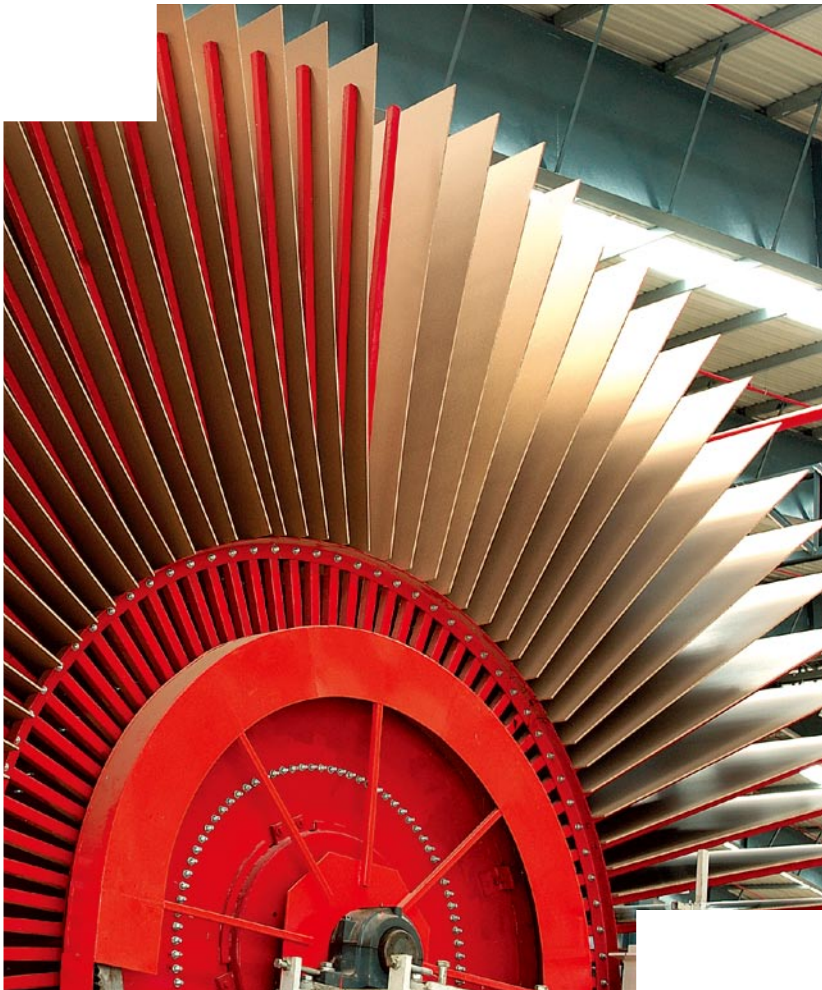
Annual Report 2007

MIECO CHIPBOARD BERHAD

2007
MIECO Annual Report

CONTENTS


MIECO



Mieco Chipboard Berhad ('MIECO'), the manufacturing division of the Bandar Raya Developments Berhad Group of Companies, was incorporated in 1972, and commissioned its first production line in 1976. It pioneered the use of rubber wood in the particleboard manufacturing industry in Malaysia. The Company was listed on the Main Board of Bursa Malaysia Securities Berhad in 1998.

Thirty-five years after its inception, MIECO has cemented its position as a world-leader in the manufacture of particleboards, with special emphasis on the production of high quality, value-added wood-based products.

MIECO's growth comes from its commitment to three operating fundamentals – a high quality product, an excellent delivery process, supported by a strong focus on customer service.

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 one of the single largest particleboard lines 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.

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'), Polymer Faced Chipboard ('PFC') products, MIECO Worktops, MIECO DPF Boards, as well as value-added services and DIY furniture under the MIECO Livin' Style brand name.

Adding to its expanding list of value–added products, MIECO, in collaboration with its technology partner from Pfleiderer, Germany, introduced MIECO Decorative High Pressure Laminate Chipboard ('HPLC') with its unique high-pressure laminates incorporating anti-bacteria properties, micro-PLUS, designed with high-gloss with high-abrasion resistance and stone textures.

MIECO's products are now marketed in more than 20 countries around the world, and its global footprint covers North Asia including China, 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 1999 and 2000 respectively.

Among its many achievements, MIECO has managed to successfully penetrate the high competitive but highly lucrative China market. In recent years, MIECO has leveraged on the expanding property development markets in India and the Middle-East, making firm inroads into these markets.

In 2003, with the growing concern for the environment, MIECO commercialised the production of the Super E0 particleboard, sometimes referred to in Japan as the F-4 Star grade, which is designed with very low formaldehyde emission.

In 2004, MIECO became the first company in the Malaysia 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 certification for the Occupational Health and Safety Management System 18001:1999 in March 2005.

All MIECO's products 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. The company continues to explore new and innovative ways to reduce emissions and production waste.

MIECO takes its role as a Malaysian champion seriously, and is committed to raising standards in the industry, as well as improving design applications. In line with this, MIECO organizes an annual MIECO Designers' Choice Awards (MDCA), with the aim of nurturing young furniture designers towards creative application of wood panels.

MIECO is also committed to the development of its more than 950 employees around the world, and to building long-lasting, mutually rewarding partnerships with its customers and stakeholder communities around the world. It is this commitment that has made MIECO a true global Malaysian champion.

Mission

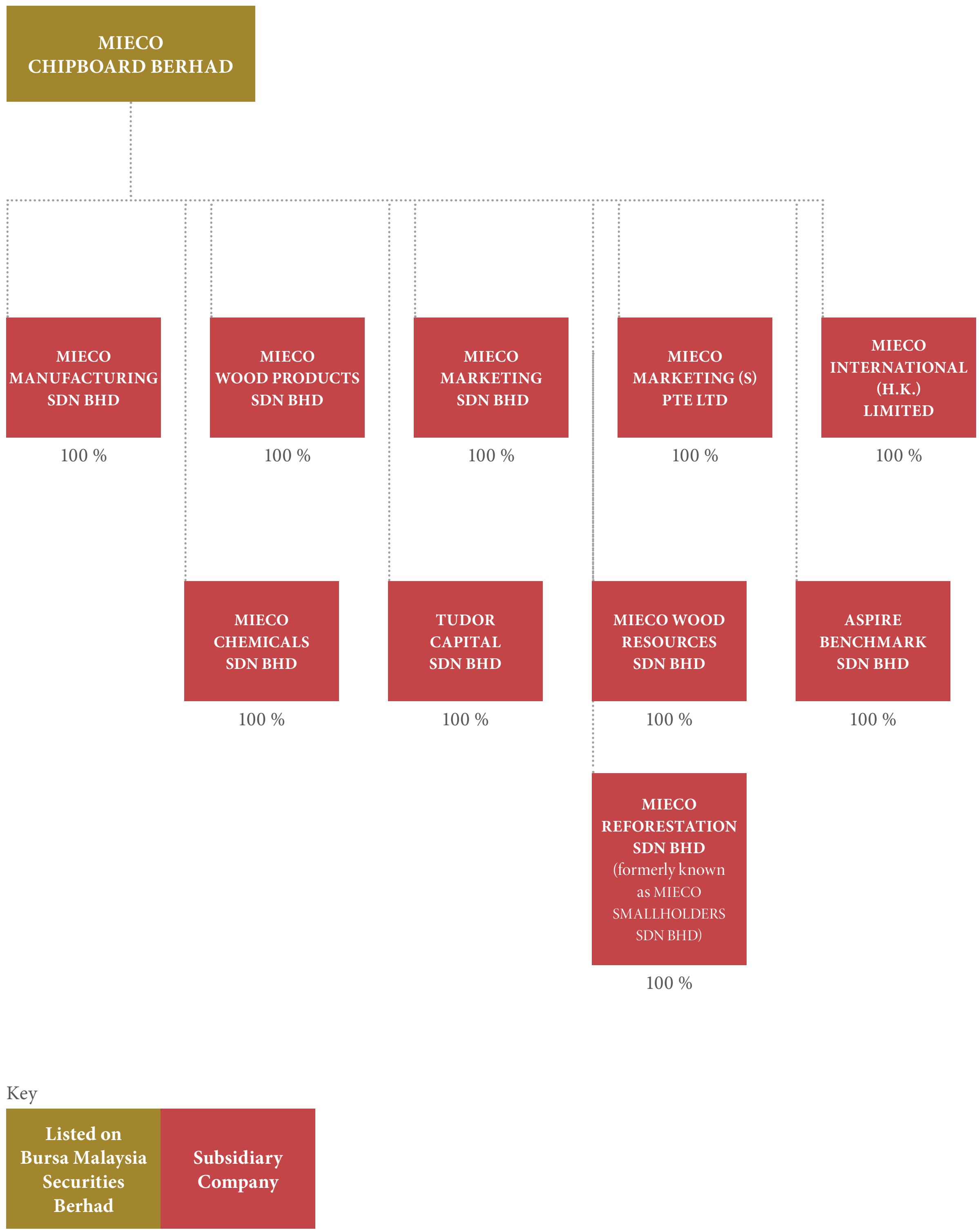
We emphasize dynamic innovation and creating value in all our products and services.

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

The Regia Walnut, a design that stands out through its evenly-striped character. The gradual planking is complimented by fine inlays of sapwood which reserves its typical identity of North American Walnut, which makes Regia Walnut an ideal furniture design both for fronts and corpuses.



Group Corporate Structure as at 21 April 2008

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 Vijeyaratnam a/l V. Thamotharam Pillay
NON-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' Seri Mohamed Daud
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' SY Yong
MANAGING DIRECTOR

Dato' Dr Amarjit Singh
INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Mohamed Moiz
EXECUTIVE CHAIRMAN

Dato' Jagan Sabapathy
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr T Vijeyaratnam
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr KS Low
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Dato' Mohamed Moiz Bin J M Ali Moiz
EXECUTIVE CHAIRMAN

Dato' Mohamed Moiz Bin J M Ali Moiz, a Malaysian, aged 47, was appointed to the Board on 14 November 2000 and as Non-Executive Chairman on 15 August 2002. He was subsequently redesignated as Executive Chairman of the Company on 1 January 2007. 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.

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 55, was appointed as Executive Director on 1 January 1994. He was subsequently 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.

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

Presently, Dato' Yong also serves as member on the Boards of Trustees of the Malaysian Furniture Promotion Council.

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 51, 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 Executive Committee and Remuneration Committee of 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.

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 72, 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 and 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.

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 58, 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 post-graduate 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 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 Vijeyaratnam a/l V. Thamotharam Pillay
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Vijeyaratnam a/l V. Thamotharam Pillay, a Malaysian, aged 56, was appointed to the Board on 1 October 2007. He is a member of the Audit Committee of the Company.

He is a Fellow of the Institute of Chartered Accountants in England and Wales and a member of the Malaysian Institute of Accountants. Mr Vijeyaratnam has considerable experience covering areas of auditing, financial planning, general management and corporate advisory in various business environments. He is currently the Managing Director of his own corporate advisory and consultancy company.

Presently, Mr Vijeyaratnam also sits on the boards of Bandar Raya Developments Berhad, Multi-Purpose Holdings Berhad, Eastern & Oriental Berhad, Fututech Berhad and several other private limited companies in Malaysia.

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.

Mr Low Kim Seng
NON-INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Low Kim Seng, a Malaysian, aged 53, 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 with 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 also a member of the Executive Committee of 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.

The Marasca Cherry is a subtle colourful sapwood that valleys with smooth wavy movements highlighting the natural origin of the wood. The lively though elegant colour undulation presents this cherry as the ideal design for modern living spaces.

Dear shareholders and stakeholders of the MIECO global community,

In 2007, we celebrated the 35th anniversary of the MIECO brand – a major milestone for a company that was incorporated in 1972, and started with just one production line in 1976.

Thirty-five years later, we have cemented our position as a major player in the global particle-board industry and we have built a brand that has become a true global Malaysian champion.

Our products are marketed in more than 20 countries around the world, and our global footprint now covers the North Asia, South Asia, Indian Subcontinents, the Middle East as well as some parts of Africa and the North American continent. We have one of the single largest particleboard production line in the Asia Pacific, at our plant in Kechau Tui, Pahang, with a maximum capacity in excess of 600,000 cubic metres per annum.

Despite the challenges we face – and there are many – we have much to be proud of, and especially so in 2007, when we made good progress against our path to performance and profit, by staying focused on our end goal, and by pushing the envelope.

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 2007.

2007 : A year of many challenges

In 2007, we intensified our efforts to push sales of our value-added products, to offset soaring costs of raw materials and lower selling prices in the face of stiff competition worldwide.

These helped push our revenue up by 6%, from RM330.4 million in 2006 to RM351.4 million in 2007.

Profit from operations was RM17.293m, down from RM26.495 million in 2006, mainly due to the very competitive market selling price in 2007.

Correspondingly, our full year Group profit before taxation was small, just RM0.6 million in 2007, compared to the RM10 million we achieved in 2006. This came mainly from the increase in production costs offset against disposal of an associated company.

Despite the improvements to our delivery systems, and the expansion of our range of value-added products, we faced some uphill battles.

Costs across the board continued to rise, from cost of raw materials through to cost of distribution.

The phenomenal rise of crude oil prices has raised the cost of transportation and distribution, while the strengthening of the Malaysian currency against major currencies has tapered our margins.

Compounding this has been the intense competition, especially from producers in the Asia-Pacific region. Selling pressure far outstripped demand, and we have had little choice but to absorb some of these rising costs. All this has put great pressure on our operating bottom line.

Still, we are fairly pleased with the progress MIECO has made this past year.

The team has been relentless in their pursuit of creating value-added products. In total, seven new MFC designs were introduced in 2008, including a new texture that resembles a real veneer finish. Another new launch, MIECO Decorative High Pressure Laminate Chipboard, with a patented anti-bacteria property, micro-PLUS, is designed in high gloss and stone textures, where the laminates is exclusively made for MIECO by Pfleiderer

of Germany. With this special laminates, it is also extended to a new series of MIECO Worktop with these outstanding features.

Operational improvements are progressively achieved at our three plants, and we are starting to see some cost savings in this area.

We continued to play a key role in the development of the Malaysian wood-based furniture industry, with our 2nd MIECO Designers' Choice Awards competition, which has been very well received by the interior design community. We also took part in several industry-led exhibitions in Malaysia, including the first-ever INTERIORS Malaysia 2007 fair.

We have been relentless in our marketing efforts, participating in a number of exhibitions in China and UAE, both growing markets with room for expansion. We also made good progress in India, Indonesia, Japan and Vietnam.

We took the decision to terminate our working arrangement with Matsushita Electric Works Ltd of Japan (MEW), on the research, development, manufacture and sale of kenaf fibreboard and kenaf particleboard through our joint venture company Mieco Matsushita Denko Sdn Bhd, in order to focus our available resources on improving our existing particleboard business. The signing of a joint venture termination agreement with them saw the disposal of our 49% equity interest in Panasonic MIECO Kenaf Malaysia Sdn Bhd, comprising 3,430,000 ordinary shares of RM1.00 each to MEW, for a total cash consideration of RM3,430,000.

Dividend

Based on our performance in 2007, the Directors do not recommend the payment of any dividend for the financial year 31 December 2007.

Moving forward: Expanding our global footprint through value-added products

Given the many challenges that we face, we have to continue to carve a clear and distinctive position in the marketplace. And we firmly believe that this will come from the growth of our base of value-added products. MIECO is still serving the traditional market, and we need to expand our base of customer by finding new users.

To this end, we will continue to invest in R&D, and explore new and innovative ways to meet customer demand. Our recent introduction of High Pressure Laminated (HPLC) boards, as an alternative to MFC boards, offers a much higher quality due to its durable laminates, and has additional benefits like the micro-PLUS anti-bacterial properties. This will give users, especially households, schools and healthcare environments additional peace of mind, and we will push to meet more needs in areas such as these.

We will also keep a close eye on plant efficiencies, and reduce operating costs where possible. We expanded our MFC lamination capacity in early 2008, with the aim of increasing the product-mix ratio of value-added goods. If the demand continues in this segment, we will continue to add more capacity to convert plain boards into higher value-added products.

More importantly, we will look for opportunities to pass on some of our increasing costs on to the customer. As market leader, we believe that any move on our part in this area will be quickly followed by our competitors, and collectively, as an industry, we should all be able to benefit from it.

Changes in the industry landscape will also need to be managed.

The rising cost of oil and steel will directly impact our operating costs, and will need to be watched and managed closely, as will the rising cost of labour.

