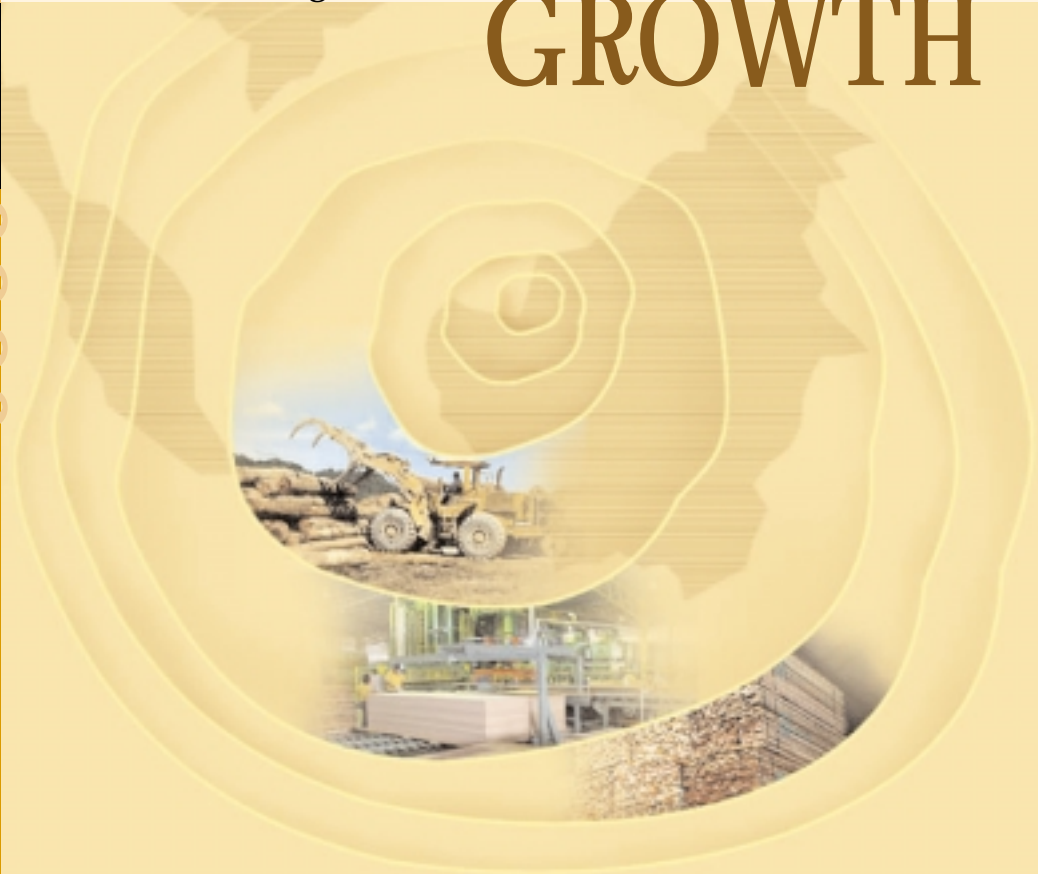


A N N U A L  
R E P O R T

2003

Heralding a NEW DIMENSION of

GROWTH



**BTM RESOURCES  
BERHAD**

(303962-T)

(Incorporated in Malaysia)

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## NOTICE OF ANNUAL GENERAL MEETING

**NOTIS IS HEREBY GIVEN THAT** the Tenth Annual General Meeting of BTM Resources Berhad will be held at the Embassy 2, 12th Floor, Hotel Crown Princess, City Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Monday, 21 June 2004 at 11.00 a.m. for the following purposes:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2003 together with the Reports of the directors and Auditors thereon. **Resolution 1**

2. To approve the payment of Directors' fees for the year ended 31 December 2003. **Resolution 2**

3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association, and who being eligible, offer themselves for re-election:-

i) Dato' Seri Yusof Bin **Resolution 3**

Dato' Biji Sura @ Mohamad - Article No. 64

ii) Dato' Seri Yong Tu Sang - Article No. 64 **Resolution 4**

4. To consider and, if thought fit, to pass the following Resolution:-

"That pursuant to Section 129(6) of the Companies Act, 1965, Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman, retiring in accordance with Section 129 of the Companies Act, 1965 be and is hereby re-appointed as a Director of the Company and to hold office until the next Annual General Meeting."

