per share (sen)	29	**N.A**	N.A.		
Proposed dividend per share (sen)	30	**1**	0	**1**	0

Consolidated Statement of Changes in Equity FOR THE YEAR ENDED 31 DECEMBER 2006

	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	Foreign currency reserve RM'000	Retained earnings RM'000	Total equity RM'000
At 1 January 2005	210,000	210,000	5,866	13,979	0	146,323	376,168
Net loss for the year	0	0	0	0	0	(8,178)	(8,178)
Final dividends for financial year ended 31 December 2004	0	0	0	0	0	(15,750)	(15,750)
At 31 December 2005	210,000	210,000	5,866	13,979	0	122,395	352,240
At 1 January 2006	210,000	210,000	5,866	13,979	0	122,395	352,240
Foreign currency translation, representing net expense recognised directly in equity	0	0	0	0	(313)	0	(313)
Net profit for the year	0	0	0	0	0	6,495	6,495
Total recognised income and expenses for the year	0	0	0	0	(313)	6,495	6,182
At 31 December 2006	**210,000**	**210,000**	**5,866**	**13,979**	**(313)**	**128,890**	**358,422**

Company Statement of Changes in Equity FOR THE YEAR ENDED 31 DECEMBER 2006

	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 equity RM'000
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
At 1 January 2006	210,000	210,000	5,866	13,979	116,252	346,097
Net loss for the year	0	0	0	0	(8,080)	(8,080)
At 31 December 2006	**210,000**	**210,000**	**5,866**	**13,979**	**108,172**	**338,017**

Cash Flow Statements FOR THE YEAR ENDED 31 DECEMBER 2006

		Group		Company	
	NOTE	**2006**	2005	**2006**	2005
		RM'000	RM'000	**RM'000**	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) after taxation		**6,495**	(8,178)	(8,080)	2,994
Adjustments for:					
Write back of impairment loss of marketable securities		**0**	(22)	**0**	0
Impairment and fair value losses		**1,081**	0	**3,712**	0
Depreciation of property, plant and equipment	6	**15,274**	24,117	**97**	1,653
Amortisation of prepaid lease rentals	7	**220**	220	**0**	29
Loss/(gain) on disposal of property, plant and equipment		**377**	(97)	**0**	0
Allowance/(write back) for bad and doubtful debts		**2,418**	274	**12**	(399)
Allowance/(write back) of inventories obsolescence		**1,618**	1,587	**0**	(995)
Finance cost	27	**15,792**	8,818	**13,734**	9,640
Finance income		**(186)**	(314)	**(10,646)**	(9,381)
Provision for staff retirement benefits		**1,238**	1,033	**136**	224
Tax expense		**3,535**	1,755	**953**	3,158
Dividend income		**(26)**	(27)	**0**	0
Gain on disposal of marketable securities		**(179)**	(1)	**0**	0
Share of loss in associated company		**673**	2,674	**0**	0
Allowance/(write back) for back dated wages		**929**	122	**(1)**	1
Unrealised gain on foreign exchange		**(7)**	0	**0**	0
		49,252	31,961	**(83)**	6,924
Changes in working capital:					
Increase in inventories		**(10,297)**	(7,904)	**0**	(176)
(Increase)/decrease in receivables		**(21,824)**	(10,089)	**13,337**	32,527
Increase/(decrease) in payables		**16,882**	16,531	**(13,028)**	(43,822)
Increase/(decrease) in intercompany balances		**261**	427	**(4,735)**	16,174
		34,274	30,926	**(4,509)**	11,627
Payments of staff retirement benefits		**(577)**	(419)	**0**	(63)
Income tax paid		**(1,277)**	(6,035)	**(7)**	(1,836)
Net cash flows from/(used in) operating activities		**32,420**	24,472	**(4,516)**	9,728

		Group		Company	
	NOTE	**2006 RM'000**	2005 RM'000	**2006 RM'000**	2005 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and lease land	6,7,33	**(9,713)**	(52,673)	**(27)**	(900)
Finance income		**187**	319	**0**	9,345
Proceeds from disposal of property, plant and equipment		**53**	746	**0**	60
Proceeds from disposal of marketable securities		**771**	43	**0**	0
Dividend income		**26**	27	**0**	0
Investment in subsidiary		**0**	0	**(450)**	0
Investment in an associated company	10	**0**	(3,430)	**0**	(3,430)
Net cash flows (used in)/from investing activities		**(8,676)**	(54,968)	**(477)**	5,075
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of hire purchase liabilities		**(188)**	(189)	**(35)**	(75)
Finance cost		**(15,809)**	(10,373)	**(3,088)**	(9,635)
Dividend paid		**0**	(15,750)	**0**	(15,750)
Repayment of MCP/MMTN		**(95,000)**	0	**(95,000)**	0
Proceeds from term loan		**97,000**	0	**97,000**	0
Net proceeds from bankers acceptance		**12,968**	40,916	**0**	0
Net cash flows (used in)/from financing activities		**(1,029)**	14,604	**(1,123)**	(25,460)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**22,715**	(15,892)	**(6,116)**	(10,657)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**14,940**	30,832	**6,631**	17,288
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	15	**37,655**	14,940	**515**	6,631

1. PRINCIPAL ACTIVITIES

The principal activities of the Company are that of investment holding and provision of management services.

The principal activities of the Group including the associated company consist of:

- manufacturing, selling and marketing of chipboards and related products
- manufacturing and marketing of kenaf fibre boards and particle boards and related products
- reforestation, harvesting, extraction, supply and procurement of rubber wood
- investment holding
- trading and property investments

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Unless otherwise stated, the following accounting policies have been applies consistently in dealing with items that are considered material in relation to the financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

The financial statements of the Group and the Company have been prepared in accordance with the Companies' Act 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention except as disclosed in the significant accounting policies below. For example, investment properties are stated at fair value.

The preparation of financial statements in conformity with Financial Reporting Standards requires the use of certain critical 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 financial year. It also requires Directors to exercise their judgment in the process of applying the accounting policies. Although these estimates are based on the Director's best knowledge of current events and actions, actual results may differ.

a. Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments to published standards and IC Interpretations to the existing standards effective for the Group financial year beginning 1 January 2006 are as follows:

FRS 1	First-time adoption of Financial Reporting Standards
FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 5	Non-Current Assets Held for Sale and Discontinued Operations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 131	Interests in Joint Ventures
FRS 132	Financial Instruments: Disclosure and Presentation

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(CONT.)*

a. Standards, amendments to published standards and interpretations that are effective *(cont.)*

FRS 133	Earnings per Share
FRS 136	Impairment of Assets
FRS 138	Intangible Assets
FRS 140	Investment Property

The adoption of FRS 2, 3, 101, 102, 110, 127, 128, 131, 132, 133, 136 and 138 do not result in substantial changes to the Group's accounting policies.

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments to published standards and interpretations. All standards, amendments and interpretations adopted by the Group and the Company require retrospective application other than:

- FRS 5 – prospective accounting for non-current assets that meet the criteria to be classified as held for sale;
- FRS 121 – prospective accounting for goodwill and fair value adjustments as part of foreign operations;
- FRS 140 – prospective accounting for investment properties at fair value.

A summary of the impact of the new accounting standards, amendments to published standards and interpretations to existing standards on the financial statements of the Group and the Company is set out in Note 4.

b. Standards early adopted by the Group

- FRS 117 Leases (effective for accounting periods beginning on or after 1 October 2006). This standard requires the classification of leasehold land as prepaid lease rentals. The Group will apply this standard from financial year beginning on 1 January 2006;
- FRS 124 Related Party Disclosures (effective for accounting periods beginning on or after 1 October 2006). This standard will affect the identification of related parties and some other related party disclosures. The Group will apply this standard from financial year beginning 1 January 2006.

c. Standards, amendments to published standards and interpretations that are not yet effective and have not been early adopted

The new standards, amendments to published standards and interpretations that are mandatory for the Group's financial periods beginning on or after 1 January 2007[ap.7] or later periods, but which the Group has not early adopted, are as follows:

- Amendment to FRS 119_{2004} Employee Benefits – Actuarial Gains and Losses, Group Plans and Disclosures (effective for accounting periods beginning on or after 1 January 2007). This amendment introduces the option of an alternative recognition approach for actuarial gains and losses. It may impose additional recognition requirements for multi-employer plans where insufficient information is available to apply defined benefit accounting. It also adds new disclosure requirements. As the Group does not intend to change the accounting policy adopted for recognition of actuarial gains and losses and does not participate in any multi-employer plans, adoption of this amendment will only impact the format and extent of disclosures presented in the financial statements. The Group will apply this amendment from financial year beginning on 1 January 2007 [ap.7].
- FRS 139 Financial Instruments: Recognition and Measurement (effective date yet to be determined by Malaysian Accounting Standards Board). This new standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group will apply this standard when effective.