The issue of wood resource is ever-present and the management team provides its undivided attention to address this concern. Wood prices have escalated due to higher demand from other wood users. The Company puts great emphasis in securing wood concessions as wood volumes coming from such areas are more certain and substantial. The Manufacturing, R&D and Marketing departments are intensifying efforts to jointly explore using more non rubber wood in the long run. In view of the gradual depletion of rubber wood supply due to reduced extraction arising from increase in latex prices and reduced acreage of rubber plantation, the Company has gradually introduced more non rubber wood and other under-utilised wood waste such as shavings and sawdust. In addition, efforts to improve efficiency in wood usage are aggressively being pursued. Through strategic planning and procurement efforts, the Company is confident to secure sufficient wood resources to fulfill our manufacturing requirements.

Whilst the market is very cautious about the downturn in the US economy, Malaysian furniture producers have since proactively and prudently turned to other growing economies like the Indian Subcontinents, the Middle-Eastern countries, Eastern European economies and Russia, which has helped mitigate some of the loss. If this volume can be sustained, we can even look to enjoy some growth in 2008 and beyond.

We strongly believe that by continuing to invest and reinvest in value-added products as a differentiation strategy, we will be able to cement MIECO's position as a world-leader. In 2008, we will stay focused on this strategy.

Our people: Pushing the envelope across borders

We have and continue to face many challenges in wood-based manufacturing industry. Through it all, our core team of employees have been steadfast in their loyalty to the brand, and their commitment to making it a world champion. I would like to take this opportunity to salute each and every one of them, from the machine operators in our plants, to our R&D staff who stay close to customers to understand their needs, to our sales and marketing teams who criss-cross borders in order to build and bridge new markets. And to the MIECO management team who continue to work harder and strive further.

To our loyal customers, a heartfelt thank you for your commitment to the MIECO brand, despite the overtures of our competitors. We value your continued loyalty, and commit to keeping your needs uppermost when we develop new products.

To our shareholders, I reiterate our steadfast belief in the MIECO brand, and ask that you share this belief. We are facing difficult times, but the best of brands rise from the most challenging of times, and I assure you that we will be there with you and for you through it all. We will make giving you solid returns our priority.

And finally, I would like to thank my fellow members of the Board – your collective support and encouragement has been the beacon that has taken us through this challenging year.

DATO' MOHAMED MOIZ BIN J M ALI MOIZ
CHAIRMAN
Kuala Lumpur, Malaysia
22 April 2008

Para pemegang saham dan pemegang taruh masyarakat MIECO yang dihormati,

Dalam tahun 2007, kita telah menyambut ulangtahun ke-35 MIECO – satu peristiwa penting bagi sebuah syarikat yang ditubuhkan pada 1972, yang bermula hanya dengan satu tertib pengeluaran pada 1976.

Tiga puluh lima tahun kemudiannya, kita telah mengukuhkan kedudukan kita sebagai pemain utama didalam industri global papan serpai dan kita telah membangunkan suatu jenama yang telah menjadi juara sebenar Malaysia diperingkat global.

Produk kami telah dipasarkan di lebih daripada 20 negara diseluruh dunia dan telah pun menjejaki pasaran di Asia Utara, Asia Selatan, benua kecil India, Timur Tengah, sebahagian kecil Afrika dan benua Amerika Utara. Kami mempunyai salah satu kilang pengeluaran papan partikel tunggal yang terbesar di Asia Pasifik yang terletak di Kechau Tui, Pahang dengan kapasiti maksimum pengeluaran melebihi 600,000 kubik meter padu setahun.

Walaupun menghadapi pelbagai cabaran mendatang – dan sebilangannya – amat membanggakan pihak kami, khususnya pada tahun 2007, bilamana kami terus menampakkan kemajuan terhadap prestasi & keuntungan syarikat, dengan sentiasa fokus kepada matlamat akhir kami seterusnya mengembangkan lagi pasaran kami merentasi sempadan.

Oleh yang demikian, adalah menjadi kebanggaan saya, mewakili pihak Lembaga Pengarah, untuk membentangkan Laporan Tahunan dan Penyata Kewangan Berodit bagi Kumpulan MIECO Chipboard (“MIECO” atau “Kumpulan”) bagi tahun kewangan berakhir 31 Disember 2007.

2007: Tahun yang cukup mencabar

Dalam tahun 2007, kami telah memperhebatkan usaha kami untuk meningkatkan jualan produk tambah nilai (value-added) bagi mengimbangi peningkatan kos bahan mentah serta penurunan harga jualan akibat daripada persaingan hebat di pasaran dunia.

Usaha tersebut telah membantu meningkatkan perolehan syarikat sebanyak 6%, meningkat daripada RM330.4 juta pada tahun 2006 kepada RM351.4 juta dalam tahun 2007.

Keuntungan daripada operasi adalah berjumlah RM17.293 juta, menurun daripada RM26.495 juta dalam tahun 2006 yang disebabkan oleh kesan harga jualan pasaran yang sangat kompetitif pada tahun 2007.

Susulan daripada itu, keuntungan sebelum cukai Kumpulan mengecil, iaitu hanya 0.6 juta dalam tahun 2007 berbanding RM10 juta yang dicapai pada tahun 2006. Keadaan ini berpunca akibat daripada peningkatan kos-kos pengeluaran yang diimbangi oleh pelupusan satu syarikat bersekutu.

Meskipun wujud kemajuan di dalam sistem penyerahan kita, serta dengan perkembangan dalam produk tambah nilai, pihak kami masih menghadapi laluan sukar.

Kos-kos secara keseluruhannya terus meningkat, daripada kos bahan mentah hinggalah kepada kos penghantaran.

Peningkatan luar biasa harga minyak mentah dunia telah secara langsung meningkatkan kos pengangkutan dan penghantaran manakala pengukuhan matawang Ringgit terhadap matawang-matawang asing utama dunia telah secara langsung mengecilkan margin keuntungan kami.

Kewujudan persaingan hebat dikalangan pengeluar-pengeluar dirantau Asia Pasifik turut menampakkan kesan yang negatif. Tekanan terhadap harga jualan yang jauh melebihi permintaan telah menyebabkan kami tidak mempunyai pilihan lain melainkan daripada menanggung sebahagian

daripada kenaikkan tersebut. Kesemua ini telah memberikan tekanan yang hebat keatas keuntungan operasi kami.

Namun, kami masih boleh berbangga dengan kemajuan yang dicapai MIECO pada tahun lepas.

Pasukan kami tidak berhenti-henti berusaha untuk menghasilkan produk-produk tambah nilai. Secara keseluruhannya, sebanyak tujuh rekabentuk MFC yang baru diperkenalkan dalam tahun 2008, termasuk tekstur baru yang mirip dengan kemasan veneer sebenar. Satu lagi produk baru yang dilancarkan, Papan Cip berlamian Tekanan Tinggi Hiasan MIECO, dengan paten bersifat anti-bakteria, micro-PLUS, yang dihasilkan dengan tekstur batu dan berlamina amat kilat, dimana lamina ini dibuat khusus untuk MIECO oleh Pfleiderer dari Jerman. Dengan wujudnya lamina khas ini, ianya juga diguna pakai untuk siri baru MIECO Worktop.

Kemajuan yang berterusan yang dicapai dalam institusi operasi di ketiga-tiga kilang kami terus dinikmati dan ianya mula menampakkan usaha penjimatan kos yang jitu.

MIECO juga terus memainkan peranan utama dalam pembangunan industri perabot berasaskan kayu di Malaysia dengan menganjurkan pertandingan Anugerah Pilihan Pereka MIECO yang ke-2, yang mendapat sokongan & sambutan menggalakkan daripada komuniti pereka hiasan dalaman. MIECO juga turut mengambil bahagian dalam beberapa pameran di Malaysia termasuk pameran INTERIORS Malaysia Fair 2007 yang diadakan buat julung-julung kalinya.

MIECO juga tidak putus-putus mempergiatkan usaha pemasaran dengan menyertai beberapa pameran di China dan UAE, dua pasaran dunia yang memperlihatkan potensi besar untuk berkembang. Kami juga terus membuat kemajuan yang baik didalam pasaran di India, Indonesia, Jepun dan Vietnam.

MIECO juga telah membuat keputusan untuk menamatkan kerjasama dengan Matsushita Electric Works Ltd of Japan (MEW) dalam bidang penyelidikan, pembangunan, pembuatan dan penjualan papan gentian kenaf dan papan partikel kenaf melalui syarikat usahama kami MIECO Matsushita Denko Sdn Bhd, dalam usaha untuk memberi tumpuan kepada sumber sediada bagi meningkatkan perniagaan papan partikel kami. Permeteraian perjanjian penamatan usahasama tersebut memperlihatkan pelupusan pegangan ekuiti sebanyak 49% dalam Panasonic MIECO Kenaf Malaysia Sdn Bhd yang melibatkan 3,430,000 saham biasa pada nilai RM1.00 sesaham dengan harga jualan tunai sebanyak RM3,430,000.

Dividen

Berdasarkan prestasi kami pada tahun 2007, pihak Lembaga Pengarah tidak mengesyorkan sebarang pembayaran dividen bagi tahun berakhir 31 Disember 2007.

Maju ke hadapan: Memperkembang jejak global kami melalui produk tambah nilai.

Memandangkan kepada pelbagai cabaran yang dihadapi, pihak kami perlu terus membentuk satu kedudukan yang jelas dan mempunyai ciri-ciri tersendiri didalam pasaran. Dan kami amat yakin bahawa matlamat ini akan tercapai melalui pertumbuhan produk-produk tambah nilai kami. MIECO masih lagi memenuhi pasaran tradisional dan kami perlu memperluaskan asas pelanggan kami dengan mencari pengguna-pengguna baru.

Bagi mencapai matlamat ini, kami akan terus melabur dalam penyelidikan dan pembangunan (‘R&D’), dan mengkaji kaedah baru dan inovatif bagi memenuhi permintaan pelanggan. Pengenalan Papan Cip Berlamina Tekanan Tinggi (High Pressure Laminated Chipboard – ‘HPLC’) yang baru, sebagai pilihan alternatif kepada papan MFC, menjanjikan kualiti yang lebih bermutu tinggi disebabkan oleh laminanya tahan lebih lama serta mempunyai keistimewaan tambahan seperti bersifat anti-bakteria micro-PLUS. Ini menambahkan keyakinan pengguna, khusus bagi penggunaan di rumah, sekolah dan penjagaan kesihatan, dan kami akan berusaha untuk terus memenuhi permintaan baru dalam sektor sedemikian.

Kami juga akan terus memberi penelitian terhadap kecekapan kilang, dan berusaha mengurangkan kos operasi di mana sahaja mungkin. Kami telah pun meningkatkan kapasiti laminasi MFC pada awal tahun 2008, dengan tujuan untuk menambahkan nisbah produk-campuran bagi barangan tambah nilai. Sekiranya permintaan dalam segmen ini berterusan, kami akan terus meningkatkan kapasiti bagi menukar papan cip biasa kepada produk tambah nilai yang berharga lebih tinggi.

Paling utama, kami akan mengkaji peluang-peluang untuk mengalihkan sebahagian daripada kenaikkan kos kepada para pengguna. Sebagai peneraju pasaran, kami yakin sebarang tindakan permulaan kami akan segera diikuti oleh pesaing kami, dan secara kolektifnya, sebagai sebuah industri, kami mampu untuk meraih manfaatnya.

Perubahan-perubahan didalam landskap industri juga perlu diuruskan.

Peningkatan didalam kos minyak dan keluli akan memberi kesan secara langsung ke atas kos operasi kami, dan keadaan ini perlu dipantau serta diurus dengan teliti termasuk juga peningkatan dalam kos buruh.

Isu-isu berkaitan dengan sumber perkayuan akan sentiasa wujud dan pihak pengurusan kami sentiasa memberikan perhatian yang serius dalam menangani isu tersebut. Harga-harga kayu telah melonjak akibat daripada peningkatan permintaan daripada pengguna kayu yang lain. Pihat syarikat telah memberi keutamaan dalam mendapatkan konsesi-konsesi kayu kerana jumlah kayu yang diperolehi daripada sumber sedemikian adalah lebih terjamin dan lebih banyak. Bahagian Pembuatan, Penyelidikan & Pembangunan dan Pemasaran kini giat mempertingkatkan usaha sama bagi mengkaji penggunaan kayu selain daripada kayu getah bagi tempoh jangka panjang. Memandangkan bekalan kayu getah beransur-ansur kurang akibat aktiviti pemotongan pokok getah mula berkurangan ekoran kenaikan harga susu getah dan pengurangan keluasan ladang getah, pihak syarikat telah beransur-ansur meningkatkan penggunaan kayu selain daripada kayu getah dan juga kayu buangan kilang yang kurang penggunaannya seperti tatal kayu dan habuk gergaji. Selain daripada itu, pihak syarikat juga turut memperhebatkan usaha mempertingkatkan kecekapan dalam penggunaan kayu. Melalui perancangan strategik dan usaha pemerolehan, pihak syarikat yakin akan memperolehi bekalan sumber kayu yang mencukupi bagi memenuhi keperluan pengilangan kami.

Walaupun pasaran dunia sangat berhati-hati dengan penurunan ekonomi Amerika Syarikat, pengeluar-pengeluar perabot Malaysia telah mengambil langkah proaktif dan secara bijak, mengalih pandangan kepada zon ekonomi membangun seperti benua kecil India, negara-negara Timur Tengah, ekonomi Eropah Timur dan Rusia, yang secara langsung mengurangkan kerugian yang ditanggung. Sekiranya volum tersebut dapat dikekalkan, pengeksport Malaysia dapat menikmati sedikit pertumbuhan pada tahun 2008 dan seterusnya.

Kami sangat yakin bahawa dengan sentiasa membuat pelaburan dan pelaburan semula dalam produk tambah nilai sebagai strategi mewujudkan pembezaan produk, kami akan berupaya untuk mengekalkan kedudukan MIECO sebagai peneraju di peringkat global. Pada tahun 2008, kami akan terus memberi fokus terhadap strategi ini.

Modal insan kami: Bergerak merentasi sempadan

Kami telah melalui dan akan terus berhadapan dengan pelbagai cabaran yang merentasi industri pembuatan berasaskan kayu. Dalam mengharungi laluan ini, kakitangan kami telah berpegang teguh pada kesetiaan mereka terhadap jenama MIECO, dan memberi komitmen mereka bagi menjadikannya juara di pasaran dunia. Saya ingin mengambil kesempatan ini merakamkan penghargaan kepada setiap pekerja MIECO, daripada operator mesin di kilang kami, kepada kakitangan R&D yang terus mendampingi pelanggan untuk memahami kehendak mereka, serta pasukan jualan dan pemasaran kami yang berulang-alik merentasi sempadan untuk membina dan menjalin pasaran baru. Juga kepada pasukan pengurusan MIECO yang sentiasa bekerja keras dan berusaha memperoleh pencapaian yang lebih baik.

Kepada pelanggan setia kami, dihulurkan satu ucapan terima kasih seikhlas hati kerana komitmen anda terhadap jenama MIECO, meskipun terdapat usaha-usaha pendekatan tertentu oleh pesaing kami. Kami menghargai kesetiaan anda yang berterusan dan kami komited untuk terus melayani keperluan anda sebaik mungkin apabila kami memperkenalkan produk baru.

Kepada para pemegang saham kami, saya mengulangi kepercayaan kami yang utuh terhadap jenama MIECO, dan berharap anda turut memberi kepercayaan yang sama. Kita menghadapi masa yang mencabar, namum jenama yang terbaik akan muncul daripada masa yang paling mencabarkan. Saya memberi kepastian kepada anda bahawa kami akan bersama anda dan akan mengharungi laluan ke arah kejayaan bagi pihak anda. Iltizam kami adalah untuk memberi pulangan yang baik kepada anda dan menjadikan usaha tersebut sebagai satu keutamaan kami.

Akhir kata, saya ingin merakamkan ucapan terima kasih kepada ahli-ahli Lembaga Pengarah – sokongan dan galakan anda merupakan penyuluh yang membawa kita bersama mengharungi dengan jayanya tahun yang mencabar ini.

DATO' MOHAMED MOIZ BIN J M ALI MOIZ
PENGERUSI
Kuala Lumpur, Malaysia
22 April 2008

2007 was a challenging year for Mieco Chipboard Berhad ("MIECO" or "the Group"), even as we celebrated the 35th anniversary of the company.