**Resolution 5**

5. To re-elect Messrs Azman, Wong, Salleh & Co as Auditors and to authorise the Directors to fix their remuneration.

**Resolution 6**

### **SPECIAL BUSINESS**

6. To consider and, if thought fit, to pass the following Ordinary Resolutions:

#### **Authority to Allot Shares Pursuant to Section 132D of the Companies Act, 1965**

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

**Resolution 7**

7. **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions**

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into the category of recurrent transactions of a revenue or trading nature with those related parties, as specified in Section 2.3 of the Circular to Shareholder dated 29 May 2004 subject further to the following:

- a) the transactions are, in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders;
- b) disclosure is made in the Annual Report of the breakdown of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year and proposed that such approval shall continue in force until:-
  - i) the conclusion of the next Annual General Meeting (AGM) of the Company following the AGM at which the proposed renewal of the recurrent related parties transaction mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed; or
  - ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (Act) but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
  - iii) revoked or varied by resolution passed by the shareholders in General Meeting, whichever is the earlier.

AND THAT the Directors or any of them be and are hereby authorised to complete and do all such acts and things to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution."

#### **Resolution 8**

- 8. To transact any other ordinary business for which due notice shall have been given.

BY ORDER OF THE BOARD

Heng Ji Keng  
Chong Seok Tian  
Margaret Pelly  
Joint Secretaries

Kuala Lumpur  
Date: 29th May 2004

**Note:**

- i) A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll.
- ii) A proxy may but need not be a member.
- iii) Where the member of the Company appoints two or more proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- iv) If the appointor is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- v) The instrument appointing a proxy must be deposited at the registered office of the Company at Heng & Monteiro Consultants Sdn Bhd, No.22-2, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

Resolution Pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution, under item (6) if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval.

The proposed Ordinary Resolution under item (7) is to renew the shareholders' mandate granted by the shareholders of the Company at the Annual General Meeting held on 20 June 2003. The proposed renewal of the Shareholders' mandate will enable the Company and its subsidiaries to enter into any of the recurrent transactions of a revenue of trading nature which are necessary for the Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to that public and are not to the detriment of the minority shareholders of the Company.

## STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

### 1. Names of Directors who are standing for re-election/re-appointment at the Tenth Annual General Meeting of the company:-

A) Directors retiring pursuant to Article 64 of the Company's Articles of Association:

- i) Dato' Seri Yong Tu Sang (Resolution 3)
- ii) Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad (Resolution 4)

B) Director retiring pursuant to Section 129 of the Companies Act, 1965:

- i) Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman (Resolution 5)

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 7 to 10 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (page 45 of the Annual Report)

### 2. Details of Attendance of Directors at Board Meetings.

A total of four (4) Board Meetings were held during the financial year ended 31 December 2003. Attendance of the Directors holding office in the financial year is shown as below:-

Name of Directors	Attendance
Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	4 out of 4 meetings
Dato' Seri Yong Tu Sang	4 out of 4 meetings
Dato' Mohd Zamry Bin Yusof	3 out of 4 meetings
Yong Emmy	3 out of 4 meetings
Mr. Choong Show Tong	2 out of 2 meetings
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	2 out of 2 meetings

### 3. Date, Time and Place of the Annual General Meeting:

Date : Monday 21 June 2004

Time : 11.00 a.m.