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS *(CONT.)*

d. Standards that are not yet effective and not relevant for the Group's operations

- FRS 6 Exploration for and Evaluation of Mineral Resources (effective for accounting periods beginning on or after 1 January 2007). FRS 6 is not relevant to the Group's operations, as the Group does not carry out exploration for and evaluation of mineral resources.

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007).

- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007).

- IC Interpretation 5 Rights to Interests arising from Decommission, Restoration and Environmental Rehabilitation Funds (effective for accounting periods beginning on or after 1 July 2007).

- IC Interpretation 6 Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective for accounting periods beginning on or after 1 July 2007).

- IC Interpretation 7 Applying the Restatement Approach under FRS 129_{2004} Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007).

- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007).

3. SIGNIFICANT ACCOUNTING POLICIES

3.1. Economies entities in the Group

i. Subsidiaries

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, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are consolidated using the purchase method of accounting. Under the purchase method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. See the accounting policy Note 3.2 on goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Where more than one exchange transaction is involved, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.1. Economies entities in the Group *(cont.)*

i. Subsidiaries (cont.)

Intra-group transactions, balances and unrealised gains on transactions between Group are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred.

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 as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in the consolidated income statement.

ii. Associated companies

Associated companies are those companies in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. 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 by using the equity method of accounting and are initially recognised at cost. The Group's investment in associated includes goodwill identified on acquisition, net of any accumulated impairment loss. See note accounting policy Note 3.2 on goodwill.

The Group's share of its associates' post-acquisition profits or losses is recognised in the income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

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, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

3.2. Goodwill

Goodwill represents the excess of the cost of acquisition of subsidiaries and associates over the fair value of the Group's share of the identifiable net assets at the date of acquisition.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the synergies of the business combination in which the goodwill arose.

Goodwill on acquisitions of associates is included in investments in associates. Such goodwill is tested for impairment as part of the overall balance. See accounting policy Note 3.7 on impairment of non-financial assets.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.3. Investments

Investments in subsidiaries and associated companies are shown at cost. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3.7 on impairment of non-financial assets.

Marketable securities (within current assets) are carried at the lower of cost and market value, determined on an aggregate 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.

3.4. Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

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

Property plant and equipment are depreciated on a straight-line basis to write off the cost of the assets, or their revalue amounts to their residual values over their estimated useful lives, summarised as follows:

Plant and machinery	3 – 30 years
Furniture, fittings and office equipment	5 – 10 years
Office renovation	10 years
Computer equipment & factory tool	3 years
Motor vehicles	5 years

Capital work in progress is not depreciated. Depreciation commences when the assets are ready for their intended use.

Residual values and useful lives of assets are reviewed, and adjusted if appropriate, at each balance sheet date. The Group revised the residual values of motor vehicles as well as the residual values and estimated useful lives of certain plant and machinery from 5% to 3.3% with effect from 1 January 2006. The revision was accounted for as change in accounting estimates and as a result, the depreciation charges for the financial year have been reduced by RM12.6 million.

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 3.7 on impairment of non-financial assets.

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

Borrowing costs are capitalised in accordance with Note 3.20.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.5. Prepaid lease rentals

Prepaid lease rentals are amortised in equal instalments over the period of lease from 66 to 99 years. The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease rentals and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation.

3.6. Investment properties

Investment properties, comprising principally buildings, are held for long-term rental yields or for capital appreciation or both and are not occupied by the Group.

Investment properties are stated at fair value, representing open-market value determined annually by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by external valuers. Changes in fair values are recorded in the income statement.

On disposal of an investment property or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the balance sheet). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the year of the retirement or disposal.

3.7. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An 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 fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there is separately identifiable cash flows (cash generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the income statement and any subsequent increase in recoverable amount is recognised in the income statement. Impairment loss on goodwill are not reversed.

3.8. Non-current assets (or disposal groups) classified as assets held for sale

Non-current assets (or disposal groups) are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

3.9. Research and development

Research expenditure is recognised as an expense when incurred. Costs incurred on development projects (relating to the design and testing of new or improved products) are recognised as intangible assets when the following criteria are fulfilled:

i. it is technically feasible to complete the intangible asset so that it will be available for use or sale;

ii. management intends to complete the intangible asset and use or sell it;

iii. there is an ability to use or sell the intangible asset;

iv. it can be demonstrated how the intangible asset will generate probable future economic benefits;

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.9. Research and development *(cont.)*

v. adequate technical, financial and other resources to complete the development and to use or sell the intangible asset are available; and

vi. the expenditure attributable to the intangible asset during its development can be reliably measured.

Other development expenditures that do not meet these criteria are recognised as an expense when incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

3.10. Employee benefits

i. Short term employee benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the year in which the associated services are rendered by employees of the Group.

ii. Post-employment benefits

The Group has various post-employment benefit schemes in accordance with local conditions and practices in the countries in which it operates. These benefits plans are either defined contribution or defined benefit plans.

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that defines an amount of pension benefit to be provided, usually as a function of one or more factors such as age, years of service or compensation.

Defined contribution plan

The Group's contributions to defined contribution plans are charged to the income statement in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Defined benefit plan-unfunded

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 service cost. The Group determines the present value of the defined benefit 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 yields at the balance sheet date of government securities which have currency and terms to maturing 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_{2004} "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 Employee's Handbook.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.11. 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 related production overheads (based on normal operating capacity). It excludes borrowings costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

3.12. Receivables

Trade receivables are carried at invoice amount less an allowance for doubtful debts. The allowance is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Known bad debts are written off in the year in which they are identified.

3.13. Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held at call with banks, other short term and highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities on the balances sheet.

3.14. Income tax

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits, including withholding taxes and real property gains taxes payable upon disposal of properties.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

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.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries and associates except where the timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

3.15. 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. Where the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.16. Share capital

i. *Classification*

Ordinary shares are classified as equity. Distributions to holders of a financial instrument classified as an equity instruments is charged directly to equity.

ii. *Dividends*

Dividends on ordinary shares are recognised as liabilities in the period in which they are declared. Dividends proposed after balance sheet date but before the financial statements are authorized for issue are not recognized as liability at balance sheet date.

3.17. Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of returns, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type oftransaction and the specifics of each arrangement.

i. *Sale of goods*

Revenue relating to sale of goods is recognised upon delivery of products and customer acceptance, net of returns, rebates and discounts.

ii. *Investment trading*

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.

iii. *Interest income*

Interest income is recognised on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, when it is determined that such income will accrue to the Group.

iv. *Dividend income*

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

3.18. Foreign currencies

i. *Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.18. Foreign currencies *(cont.)*

ii. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

iii. Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in the income statement as part of the gain or loss on sale.

3.19. 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 3.4. 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.

3.20. Borrowings

i. Classification

Borrowings are initially recognised based on the proceeds received, net of transaction costs incurred. In subsequent financial years, borrowings are stated at amortised cost using the effective yield method; any difference between proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.20. Borrowings *(cont.)*

ii. *Capitalisation of borrowing cost*

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

Borrowing costs incurred to finance 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. All other borrowing costs are expensed.

3.21. 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 financial 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 particular 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*

The Group is a party to financial instruments that comprise foreign currency forward contracts. This instrument is not recognised in the financial statements on inception.