The strengthening of the Malaysian ringgit against major currencies and the rising cost of oil placed great pressure on our margins. This situation was further aggravated by the highly-competitive, price sensitive marketplace, which resisted any efforts on our part to raise prices. Given current market conditions, we are not in any position to pass on 100% of these rising costs to the end consumer.

The US market is also experiencing a slowdown, especially in the property sector which has been hit by the subprime mortgage crisis, and is affecting the rest of the Western European and Japanese financial sector who were involved in this secondary mortgage market in the US.

Our performance in 2007: An uphill battle to manage costs

In 2007, we made a strong effort to improve efficiencies, and stepped up our development of value-added products with the aim of protecting our bottom line as we weather the exceedingly competitive market environment and the challenge of rising costs.

However, these didn't negate the impact of the challenges entirely, and MIECO closed 2007 with revenue of RM351.4 million, up 6% from RM330.4 million in 2006, while profit from operations was RM17.293m, down from RM26.495 million in 2006.

Correspondingly, our full year Group profit was small, just RM0.6 million in 2007, compared to the RM10 million we achieved in 2006. This came mainly from the lowering of unit production costs and the disposal of an associated company.

Recognizing that growth can only come by expanding our customer footprint and broadening our range of value-added products, the team put a lot of effort into these two areas in 2007.

In total, seven new MFC designs were introduced beginning 2008, including a new veneer texture on MFC that resembles a real veneer finish. We also introduced MIECO Decorative High Pressure Laminated (HPLC) boards, as an alternative to MFC boards. Using a special laminate made by Pfliederer of Germany, under its brandname DUROPAL, we also incorporated this laminate to add on a new range of MIECO Worktop. These offer much higher quality due to its durability and have additional benefits such as the micro-PLUS anti-bacterial properties giving users, especially households, schools and healthcare environments, additional peace of mind. These products were very well received by the marketplace.

We also worked hard to open and drive growth in new markets, making steady progress in China, India and the Middle East, both markets which are experiencing a boom in property and lifestyle-related developments. We also made good progress in Indonesia, Japan andVietnam, and are starting to make headway in new economies like Cambodia, Laos and the eastern coastal countries of Africa.

We participated in a number of global exhibition events, which helped raise our profile in the marketplace, and opened new doors for us in emerging markets. Events where we showcased our products in 2007 included the 12th China International Furniture (Export) & Woodworking Machinery Exhibition, held at the Dalian Star-sea Convention and Exhibition Centre, from June 12–15, 2007 and the 17th INDEX Dubai 2007 (International Middle East Furniture and Interior Design Exhibition) at the Dubai International Exhibition & Convention Centre, from November 1–5, 2007.

We also continued to maintain our profile in our home base, participating in INTERIORS Malaysia 2007 at the MATRADE Exhibition & Convention Centre, Kuala Lumpur, from June 21–23, 2007 and the 14th Malaysian International Furniture Fair 2008 (MIFF) at Putra World Trade Centre (PWTC), Kuala Lumpur, from March 4–8, 2008.

In conjunction with the MIFF 2008 Fair, we held our 2nd MIECO Designers' Choice Awards in March 2008, aimed at nurturing young furniture designers on the creative application of wood-panel, such as MIECO particleboards, as well as to strengthen and grow Malaysia Brand as a key producer and exporter of high quality furniture.

We invested in training and development programmes to raise the level of skills and knowledge amongst our 884 member MIECO team, conducting over 7,000 hours of training aimed at all levels of the organization.

Planning for 2008 and beyond

We are well aware that the challenges we are currently facing will not change overnight, and we have to plan for the long haul, especially in the area of rising costs.

We must carve a clear and distinctive position in the marketplace, and we will focus on doing this by developing a broader base of value-added products, and expanding our customer base with new users.

We will also keep a close eye on plant efficiencies, and reduce operating costs where possible. We will expand our MFC lamination capacity in 2008, with the aim of increasing the product-mix ratio of value-added goods. If the demand continues in this segment, we will continue to add more capacity to convert plain boards into higher value-added products.

And we will make managing rising costs an immediate priority, primarily by passing on some of these costs to the end customer. We believe that this, if well-planned for, can be managed – as market leader we can nudge the market to follow suit, and the industry as a whole can benefit.

We will also need to manage changes in the industry landscape. We expect some changes in regulatory requirements and environmental standards but are confident that with our current standards, we will be able to meet these requirements comfortably.

Our plan for 2008 is to continue to focus on improving plant efficiencies, expanding our global footprint and building a broad base of value added products that cement our advantage over our competitors.

We are proud of our 35 years of achievements and our recognition as a global Malaysian champion, and will make every effort to ensure that we build and grow on this in 2008.

As a global Malaysian champion, MIECO is very aware of the contributions it can make to its stakeholders and the communities in which it operates, many of whom have supported the company through its 35 years of growth.

To this end, the company has a comprehensive community engagement and corporate social responsibility programme, which focuses on 3 main roles – MIECO's role as a leader in the Malaysian wood-based manufacturing industry, its role in the development of the East Coast state of Pahang, where all three of its manufacturing facilities are located, and its role as a member of the BRDB global community.

As an industry leader, MIECO has done much. Its relentless pursuit of the creation of value-added products has put Malaysia on the world-map of wood-based decorative products, and firmly cemented the brand as a global Malaysian champion, no small achievement given the intense competition in this industry. It is a recognition that all Malaysians can be justifiably proud of.

And at home, it has made a firm commitment towards nurturing and recognizing emerging young talent in the Malaysian design marketplace.

In 2006, MIECO announced that it would hold the inaugural MIECO Designer's Choice Award in 2007, with the primary objective of nurturing young furniture designers towards the creative application of wood panels in a way that befits the new lifestyle trends of today, and at the same time, raises the profile of Malaysian brands in the global marketplace.

The contest is open to manufacturers and individual professionals based in Malaysia, as well as student designers from local educational institutes. It is 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). Participants are encouraged to focus on designs that introduce new concepts and ideas for contemporary living, utilising particleboard wood panels.

MIECO launched its second MIECO Designer's Choice Award 2008 competition in September 2007, which has generated a high level of interest in the local marketplace and attracted 40% more contestants compared to the inaugural competition in 2006.

It is organized in collaboration with various organizations that share the same aim of raising the level and quality of wood-based application design in Malaysia, primarily the Malaysian International Furniture Fair (MIFF). And it is endorsed by the Ministry of Plantation Industries and Commodities, the Ministry of Domestic Trade and Consumer Affairs, the Malaysian Timber Industrial Board and the Malaysian Furniture Promotion Council.

It is also supported by the Interior Designers' Institute of Malaysia and Malaysia Society of Interior Designers. Judges comprise eminent personalities from the design and arts communities, educational institutions as well as key corporates who utilize these products.

As a key economic contributor to the East Coast state of Pahang, MIECO is actively involved in the development and support of the communities in the state.

Local community initiatives undertaken in 2007 included providing building materials to improve school facilities for SK Jabor, Kuantan, providing financial support to improve the school structure and maintenance for SMK Padang Tengku, Kuantan, and providing manpower during the BAKES 'Gotong-Royong' held at the Muslim Cemetery Kg. Kechau Tui, Kuala Lipis.

Financial support was provided to a few schools that were recently hit by floods in Johor, Pahang and Malacca. There are SJK (C) Sulong, SRK (C) York Chai, SJK (C) Pei Hwa, SJK (C) Ai Hwa, SJK (C) Chung San, SJK (C) Lok Yu 4, SMK Tun Habab, SMK Laksaman and SK Bandar in Johor, SK Bukit Serok, SK Chenua and SK Tenai in Pahang, and SJK (C) Chabau in Malacca. 1,070 sets of tables and chairs worth RM80,000 were distributed in aid to these schools affected by floods.

Apart from schools, MIECO has also aided its employees who were affected by the floods in Kuala Lipis and Kuantan, distributing furniture from its own Leonardo Series and providing dry food supplies.

To foster a good rapport with other companies in the East Coast, and to show its commitment to the state, MIECO participated in the Gebeng Industrial Group contingent at the state-level's 50^{th} Merdeka Day Celebrations in Kuantan, along with ten other Gebeng-based companies.

In addition, the company ran a number of employee engagement activities, designed to promote comradeship and a sense of belonging amongst members of the MIECO family.

Employee engagement activities in 2007 included a 4-corner sports event series that involved all its plants, friendly games with government bodies in the Kuala Lipis district, a series of fishing expeditions along the East Coast, a blood donation drive in Kechau Tui as well as festive Buka Puasa events at its different plants. The MIECO team also participated in a joint seminar with the BRDB group, designed to promote a better understanding of how each business unit was facing the challenges of the marketplace.

MIECO recognizes the importance of building strong, mutually-rewarding relationships with the communities in which it operates, and is committed to continuing and growing its community engagement activities in 2008 and beyond.

12–15 June 2007
MIECO participated in the 12th China International Furniture (Export) & Woodworking Machinery Exhibition, which was held in Dalian Star–Sea Convention & Exhibition Center, China. Over 450 exhibitors from China, Malaysia, France, USA, Canada, Germany, Japan, Korea, China, and other parts of the world participated in this exhibition.

20 June 2007
Thirty–Fourth Annual General Meeting of MIECO.

21–23 June 2007
MIECO participated in the INTERIORS Malaysia 2007, which was held in Matrade Exhibition & Convention Center (MECC), Kuala Lumpur, Malaysia. This fair, held for the first time in Malaysia, was jointly organised by IPDM & MSID. It served as a platform to showcase the latest products and services for the interior design and architectural industry from the South-East Asia region.

23 August 2007
Payment of first and final tax exempt dividend of 1% for the financial year ended 31 December 2006.

5 September 2007
Given the encouraging response last year, MIECO launched its 2nd MIECO Designer's Choice Awards 2008 competition, which was opened for submission. This contest, jointly organized with the Malaysian International Furniture Fair (MIFF), attracted the Manufacturers and Individual Professionals in the furniture industry that are based in Malaysia, as well as the Students category below the age of 35 years from the local institutes in Malaysia.

18 September 2007
Signing of Joint Venture Termination Agreement between MIECO and Matsushita Electric Works, Ltd of Japan ("MEW") to terminate the Joint Venture cum Shareholders Agreement dated 29 July 2004 and to dispose of MIECO's entire 49% equity interest in the joint venture company, Panasonic Mieco Kenaf Malaysia Sdn Bhd comprising 3,430,000 ordinary shares of RM1.00 each to MEW at a total cash consideration of RM3,430,000.

1 October 2007
Appointment of Mr Vijeyaratnam a/l V. Thamotharam Pillay as Director and Member of Audit Committee of the Company.

1–5 November 2007
MIECO participated in the 17th INDEX Dubai 2007 (International Middle East Furniture and Interior Design Exhibition) at the Dubai International Exhibition & Convention Centre led by the Malaysian Furniture Industry Council. INDEX is the largest event of its kind in the Middle East continent. National pavilions from Europe, America and Asia took part in this major event.

4–8 March 2008
MIECO participated in the 14th Malaysian International Furniture Fair ("MIFF") held at the Putra World Trade Centre ("PWTC"), Kuala Lumpur. Mieco introduced the latest 2008 collection of MIECO Decorative MFC and Decorative High Pressure Laminate Chipboard range which incorporating the latest technology of micro-PLUS Anti-Bacterial property built-in with premium High Gloss and Natural Stone texture finishes.

YB Mr Ng Lip Yong, Deputy Minister, Ministry of International Trade & Industry, officiated and presented to the winners during the award ceremony at the MIECO Designer's Choice Awards 2008 on 6 March 2008, during the third day of the MIFF Fair. Furniture prototypes of the finalists were displayed at the main podium of the PWTC and Matrade Exhibition Convention Center.

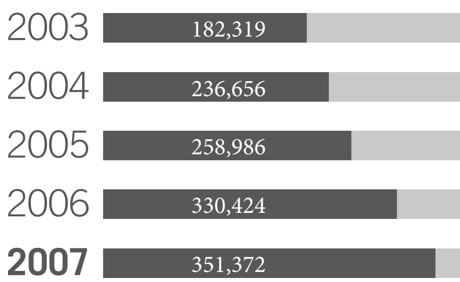
27–30 March 2008
MIECO participated in the INTERZUM Guangzhou 2008 exhibition, which was held concurrently with the 16th China International Furniture Fair, that attracted over 60,000 visitors from mainland China and overseas. Showcasing Raw Materials and Accessories, Office Furniture and Kitchen Furniture, this would be the largest furniture fair in China, and this year's exhibition space had doubled from last year's event.

29 May 2008
MIECO participated in INTERIORS Malaysia 2008, which was held at the Putra World Trade Centre ("PWTC"), Kuala Lumpur for 4 days beginning from 29 May 2008. Building on the successful debut in 2007, INTERIORS Malaysia 2008 continued to showcase the artistic interior and architectural products, while at the same time, challenging norms and creating impact on the many different approaches which can be taken via the new product launches during the show.

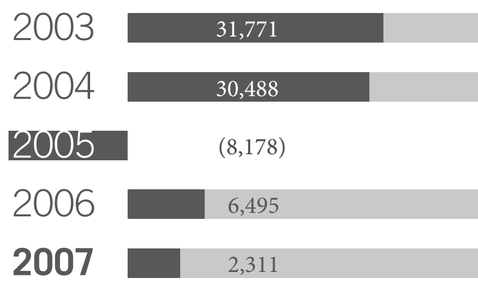
RM '000	2007	2006*	2005*	2004	2003
ASSETS					
Non current assets					
Property, plant & equipment	**513,145**	514,438	524,395	496,069	284,719
Prepaid lease rentals	**17,622**	17,862	16,523	16,688	12,432
Investment properties	**8,396**	6,878	7,302	7,461	7,620
Deferred tax assets	**490**	412	523	194	219
Associated companies	–	–	673	(83)	–
	539,653	539,590	549,416	520,329	304,990
Current assets	**167,522**	154,985	105,349	102,270	244,460
Non-current asset held for sale	**1,672**	1,750	–	–	–
TOTAL ASSETS	**708,847**	696,325	654,765	622,599	549,450
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the company					
Share capital	**210,000**	210,000	210,000	210,000	210,000
Reserves	**148,224**	148,422	142,240	166,168	137,451
Total equity	**358,224**	358,422	352,240	376,168	347,451
Non-current liabilities	**190,584**	77,631	125,345	176,424	171,837
Current liabilities	**160,039**	260,272	177,180	70,007	30,162
Total liabilities	**350,623**	337,903	302,525	246,431	201,999
TOTAL EQUITY AND LIABILITIES	**708,847**	696,325	654,765	622,599	549,450
GROUP RESULTS					
Revenue	**351,372**	330,424	258,986	236,656	182,319
Profit / (loss) before taxation	**561**	10,030	(6,423)	38,418	29,632
Tax credit/(expense)	**1,750**	(3,535)	(1,755)	(7,930)	2,139
Profit/(loss) after taxation	**2,311**	6,495	(8,178)	30,488	31,771
Dividend paid	**2,100**	–	15,750	15,750	10,500
Retained profit/(loss)	**211**	6,495	(23,928)	14,738	21,271
SELECTED RATIOS					
Earnings/(Loss) per share – basic (sen)	**1.10**	3.09	(3.89)	14.52	15.13
Proposed dividend per share (sen)	–	1.00	–	7.50	7.50
Net tangible assets per share (RM)	**1.71**	1.71	1.68	1.79	1.65

*The comparative figures with respect to prepaid lease rentals have been reclassified to conform with current year's presentation.