Place : Embassy 2, 12th Floor  
Crown Princess Hotel  
City Square Centre  
Jalan Tun Razak  
50400 Kuala Lumpur

**BOARD OF DIRECTORS**

Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad  
- *Executive Chairman*

Dato' Seri Yong Tu Sang  
- *Managing Director*

Mr. Choong Show Tong  
- *Independent Non-Executive Director*

Dato' Mohd Zamry Bin Yusof  
- *Non-Executive Director*

Miss Yong Emmy  
- *Non-Executive Director*

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman  
- *Independent Non-Executive Director*  
(Appointed on 1.7.2003)

Yong Ellen  
(Alternate to Yong Emmy)

**AUDIT COMMITTEE**

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman  
(Appointed on 1.7.2003)  
- *Chairman*

Choong Show Tong  
- *Member*

Yong Emmy  
- *Member*

**REMUNERATION COMMITTEE**

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman  
(Appointed on 1.7.2003)  
- *Chairman*

Choong Show Tong  
- *Member*

Dato' Seri Yong Tu Sang  
- *Member*

**NOMINATION COMMITTEE**

Choong Show Tong  
- *Chairman*

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman  
(Appointed on 1.7.2003)  
- *Member*

Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad-  
*Member*

**COMPANY SECRETARIES**

Heng Ji Keng (MIA 926)  
Margaret Pelly (LS 04402)  
Chong Seok Tian (MIA 2502)

**AUDITORS**

Azman, Wong, Salleh & Co.  
Public Accountants  
14, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Tel No: 03-2274 8900  
Fax No: 03-2272 1108

**REGISTERED OFFICE**

No. 22-2, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Tel No: 03-2274 8980  
Fax No: 03-2272 1864

**REGISTRARS**

Sectrars Services Sdn Bhd  
No. 28-1, Jalan Tun Sambanthan 3  
50470 Kuala Lumpur  
Tel No: 03-2274 6133  
Fax No: 03-2274 1016

**BANKS**

RHB Bank Berhad  
Alliance Bank Malaysia Berhad  
HSBC Bank (M) Berhad  
Standard Chartered (M) Berhad

**STOCK EXCHANGE LISTING**

Second Board of the  
Bursa Malaysia Securities Berhad

## AUDIT COMMITTEE

### COMPOSITION OF MEMBERS

For the financial year ended 31 December 2003, the committee comprised the following members:-

#### Chairman

Mr. How Wong Yuh

*(Non-Executive Independent Director)*

Resigned as Chairman on 28-4-2003

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman

*(Non-Executive Independent Director)*

Appointed as Chairman on 01-7-2003

#### Members

Dato' Lau Chen Nai

*(Non-Executive Independent Director)*

Resigned as Chairman on 01-7-2003

Mr. Choong Show Tong

*(Non-Executive Independent Director)*

appointed on 19-5-2003

Miss Yong Emmy

*(Non-Independent / Non-Executive Director)*

#### Secretary

The Secretary to the committee is Mr. Chong Seok Tian who is the Company Secretary.

### TERMS OF REFERENCE

The functions of the Audit Committee are:-

- a) To review:
  - with the external auditors their audit plan, evaluation of internal control systems and audit report

- the plan, scope and results of the internal audit procedures;
  - the report on the quarterly and annual financial statements before submission to the Board;
  - any related party transactions that may arise within the company or group;
- b) To consider the appointment of the external auditors, the audit fee and resignation or dismissal; and
  - c) Such other functions as may be agreed to by the Audit Committee and the Board of Directors

### SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee has during the financial year ended 31 December 2003 undertaken the following activities in accordance with its terms of reference.

- a) Reviewed with the External Auditors, the results of the audit, the audit report; the evaluation of the system of internal control, the management letter;
- b) Reviewed quarterly results and year end financial statement prior to submission to the Board of Directors for approval;
- c) Reviewed with the internal auditors, their audit reports, audit program, scope and audit approach.

### INTERNAL AUDIT FUNCTION

The Internal Audit Function has been outsourced to Messrs Monteiro & Heng, Chartered Accountants. The main role of the internal auditors is to review the effectiveness of the system of internal control and submit the audit reports on their activities regularly to the Committee.

### MEETING AND MINUTES

The quorum for the meeting of the Committee shall be two (2), where the majority of members present must be independent directors. All resolutions and recommendations made by the Committee in the meetings were tabled in the Board meetings.