The Group enters into foreign currency forward contracts to protect the Group from movements in exchange rates by establishing the rate at which a foreign currency asset or liability will be settled.

Exchange gains and losses on contracts are recognised when settled at which time they are included in the measurement of the transaction hedged.

iv. *Fair value estimation for disclosure purposes*

The fair value of publicly traded derivatives and 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.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.22. Segment reporting

Segment reporting is presented for enhanced assessment of the Group's risks and returns. A business segment is a group of assets and operations engaged in providing products or services that are subject to risk and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are 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. Inter-segment pricing is based on similar terms as those available to other external parties.

3.23. Contingent liabilities and contingent assets

The Group does not recognise a contingent liability but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably.

A contingent asset is a possible asset that arises from past events whose existence will beconfirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under a business combinations, the contingent liabilities assumed are measured initially at their fair value at the acquisition date, irrespective of the extent of any minority interest.

The Group recognises separately the contingent liabilities of the acquirees as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognized in accordance with the provisions of FRS 137_{2004} and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with FRS 118_{2004}.

3.24. Finance leases

Lease of property, plant and equipment where the Group assumes substantially all the benefits and risks of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the balances outstanding. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

3. SIGNIFICANT ACCOUNTING POLICIES *(CONT.)*

3.24. Finance leases *(cont.)*

Property, plant and equipment acquired under finance leases is depreciated over the shorter of the estimated useful life of the asset and the lease term.

4. CHANGES IN ACCOUNTING POLICIES

The list of new accounting standards, amendments to published standards and interpretation on existing standards that are effective for the Group and the Company's accounting years beginning on or after 1 January 2006 is set out in Note 2(a).

The following describes the impact of new standards, amendments and interpretations on the financial statements of the Group and the Company.

a. Irrelevant or immaterial effect on financial statements

The adoption of FRS 2, 3, 101, 102, 110, 127, 128, 131, 132, 133, 136 and 138 do not have a material impact on the financial statements of the Group and Company.

b. Reclassification of prior year comparatives

Set out below are changes in accounting policies that resulted in reclassification of prior year comparatives but did not affect the recognition and measurement of the Group and Company's net assets :

- FRS 101 has affected the presentation of minority interest. In the consolidated balance sheet, minority interest is now presented within equity, separately from parent shareholders' equity. Profit or loss in the consolidated income statement as well as total income and expenses for the year recognised directly in equity are now allocated between minority interest and equity holders of the parent.
- Under FRS 101, the Group's share of results of associates are now shown net of tax.
- FRS 140 resulted in the reclassification of buildings from property, plant and equipment to investment properties.

c. FRS 117 Leases

The adoption of the revised FRS 117 has resulted in a retrospective change in the accounting policy relating to the classification of leasehold land. The up-front payments made for the leasehold land represents prepaid lease rentals and are amortised on a straight-line basis over the lease term. Prior to 1 January 2006, leasehold land was classified as property, plant and equipment and was stated at cost less accumulated depreciation.

d. FRS 121 The Effects of Changes in Foreign Exchange Rates

Previously, the results and financial position of Group foreign operations were measured in local currency and, where applicable, translated into Ringgit Malaysia upon consolidation. Exchange differences were taken to income statement. Under FRS 121, the exchange differences are recognised as a separate component of the equity. The change in accounting policy does not have significant financial impact on the Group prior to year 2006.

e. FRS 140 Investment Property

The adoption of this new FRS has resulted in a change in accounting policy for investment properties.

The definition of investment properties under FRS 140 has resulted in identification of additional assets of the Group and Company that meet the definition of investment properties. These properties are now classified into a separate asset category on the balance sheet. Previously, investment properties were included in property, plant and equipment.

4. CHANGES IN ACCOUNTING POLICIES *(CONT.)*

e. FRS 140 Investment Property *(cont.)*

Investment properties are now stated at fair value, representing open-market value determined by external valuers and assessed by directors. Gains or losses arising from changes in the fair values of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, these properties were classified as property, plant and equipment and were stated at cost less accumulated depreciation.

In accordance with the transitional provisions of FRS 140, this change in accounting policy is applied prospectively and the comparatives as at 31 December 2005 are not restated except for the reclassification of certain property, plant and equipments as investment properties.

f. Comparatives

Leasehold land and certain properties previously classified under property plant and equipment have been reclassified as prepaid lease rentals and investment properties on 1 January 2006.

	Previously stated	Reclassification	Restated
	RM'000	RM'000	RM'000
Group			
As at 31 December 2005			
Property, plant and equipment	548,220	(23,825)	524,395
Prepaid lease payments	0	16,523	16,523
Investment properties	0	7,302	7,302
Company			
As at 31 December 2005			
Property, plant and equipment	5,052	(4,684)	368
Investment properties	0	4,684	4,684

5. 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 receivables and 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.

5. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(CONT.)*

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.

6. PROPERTY, PLANT AND EQUIPMENT

Group	Buildings	Plant and machinery	Furniture fittings, office renovation & equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Net book value					
At 1 January 2006	116,617	402,037	3,615	2,126	524,395
Additions	1,313	6,608	211	22	8,154
Reclassification	8	(1,750)	(8)	0	(1,750)
Disposals/write off	0	(410)	(3)	(17)	(430)
Impairment loss	0	(657)	0	0	(657)
Depreciation charge for the year	(1,363)	(12,174)	(1,461)	(276)	(15,274)
At 31 December 2006	**116,575**	**393,654**	**2,354**	**1,855**	**514,438**
At 31 December 2006					
Cost	**126,628**	**560,858**	**13,239**	**7,408**	**708,133**
Accumulated depreciation	**(10,053)**	**(160,917)**	**(10,885)**	**(5,553)**	**(187,408)**
Accumulated impairment loss	**0**	**(4,537)**	**0**	**0**	**(4,537)**
Reclassification	**0**	**(1,750)**	**0**	**0**	**(1,750)**
Net book value	**116,575**	**393,654**	**2,354**	**1,855**	**514,438**

6. PROPERTY, PLANT AND EQUIPMENT *(CONT.)*

Group	Buildings	Plant and machinery	Furniture fittings, office renovation & equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 31 December 2005					
Cost	125,307	549,292	13,258	7,683	695,540
Accumulated depreciation	(8,690)	(143,375)	(9,643)	(5,557)	(167,265)
Accumulated impairment loss	0	(3,880)	0	0	(3,880)
Net book value	116,617	402,037	3,615	2,126	524,395

Company	Furniture and fittings, office renovation and equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000
Net book value			
At 1 January 2006	224	144	368
Additions	27	0	27
Depreciation charge for the year	(97)	0	(97)
At 31 December 2006	**154**	**144**	**298**
At 31 December 2006			
Cost	**4,925**	**480**	**5,405**
Accumulated depreciation	**(4,771)**	**(336)**	**(5,107)**
Net book value	**154**	**144**	**298**
At 31 December 2005			
Cost	5,008	480	5,488
Accumulated depreciation	(4,784)	(336)	(5,120)
Net book value	224	144	368

Property, plant and equipment under hire purchase

	Group	
	2006 **RM'000**	2005 RM'000
Motor vehicles under hire purchase:		
- additions during the year	**0**	350
- net book value at end of year	**278**	317

6. PROPERTY, PLANT AND EQUIPMENT *(CONT.)*

Net finance cost of RM Nil (2005: RM1.5 million) (finance costs amounting to RM1.502 million less finance income of RM0.002 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 property, plant and equipment and capitalised are as follow:

Staff costs

	Group	
	2006	2005
	RM'000	RM'000
Wages, salaries and bonus	**0**	275
Defined contribution plan	**0**	33
Defined retirement benefit plan	**0**	11
	0	319

7. PREPAID LEASE RENTALS

Group	Long leasehold land	Short leasehold land	Total
	RM'000	RM'000	RM'000
At 1 January 2006	9,629	6,894	16,523
Additions	1,559	0	1,559
Amortisation charge for the year	(103)	(117)	(220)
At 31 December 2006	**11,085**	**6,777**	**17,862**
At 31 December 2006			
Cost	**11,910**	**7,802**	**19,712**
Accumulated amortisation	**(825)**	**(1,025)**	**(1,850)**
Net book value	**11,085**	**6,777**	**17,862**
At 31 December 2005			
Cost	10,351	7,802	18,153
Accumulated amortisation	(722)	(908)	(1,630)
Net book value	9,629	6,894	16,523