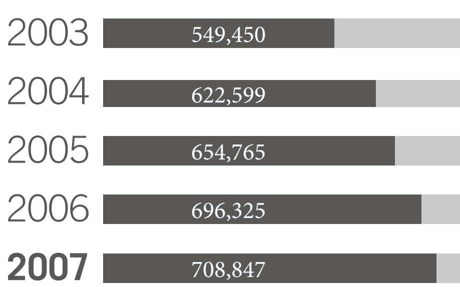
Revenue
RM '000



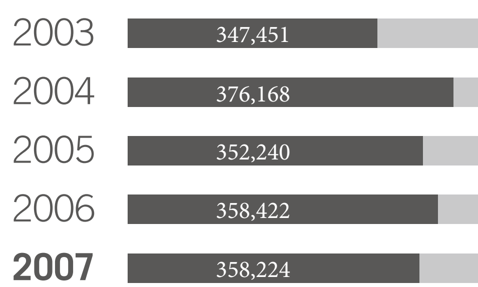
Profit/(Loss) After Taxation
RM '000

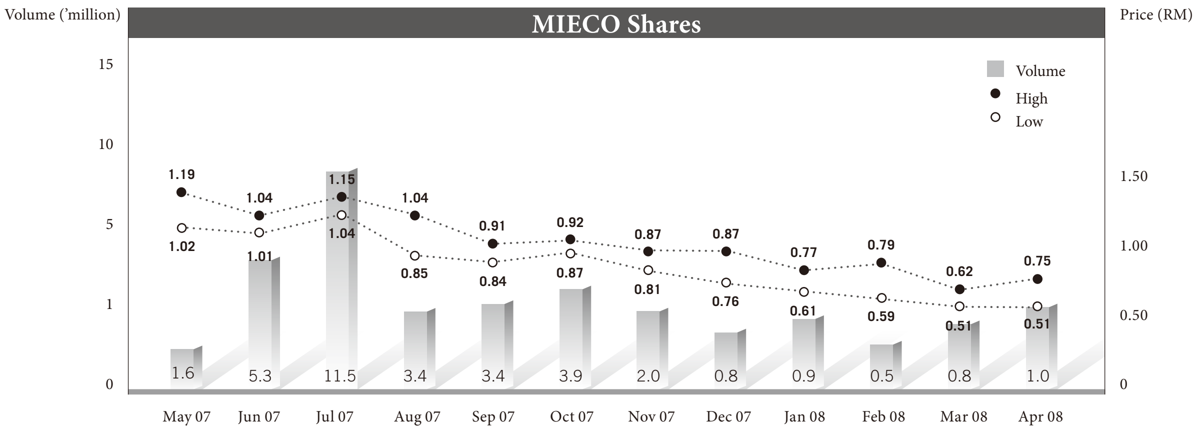


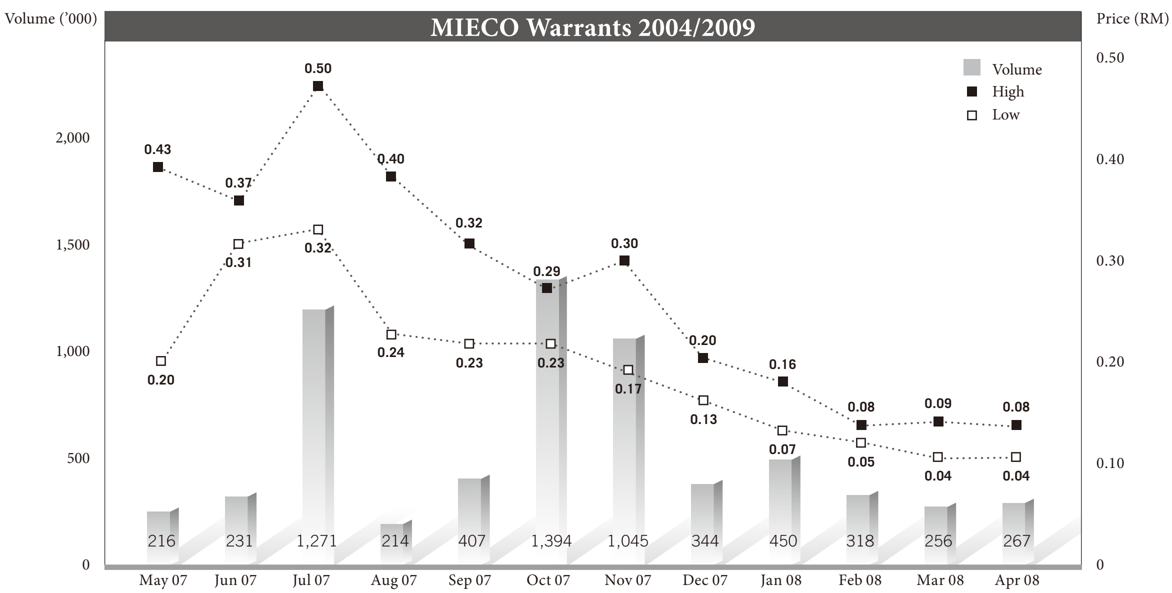
Total Assets
RM '000



Total Shareholders' Funds
RM '000




MIECO Shares
Volume ('million)
Price (RM)
Volume
High
Low
15
10
5
1
0
1.50
1.00
0.50
0
1.19
1.04
1.15
1.04
0.91
0.92
0.87
0.87
0.77
0.79
0.62
0.75
1.02
1.01
1.04
0.85
0.84
0.87
0.81
0.76
0.61
0.59
0.51
0.51
1.6
5.3
11.5
3.4
3.4
3.9
2.0
0.8
0.9
0.5
0.8
1.0
May 07
Jun 07
Jul 07
Aug 07
Sep 07
Oct 07
Nov 07
Dec 07
Jan 08
Feb 08
Mar 08
Apr 08


MIECO Warrants 2004/2009
Volume ('000)
Price (RM)
Volume
High
Low
2,000
1,500
1,000
500
0
0.50
0.40
0.30
0.20
0.10
0
0.43
0.37
0.50
0.40
0.32
0.29
0.30
0.20
0.16
0.08
0.09
0.08
0.20
0.31
0.32
0.24
0.23
0.23
0.17
0.13
0.07
0.05
0.04
0.04
216
231
1,271
214
407
1,394
1,045
344
450
318
256
267
May 07
Jun 07
Jul 07
Aug 07
Sep 07
Oct 07
Nov 07
Dec 07
Jan 08
Feb 08
Mar 08
Apr 08

CORPORATE 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 is pleased to report on the application of the principles of corporate governance contained in the Malaysian Code on Corporate Governance ("Code") and the extent of compliance with the best practices of the Code throughout the financial year 31 December 2007.

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

During the financial year, the Board's size was increased from six (6) to seven (7) with the appointment of Mr Vijeyaratnam a/l V. Thamotharam Pillay as an additional Non-Independent Non-Executive Director. Accordingly, the Board now comprises the Executive Chairman, Managing Director, two (2) Independent Non-Executive Directors and three (3) Non-Independent Non-Executive Directors. The Directors are individuals of high caliber and professionals in their own right, with diversified backgrounds, skills and expertise in the fields of business, finance, 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.

On 1 January 2007, Dato' Mohamed Moiz was redesignated from Non–Executive Chairman to Executive Chairman as the Board has, after having considered the increasing complexity of the Group's operations and the difficult operating conditions the Group was in, decided to leverage on Dato' Moiz's experience in the timber industry and for him to take a more active and direct role in the Group's operations and management, as well as to complement the role of Dato' Yong Seng Yeow, who was on the same date, redesignated from Executive Director to Managing Director. There is clear segregation of responsibilities between the Executive Chairman and Managing Director to ensure a balance of power and authority.

The presence of the two (2) Independent Non-Executive Directors fulfils the pivotal role in corporate accountability in ensuring 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 2007, six (6) Board meetings were held. The details of attendance of each Director are set out below:

Name of Director	Number of Meetings Attended
Dato' Mohamed Moiz bin J M Ali Moiz	4/6
Dato' Yong Seng Yeow	6/6
Dato' Jaganath Derek Steven Sabapathy	6/6
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	6/6
Dato' Dr Amarjit Singh a/l Santokh Singh	6/6
Mr Low Kim Seng	6/6
Mr Vijeyaratnam a/l V. Thamotharam Pillay *(appointed w.e.f. 1 October 2007)*	2/2

In advance of each Board meeting, the agenda together with the relevant board papers are forwarded to all Directors for them to review matters to be deliberated and to facilitate informed decision making by the Directors. 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. The Board also notes the decisions and salient issues deliberated by the Audit Committee through the minutes of the Audit Committee meetings, which are tabled to the Board.

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

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

Directors' Training

The Directors are mindful that they should receive appropriate continuous training in order to broaden their perspectives and to keep abreast with the development in the business environment as well as the new regulatory and statutory requirements.

During the year under review, all the Directors have attended seminars and briefings. The training programmes and seminars attended by the Directors were inter-alia, on areas relating to financial reporting, corporate leadership and governance. The details of training attended by the Directors in 2007 are as follows:

Dato' Mohamed Moiz bin J M Ali Moiz
– Improving Board of Directors Performance, Leadership & Governance : organised by Knowledge Group Consulting Sdn Bhd

Dato' Yong Seng Yeow
– Improving Board of Directors Performance, Leadership & Governance : organised by Knowledge Group Consulting Sdn Bhd

Dato' Jaganath Derek Steven Sabapathy
– Statement on CSR – What Do You Really Do? : organised by Asian Academy for Corporate Administration Sdn Bhd

Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar
– Corporate Social Responsibility : Integrating CSR Initiatives Into Your Core Business Activities : organised by LexisNexis

Dato' Dr Amarjit Singh a/l Santokh Singh
– How to Find the Land Mines in Financial Accounts : organised by Columbus Circle Governance Sdn Bhd; and
– Audit Committees Crucial Updates Conference : organised by Columbus Circle Governance Sdn Bhd

Low Kim Seng
– The Malaysian Code On Take-Overs and Mergers : Issues & Challenges : organised by Bursatra Sdn Bhd

Mr Vijeyaratnam a/l V. Thamotharam Pillay
– Improving Board of Directors Performance, Leadership & Governance : organised by Knowledge Group Consulting Sdn Bhd

Appointments To The Board

Appointments to the Board are based on recommendation of the Nomination Committee. In making the recommendation, the Nomination Committee considers the required mix of skills and experience which the new member should bring to the Board. The Board makes the final decision on appointments. During the year, Mr Vijeyaratnam a/l V. Thamotharam Pillay was appointed to the Board as Non-Independent Non-Executive Director.

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

The Board has delegated certain functions to the four (4) committees it has established to assist in the execution of its responsibilities. The committees are Audit Committee, Nomination Committee, Remuneration Committee and Executive Commitee.

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

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

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

Range of Remuneration	Executive Director	Non-Executive Director
Up to RM50,000	–	4
RM50,001 – RM100,000	–	1
RM250,001 – RM300,000	1	–
RM750,001 – RM800,000	1	–

The remuneration of the Directors for the financial year ended 31 December 2007 are set out on page 90 of this Annual Report.

INVESTOR RELATIONS

Dialogue Between The Company And Investors

The Board places great importance in ensuring the highest standards of transparency and accountability in the disclosure of information of interest to its shareholders as well as potential investors and the public. 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 AGM 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 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 41 and 42 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 38 to 40 of this Annual Report.

ACCOUNTABILITY AND AUDIT

Share Buybacks

The Company did not buy back any of its shares during the financial year ended 31 December 2007.

Exercise Of Options, Warrants Or Convertible Securities

Mieco Chipboard Berhad Employee Share Option Scheme which came into effect on 13 August 2002 had expired on 12 August 2007 without any options being granted. The Company has not issued any convertible securities in respect of the financial year ended 31 December 2007.

This exercise period of the 100, 000, 000 Warrants 2004/2009 issued by the Company on 22 April 2004 is 3 years commencing from and inclusive of the second anniversary of the date of issue of the Warrants (i.e. from 22 April 2006 to 21 April 2009). During the financial year ended 31 December 2007, there was no exercise of Warrants.

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

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

Variation In Results

There were no variances of 10% or more between the audited results for the financial year ended 31 December 2007 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 59 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 2007 or entered into since the end of the previous financial year ended 31 December 2006.

This statement was approved by the Board of Directors at its meeting held on 22 April 2008.

MEMBERS OF AUDIT COMMITTEE

The Audit Committee of Mieco Chipboard Berhad comprises fully of Non-Executive Directors. The members of the Audit Committee are as follows:

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

Members : Dato' Dr Amarjit Singh a/l Santokh Singh
Independent Non-Executive Director

Mr Vijeyaratnam a/l V. Thamotharam Pillay
Non-Independent Non-Executive Director
(appointed w.e.f. 1 October 2007)

Dato' Jaganath Derek Steven Sabapathy
Non-Independent Non-Executive Director
(resigned w.e.f. 1 October 2007)

TERMS OF REFERENCE OF AUDIT COMMITTEE

There were no changes made to the Terms of Reference of the Audit Committee during the year ended 31 December 2007. Subsequent to the financial year-end, the Terms of Reference have been revised and updated, where appropriate, to be in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad ("BMSB") in relation to corporate governance issued by BMSB on 28 January 2008. The Board has on 28 March 2008 approved the revised Terms of Reference of the Audit Committee. The revised Terms of Reference of Audit Committee are set out below.

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) all the Audit Committee members must be Non-Executive Directors, with a majority of them being Independent Directors;

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 or approved by BMSB.

d) no alternate Director shall be appointed as a member of the Audit Committee;

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

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

Chairman

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

Secretary

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

FUNCTIONS OF THE AUDIT COMMITTEE

The functions of the Audit Committee are as follows:

a) to review with the external auditors the audit plan, audit report and their evaluation of the system of internal controls; and the assistance given by the 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:

- changes in or implementation of 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, competency 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 and any questions of resignation or dismissal;

j) to report promptly to BMSB 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 auditors and person(s) carrying out the internal audit function or activity;

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; and

f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed 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, at least once a year, meet with the external auditors without any executive Board member present. At the request of the external auditors or internal auditors, the Chairman shall convene an Audit Committee meeting to consider any matter that the external auditors or internal 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 2007, five (5) Audit Committee meetings were held. The details of attendance of the Committee members are as follows:

Name of Director	Number of Meetings Attended
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar – Chairman	5/5
Dato' Dr Amarjit Singh a/l Santokh Singh	5/5
Mr Vijeyaratnam a/l V. Thamotharam Pillay *(appointed w.e.f. 1 October 2007)*	1/1
Dato' Jaganath Derek Steven Sabapathy *(resigned w.e.f. 1 October 2007)*	4/4

The internal auditors attended three (3) Audit Committee meetings to present their internal audit reports. The external auditors were present at three (3) of the Audit Committee meetings.

Minutes of Audit Committee meeting were tabled for confirmation at the next Audit Committee meeting and subsequently distributed to the Board for noting. The Audit Committee Chairman conveyed to the Board matters of significant concern from time to time.

The Audit Committee carried out its duties in accordance with its terms of reference during the financial year ended 31 December 2007. The activities carried out by the Audit Committee during the financial year ended 31 December 2007 included the following:

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

ii) reviewed 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) reviewed and approved the Audit Committee Report for inclusion in the Company's Annual Report;

iv) reviewed the quarterly unaudited financial results and year-end audited financial statements of the Group before recommending them to the Board for approval;

v) reviewed the audit memorandum, issues and management's response to the external auditors;

vi) reviewed internal audit reports with the internal auditors, especially with regard to the issues raised, audit recommendations and management's 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

vii) reviewed related party transactions of the Group.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to an independent consulting firm. The outsourced internal audit function 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, the internal auditors carried out planned visits to key business operating units and conducted various assignments on the Group. Areas audited included health and safety audit at Plant 2 (Gebeng), warehouse and logistic management system at Plant 3 (Lipis), internal contract labour at Gebeng, staff travel and entertainment cost and preventive maintenance. The internal auditors also conducted follow-up audits on procurement at Plant 3, sales forecasting & planning, spare parts management, security management at Plant 3, weighbridge system and wood sourcing function to ensure that all recommendations have been implemented.

The resulting reports of the audits undertaken were issued to the management of the respective operating companies concerned, incorporating audit recommendations and management's response. The completed audits were ultimately reported to the Audit Committee. 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.

INTRODUCTION

The Board of Directors is committed to maintaining a sound system of internal control within the Group and is pleased to provide the following statement which outlines the nature and scope of internal control of the Group during the year under review pursuant to the Listing Requirements of Bursa Malaysia Securities Berhad.

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's Risk Management Framework compiled in 2003 was reviewed by senior management and divisional heads of the Group. They have profiled and compiled their respective risk registers together with the associated controls and mitigation plans to mitigate the identified risks. With the assistance of the outsourced internal auditors, the Group has during the year 2007 compiled a risk management profile specifically on Human Resource. Management has put in place action plans to significantly mitigate high impact risks.

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 MIECO QMS, EMS and OHSAS certifications. The Company was accorded the prestigious QMS ISO 9002:1994 certification in April 1998, which certification was upgraded to QMS ISO 9001:2000 in September 2002 and BS EN ISO 9001:2000 & MS ISO 9001:2000 in 2005. In January 2004, the Company was accorded ISO 14001:1996 certification and which certification was upgraded to ISO 14001:2004 EMS in 2007. In March 2005, the Company's wholly-owned subsidiary, Mieco Manufacturing Sdn Bhd achieved certification in OHSAS 18001:1999 in Gebeng, Pahang.

  As an on-going continual improvement to integrate best practices within all sites, the Group achieved another milestone in March 2007 for a single certification of BS EN ISO 9001:2000 & MS ISO 9001:2000 covering the plants in Semambu, Gebeng and Kechau Tui. The Group is actively working towards acquiring JIS (Japanese Industrial Standards) Mark Certification in Sept 2008 to evidence product reliability for the Japanese market. These certifications reflect the Group's serious commitment to meet the needs and expectations of informed and demanding customers.

  The Group has implemented and achieved excellent standard requirements of 5S Practices starting 2004 and won the national 5S Award 2005 for Open-Manufacturing category. In the same year, the Group won the Human Resources Development Award in recognition of the Group's active involvement in Retraining and Upgrading of Employees' Skills.

- Regular Board and Management meetings are held to assess performance and controls in all facets of operations. Senior management meets 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.

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 22 April 2008.

FINANCIAL STATEMENTS

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 2007.

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 for the financial year	2,311	2,672

DIVIDENDS

In respect of the financial year ended 31 December 2006, a first and final tax exempt dividend of 1 sen per share on 210,000,000 ordinary shares, amounting to RM2.1 million was paid on 23 August 2007.

The Directors do not recommend the payment of any dividend for the financial year 31 December 2007.

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
Vijeyaratnam a/l V. Thamotharam Pillay (appointed on 1.10.2007)

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

In accordance with Article 88 of the Company's Articles of Association, Vijeyaratnam a/l V. Thamotharam Pillay retires and being eligible, offers himself 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

According to the Register of Directors' Shareholdings, particulars of interests 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 were as follows:

Shares Held in the Company

	Number of ordinary shares of RM 1.00 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Direct interest				
Dato' Yong Seng Yeow	84,800	15,200	0	100,000
Low Kim Seng	10,000	0	0	10,000
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	16,000	0	0	16,000
Dato' Dr. Amarjit Singh a/l Santokh Singh	100,000	0	0	100,000
Indirect interest				
Dato' Mohamed Moiz bin J M Ali Moiz	119,193,971*	0	0	119,193,971*
Dato' Dr. Amarjit Singh a/l Santokh Singh	0	70,000**	0	70,000**

Warrants Held in the Company

	Number of warrants 2004/2009			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Direct interest				
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				
Dato' Mohamed Moiz bin J M Ali Moiz	40,100,230*	0	0	40,100,230*
Dato' Dr. Amarjit Singh a/l Santokh Singh	0	16,666**	0	16,666**

DIECTORS' INTERESTS (CONT.)

**Shares Held in Holding Company
– Bandar Raya Developments Berhad**

	Number of ordinary shares of RM 1.00 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
Direct interest				
Low Kim Seng	57,000	0	0	57,000
Indirect interest				
Dato' Mohamed Moiz bin J M Ali Moiz	92,070,812*	0	0	92,070,812*

**Warrants Held in Holding Company
– Bandar Raya Developments Berhad**

	Number of warrants 2007/2012			
	At 1.1.2007/Date of appointment	Bought	Sold	At 31.12.2007
Direct interest				
Low Kim Seng	0	25,650	0	25,650
Indirect interest				
Dato' Mohamed Moiz bin J M Ali Moiz	0	41,431,865*	0	41,431,865*
Vijeyaratnam a/l V. Thamotharam Pillay	0	170,000**	0	170,000**

* Indirect interest held through Ambang Sehati Sdn. Bhd.

** Indirect interest held through spouse

Other than as disclosed above, none of the Directors in office at the end of the financial year had any interest 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 had expired on 12 August 2007 without any options being granted.

SIGNIFICANT EVENTS

1) Proposed Share Buy-Back

At the Annual General Meeting held on 20 June 2007, 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.

The said authorisation shall expire at the conclusion of the next Annual General Meeting of the Company to held in 2008.

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

2) Acquisition of Share in Mieco Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.)

On 30 April 2007, the Company's wholly-owned subsidiary, Mieco Wood Resources Sdn. Bhd. ("MWR") acquired from Smallholders Development Corporation Sdn. Bhd. the remaining 50% equity interest in Mieco Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.) ("MRSB") comprising 1 ordinary share of RM1.00, for cash at par.

Following the acquisition, MRSB is now a wholly-owned subsidiary of MWR.

SIGNIFICANT EVENTS (CONT.)

3) Termination of Joint Venture Agreement

The Company had on 29 July 2004 entered into a Joint Venture cum Shareholders Agreement ("JVA") with Matsushita Electric Works, Ltd of Japan ("MEW") to undertake the research and development, manufacture, marketing and sale of kenaf fibreboard and kenaf particleboard through a joint venture company incorporated under the name 'Mieco Matsushita Denko Sdn. Bhd.'. The company has since changed its name to 'Panasonic Mieco Kenaf Malaysia Sdn. Bhd.' ("PMK").

On 18 September 2007, the Company entered into a Joint Venture Termination Agreement with MEW to terminate the JVA and for that purpose, to dispose of the Company's entire 49% equity interest in PMK comprising 3,430,000 ordinary shares of RM1.00 each to MEW at a total cash consideration of RM3,430,000. The disposal was completed on 27 September 2007.

Following the disposal, PMK had ceased to be an associated company of the Company.

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

The Company had on 29 and 30 January 2007 repurchased the balance RM80 million face value of MMTN.

The MCP/MMTN Programme was cancelled on 17 September 2007 as the said Programme is no longer required.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

No contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group or the Company to meet their obligations when they fall due.

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

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

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

OTHER STATUTORY INFORMATION

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

In the opinion of the Directors:

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

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

GENERAL INFORMATION

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

The number of employees of the Group and the Company at the end of the financial year amounted to 922 (2006: 843) and 33 (2006: 32) respectively.

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

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

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

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

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

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

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

AUDITORS

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

In accordance with a resolution of the Board of Directors dated 22 April 2008.

DATO' MOHAMED MOIZ BIN J M ALI MOIZ
DIRECTOR

DATO' YONG SENG YEOW
DIRECTOR

		Group		Company	
	Note	**2007 RM '000**	2006 RM '000	**2007 RM '000**	2006 RM '000
ASSETS					
NON CURRENT ASSETS					
Property, plant & equipment	6	**513,145**	514,438	**282**	298
Prepaid lease rentals	7	**17,622**	17,862	**0**	0
Investment properties	8	**8,396**	6,878	**5,846**	4,402
Subsidiary companies	9	**0**	0	**52,495**	52,495
Associated companies	10	**0**	0	**0**	0
Amount due from a subsidiary company	11	**0**	0	**464,123**	457,405
Deferred tax assets	21	**490**	412	**332**	184
		539,653	539,590	**523,078**	514,784
CURRENT ASSETS					
Inventories	12	**48,931**	51,789	**0**	0
Receivables, deposits and prepayments	13	**85,351**	61,606	**1,860**	3,129
Marketable securities	14	**593**	884	**0**	0
Tax recoverable		**1,326**	3,051	**0**	1,269
Short term deposits	15	**17,360**	26,641	**202**	365
Cash and bank balances	15	**13,961**	11,014	**182**	150
		167,522	154,985	**2,244**	4,913
Non-current asset held for sale	16	**1,672**	1,750	**0**	0
		169,194	156,735	**2,244**	4,913
TOTAL ASSETS		**708,847**	696,325	**525,322**	519,697
EQUITY AND LIABILITIES					
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share captial	**17**	**210,000**	210,000	**210,000**	210,000
Reserves	**18**	**148,224**	148,422	**128,589**	128,017
TOTAL EQUITY		**358,224**	358,422	**338, 589**	338,017
NON CURRENT LIABILITIES	19	**7,974**	7,232	**281**	151
Provisions	20	**164,388**	50,000	**163,815**	50,000
Borrowings	21	**18,222**	20,399	**0**	0
Deferred tax liabilities					
		190,584	77,631	**164,096**	50,151
CURRENT LIABILITIES					
Trade and other payables	22	**78,597**	78,248	**8,155**	4,529
Provisions	19	**0**	1,051	**0**	0
Borrowings	20	**80,244**	180,950	**13,343**	127,000
Taxation		**1,198**	23	**1,139**	0
		160,039	260,272	**22,637**	131,529
TOTAL LIABILITIES		**350,623**	337,903	**186,733**	181,680
TOTAL EQUITY AND LIABILITIES		**708,847**	696,325	**525,322**	519,697

Balance Sheets
As at 31 December 2007

		Group		Company	
	Note	**2007 RM '000**	2006 RM'000	**2007 RM '000**	2006 RM '000
Revenue	24	**351,372**	330,424	**3,685**	3,371
Other operating income		**4,898**	7,552	**343**	350
Changes in inventories of finished goods and work in progress		**(2,858)**	8,679	**0**	0
Raw materials and consumables used		**(237,801)**	(214,887)	**0**	0
Hiring of vehicles and equipment		**(8,394)**	(8,331)	**0**	0
Cost of investment disposed		**(282)**	(592)	**0**	0
Staff costs	25	**(29,886)**	(27,867)	**(2,367)**	(2,146)
Depreciation		**(15,028)**	(15,274)	**(84)**	(97)
Amortisation of prepaid lease rentals		**(232)**	(220)	**0**	0
Write back of /(allowance for) impairment and fair value losses		**1,372**	(1,081)	**1,444**	(3,712)
Upkeep, repairs and maintenance of assets		**(8,963)**	(7,391)	**(135)**	(153)
Utilities		**(19,677)**	(19,115)	**(2)**	(2)
Impairment of marketable securities		**(9)**	0	**0**	0
Research and development expenses		**(272)**	(139)	**0**	0
Gain on disposal of an associate company		**3,430**	0	**3,430**	0
Other operating expenses		**(20,377)**	(25,263)	**(2,359)**	(1,650)
Profit/(loss) from operations	26	**17,293**	26,495	**3,955**	(4,039)
Finance costs	27	**(16,664)**	(15,792)	**(1,434)**	(3,088)
Share of losses in associated companies	10	**(68)**	(673)	0	0
Profit/(loss) before taxation		**561**	10,030	**2,521**	(7,127)
Tax expense					
–Company and subsidiaries	28	**1,750**	(3,535)	**151**	(953)
Net profit/(loss) for the financial year		**2,311**	6,495	**2,672**	(8,080)
Earnings per share (sen)	29	**1.10**	3.09		
Diluted earnings per share (sen)	29	**N.A**	N.A		
Proposed dividend per share (sen)	30	**0**	1	**0**	1

Income Statements
For the Year Ended 31 December 2007

	Issued and fully paid ordinary shares of RM1 each		Attributable to equity holders of the Company				
			Non-distributable		Distributable		
	Number of shares '000	Nominal value RM '000	Share premium RM '000	Foreign currency reserve RM '000	Retained earnings RM '000	Warrant reserve RM '000	Total equity RM '000
At 1 January 2006	210,000	210,000	5,866	0	122,395	13,979	352,240
Foreign currency translation, representing net expense recognised directly in equity	0	0	0	(313)	0	0	(313)
Net profit for the financial year	0	0	0	0	6,495	0	6,495
Total recognised income and expenses for the year	0	0	0	(313)	6,495	0	6,182
At 31 December 2006	210,000	210,000	5,866	(313)	128,890	13,979	358,422
At 1 January 2007	210,000	210,000	5,866	(313)	128,890	13,979	358,422
Foreign currency translation, representing net expense recognised directly in equity	0	0	0	(409)	0	0	(409)
Net profit for the financial year	0	0	0	0	2,311	0	2,311
Total recognised income and expenses for the year	0	0	0	(409)	2,311	0	1,902
Dividend for financial year 2006	0	0	0	0	(2,100)	0	(2,100)
At 31 December 2007	210,000	210,000	5,866	(722)	129,101	13,979	358,224

Consolidated Statement of Changes In Equity
For the Year Ended 31 December 2007

	Issued and fully paid ordinary shares of RM1 each		Non-distributable	Distributable		
	Number of shares '000	Nominal value RM' 000	Share premium RM '000	Retained earnings RM' 000	Warrant reserve RM'000	Total equity RM' 000
At 1 January 2006	210,000	210,000	5,866	116,252	13,979	346,097
Net loss for the financial year	0	0	0	(8,080)	0	(8,080)
At 31 December 2006	210,000	210,000	5,866	108,172	13,979	338,017
At 1 January 2007	210,000	210,000	5,866	108,172	13,979	338,017
Net profit for the financial year	0	0	0	2,672	0	2,672
Dividend for financial year 2006	0	0	0	(2,100)	0	(2,100)
At 31 December 2007	210,000	210,000	5,866	108,744	13,979	338,589

Company Statement of Changes in Equity
For the Year Ended 31 December 2007

	Note	Group 2007 RM '000	Group 2006 RM '000	Company 2007 RM '000	Company 2006 RM '000
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(loss) after taxation		**2,311**	6,495	**2,672**	(8,080)
Adjustments for:					
Allowance of impairment loss of marketable securities		**9**	0	**0**	0
Fair value adjustments on investment properties		**(1,372)**	1,081	**(1,444)**	3,712
Depreciation of property, plant and equipment	6	**15,028**	15,274	**84**	97
Amortisation of prepaid lease rentals	7	**232**	220	**0**	0
Loss on disposal of property, plant and equipment		**42**	377	**0**	0
(Write back of)/allowance for bad and doubtful debts		**(1,490)**	2,418	**431**	(65)
Allowance of inventories obsolescence		**1,492**	1,618	**0**	0
Finance cost	27	**16,664**	15,792	**14,046**	13,734
Finance income		**(116)**	(186)	**(12,612)**	(10,646)
Provision for staff retirement benefits		**1,282**	1,238	**149**	136
Tax expense		**(1,750)**	3,535	**(151)**	953
Dividend income		**(28)**	(26)	**(200)**	0
Gain on disposal of marketable securities		**(376)**	(179)	**0**	0
Share of loss in associated company		**68**	673	**0**	0
(Write back of)/allowance for back dated wages		**(265)**	929	**0**	(1)
Unrealised gain on foreign exchange		**(1,833)**	(7)	**(8)**	0
Gain on disposal of investment		**(3,430)**	0	**(3,430)**	0
		26,468	49,252	**(463)**	(160)
Changes in working capital:					
Decrease/(increase) in inventories		**1,686**	(10,297)	**0**	0
(Increase)/decrease in receivables		**(25,438)**	(21,865)	**(7)**	1,018
(Decrease)/increase in payables		**(154)**	16,923	**1,848**	(669)
Increase/(decrease) in inter–company balances		**503**	261	**(6,222)**	(4,698)
		3,065	34,274	**(4,844)**	(4,509)
Payments of staff retirement benefits		**(540)**	(577)	**(19)**	0
Payments of back dated wages		**(786)**	0	**0**	0
Net income tax		**2,414**	(1,277)	**2,451**	(7)
Net cash flows from/(used in) operating activities		**4,153**	32,420	**(2,412)**	(4,516)

	Note	Group 2007 RM '000	Group 2006 RM '000	Company 2007 RM '000	Company 2006 RM '000
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment and lease land	6,33	**(13,155)**	(9,713)	**(68)**	(27)
Finance income		**116**	187	**12,612**	10,646
Proceeds from disposal of property, plant and equipment		**205**	53	**0**	0
Proceeds from disposal of marketable securities		**658**	771	**0**	0
Proceeds from disposal of investment in associated company		**3,430**	0	**3,430**	0
Dividend income		**28**	26	**200**	0
Investment in subsidiary		**0**	0	**0**	(450)
Net cash flows (used in)/from investing activities		**(8,718)**	(8,676)	**16,174**	10,169
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of hire purchase liabilities		**(148)**	(188)	**0**	(35)
Finance cost		**(14,605)**	(15,809)	**(14,046)**	(13,734)
Dividend paid		**(2,100)**	0	**(2,100)**	0
Repayment of MCP/MMTN		**(80,000)**	(95,000)	**(80,000)**	(95,000)
Net proceeds from term loan		**82,253**	97,000	**82,253**	97,000
Net proceeds from bankers acceptance		**12,854**	12,968	**0**	0
Net cash flows used in financing activities		**(1,746)**	(1,029)	**(13,893)**	(11,769)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(6,311)**	22,715	**(131)**	(6,116)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		**37,655**	14,940	**515**	6,631
EFFECTS OF EXCHANGE RATE CHANGES		**(23)**	0	**0**	0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	15	**31,321**	37,655	**384**	515

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 consist of:
–manufacturing, selling and marketing of chipboards and related products
–reforestation, harvesting, extraction, supply and procurement of rubber wood
–investment holding
–trading and property investments

On 18 September 2007, the Company entered into a Joint Venture Termination Agreement with Matsushita Electric Works, Ltd of Japan ("MEW") to terminate the Joint Venture cum Shareholders Agreement ("JVA") and for that purpose, to dispose of the Company's entire 49% equity interest in Panasonic Mieco Kenaf Malaysia Sdn. Bhd. ("PMK") comprising 3,430,000 ordinary shares of RM1.00 each to MEW at a total cash consideration of RM3,430,000. The disposal was completed on 27 September 2007.