7. PREPAID LEASE RENTALS *(CONT.)*

The prepaid lease rentals are classified as follows:

	Group	
	2006	2005
	RM'000	RM'000
Current (Note 13)	**220**	220
Non-current	**17,642**	16,303
	17,862	16,523

8. INVESTMENT PROPERTIES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Net book value				
At 1 January	**7,302**	0	**4,684**	0
Reclassification from property, plant and equipment	**0**	7,800	**0**	5,001
Restated	**7,302**	7,800	**4,684**	5,004
Depreciation	**0**	(498)	**0**	(317)
Fair value losses	**(424)**	0	**(282)**	0
At 31 December	**6,878**	7,302	**4,402**	4,684

Properties held for rental or for capital appreciation or both and not occupied by the Group are classified as investment properties. These properties are stated at fair value representing open –market value estimated by independent professionally qualified valuers. Gain or losses arising from changes in the fair value of investment properties are recognised in profit or loss in the period in which they arise. Prior to 1 January 2006, these properties were classified as property, plant and equipment and were stated at cost less accumulated depreciation. Accordingly these properties have been reclassed as investment properties and the comparatives in 2005 have been restated. See Note 4.

9. SUBSIDIARY COMPANIES

	Company	
	2006	2005
	RM'000	RM'000
Unquoted shares, at cost	**52,495**	52,045
Allowance for impairment loss	**0**	0
	52,495	52,045

9. SUBSIDIARY COMPANIES *(CONT.)*

The subsidiary companies are as follows:

	Effective interest		
Name of company	**2006** **%**	2005 %	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 rubber wood
+ 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 PricewaterhouseCoopers 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

10. ASSOCIATED COMPANIES

	2006 RM'000	2005 RM'000
Group		
Share of net assets in associates	**0**	673
Company		
Unquoted shares, at cost	**3,430**	3,430
Accumulated impairment loss	**(3,430)**	0
	*	3,430

* RM 1

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

	2006 RM'000	2005 RM'000
Revenue	**3,508**	1,618
Loss after tax	**0**	(2,674)
Non-current assets	**10,575**	9,878
Current assets	**1,781**	2,675
Current liabilities	**(15,325)**	(11,880)
Net (liabilities)/assets	**(2,969)**	673

The Group's share of losses of associates that have not been recognised amounted to RM2.97 million (2005 : RM Nil) for the year and RM2.97 million (2005 : RM Nil) cumulatively as at 31 December 2006.

The associate company, Panasonic Mieco Kenaf Sdn. Bhd. has a different reporting year end from the Group as it follows the year end of its holding company.

10. ASSOCIATED COMPANIES *(CONT.)*

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

	Effective interest		
Name of company	**2006 %**	2005 %	Principal activities
Mieco Smallholders Sdn. Bhd.	**50**	50	Reforestation, harvesting, extraction and supply of rubber wood
Panasonic Mieco Kenaf Sdn. Bhd. (formerly known as Mieco Matsushita Denko Sdn. Bhd.)	**49**	49	Manufacturing and marketing of kenaf fibre boards and particle boards and related products

11. AMOUNT DUE FROM SUBSIDIARY

The amount due from subsidiary is unsecured, denominated in Ringgit Malaysia and is interest free, except for funds amounting to RM177 million (2005: RM175 million) sourced by the Company from external parties to part finance the construction of a plant of a subsidiary. The finance expenses charged to Company for the current financial year on the external borrowings amounting to RM10.65 million (2005: RM9.22 million) is re-charged to the subsidiary company.

The interest rates, repayment period and other related disclosures in respect of the RM177 million (2005: RM175 million) borrowings sourced by the Company from external parties to part finance the construction of a plant of a subsidiary is as disclosed in Note 20 to the financial statements. The remaining balance of RM280.405 million (2005: RM278.797 million) is repayable as follow:

	Company	
	2006 RM'000	2005 RM'000
Payable within two to five years	**126,000**	255,000
Payable in more than five years	**154,405**	23,797
	280,405	278,797

The estimated fair value at balance sheet date was RM197.264 million (2005: RM207.615 million) for the Company.

12. INVENTORIES

	Group	
	2006 RM'000	2005 RM'000
At cost:		
Raw materials	**13,577**	12,153
Work-in-progress	**2,203**	778
Finished goods	**16,714**	9,896
Spares and consumables	**9,097**	7,159
	41,591	29,986
At net realisable value:		
Spares and consumables	**10,198**	13,124
Total	**51,789**	43,110

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Trade receivables	**65,286**	38,545	**1,328**	1,328
Allowance for doubtful debts	**(9,013)**	(7,602)	**(1,328)**	(1,328)
	56,273	30,943	**0**	0
Amount receivable from subsidiaries	**0**	0	**3,348**	2,002
Allowance for doubtful debts	**0**	0	**(252)**	(252)
	0	0	**3,096**	1,750
Other receivables	**1,786**	9,579	**69**	793
Allowance for doubtful debts	**(1,073)**	(142)	**(54)**	(42)
	713	9,437	**15**	751
Deposits	**3,248**	252	**14**	14
Prepayments	**473**	264	**4**	221
Prepaid lease rentals (Note 7)	220	220	**0**	0
Amount receivable from associated companies	**899**	787	**0**	0
Advance payments to trade creditors	**0**	654	**0**	0
	5,553	11,614	**33**	986
Total	**61,826**	42,557	**3,129**	2,736

13. RECEIVABLES, DEPOSITS AND PREPAYMENTS *(CONT.)*

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

The currency exposure profile of receivables, deposits and prepayments is as follows:

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
- Ringgit Malaysia	**42,039**	33,329	**3,129**	2,736
- US Dollar	**13,332**	4,173	**0**	0
- Singapore Dollar	**755**	783	**0**	0
- HK Dollar	**5,700**	4,272	**0**	0
	61,826	42,557	**3,129**	2,736

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.

14. MARKETABLE SECURITIES

	Group	
	2006	2005
	RM'000	RM'000
Quoted in Malaysia		
Share in corporations, at cost	**884**	1,476
At market value		
Shares in corporations, quoted in Malaysia	**1,310**	1,651

15. CASH AND CASH EQUIVALENTS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Deposits with licensed banks	**25,694**	3,705	**365**	276
Deposits with licensed discount houses	**947**	141	**0**	0
	26,641	3,846	**365**	276
Cash and bank balances	**11,014**	11,094	**150**	6,355
	37,655	14,940	**515**	6,631

15. CASH AND CASH EQUIVALENTS *(CONT.)*

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

	Group		Company	
	2006 %	2005 %	**2006 %**	2005 %
Deposits with licensed banks	**3.24**	3.54	**2.73**	2.79
Deposits with licensed discount house	**3.15**	2.72	**–**	–

Deposits of the Group and Company have an average tenure to maturity of 96 days and 87 days (2005: 299 days and 176 days) respectively.

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

16. NON-CURRENT ASSET HELD FOR SALE

In the current financial year, the Group has reclassified plant and machineries amounting to RM1.75 million as non-current assets held for sale in accordance with FRS 5 as the carrying values of these assets will be recovered principally through sale. These plant and machineries have been stated at the lower of its carrying amount and fair value less costs to sell.