Other than the above, there were no changes in the activities of the Group during the year.

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.

The preparation of accounting statements in conformity with Financial Reporting Standards requires the use of certain critical accounting 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 effective for the Group financial year beginning 1 January 2007 are as follows:

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

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 require retrospective application.

The adoption of the above new accounting standards and amendments to published standards did not results in substantial changes to the Group accounting policies.

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

b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group but not yet effective

The new and revised standards, amendments to published standards and interpretations that are applicable to the Group, but which the Group has not early adopted, are as follows:

- Amendment to FRS 121 The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operations (effective for accounting periods beginning on or after 1 July 2007). This amendment requires exchange differences on monetary items that form part of the net investment in a foreign operation to be recognised in equity instead of in profit or loss regardless of the currency in which these items are denominated in. The Group will apply this amendment from financial periods beginning on 1 January 2008.

- FRS 112 Income Taxes (effective for accounting periods beginning on or after 1 July 2007). This revised standard removes the requirements that prohibit recognition of deferred tax on unutilised reinvestment allowances or other allowances in excess of capital allowances. The Group will apply this standard from financial periods beginning on 1 January 2008. The impact, if this revised standard was early adopted in financial year ended 31 December 2007, is set out in Note 21.

- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the original standards:

  –FRS 107 Cash Flow Statements
  –FRS 118 Revenue
  –FRS 137 Provisions, Contingent liabilities and Contingent Assets

The Group will apply these standards from financial periods beginning on 1 January 2008.

- FRS 139 Financial Instruments : Recognition and Measurement (effective date yet to be determined by the Malaysian Accounting Standards Board). The Group will apply this standard when effective. The Group has applied the transitional provision in FRS 139 which exempts entities from disclosing the possible impact arising from the initial application of this standard on the financial statements of the Group and Company.

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group

- FRS 120 Accounting for Government Grants and Disclosure of Government Assistance (effective for accounting periods beginning on or after 1 July 2007). This revised standard allows the alternative treatment of recording non-monetary government grant at nominal amount on initial recognition.

- IC Interpretation 1 Changes in Existing Decommissioning, Restoration and Similar Liabilities (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with changes in the estimated timing or amount of the outflow of resources required to settle the obligation, or a change in the discount rate.

- IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (effective for accounting periods beginning on or after 1 July 2007). This interpretation deals with liability or equity classification of financial instruments which give the holder the right to request redemption, but subject to limits on whether it will be redeemed.

- 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). This interpretation deals with accounting by a contributor for its interests arising from decommissioning funds.

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

c) Standards, amendments to published standards and interpretations to existing standards that are not yet effective and not relevant to the Group (cont.)

- 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). This interpretation provides guidance on the recognition, in the financial statements of the producers, of liabilities for waste management under the European Union Directive in respect of sales of historical household equipment.

- IC Interpretation 7 Applying the Restatement Approach under FRS 129 Financial Reporting in Hyperinflationary Economies (effective for accounting periods beginning on or after 1 July 2007). This interpretation provides guidance on how to apply the requirements of FRS 129 in a reporting period in which an entity identifies the existence of hyperinflationary in the economy of its functional currency, when that economy was not hyperinflationary in the prior period.

- IC Interpretation 8 Scope of FRS 2 (effective for accounting periods beginning on or after 1 July 2007). This interpretation clarifies that FRS 2 Share-based Payment applies even in the absence of specifically identifiable goods and services.

- Other revised standards (effective for accounting periods beginning on or after 1 July 2007) that have no significant changes compared to the originals standards.

  –FRS 111 Construction contracts

3 SIGNIFICANT ACCOUNTING POLICIES

3.1 Economic 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.1 Economic entities in the Group (cont.)

i) Subsidiaries (cont.)

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 associates 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.

3.3 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.3 Investments (cont.)

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:

Buildings	34 – 98 years
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.

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.

3.5 Prepaid lease rentals

Prepaid lease rentals are amortised in equal instalments over the period of lease from 66 to 99 years. 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.6 Investment properties (cont.)

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;
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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.10 Employee benefits (cont.)

ii) Post-employment benefits (cont.)

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.

3.11 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 balance sheet.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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, if any.

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.

3.16 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 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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 of transaction 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.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.18 Foreign currencies (cont.)

iii) Group companies (cont.)

- 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.

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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.21 Financial instruments (cont.)

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.

3.22 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.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT.)

3.23 Contingent liabilities and contingent assets (cont.)

A contingent asset is a possible asset 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. 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 recognised 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.

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 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.

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.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT.)

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.

5 BUSINESS COMBINATION

The Company acquired an additional equity interest of 50% in Mieco Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.) on 30 April 2007. As a result, on 30 April 2007, Mieco Reforestation Sdn. Bhd, an associate, became a wholly owned subsidiary of the Company, and the Group's interest in Mieco Reforestation Sdn. Bhd. increased from 50% to 100% (Note 9).

	RM '000
Purchase consideration: Cash consideration	*
Fair value of net liabilities acquired	(68)
Goodwill	68

*RM1

Details of net liabilities acquired are as follows:

	Acquiree's Carrying Value RM '000
Inventories	320
Receivable, deposits and prepayments	22
Amount due to immediate holding company	(464)
Other payables	(14)
Net liabilities as at 30 April 2007	(136)
Share of net liabilities acquired	(68)

The carrying amounts of net liabilities acquired at the date of acquisition approximated their fair values.

The Group's share of losses of Mieco Reforestation Sdn. Bhd. recognised amounted to RM0.068 million as at 30 April 2007. Goodwill of RM0.068 million arising on acquisition was impaired.

6 PROPERTY, PLANT AND EQUIPMENT

Group	Buildings RM '000	Plant and machinery RM '000	Furniture fittings, office renovation and equipment RM '000	Motor vehicles RM '000	Capital work-in-progress RM '000	Total RM '000
Net book value						
At 1 January 2007	116,575	393,654	2,354	1,855	0	514,438
Additions	6,076	6,239	457	1,013	189	13,974
Reclassification	8	0	0	0	0	8
Disposals/write off	0	(129)	(2)	(116)	0	(247)
Depreciation charge for the year	(1,417)	(12,074)	(1,252)	(285)	0	(15,028)
At 31 December 2007	121,242	387,690	1,557	2,467	189	513,145
At 31 December 2007						
Cost	132,713	566,714	13,570	7,555	189	720,741
Accumulated depreciation	(11,471)	(175,144)	(12,013)	(5,088)	0	(203,716)
Accumulated impairment loss	0	(3,880)	0	0	0	(3,880)
Net book value	121,242	387,690	1,557	2,467	189	513,145

Group	Buildings RM '000	Plant and machinery RM '000	Furniture fittings, office renovation and equipment RM '000	Motor vehicles RM '000	Total 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 (Note 16)	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.)

Company	Furniture fittings, office renovation and equipment RM '000	Motor vehicles RM '000	Total RM '000
Net book value			
At 1 January 2007	154	144	298
Additions	68	0	68
Depreciation charge for the year	(84)	0	(84)
At 31 December 2007	138	144	282
At 31 December 2007			
Cost	4,976	480	5,456
Accumulated depreciation	(4,838)	(336)	(5,174)
Net book value	138	144	282
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

Property, plant and equipment under hire purchase

	Group	
	2007 RM '000	2006 RM '000
Motor vehicles under hire purchase:		
–additions during the year	**913**	0
–net book value at end of year	**841**	278

7 PREPAID LEASE RENTALS

Group	Long leasehold land RM '000	Short leasehold land RM '000	Total RM '000
At 1 January 2007	11,085	6,777	17,862
Reclassification	0	(8)	(8)
Amortisation charge for the year	(114)	(118)	(232)
At 31 December 2007	10,971	6,651	17,622
At 31 December 2007			
Cost	11,910	7,794	19,704
Accumulated amortisation	(939)	(1,143)	(2,082)
Net book value	10,971	6,651	17,622
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

8 INVESTMENT PROPERTIES

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
At 1 January	**6,878**	7,302	**4,402**	4,684
Fair value gains/(losses)	**1,518**	(424)	**1,444**	(282)
At 31 December	**8,396**	6,878	**5,846**	4,402

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.

9 SUBSIDIARY COMPANIES

	Company	
	2007	2006
	RM '000	RM '000
Unquoted shares, at cost	**52,495**	52,495

The shares in subsidiary companies are held directly by the Company. Details of the subsidiary companies are as follows:

Name of company	Effective interest 2007 %	2006 %	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 Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.)	100	+50	Reforestation, harvesting, extraction and supply of rubber wood
# 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
+ This company was an associated company in financial year 2006 as stated at Note 10.
* Audited by a firm other than PricewaterhouseCoopers, Malaysia and member firms of PricewaterhouseCoopers International Limited

10 ASSOCIATED COMPANIES

	2007 RM '000	2006 RM '000
Group		
Share of net assets in associates	**0**	0
Company		
Unquoted shares at cost	**0**	3,430
Accumulated impairment losses	**0**	(3,430)
	0	*

*RM 1

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

	2007 RM '000	2006 RM '000
Revenue	**0**	3,508
Loss after tax	**0**	0
Non-current assets	**0**	10,575
Current assets	**0**	1,781
Current liabilities	**0**	(15,325)
Net liabilities	**0**	(2,969)

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

	Effective interest		
Name of company	2007 %	2006 %	Principal activities
Mieco Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.)	100	50	Forestation, harvesting, extraction and supply of rubber wood
Panasonic Mieco Kenaf Malaysia Sdn.Bhd. (formerly known as Mieco Matsushita Denko Sdn. Bhd.)	0	49	Manufacturing and marketing of kenaf fibre boards and particle boards and related products

On 30 April 2007, the Company's wholly-owned subsidiary, Mieco Wood Resources Sdn. Bhd. ("MWR") acquired from Smallholders Development Corporation Sdn. Bhd. the remaining 50% equity interest in Mieco Reforestation Sdn. Bhd. (formerly known as Mieco Smallholders Sdn. Bhd.) ("MRSB") comprising 1 ordinary share of RM1.00, for cash at par. Following the acquisition, MRSB is now a wholly-owned subsidiary of MWR.

On 18 September 2007, the Company entered into a Joint Venture Termination Agreement with Matsushita Electric Works, Ltd of Japan ("MEW") to terminate the Joint Venture cum shareholders Agreement and for that purpose, to dispose of the Company's entire 49% equity interest in Panasonic Mieco Kenaf Malaysia Sdn. Bhd. ("PMK") comprising 3,430,000 ordinary shares of RM1.00 each to MEW at a total cash consideration of RM3,430,000. Following the disposal, PMK ceased to be an associated company of the Company.

11 AMOUNT DUE FROM A SUBSIDIARY COMPANY

The amount due from a subsidiary company is unsecured, denominated in Ringgit Malaysia and is interest free, except for funds amounting to RM177 million (2006: RM177 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 RM12.5 million (2006: RM10.65 million) is re-charged to the subsidiary company.

The interest rates, repayment period and other related disclosures in respect of the RM177 million (2006: RM177 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 RM286.965 million (2006: RM280.405 million) is repayable as follow:

	Company	
	2007	2006
	RM '000	RM '000
Payable within two to five years	**20,000**	126,000
Payable in more than five years	**266,965**	154,405
	286,965	280,405

The estimated fair value at balance sheet date was RM148.750 million (2006: RM207.615 million) for the Company.

12 INVENTORIES

	Group	
	2007	2006
	RM '000	RM '000
At cost:		
Raw materials	**13,893**	13,577
Work-in-progress	**1,127**	2,203
Finished goods	**13,272**	16,714
Spares and consumables	**20,303**	9,097
	48,595	41,591
At net realisable value:		
Spares and consumables	**0**	10,198
Finished goods	**336**	0
Total	**48,931**	51,789

13 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Trade receivables	**69,710**	65,286	**1,328**	1,328
Allowance for doubtful debts	**(6,746)**	(9,013)	**(1,328)**	(1,328)
	62,964	56,273	**0**	0
Amounts receivable from subsidiaries	**0**	0	**2,503**	3,348
Allowance for doubtful debts	**0**	0	**(683)**	(252)
	0	0	**1,820**	3,096
Other receivables	**19,588**	1,786	**69**	69
Allowance for doubtful debts	**(970)**	(1,073)	**(54)**	(54)
	18,618	713	**15**	15
Deposits	**3,251**	3,248	**14**	14
Prepayments	**518**	473	**11**	4
Amounts receivable from associated companies	**0**	899	**0**	0
	22,387	5,333	**40**	33
Total	**85,351**	61,606	**1,860**	3,129

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	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
–Ringgit Malaysia	**66,290**	41,819	**1,754**	3,129
–US Dollar	**16,083**	13,332	**0**	0
–Singapore Dollar	**1,202**	755	**1**	0
–HK Dollar	**1,776**	5,700	**105**	0
	85,351	61,606	**1,860**	3,129

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	
	2007	2006
	RM '000	RM '000
Quoted in Malaysia		
Share in corporations, at cost	**593**	884
At market value		
Shares in corporations, quoted in Malaysia	**1,192**	1,310

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Deposits with licensed banks	**17,328**	25,694	**202**	365
Deposits with licensed discount houses	**32**	947	**0**	0
	17,360	26,641	**202**	365
Cash and bank balances	**13,961**	11,014	**182**	150
	31,321	37,655	**384**	515

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

	Group		Company	
	2007	2006	**2007**	2006
	%	%	**%**	%
Deposits with licensed banks	**2.81**	3.24	**3.39**	2.73
Deposits with licensed discount house	**3.20**	3.15	**–**	–

Deposits of the Group and Company have an average tenure to maturity of 135 days and 154 days (2006: 96 days and 87 days) respectively.

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

16 NON-CURRENT ASSET HELD FOR SALE

The Group has reclassified plant and machineries 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.

	Group	
	2007	2006
	RM '000	RM '000
Net book value		
At 1 January	**1,750**	0
Reclassification:		
Cost	**0**	2,407
Accumulated impairment loss	**0**	(657)
	0	1,750
Impairment loss	**(78)**	0
At 31 December	**1,672**	1,750

17 SHARE CAPITAL

	Group and Company	
	2007	2006
	RM '000	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 RM1 each	**210,000**	210,000

18 RESERVES

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Non-distributable:				
Share premium	**5,866**	5,866	**5,866**	5,866
Foreign currency reserve	**(722)**	(313)	**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
	19,123	19,532	**19,845**	19,845
Distributable:				
Retained earnings	**129,101**	128,890	**108,744**	108,172
	148,224	148,422	**128,589**	128,017

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 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 RM18 million (2006: RM25 million) and RM58 million (2006: RM68 million) of its retained earnings respectively as at 31 December 2007 if paid out as dividends. The extent of the retained earnings not covered at that date amounted to RM32 million (2006: RM15 million).

19 PROVISIONS

	Provision for back dated wages RM '000	Provision for staff retirement benefits RM '000	Total RM '000
Group			
At 31 December 2007			
Non current	0	7,974	7,974
At 31 December 2006			
Current	1,051	0	1,051
Non current	0	7,232	7,232
	1,051	7,232	8,283
Company			
At 31 December 2007			
Non current	0	281	281
At 31 December 2006			
Non current	0	151	151

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 RM '000	Company RM '000
At 1 January 2006	122	1
Charged to income statement	929	(1)
At 31 December 2006	1,051	0
Write-back	(265)	0
Benefits paid	(786)	0
At 31 December 2007	0	0

19 PROVISIONS (CONT.)

b) **Defined benefit plans of the Group**

The Group operates an 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 RM '000	Company RM '000
At 1 January 2006	6,571	15
Charged to income statement	1,238	136
Benefits paid	(577)	0
At 31 December 2006	7,232	151
Charged to income statement	1,294	149
Foreign currency reserve	(12)	0
Benefits paid	(540)	(19)
At 31 December 2007	7,974	281

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

	Group RM'000	Company RM'000
At 31 December 2007		
Present value of unfunded obligations	7,974	281
At 31 December 2006		
Present value of unfunded obligations	7,232	151

The expenses recognised in the income statement may be analysed as follows:

	Group		Company	
	2007 RM'000	2006 RM'000	**2007 RM'000**	2006 RM'000
Current service cost	**821**	804	**116**	109
Interest cost	**473**	434	**33**	27
	1,294	1,238	**149**	136

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

	Lump-sum retirement plans	
	2007 %	2006 %
Discount rates	**6.5**	6.5
Expected rate of salary increases	**6.0**	6.0

20 BORROWINGS

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
Current				
Term Loan	**13,343**	97,000	**13,343**	97,000
Bankers acceptance	**66,737**	53,884	**0**	0
MCP/MMTN*	**0**	30,000	**0**	30,000
Hire purchase liabilities (Note 23)	**164**	66	**0**	0
	80,244	180,950	**13,343**	127,000
Non-current				
Term Loan	**163,815**	0	**163,815**	0
MCP/MMTN*	**0**	50,000	**0**	50,000
Hire purchase liabilities (Note 23)	**573**	0	**0**	0
	164,388	50,000	**163,815**	50,000
Total				
Term Loan (unsecured)	**177,158**	97,000	**177,158**	97,000
Bankers acceptance (unsecured)	**66,737**	53,884	**0**	0
MCP/MMTN* (unsecured)	**0**	80,000	**0**	80,000
Hire purchase liabilities (Note 23)	**737**	66	**0**	0
	244,632	230,950	**177,158**	177,000

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

The currency exposure profile of borrowings is as follows:

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
–Ringgit Malaysia	**199,474**	230,950	**132,000**	177,000
–US Dollar	**45,158**	0	**45,158**	0
	244,632	230,950	**177,158**	177,000

20 BORROWINGS (CONT.)

Bankers acceptance

Bankers acceptance facility, which is unsecured, is utilised to finance the purchase of raw materials. Interest on bankers acceptance range from 4.17 % to 4.77 % (2006: 3.82% to 4.76%).

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.

On 29 and 30 January 2007, the Company repurchased the balance of MMTN totalling RM80 million face value. The repurchases were financed by the Dual Currency Syndicated Credit Facility.

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 also financed by the Dual Currency Syndicated Credit Facility.

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.

On 29 and 30 January 2007, the loan was drawdown to repurchase MMTN of RM80 million and settlement of term loan of RM100 million pursuant to a Facility Agreement dated 20 February 2006.

Interest rate for Transferable Reducing Limit Revolving Credit Facility of RM132 million is 1.5% above cost of funds and Transferable Term Loan Facility of USD13.5 million is 1.5% above SIBOR.

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	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Deferred tax assets – subject to income tax	**490**	412	**332**	184
Deferred tax liabilities – subject to income tax	**(18,222)**	(20,399)	**0**	0
	(17,732)	(19,987)	**332**	184
As start of year	**(19,987)**	(18,185)	**184**	115
(Charged)/credited to income statement (Note 28)				
–Property, plant and equipment	**(8,276)**	(11,098)	**8**	(2)
–Provisions	**282**	334	**121**	34
–Inventories	**331**	369	**0**	0
–Receivables	**(479)**	301	**105**	(5)
–Unutilised capital allowances	**11,002**	8,302	**(23)**	47
–Others	**(605)**	(10)	**(63)**	(5)
	2,255	(1,802)	**148**	69
At end of year	**(17,732)**	(19,987)	**332**	184
Subject to income tax				
Deferred tax assets (before offsetting)				
Provisions	**1,142**	860	**160**	39
Inventories	**1,423**	1,092	**0**	0
Receivables	**190**	669	**170**	65
Unutilised capital allowances	**30,550**	19,548	**24**	47
Others	**0**	135	**0**	63
	33,305	22,304	**354**	214
Offsetting	**(32,815)**	(21,892)	**(22)**	(30)
Deferred tax assets (after offsetting)	**490**	412	**332**	184
Deferred tax liabilities (before offsetting)				
Property, plant and equipment	**(50,567)**	(42,291)	**(22)**	(30)
Others	**(470)**	0	**0**	0
	(51,037)	(42,291)	**(22)**	(30)
Offsetting	**32,815**	21,892	**22**	30
Deferred tax liabilities (after offsetting)	**(18,222)**	(20,399)	**0**	0

21 DEFERRED TAXATION (CONT.)

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	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
Deductible temporary differences	**1**	1	**0**	0
Tax losses	**4,919**	4,993	**4,228**	4,228

As at 31 December 2007, the Group has unutilised investment tax allowance as follows:

	Group	
	2007 RM '000	2006 RM '000
Unutilised investment tax allowance	**420,077**	411,882

The revised FRS 112 which effective for the financial periods beginning on or after 1 July 2007 will allow the Company to recognise deferred tax assets on unutilised investment tax allowances, to the extent it is probable that future taxable profit will be available against which unutilised investment tax allowances can be utilised. This change constitutes a change in accounting policy and will be applied retrospectively.

If the revised FRS 112 was early adopted in the financial year ended 31 December 2007, the effects are illustrated as follows:

	Group		
	As reported RM '000	Effect of adoption of FRS 112 RM '000	As restated RM '000
At 1 January 2007			
Accumulated profits	128,890	102,970	231,860
Deferred tax liabilities	(20,399)	20,106	(293)
Deferred tax assets	412	82,864	83,276
Year 2007			
Deferred tax credit	2,255	2,049	4,304
Net profit for the financial year	2,311	2,049	4,360
At 31 December 2007			
Accumulated profits	129,101	105,019	234,120
Deferred tax liabilities	(18,222)	18,222	0
Deferred tax assets	490	86,797	87,287

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Trade payables	**50,747**	54,354	**43**	69
Accrued expenses	**716**	1,078	**0**	0
Other payables	**23,635**	19,857	**2,929**	996
Amount due to a subsidiary company	**0**	0	**3,316**	1,969
Amount due to holding company	**1,803**	1,300	**1,700**	1,300
Payroll liabilities	**1,696**	1,659	**167**	195
	78,597	78,248	**8,155**	4,529

Included in payroll liabilities is accrual for contributions to the Employees Provident Fund amounting to RM886,755 (2006: RM644,005). Those 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	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
–Ringgit Malaysia	**71,872**	66,369	**8,155**	4,529
–US Dollar	**745**	546	**0**	0
–EURO	**4,111**	11,239	**0**	0
–Others	**1,869**	94	**0**	0
	78,597	78,248	**8,155**	4,529

23 HIRE PURCHASE LIABILITIES

	Group	
	2007	2006
	RM '000	RM '000
Payable within one year	**182**	70
Payable between one to five years	**636**	0
	818	70
Less: Future finance charges	**(81)**	(4)
Present value of hire purchases liabilities	**737**	66
Hire purchase liabilities are classified as follows:		
Current (Note 20)	**164**	66
Non-current (Note 20)	**573**	0
	737	66

Hire purchase creditors are denominated in Ringgit Malaysia. The weighted average effective interest rate as at year end is 4.19% (2006: 7.73%) per annum for the Group.

The estimated fair value of the hire purchase liabilities (non-current portion) at balance sheet date was RM550,265 (2006: Nil) for the Group.

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	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Sales of goods	**350,714**	329,653	**0**	0
Sales of quoted investments	**658**	771	**0**	0
Dividend income	**0**	0	**200**	0
Management fee received from subsidiaries companies	**0**	0	**3,485**	3,371
	351,372	330,424	**3,685**	3,371

25 STAFF COSTS

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Wages, salaries and bonus	**17,774**	16,885	**1,684**	1,645
Defined contribution plan	**2,194**	2,041	**207**	196
Defined retirement benefit plan	**1,294**	1,242	**149**	136
Other employee benefits	**8,624**	7,699	**327**	169
	29,886	27,867	**2,367**	2,146

The number of staff at the end of the year amounted to 922 (2006: 843) persons for the Group and 33 (2006: 32) 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/(LOSS) FROM OPERATIONS

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM'000
The following items have been charged/(credited) in arriving at profit/(loss) from operations:				
Auditors' remuneration (Note 32):				
–current year	**121**	94	**33**	9
–prior year	**44**	0	**21**	0
(Write back of)/allowance for bad and doubtful debts	**(1,490)**	2,418	**673**	12
Directors' remuneration (excluding estimated monetary value of benefits-in-kind) (Note 31)	**1,480**	1,412	**1,247**	1,190
Recovery of bad and doubtful debts	**(875)**	(146)	**(242)**	(77)
Rental of building	**505**	491	**18**	18
Loss on disposal of property, plant and equipment	**42**	377	**0**	0
(Gain)/loss on realised foreign exchange	**(578)**	(853)	**10**	(62)
Unrealised gain on foreign exchange	**(1,833)**	(7)	**(8)**	0
Allowance for inventories obsolescence	**1,492**	1,618	**0**	0
Rental income from investment properties	**(103)**	(112)	**(103)**	(112)
Finance income	**(116)**	(186)	**(12,614)**	(10,646)
Dividend income	**(28)**	(26)	**(200)**	0
Gain on disposal of marketable securities	**(376)**	(179)	**0**	0
(Write back of)/allowance for impairment and fair value losses/(gains)				
–goodwill	**68**	0	**0**	0
–property, plant and equipment	**78**	657	**0**	0
–investment properties	**(1,518)**	424	**(1,444)**	282
–associated companies	0	0	0	3,430

Direct operating expenses from investment properties that generated rental income of the Group and Company during the year amounted to RM0.052 million (2006 : RM0.051 million).

Direct operating expenses from investment properties that did not generated rental income of the Group and Company during the year amounted to RM0.088 million (2006: RM 0.085 million).

27 FINANCE COSTS

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
Interest expense on:				
–Overdraft interest	**322**	151	**0**	0
–Bankers acceptance	**2,282**	1,896	**0**	0
–Hire purchase liabilities	**14**	13	**0**	2
–MCP/MMTN* and term loan interest	**12,503**	10,537	**12,503**	10,537
–MMTN* annual expenses	**109**	109	**109**	109
–Loan facility fee	**0**	2,050	**0**	2,050
–Premium for repurchase of MMTN*	**1,434**	1,036	**1,434**	1,036
	16,664	15,792	**14,046**	13,734
Less:				
–Recovery of MCP/MMTN* and term loan interest	**0**	0	**(12,503)**	(10,537)
–Recovery of MMTN* annual expenses	**0**	0	**(109)**	(109)
Charged to income statement	**16,664**	15,792	**1,434**	3,088

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

28 TAX EXPENSE

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
Tax expense for the year:				
In respect of the current year				
–Malaysian income tax	**(297)**	(650)	**65**	(22)
–Foreign tax	**(165)**	(114)	**(21)**	(22)
–Deferred tax (Note 21)	**2,059**	(1,802)	**157**	69
	1,597	(2,566)	**201**	25
(Under)/over accrual in respect of prior years				
–Malaysian income tax	**(43)**	(969)	**(41)**	(978)
–Deferred tax (Note 21)	**196**	0	(9)	0
	1,750	(3,535)	**151**	(953)

28 TAX EXPENSE (CONT.)

The effective tax rates of the Group and Company differ from the statutory tax rate of 27% (2006: 28%) and are reconciled as below:

	Group		Company	
	2007	2006	**2007**	2006
	%	%	%	%
Statutory income tax rate of Malaysia	**27**	28	**27**	(28)
Income not subjected to tax	**(250)**	0	**(52)**	0
Expenses not deductible for tax purposes	**145**	13	**19**	28
Utilisation of reinvestment, allowances and other incentives	**(1)**	0	**0**	0
Income tax deducted at source	**(11)**	0	**(2)**	0
Effect of different tax rate	**(202)**	(16)	**1**	0
Over accrual in prior year	**(27)**	(4)	**2**	(4)
Effect of tax losses not recognised	**7**	14	**0**	17
Effective tax rate	**(312)**	35	**(5)**	13

29 EARNINGS /LOSS PER SHARE

a) The basic earnings/loss per share is calculated based on the profit attributable to shareholders of RM2.3 million (2006: RM6.5 million) for the Group by the weighted average number of 210,000,000 (2006: 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 2007. 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 effect on earnings per share.

30 DIVIDENDS

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Proposed first and final dividend of 0% (2006:1%), tax exempt	–	2,100	–	2,100

31 DIRECTORS' REMUNERATION

	Group		Company	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000
Directors of the Company				
Non-executive Directors:				
–fees	**153**	180	**153**	180
–allowances and other emoluments	**44**	341	**44**	341
	197	521	**197**	521
Executive Director:				
–fees	**72**	36	**72**	36
–salaries and bonus	**461**	474	**461**	474
–allowances and other emoluments	**243**	0	**243**	0
–defined contribution plan	**55**	57	**55**	57
–defined benefit retirement plan	**40**	36	**40**	36
–other employee benefits	**179**	66	**179**	66
–estimated money value of benefits-in-kind	**114**	21	**114**	21
	1,164	690	**1,164**	690
Sub-total	**1,361**	1,211	**1,361**	1,211
Directors of subsidiary companies				
Non-executive Directors:				
–fees	**6**	6	**0**	0
–salaries and bonus	**179**	176	**0**	0
–defined contribution plan	**22**	21	**0**	0
–defined benefit retirement plan	**11**	12	**0**	0
–other employee benefits	**15**	7	**0**	0
–estimated money value of benefits-in-kind	**7**	7	**0**	0
Sub-total	**240**	229	**0**	0
Total	**1,601**	1,440	**1,361**	1,211
Total (excluding estimated money value of benefits-in-kind)	**1,480**	1,412	**1,247**	1,190

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	
	2007	2006	**2007**	2006
	RM'000	RM'000	**RM'000**	RM'000
PricewaterhouseCoopers Malaysia				
–statutory audit (note 26)	**130**	67	**54**	9
–fees for other services	**0**	12	**0**	11
Total remuneration	**130**	79	**54**	20
Affiliates of PricewaterhouseCoopers Malaysian firm (including overseas PricewaterhouseCoopers firms) –statutory audit (Note 26)	**0**	27	**0**	0
Firms other than PricewaterhouseCoopers, Malaysia and member firms of PricewaterhouseCoopers International Limited	**35**	0	**0**	0
Total remuneration	**165**	106	**54**	20

33 NON CASH TRANSACTIONS

The principal non cash transactions during the year is as follows:				
–acquisition of motor vehicles by means of hire purchase	819	0	0	0

34 CAPITAL COMMITMENTS

	Group	
	2007	2006
	RM '000	RM '000
Capital expenditure		
–approved and contracted for	**1,994**	1,904
–approved but not contracted for	**803**	627
	2,797	2,531
Analysed as follows:		
–property, plant and equipment	**2,797**	2,531

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 company has an interest

b) Transactions with related parties

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM' 000**	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 Company has an interest –Wejay Consult Sdn Bhd	**45**	60	**45**	60

35 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONT.)

c) Compensation of key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director of that entity.

The remuneration of director and other members of key management during the year were as follows:

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Remuneration and benefits	**2,240**	1,736	**1,270**	867
Post-employment benefits	**269**	249	**141**	138
Other long term benefits	**67**	0	**67**	0
	2,576	1,985	**1,478**	1,005

Included in the total key management personnel are:

	Group		Company	
	2007	2006	**2007**	2006
	RM '000	RM '000	**RM '000**	RM '000
Director's remuneration and benefits	**1,164**	690	**1,164**	690

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	
	2007 RM '000	2006 RM '000	**2007 RM '000**	2006 RM '000	**2007 RM '000**	2006 RM '000
Malaysia	**294,300**	271,215	**698,254**	682,105	**13,969**	9,703
Hong Kong and China	**57,072**	59,209	**4,571**	9,682	**5**	10
Other	**0**	0	**6,022**	4,538	**0**	0
	351,372	330,424	**708,847**	696,325	**13,974**	9,713

37 FOREIGN CURRENCY EXCHANGE RISK

At 31 December 2007, the Group's open forward contracts entered into as cover of anticipated future transaction were as follows:

	At 31.12.2007			At 31.12.2006		
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 4.511 million**	**15,170**	**3.3626**	US Dollar 3.267 million	11,935	3.6531
Future sale of goods	**US Dollar 6.357 million**	**21,252**	**3.3428**	US Dollar 9.649 million	34,182	3.5427
Trade payables	**0**	**0**	**0**	Euro 0.712 million	3,318	4.6584

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

The unrecognised gains at 31 December 2007 on open contracts which hedge anticipated future foreign currency sales and purchases amounted to RM554,784 (2006: RM576,801). The net exchange gains are deferred until the related sales are transacted, at which time they are included in the measurement of such transactions.