17. SHARE CAPITAL

	Group and Company	
	2006 RM'000	2005 RM'000
Authorised:		
1,000,000,000 ordinary shares of RM1 each	**1,000,000**	1,000,000
Issued and fully paid:		
210,000,000 ordinary share of RM 1 each	**210,000**	210,000

18. RESERVES

	Group		Company	
	2006 **RM'000**	2005 RM'000	**2006** **RM'000**	2005 RM'000
Non-distributable:				
Share premium	**5,866**	5,866	**5,866**	5,866
Foreign currency reserve	**(313)**	0	**0**	0
Warrant reserve:				
Proceeds on issuance of warrants	**14,500**	14,500	**14,500**	14,500
Expenses related to issuance of warrants	**(521)**	(521)	**(521)**	(521)
	13,979	13,979	**13,979**	13,979
	19,532	19,845	**19,845**	19,845
Distributable:				
Retained earnings	**128,890**	122,395	**108,172**	116,252
	148,422	142,240	**128,017**	136,097

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 RM 25 million (2005: RM26 million) and RM68 million (2005: RM68 million) of its retained earnings respectively as at 31 December 2006 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM 15 million (2005: RM22 million).

19. PROVISIONS

	Provision for back dated wages	Provision for staff retirement benefits	Total
	RM'000	RM'000	RM'000
Group			
At 31 December 2006			
Current	**1,051**	**0**	**1,051**
Non current	**0**	**7,232**	**7,232**
	1,051	**7,232**	**8,283**
At 31 December 2005			
Current	122	0	122
Non current	0	6,571	6,571
	122	6,571	6,693
Company			
At 31 December 2006			
Current	**0**	**0**	**0**
Non current	**0**	**151**	**151**
	0	**151**	**151**
At 31 December 2005			
Current	1	0	1
Non current	0	15	15
	1	15	16

a. Provision for backdated 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	Company
	RM'000	RM'000
At 1 January 2006	122	1
Charged to/(reversed from) income statement	929	(1)
At 31 December 2006	**1,051**	**0**

19. PROVISIONS *(CONT.)*

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 6 September 2006.

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

	Group	Company
	RM'000	RM'000
At 1 January 2005	5,946	5,540
Provision transferred to subsidiary company	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
Charged to income statement	1,238	136
Benefits paid	(577)	0
At 31 December 2006	**7,232**	**151**

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

	Group	Company
	RM'000	RM'000
At 31 December 2006		
Present value of unfunded obligations	**7,232**	**151**
At 31 December 2005		
Present value of unfunded obligations	6,571	15

20. BORROWINGS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Current				
Term Loan	**97,000**	0	**97,000**	0
Bankers acceptance	**53,884**	40,916	**0**	0
MCP/MMTN*	**30,000**	75,000	**30,000**	75,000
Hire purchase liabilities (Note 23)	**66**	188	**0**	35
	180,950	116,104	**127,000**	75,035
Non-current				
MCP/MMTN*	**50,000**	100,000	**50,000**	100,000
Hire purchase liabilities (Note 23)	**0**	66	**0**	0
	50,000	100,066	**50,000**	100,000
Total				
Term Loan (unsecured)	**97,000**	0	**97,000**	0
Bankers acceptance (unsecured)	**53,884**	40,916	**0**	0
MCP/MMTN* (unsecured)	**80,000**	175,000	**80,000**	175,000
Hire purchase liabilities (Note 23)	**66**	254	**0**	35
	230,950	216,170	**177,000**	175,035

* 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 purchase of raw materials. Interest on bankers acceptance range from 3.82% to 4.76% (2005: 3.49% to 4.03%).

Term loan

The term loan is unsecured and utilised to repurchase the Al Murabahah Commercial Paper ("MCP")/Medium Term Note ("MMTN"). Interest rate is 1.5% above cost of funds.

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.

On 22 and 23 February 2006, the Company repurchased the MCP and MMTN of RM25 million and RM50 million face value respectively. Subsequently, on 5 June 2006, the Company further repurchased MMTN of RM20 million face value.

The repurchases were financed by a term loan of RM100 million pursuant to a Facility Agreement dated 20 February 2006.

20. BORROWINGS (CONT.)

The maturity dates and profit rates of the RM80 million MMTN is as follows:

MMTN	Maturity dates	Profit rate % per annum	Group/Company RM'000
Issue no.: S2 (Serial no. S0002)	31 December 2007	5.65	30,000
Issue no.: S3 (Serial no. S0003)	29 December 2008	6.10	50,000
			80,000

The estimated fair value of the MMTN (non-current portion) at balance sheet date was RM44,416,000 (2005: 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.

21. 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		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Deferred tax assets - subject to income tax	**412**	523	**184**	115
Deferred tax liabilities - subject to income tax	**(20,399)**	(18,708)	**0**	0
	(19,987)	(18,185)	**184**	115
As start of year	**(18,185)**	(20,211)	**115**	(20,080)
(Charged)/credited to income statement (Note 28)				
- Property, plant and equipment	**(11,098)**	(8,626)	**(2)**	382
- Provisions	**334**	(1,117)	**34**	(1,547)
- Inventories	**369**	434	**0**	(289)
- Receivables	**301**	52	**(5)**	(128)
- Unutilised capital allowances	**8,302**	11,246	**47**	0
- Others	**(10)**	37	**(5)**	(48)
	(1,802)	2,026	**69**	(1,630)
Transferred to subsidiary company	**0**	0	**0**	21,825
At end of year	**(19,987)**	(18,185)	**184**	115

21. DEFERRED TAXATION *(CONT.)*

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Subject to income tax				
Deferred tax assets (before offsetting)				
Provisions	**860**	525	**39**	4
Inventories	**1,092**	723	**0**	0
Receivables	**669**	367	**65**	71
Unutilised capital allowances	**19,548**	11,246	**47**	0
Others	**135**	146	**63**	68
	22,304	13,007	**214**	143
Offsetting	**(21,892)**	(12,484)	**(30)**	(28)
Deferred tax assets (after offsetting)	**412**	523	**184**	115
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(42,291)**	(31,192)	**(30)**	(28)
Offsetting	**21,892**	12,484	**30**	28
Deferred tax liabilities (after offsetting)	**(20,399)**	(18,708)	**0**	0

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:

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Deductible temporary differences	**1**	1	**0**	0
Tax losses	**4,993**	4,947	**4,228**	4,228

As at 31 December 2006, the Group has unutilised investment tax allowance as follows:

	Group	
	2006	2005
	RM'000	RM'000
Unutilised investment tax allowance	**335,839**	329,231

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Trade payables	**54,354**	38,469	**69**	598
Accrued expenses	**1,078**	871	**0**	0
Other payables	**19,857**	18,386	**996**	1,130
Amount due to subsidiary company	**0**	0	**1,969**	2,086
Amount due to holding company	**1,300**	927	**1,300**	927
Payroll liabilities	**1,659**	2,299	**195**	201
	78,248	60,952	**4,529**	4,942

Included in payroll liabilities is accrual for contributions to the Employees Provident Fund amounting to RM644,005 (2005: RM285,279). 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.

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

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

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
- Ringgit Malaysia	**66,369**	49,105	**4,529**	4,779
- US Dollar	**546**	399	**0**	11
- EURO	**11,239**	10,983	**0**	152
- Others	**94**	465	**0**	0
	78,248	60,952	**4,529**	4,942

23. HIRE PURCHASE LIABILITIES

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Payable within one year	**70**	200	**0**	37
Payable between one to five years	**0**	70	**0**	0
	70	270	**0**	37
Less: Future finance charges	**(4)**	(16)	**0**	(2)
Present value of hire purchases liabilities	**66**	254	**0**	35

Hire purchase liabilities are classified as follows:

	Group		Company	
Current (Note 20)	**66**	188	**0**	35
Non-current (Note 20)	**0**	66	**0**	0
	66	254	**0**	35

Hire purchase creditors are denominated in Ringgit Malaysia. The weighted average effective interest rate as at year end is 7.73% (2005: 7.73%) per annum for the Group and Nil (2005: Nil) per annum for the Company.

The estimated fair value of the hire purchase liabilities (non-current portion) at balance sheet date was nil (2005: RM66,251) for the Group and Nil (2005: Nil) 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.