38 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 and Note 20 respectively.

39 COMPARATIVES

The comparative figures with respect to prepaid lease rentals have been reclassified to conform with current year's presentation.

	Previously stated RM'000	Reclassification RM'000	Restated RM'000
Group			
As at 31 December 2006			
Receivables	61,826	(220)	61,606
Prepaid lease rentals			
–current	220	(220)	0
–non-current	17,642	220	17,682

We, Dato' Mohamed Moiz Bin J M Ali Moiz 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 49 to 95 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 2007 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 22 April 2008

DATO' MOHAMED MOIZ BIN J M ALI MOIZ
DIRECTOR

DATO' YONG SENG YEOW
DIRECTOR

Statement By Directors
Pursuant to Section 169(15) 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 49 to 95 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 22 April 2008.

Before me,

COMMISSIONER FOR OATHS

Statutory Declaration
Pursuant to Section 169(16) of the Companies Act, 1965

We have audited the financial statements set out on pages 49 to 95. 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 2007 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	**THAYAPARAN SANGARA PILLAY**
(No. AF: 1146)	(No. 2085/09/08 (J))
Chartered Accountants	Partner of the firm

Kuala Lumpur
22 April 2008

OTHER INFORMATION

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 : 1 Vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS	No. of Holders	% of Holders	No. of Shares	% of Shares
Largest Shareholders	30	0.49	156,756,898	74.65
Size of Holdings				
Less than 100	96	1.58	1,936	0.00*
100 - 1,000	1,778	29.26	1,682,812	0.80
1,001 - 10,000	3,275	53.90	14,343,020	6.83
10,001 - 100,000	821	13.51	25,459,234	12.12
100,001 - less than 5% of issued shares	104	1.71	38,340,427	18.26
5% and above of issued shares	2	0.03	130,172,571	61.99
Total	6,076	100.00	210,000,000	100.00

* Negligible percentage

DIRECTORS' INTERESTS IN SHARES BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	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	100,000	0.05	-	-
Dato' Jaganath Derek Steven Sabapathy	-	-	-	-
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	16,000	0.01	70,000***	0.03***
Dato' Dr Amarjit Singh a/l Santokh Singh	100,000	0.05	-	-
Low Kim Seng	10,000	0.00*	-	-
Vijeyaratnam a/l V. Thamotharam Pillay	-	-	-	-
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	-	-
Vijeyaratnam a/l V. Thamotharam Pillay	-	-	-	-

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

THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS

Name		Shareholding	%
1)	Bandar Raya Developments Berhad	119,193,971	56.76
2)	Lembaga Tabung Haji	10,978,600	5.23
3)	Pulavanthuran @ Soosai a/l Sinnappah	3,621,500	1.72
4)	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Clariden Leu Ltd. (EX-CLAR BK, ZRH)]*	2,764,400	1.32
5)	Mohd Hanif bin Sher Mohamed	2,192,000	1.04
6)	Alliancegroup Nominees (Tempatan) Sdn Bhd *[PHEIM Asset Management Sdn Bhd for Employees Provident Fund]*	1,962,500	0.93
7)	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad *[ICapital. BIZ Berhad]*	1,632,100	0.78
8)	Amanah Raya Nominees (Tempatan) Sdn Bhd *[Amanah Saham Wawasan 2020]*	1,610,900	0.77
9)	Mayban Nominees (Tempatan) Sdn Bhd *[Malaysian Trustees Berhad for AMB Smallcap Trust Fund (240165)]*	1,412,500	0.67
10)	Yeoh Ah Tu	1,169,000	0.56
11)	Ngooi Voon Sun	1,141,400	0.54
12)	Tan Kong Heng	874,300	0.42
13)	Citigroup Nominees (Asing) Sdn Bhd *[CBNY for DFA Emerging Markets Fund]*	873,900	0.42
14)	Lim Lee Ling	720,000	0.34
15)	Mayban Nominees (Tempatan) Sdn Bhd *[Capital Dynamics Asset Management Sdn Bhd for ACE Synergy Insurance Berhad (CDAM23-990350)]*	696,400	0.33
16)	Lin Yuet Kam Alice	582,900	0.28
17)	M & A Nominee (Tempatan) Sdn Bhd *[Titan Express Sdn Bhd]*	556,900	0.27
18)	Cheong Wai Leong	500,000	0.24
19)	Lee Yu Yong @ Lee Yuen Ying	494,600	0.24
20)	HDM Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Oh Kim Sun (M12)]*	459,800	0.22
21)	Lee Thian Fook @ Lee Tian Fook	421,000	0.20

THIRTY (30) MAJOR SHAREHOLDERS BASED ON THE RECORD OF DEPOSITORS (CONT.)

Name		Shareholding	%
22)	Shoptra Jaya (M) Sdn Bhd	402,000	0.19
23)	M & A Nominee (Asing) Sdn Bhd *[Pedigree Limited]*	359,300	0.17
24)	Malaysia Nominees (Tempatan) Sendirian Berhad *[Pledged Securities Account for Sleuths Holdings Sdn Bhd (01-00810-000)]*	334,500	0.16
25)	Wong Choong Loong	324,200	0.15
26)	Tan Kim Eng	308,027	0.15
27)	Tam Shuk Yi	308,000	0.15
28)	Citigroup Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Ng Ching Soong (470478)]*	300,700	0.14
29)	Choong Yean Yaw	281,500	0.13
30)	Lau Kah Ding & Sons Sdn Bhd	280,000	0.13
Total		156,756,898	74.65

SUBSTANTIAL SHAREHOLDERS BASED ON THE REGISTER OF SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Indirect Interest	
Name	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 interested by virtue of Section 6A(4) of the Companies Act, 1965 held through Bandar Raya Developments Berhad.
(b) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through 26% shareholding in Ambang Sehati Sdn Bhd ("ASSB").
(c) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through 25% shareholding in ASSB.
(d) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through 24.5% shareholding in ASSB.
(e) Deemed interested by virtue of Section 6A(4) of the Companies Act, 1965 held through 24.5% shareholding in ASSB.

No. of Warrants in Issue	:	100,000,000
Exercise Price of Warrants	:	RM1.20
Exercise Period of Warrants	:	From 22 April 2006 to 21 April 2009
Expiry Date of Warrants	:	21 April 2009
Voting Rights in respect of Warrantholders' Meeting	:	1 vote per warrant

DISTRIBUTION OF WARRANTHOLDINGS	No. of Holders	% of Holders	No. of Warrants	% of Warrants
Largest Shareholders	30	0.92	80,116,595	80.12
Size of Holdings				
Less than 100	385	11.77	15,824	0.02
100 - 1,000	1,369	41.85	777,613	0.78
1,001 - 10,000	1,081	33.05	4,299,689	4.30
10,001 - 100,000	386	11.80	12,196,646	12.20
100,001 - less than 5% of issued warrants	45	1.38	11,505,532	11.51
5% and above of issued warrants	5	0.15	71,204,696	71.20
Total	3,271	100.00	100,000,000	100.00

DIRECTORS' INTERESTS IN WARRANTS BASED ON THE REGISTER OF DIRECTORS' SHAREHOLDINGS

	Direct Interest		Indirect Interest	
	No. of Warrants	%	No. of Warrants	%
In the Company				
MIECO Warrants 2004/2009				
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	-	-	16,666**	0.02
Low Kim Seng	3,333	0.00*	-	-
Vijeyaratnam a/l V. Thamotharam Pillay	-	-	-	-
In Holding Company, Bandar Raya Developments Berhad				
BRDB Warrants 2007/2012				
Dato' Mohamed Moiz bin J M Ali Moiz	-	-	41,431,865**	17.39**
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	25,650	-	-	-
Low Kim Seng	-	0.01	-	-
Vijeyaratnam a/l V. Thamotharam Pillay	-	-	170,000***	0.07***

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

Analysis of Warrantholdings for MIECO Warrants 2004/2009 as at 21 April 2008

THIRTY (30) MAJOR HOLDERS OF MIECO WARRANTS 2004/2009 BASED ON THE RECORD OF DEPOSITORS

Name		Warrantholding	%
1)	Bandar Raya Developments Berhad	40,100,230	40.10
2)	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Credit Suisse (SG BR-TST-ASING)]*	12,243,000	12.24
3)	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for Clariden Leu Ltd. (EX-CLAR BK, ZRH)]*	6,901,466	6.90
4)	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for RBS Coutts Bank Ltd (SG Branch)]*	5,980,000	5.98
5)	HSBC Nominees (Asing) Sdn Bhd *[Exempt AN for ABN Amro Bank (Switzerland)]*	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 *[AmFraser Securities Pte Ltd for Ramesh s/o Pritamdas Chandiramani (16090)*	766,900	0.77
9)	Kenanga Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Paficic 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)	Cimsec Nominees (Tempatan) Sdn Bhd *[CIMB Bank for Lim Guat Kee (MM0666)]*	400,000	0.40
13)	Leong Bee Ling	362,000	0.36
14)	Tham Kok Teng	349,800	0.35
15)	RHB Capital Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Teh Kok Hwee (CEB)]*	310,000	0.31
16)	Pulavanthuran @ Soosai a/l Sinnappah	309,733	0.31
17)	Irene Lee	296,300	0.30
18)	Chew Lai Har	250,000	0.25
19)	Lee Thian Fook @ Lee Tian Fook	242,000	0.24
20)	Lim Chee Sang	224,300	0.22

THIRTY (30) MAJOR HOLDERS OF MIECO WARRANTS 2004/2009 BASED ON THE RECORD OF DEPOSITORS (CONT.)

Name		Warrantholding	%
21)	Tan Peng Yam	218,000	0.22
22)	Tan Hap @ Tan Hup	210,000	0.21
23)	Teh Yew Kheng	208,133	0.21
24)	Tham Goh Hoon @ Man Yooi Kan	202,600	0.20
25)	Chong Soo Kin @ Cheong Soo Kin	200,000	0.20
26)	TA Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Wong Ah Tim @ Ong Ah Tin]*	200,000	0.20
27)	Yong Kok Ming	200,000	0.20
28)	Ter Leong Swee	186,200	0.19
29)	Cheong Kwan Choong	172,000	0.17
30)	Mayban Nominees (Tempatan) Sdn Bhd *[Pledged Securities Account for Tan Cheng Guan]*	164,200	0.16
Total		80,116,595	80.12

Location	Tenure	Land area	Description	Approximate age of building (Years)	Net Book Value (RM '000)	Acquisition Date
Lot 77–83, Semambu Industrial Estate 25720 Kuantan, Pahang Darul Makmur	Lease expiring 27.10.2041	609,840 sq. ft.	Chipboard factory	13–33	7,388	1975
Lot 73, Gebeng Industrial Area 26080 Kuantan, Pahang Darul Makmur	Lease expiring 18.08.2048	653,670 sq. ft.	Industrial land		6,407	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	5–13	38,754	24.08.1995
Lot 3, Kawasan Perindustrian Kechau Tui, 27100 Lipis Pahang Darul Makmur	Lease expiring 2104	2,178,000 sq. ft.	Chipboard factory	3	84,768	05.12.2004
14 C–A and 14 C–B Impiana Condominium No. 1 Tasik Ampang, Jalan Hulu Klang 68000 Ampang, Selangor Darul Ehsan	Lease expiring 21.04.2091	2 units	Condominium apartment	11	2,550	22.11.2002
Blk 457, Upper East Coast Road #10–05 Mount Everest The Summit, Singapore 466503	Freehold	1 unit	Condominium apartment	14	5,846	25.11.2002
Lot 27, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	158,253 sq. ft.	Industrial land		235	20.12.2006
Lot 28, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	299,257 sq. ft.	Industrial land		444	20.12.2006
Lot 29, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	304,484 sq. ft.	Industrial land		451	20.12.2006
Lot 30, Kawasan Perindustrian Kechau Tui, Lipis Pahang Darul Makmur	Lease expiring 20.12.2105	281,398 sq. ft.	Industrial land		417	20.12.2006

List of Properties as at 31 December 2007

NOTICE IS HEREBY GIVEN that the Thirty-Fifth 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 Friday, **27 June 2008** 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 2007 together with the Report of the Auditors thereon. **(Resolution 1)**

2) To approve the payment of Directors' fees of RM225,000/= in respect of the year ended 31 December 2007 (2006 : RM216,000/=). **(Resolution 2)**

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

ARTICLE 81

a) Dato' Dr Amarjit Singh a/l Santokh Singh **(Resolution 3)**
b) Mr Low Kim Seng **(Resolution 4)**

ARTICLE 88

c) Mr Vijeyaratnam a/l V. Thamotharam Pillay **(Resolution 5)**

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

"THAT Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar, retiring pursuant to Section 129 of the Companies Act, 1965 after having attained the age of seventy years, be and is hereby re-appointed a Director of the Company to hold office until conclusion of the next Annual General Meeting of the Company." **(Resolution 6)**

5) 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 as Ordinary Resolutions:

6) **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)**

7) **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, the Company be and is hereby authorised to purchase such number of ordinary shares of RM1.00 each in the Company ("MIECO Shares") as may be determined by the Directors of the Company from time to time through Bursa Malaysia upon such terms and conditions as the Directors may deem fit and expedient in the interests 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 2007;

iii) the authorisation conferred by this resolution shall be effective immediately upon the passing of this ordinary resolution and 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 any other relevant authority AND FURTHER THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the MIECO Shares so purchased pursuant to the Proposed Share Buy-Back as treasury shares to be distributed as share dividends or resold on Bursa Malaysia or subsequently cancelled, or to cancel the MIECO Shares so purchased, or to do a combination of both." **(Resolution 9)**

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

BY ORDER OF THE BOARD
HO SWEE LING
Company Secretary
Kuala Lumpur
30 May 2008

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 8, if passed, will give the Directors of the Company flexibility to issue and allot shares for such purposes as the Directors in their absolute discretion consider to be in the interest of the Company, without having to convene a general meeting subject to the limitation that the aggregate number of shares to be issued do not exceed 10% of the issued share capital of the Company for the time being. This authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
b) The proposed Ordinary Resolution 9, 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 30 May 2008 which is despatched together with the 2007 Annual Report.

1) Directors who are standing for re-election and re-appointment at the Thirty-Fifth Annual General Meeting

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

Article 81
a) Dato' Dr Amarjit Singh a/l Santokh Singh
b) Mr Low Kim Seng

Article 88
c) Mr Vijeyaratnam a/l V. Thamotharam Pillay

The director who is seeking re-appointment pursuant to Section 129 of the Companies Act, 1965 is Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar.

The details of the abovementioned directors who are standing for re-election and re-appointment are set out in the Board of Directors' Profiles appearing on pages 12 and 13 of this Annual Report. The details of the directors' securities holding in the Company and its subsidiaries are set out in page 90 of this Annual Report

2) Details of attendance of directors at board meetings

6 Board meetings were held during the financial year ended 31 December 2007. The details of attendance of the directors are as follows:

Name of Director	Number of Meetings Attended
Dato' Mohamed Moiz bin J M Ali Moiz	4/6
Dato' Yong Seng Yeow	6/6
Dato' Jaganath Derek Steven Sabapathy	6/6
Lt. Gen. (R) Dato' Seri Mohamed Daud bin Abu Bakar	6/6
Dato' Dr Amarjit Singh a/l Santokh Singh	6/6
Mr Low Kim Seng	6/6
Mr Vijeyaratnam a/l V.Thamotharam Pillay *(appointed w.e.f. 1 October 2007)*	2/2

3) Date, time and venue of the Thirty-Fifth Annual General Meeting

The Thirty-Fifth 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 Friday, 27 June 2008 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-Fifth 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 Friday, 27 June 2008 at 10.00 a.m. and at any adjournment thereof.

	RESOLUTIONS	*FOR	*AGAINST
1.	To receive the audited financial statements		
2.	To approve the payment of Directors' fees		
3.	To re-elect Dato' Dr Amarjit Singh a/l Santokh Singh as a Director		
4.	To re-elect Mr Low Kim Seng as a Director		
5.	To re-elect Mr Vijeyaratnam a/l V. Thamotharam Pillay 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 renew authority for proposed share buy-back		

* 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 ______________ ,2008.

Signature of Shareholder

Number of Shares Held

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.
7) Any alteration made in the form of proxy must be initialled.

MIECO CHIPBOARD BERHAD
12849-K

www.mieco.com.my