24. REVENUE

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Sales of goods	**329,653**	258,943	**0**	34,400
Sales of quoted investments	**771**	43	**0**	0
Dividend income	**0**	0	**0**	5,605
Management fee received from related companies	**0**	0	**3,371**	0
	330,424	258,986	**3,371**	40,005

25. STAFF COSTS

	Group		Company	
	2006 **RM'000**	2005 RM'000	**2006** **RM'000**	2005 RM'000
Wages, salaries and bonus	**16,671**	15,815	**1,645**	3,462
Defined contribution plan	**2,015**	1,903	**196**	418
Defined retirement benefit plan	**1,238**	1,044	**136**	224
Other employee benefits	**7,650**	6,985	**169**	439
	27,574	25,747	**2,146**	4,543
Less: Staff costs capitalised as part of:				
- property, plant and equipment (Note 6)	**0**	(319)	**0**	0
- research & developments	**(15)**	(8)	**0**	0
	27,559	25,420	**2,146**	4,543

The number of staff at the end of the year amounted to 843 (2005: 830) persons for the Group and 32 (2005: 28) persons in the Company.

Details of the defined contribution plan and defined benefit plans for the Group and Company are set out in Note 19 and Note 22 respectively.

Included in staff costs above are the Company's Executive Director's remuneration, excluding fees and estimated money value of benefits-in-kind, as further disclosed in Note 31 to the financial statement.

26. PROFIT FROM OPERATIONS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
The following items have been charged/ (credited) in arriving at profit from operations:				
Auditors' remuneration (Note 32):				
- current financial year	**94**	101	**9**	9
- overprovided in prior year	**0**	(1)	**0**	0
Allowance/(write back) for bad and doubtful debts	**2,418**	274	**12**	(399)
Directors' remuneration (excluding estimated monetary value of benefits-in-kind) (Note 31)	**1,394**	1,246	**1,193**	1,033
Recovery of bad and doubtful debts	**(146)**	0	**(77)**	0
Rental of building	**491**	480	18	18
Loss/(gain) on disposal of property, plant and equipment	**377**	(97)	**0**	0
Gain on realised foreign exchange	**(853)**	(1,446)	**(62)**	(630)
Unrealised gain on foreign exchange	**(7)**	0	**0**	0
Allowance/(write back) for inventories obsolescence	**1,618**	1,587	**0**	(995)
Rental income from investment properties	**(112)**	(122)	**(112)**	(122)
Finance income	**(186)**	(314)	**(10,646)**	(9,381)
Dividend income	**(26)**	(27)	**0**	(5,605)
Write back for impairment loss of marketable securities	**0**	(21)	**0**	0
Gain on disposal of marketable securities	**(179)**	(1)	**0**	0
Depreciation				
- property, plant and equipment	**15,274**	24,117	**97**	1,682
- prepaid lease rentals	**220**	220	**0**	0
Impairment and fair value losses				
- property, plant and equipment	**657**	0	**0**	0
- investment properties	**424**	0	**282**	0
- associated companies	**0**	0	**3,430**	0

Direct operating expenses from investment properties that generated rental income of the Group and Company during the year amounted to RM0.051 million (31.12.2005 : RM0.044 million).

Direct operating expenses from investment properties that did not generated rental income of the Group and Company during the year amounted to RM0.052 million (31.12.2005: RM 0.022 million).

27. FINANCE COSTS

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Interest expense on:				
- Overdraft interest	**151**	145	**0**	145
- Bankers acceptance	**1,896**	871	**0**	198
- Hire purchase liabilities	**13**	12	**2**	5
- MCP/MMTN* interest	**10,537**	9,184	**10,537**	9,184
- MMTN* annual expenses	**109**	108	**109**	108
- Loan facility fee	**2,050**	0	**2,050**	0
- Premium for repurchase of MMTN*	**1,036**	0	**1,036**	0
	15,792	10,320	**13,734**	9,640
Less:				
- Recovery of MCP/MMTN* interest	**0**	0	**(10,537)**	(9,184)
- Recovery of MMTN* annual expenses	**0**	0	**(109)**	(38)
- Borrowing costs capitalised (Note 6)	**0**	(1,502)	**0**	0
Charged to income statement	**15,792**	8,818	**3,088**	418

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

28. TAX EXPENSE

	Group		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000
Tax expense for the year:				
In respect of the current year				
- Malaysian income tax	**650**	3,497	**22**	1,604
- Foreign tax	**114**	631	**22**	27
- Deferred tax (Note 21)	**1,802**	(2,026)	**(69)**	1,630
	2,566	2,102	**(25)**	3,261
Under /(over) accrual in respect of prior years				
- Malaysian income tax	**969**	(347)	**978**	(103)
	3,535	1,755	**953**	3,158

28. TAX EXPENSE *(CONT.)*

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

	Group		Company	
	2006	2005	**2006**	2005
	%	%	**%**	%
Statutory income tax rate of Malaysia	**28**	(28)	**(28)**	28
Income not subjected to tax	**0**	0	**0**	(25)
Expenses not deductible for tax purposes	**13**	20	**28**	4
Claw back of Reinvestment Allowance and other incentives	**0**	44	**0**	46
Effect of different tax rate	**(16)**	(7)	**0**	0
Over accrual in prior year	**(4)**	(2)	**(4)**	(2)
Effect of tax losses not recognised	**14**	0	**17**	0
Effective tax rate	**35**	27	**13**	51

29. EARNINGS/LOSS PER SHARE

a. The basic earnings /loss per share is calculated based on the profit attributable to shareholders of RM6.5 million (2005: loss of RM8.2 million) for the Group by the weighted average number of 210,000,000 (2005: 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 2006. 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.

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

30. DIVIDENDS

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Proposed first and final dividend of 1% (2005: Nil), tax exempt	**2,100**	0	**2,100**	0

31. DIRECTORS' REMUNERATION

	Group		Company	
	2006	2005	**2006**	2005
	RM'000	RM'000	**RM'000**	RM'000
Directors of the Company				
Non-executive Directors:				
- fees	**180**	180	**180**	180
- allowances and other emoluments	**341**	287	**341**	287
	521	467	**521**	467
Executive Director:				
- fees	**36**	36	**36**	36
- salaries and bonus	**474**	404	**474**	404
- defined contribution plan	**57**	48	**57**	48
- defined benefit retirement plan	**37**	16	**37**	16
- other employee benefits	**47**	62	**47**	62
- estimated money value of benefits-in-kind	**21**	29	**21**	29
	672	595	**672**	595
Sub-total	**1,193**	1,062	**1,193**	1,062
Directors of subsidiary companies				
Non-executive Directors:				
- fees	**6**	6	**0**	0
- salaries and bonus	**176**	164	**0**	0
- defined contribution plan	**21**	20	**0**	0
- defined benefit retirement plan	**12**	6	**0**	0
- other employee benefits	**7**	17	**0**	0
- estimated money value of benefits-in-kind	**7**	7	**0**	0
Sub-total	**229**	220	**0**	0
Total	**1,422**	1,282	**1,193**	1,062
Total (excluding estimated money value of benefits-in-kind)	**1,394**	1,246	**1,172**	1,033

As stated in Note 25 to the financial statements, the Company's Executive Director's 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 19 and Note 22 respectively.

32. AUDITORS' REMUNERATION

	Group		Company	
	2006 **RM'000**	2005 RM'000	**2006** **RM'000**	2005 RM'000
PriceWaterhouseCoopers Malaysia				
- statutory audit (note 26)	**67**	66	**9**	9
- fees for other services	**12**	33	**11**	0
Total remuneration	**79**	99	**20**	9
Affiliates of PriceWaterhouseCoopers Malaysian firm (including overseas PriceWaterhouseCoopers firms) statutory audit (Note 26)	**27**	34	**0**	0

33. NON CASH TRANSACTIONS

	Group		Company	
	2006 **RM'000**	2005 RM'000	**2006** **RM'000**	2005 RM'000
The principal non cash transactions during the year is as follows:				
- acquisition of motor vehicles by means of hire purchase	**0**	229	**0**	0
- net finance cost capitalised (Note 6)	**0**	1,502	**0**	0
- other costs capitalised	**0**	11	**0**	0
- manufacturing assets transferred to a subsidiary company	**0**	0	**0**	138,692

34. CAPITAL COMMITMENTS

	Group	
	2006 **RM'000**	2005 RM'000
Capital expenditure		
- approved and contracted for	**1,904**	1,032
- approved but not contracted for	**627**	1,027
	2,531	2,059
Analysed as follows:		
- property, plant and equipment	**2,531**	2,059

35. 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		Company	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 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

36. 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	
	2006 RM'000	2005 RM'000	**2006 RM'000**	2005 RM'000	**2006 RM'000**	2005 RM'000
Malaysia	**271,215**	207,442	**682,105**	644,281	**9,703**	54,411
Hong Kong and China	**59,209**	51,544	**9,682**	5,679	**10**	1
Other	**0**	0	**4,538**	4,805	**0**	0
	330,424	258,986	**696,325**	654,765	**9,713**	54,412

37. FOREIGN CURRENCY EXCHANGE RISK

At 31 December 2006, the Group's open forward contracts entered into as cover of anticipated future transaction were as follows:

	At 31.12.2006			At 31.12.2005		
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 3.267 million**	**11,935**	**3.6531**	US Dollar 1.151 million	4,327	3.7604
Future sale of goods	**US Dollar 9.649 million**	**34,182**	**3.5427**	US Dollar 7.546 million	28,331	3.7544
Trade payables	**Euro 0.712 million**	**3,318**	**4.6584**	Euro 1.082 million	4,845	4.4766

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

The unrecognised gains at 31 December 2006 on open contracts which hedge anticipated future foreign currency sales and purchases amounted to RM576,801 (2005: RM36,450) and RM447 (2005: RM55,583) 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.

38. SUBSEQUENT EVENTS

1. **RM180 million Dual Currency Syndicated Credit Facility**

   On 15 January 2007, the Company secured a RM180 million Dual Currency Syndicated Credit Facility comprising a Transferable Reducing Limit Revolving Credit Facility of RM132 million and a Transferable Term Loan Facility of USD13.5 million jointly lead arranged by AmInvestment Bank Berhad and OCBC Bank (Malaysia) Berhad.

2. **RM100 million Term Loan pursuant to a Facility Agreement dated 20 February 2006**

   On 20 February 2006, the Company entered into a Facility Agreement with AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) and OCBC Bank (Malaysia) Berhad for a syndicated term loan facility of RM100 million. On 29 and 30 January 2007, the term loan was fully settled and was financed by the above Dual Currency Syndicated Credit Facility.

3. **RM175 million Al Murabahah Commercial Paper ("MCP") and Medium Term Note ("MMTN") Programme**

   On 29 and 30 January 2007, the Company repurchased MMTN totalling RM80 million face value issued under the MCP/MMTN Programme. The repurchases were also financed by the above Dual Currency Syndicated Credit Facility.

39. 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 11, Note 19 and Note 20 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 50 to 96 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 2006 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 provisions of the Companies Act, 1965 and the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

In accordance with a resolution of the Board of Directors dated 20 April 2007.

DATO' JAGANATH DEREK STEVEN SABAPATHY	**DATO' YONG SENG YEOW**
DIRECTOR	**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 50 to 96 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 20 April 2007.

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 50 to 96. 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 for Entities Other than Private Entities 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 2006 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 9 to the financial statements. We have considered the financial statements of these subsidiary companies and the auditors’ report thereon.

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

THAYAPARAN SANGARA PILLAY
(No. 2085/09/08 (J))
Partner of the firm

Kuala Lumpur
20 April 2007

Other Information

Analysis Of Shareholdings AS AT 23 APRIL 2007

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

	No. of Holders	% of Holders	No. of Shares	% of Shares
Largest Shareholders	30	0.49	158,122,298	75.30
Size of Holdings				
Less than 100	36	0.59	876	0.00*
100 - 1,000	1,848	30.48	1,771,673	0.84
1,001 - 10,000	3,330	54.92	14,265,620	6.79
10,001 - 100,000	736	12.14	22,684,033	10.80
100,001 - less than 5% of issued shares	111	1.83	41,105,227	19.57
5% and above of issued shares	2	0.03	130,172,571	61.99
Total	6,063	100.00	210,000,000	100.00

* Negligible percentage

DIRECTORS' INTEREST IN SHARES AS AT 23 APRIL 2007

	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	84,800	0.04	–	–
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	–	–	92,070,812**	19.33**
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	–	–	–	–
Low Kim Seng	57,000	0.01	–	–

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

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]*	5,398,500	2.57
4.	Employees Provident Fund Board	2,985,000	1.42
5.	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Clariden Leu Ltd. (EX-CLAR BK, ZRH]*	2,764,400	1.32
6.	Mayban Nominees (Tempatan) Sdn Bhd *[Malaysian Trustees Berhad for Mayban Smallcap Trust Fund (240165)]*	2,015,500	0.96
7.	Amanah Raya Nominees (Tempatan) Sdn Bhd *[Mayban Dana Yakin]*	2,000,000	0.95
8.	DB (Malaysia) Nomiee (Tempatan) Sendirian Berhad *[ICapital. Biz Berhad]*	1,632,100	0.78
9.	Yeoh Ah Tu	1,169,000	0.56
10.	Alliancegroup Nominees (Tempatan) Sdn Bhd *[PHEIM Asset Management Sdn Bhd for Employees Provident Fund]*	1,168,600	0.56
11.	Citigroup Nominees (Asing) Sdn Bhd *[CBNY for DFA Emerging Markets Fund]*	873,900	0.42
12.	Lee Thian Fook @ Lee Tian Fook	750,000	0.36
13.	Lim Lee Ling	720,000	0.34
14.	Mayban Nominees (Tempatan) Sdn Bhd *[Capital Dynamics Asset Management Sdn Bhd for ACE Synergy Insurance Berhad (CDAM23-990350)]*	696,400	0.33
15.	M & A Nominee (Tempatan) Sdn Bhd *[Titan Express Sdn Bhd]*	556,900	0.27
16.	HSBC Nominees (Tempatan) Sdn Bhd *[HSBC (M) Trustee Bhd for MAAKL Progress Fund (4082)]*	484,000	0.23
17.	Teng Lung Sing	438,000	0.21
18.	Shoptra Jaya (M) Sdn Bhd	402,000	0.19
19.	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pulavanthuran @ Soosai a/l Sinnappah (471308)]*	385,800	0.18
20.	Tan Kong Heng	363,400	0.17
21.	M & A Nominee (Asing) Sdn Bhd *[Pedigree Limited]*	359,300	0.17
22.	Cheong Chong Lok	340,000	0.16
23.	Amanah Saham Mara Berhad	319,000	0.15
24.	HSBC Nominees (Tempatan) Sdn Bhd *[HSBC (M) Trustee Bhd for MAAKL Al-Faid (4389)]*	313,500	0.15

THIRTY (30) MAJOR SHAREHOLDERS *(CONT.)*

	Name	Shareholding	%
25.	Lin Yuet Kam Alice	310,000	0.15
26.	Tan Kim Eng	308,027	0.15
27.	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Ng Ching Soong (470478)]*	300,700	0.14
28.	Amanah Raya Nominees (Tempatan) Sdn Bhd *[ASM Premier Fund]*	300,000	0.14
29.	HSBC Nominees (Tempatan) Sdn Bhd *[HSBC (M) Trustee Bhd for MAAKL Growth Fund (4074)]*	300,000	0.14
30.	Cartaban Nominees (Tempatan) Sdn Bhd *[Malaysian Assurance Alliance Bhd for Annuity PAR (1/185-6)]*	295,700	0.14
	Total	158,122,298	75.30

SUBSTANTIAL SHAREHOLDERS AS AT 23 APRIL 2007

	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 23 APRIL 2007

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	:	I Vote per Warrant

	No. of Holders	% of Holders	No. of Warrants	% of Warrants
Largest Warrantholders	30	0.87	79,979,795	79.98
Size of Holdings				
Less than 100	335	9.70	13,700	0.01
100 - 1,000	1,512	43.78	867,180	0.87
1,001 - 10,000	1,161	33.61	4,533,515	4.53
10,001 - 100,000	400	11.58	12,611,510	12.61
100,001 - less than 5% of issued warrants	41	1.19	10,769,399	10.77
5% and above of issued warrants	5	0.14	71,204,696	71.20
Total	3,454	100.00	100,000,000	100.00

DIRECTORS' INTEREST IN WARRANTS AS AT 23 APRIL 2007

	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

THIRTY (30) MAJOR HOLDERS OF WARRANTS 2004/2009

	Name	Shareholding	%
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 *[Exempt AN for Clariden Leu Ltd. (EX-CLAR BK, ZRH)]*	6,901,466	6.90
4.	Citigroup Nominees (Asing) Sdn Bhd *[Exempt AN for Mellon Bank (Abnamro Mellon)]*	5,980,000	5.98
5.	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Coutts Bank Von Ernst Ltd (SG Branch)]*	5,980,000	5.98
6.	Cimsec Nominees (Asing) Sdn Bhd *[Exempt AN for CIMB-GK Securities Pte Ltd (Retail Clients)]*	1,004,833	1.00
7.	TA Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Liew Yam Fee]*	900,000	0.90
8.	Amsec Nominees (Asing) Sdn Bhd *[Fraser Securities Pte Ltd for Ramesh s/o Pritamdas Chandiramani (16090)]*	600,000	0.60
9.	Kenanga Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pacific Bonanza Sdn Bhd]*	568,800	0.57
10.	Tan Jee Ng	545,100	0.55
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]*	419,700	0.42
13.	Cimsec Nominees (Tempatan) Sdn Bhd *[CIMB Bank for Lim Guat Kee (MM0666)]*	400,000	0.40
14.	Leong Bee Ling	362,000	0.36
15.	Ter Leong Swee	315,000	0.32
16.	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Pulavanthuran @ Soosai a/l Sinnappah (471308)]*	309,733	0.31
17.	Irene Lee	296,300	0.30
18.	Tham Kok Teng	290,600	0.29
19.	Chew Lai Har	250,000	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.	Tham Goh Hoon @ Man Yooi Kan	202,600	0.20

THIRTY (30) MAJOR HOLDERS OF WARRANTS 2004/2009 *(CONT.)*

	Name	Shareholding	%
24.	HLG Nominee (Tempatan) Sdn Bhd *[Hong Leong Bank Bhd for Geruda Shipping Sdn Bhd]*	200,000	0.20
25.	TA Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin]*	200,000	0.20
26.	Yong Kok Ming	200,000	0.20
27.	Cheong Kwan Choong	172,000	0.17
28.	Mayban Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Aw Tai Hui]*	145,000	0.15
29.	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Ng Ching Soong (470478)]*	142,300	0.14
30.	Wong Ah Kim	142,000	0.14
	Total	79,979,795	79.98

List Of Properties **AS AT 31 DECEMBER 2006**

LOCATION	TENURE	LAND AREA / UNITS	DESCRIPTION	APPROX. AGE OF BUILDINGS (YEARS)	NET BOOK VALUE (RM'000)	DATE OF ACQUISITION/ REVALUATION
Lot 77-83 Semambu Industrial Estate, 25720 Kuantan Pahang Darul Makmur	Lease expiring 27.10.2041	609,840 sq.ft.	Chipboard factory	12 - 32	7,606	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	4 - 12	38,920	24.08.1995
Lot 3, Kawasan Perindustrian Kechau Tui, 27100 Lipis Pahang Darul Makmur	Lease expiring 2104	2,178,000 sq. ft.	Chipboard factory	2	81,275	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	10	2,476	22.11.2002
Blk 457 Upper East Coast Road #10-05 Mount Everest The Summit, Singapore 466503	Freehold	1 unit	Condominium apartment	13	4,402	25.11.2002
Lot 27, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	158,253 sq. ft.	Industrial land		236	20.12.2006
Lot 28, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	299,257 sq. ft.	Industrial land		447	20.12.2006
Lot 29, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	304,484 sq. ft.	Industrial land		455	20.12.2006
Lot 30, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	281,398 sq. ft.	Industrial land		421	20.12.2006

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Thirty-Fourth 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 Wednesday, 20 June 2007 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 2006 together with the Report of the Auditors thereon. **(Resolution 1)**

2. To declare a first and final tax exempt dividend of 1% in respect of the year ended 31 December 2006. **(Resolution 2)**

3. To approve the payment of Directors' fees of RM216,000/= in respect of the year ended 31 December 2006 (2005:RM216,000/=). **(Resolution 3)**

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

   a. Dato' Mohamed Moiz Bin J M Ali Moiz **(Resolution 4)**
   b. Dato' Yong Seng Yeow **(Resolution 5)**

5. 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 conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

6. To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)**

AS SPECIAL BUSINESS:

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

7. **Ordinary Resolution No. 1**

   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)**

8. **Ordinary Resolution No. 2**

   Proposed Renewal of Authority For The 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

AS SPECIAL BUSINESS: *(CONT.)*

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 2006;

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 the 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 the 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 9)**

9. **Special Resolution**

Proposed Amendments To The Articles of Association

"THAT the proposed alterations, modifications, amendments and/or deletions to the Articles of Association of the Company as contained in Appendix I be approved and adopted." **(Resolution 10)**

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

Subject to the approval of the shareholders at the Annual General Meeting, the first and final tax exempt dividend of 1% will be paid on 23 August 2007 to shareholders whose names appear on the Record of Depositors at the close of business on 31 July 2007.

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

a. shares transferred into the Depositor's Securities Account before 4.00 p.m. on 31 July 2007 (in respect of transfers);

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

BY ORDER OF THE BOARD
HO SWEE LING
Company Secretary
Kuala Lumpur
25 May 2007

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

a. The proposed Ordinary Resolution 1, 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.

b. The proposed Ordinary Resolution 2, 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. For further information on the proposed renewal of authority for the purchase by MIECO of its own shares, please refer to the Share Buy-Back Statement dated 25 May 2007 which is despatched together with the 2006 Annual Report.

c. The proposed Special Resolution, if passed, will bring the Articles of Association of the Company ("Articles") in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad. The detailed amendments to the Articles are set out in the Appendix I which is despatched together with the 2006 Annual Report.

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' Mohamed Moiz Bin J M Ali Moiz
   Dato' Yong Seng Yeow

   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 abovementioned directors who are standing for re-election or re-appointment are set out in the Board of Directors' Profiles 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 2006. The details of attendance are as follows:

Name of Director	Total Number of Meetings Attended
Dato' Mohamed Moiz Bin J M Ali Moiz	5 / 7
Dato' Yong Seng Yeow	7 / 7
Dato' Jaganath Derek Steven Sabapathy	7 / 7
Lt. Gen. (R) Dato' Seri Mohamed Daud Bin Abu Bakar	7 / 7
Dato' Dr Amarjit Singh a/l Santokh Singh	7 / 7
Mr Low Kim Seng	7 / 7

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

   The Thirty-Fourth 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 Wednesday, 20 June 2007 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 ____

(ADDRESS)

OR FAILING HIM, the CHAIRMAN OF THE MEETING as my/our proxy to vote on my/our behalf at the Thirty-Fourth 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 Wednesday, 20 June 2007 at 10.00 a.m. and at any adjournment thereof.

	RESOLUTIONS	*FOR	*AGAINST
1.	To receive the audited financial statements		
2.	To declare a first and final tax exempt dividend of 1%		
3.	To approve the payment of Directors' fees		
4.	To re-elect Dato' Mohamed Moiz Bin J M Ali Moiz as a Director		
5.	To re-elect Dato' Yong Seng Yeow as a Director		
6.	To re-appoint Lt. Gen. (R) Dato' Seri Mohamed Daud Bin Abu Bakar as a Director		
7.	To re-appoint Messrs PricewaterhouseCoopers as auditors of the Company		
8.	To approve authority to Directors to issue shares pursuant to Section 132D, Companies Act, 1965		
9.	To approve the renewal of authority to purchase its own shares by the Company		
10.	To approve amendments to the Articles of Association of the Company		

* 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 ______________, 2007.

Signature of Shareholder **Number of Shares Held**

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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.

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MIECO CHIPBOARD BERHAD
12849-K