During the financial year ended 31 December 2003, three Committee Meetings were held. The details of attendance are as follows:-

Name of Audit Committee Member	Number of Meetings	Number of Meetings Attended
Tan Sri Dato'(Dr.) Abdul Aziz Bin Abdul Rahman (appointed w.e.f. 1-7-2003)	3	2/2
Yong Emmy	3	2/3
Choong Show Tong (appointed w.e.f. 19.5.2003)	3	2/2
How Wong Yuh (resigned w.e.f. 28.4.2003)	3	1/1
Dato' Lau Chen Nai (resigned w.e.f. 1.7.2003)	3	1/1

## PROFILE OF DIRECTORS

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	<b>DATO' SERI YUSOF BIN DATO' BIJI SURIA @ MOHAMAD</b>	<b>DATO' SERI YONG TU SANG</b>
<b>Position</b>	Executive Director / Chairman	Executive Director / Managing Director
<b>Age</b>	70 years	58 years
<b>Nationality</b>	Malaysian	Malaysian
<b>Qualification Held</b>	Businessman	Timber Merchant / Businessman
<b>Working Experience &amp; Occupation</b>	<p>Since leaving government service in 1985, he was actively involved in a wide range of business mainly in the timber industry, oil palm plantation, civil engineering, building construction and property development.</p> <p>18 years experience in timber industry. Currently sits on the Board of several private limited including companies within the BTM Resources.</p>	<p>His involvement in business commenced in 1973 with the setting up of BTM Timber Industries Sdn Bhd, a company principally involved in logging and sawmilling operations. Since then, he has been actively involved in the setting up and management of companies in a diverse area of business ranging from timber, oil palm plantation, civil and building construction, property development and sea transportation.</p> <p>30 years of experience in trading of timber. Currently sits on the Boards of several private limited companies, in addition to companies within the BTM Resources Berhad.</p>
<b>Date of Appointment</b>	27th December, 1995	27th December, 1995
<b>Other Directorship of Public Listed Companies</b>	NIL	NIL
<b>Membership of Board Committees</b>	Member of Nomination Committee	Member of Remuneration Committee
<b>Family Relationship with Director and/or Major Shareholder of BTM Resources</b>	Father of Dato' Mohd Zamry a Non- Executive Director and major shareholder of BTM Resources and father of Puan Fatimah Zalina, a major shareholder of BTM Resources.	Husband of To' Puan Ng Ah Heng, a major shareholders of BTM Resources and father of Yong Emmy, an Executive Director and major shareholder of BTM Resources.
<b>Conflict of Interest with BTM Resources, if any</b>	Saved as disclosed, and in notes no. 25 and no. 27 in the accompanying financial statements.	Saved as disclosed, and in notes no. 25 and no. 27 in the accompanying financial statements.
<b>Convictions for offences within the past 10 years other than traffic offences</b>	NIL	NIL
<b>No. of Board Meetings attended in the financial year</b>	4/4	4/4



	<b>CHOONG SHOW TONG</b>	<b>DATO' MOHD ZAMRY BIN YUSOF</b>
<b>Position</b>	Independent Non-Executive Director	Non-Executive Director
<b>Age</b>	47 years	41 years
<b>Nationality</b>	Malaysian	Malaysian
<b>Qualification Held</b>	Associate Member of the Institute of Chartered Accountants in England & Wales Admitted as a Member (Public Accountant) of MIA in May 1983	Associate Degree in Business Administration
<b>Working Experience &amp; Occupation</b>	He started his career as an Article Clerk in April 1978 and later became an Office Manager in a Chartered Accountants firm in London. In September 1984, he worked as a Office Manager in Christopher Chooi & Co. in Kuala Lumpur, a firm of Chartered Accountants. Since October 1984 till now he is the Sole Proprietor of Allan Choong & Co., a Chartered / Public Accountants firm in Kuala Lumpur.	Started his career in 1987 as an Administrative and Public Relations Manager with Ibai Bina Sdn Bhd, a class 'A' Bumiputra Contractor. In 1993 he was made the Managing Director of Bukit Jong Quarry Sdn Bhd, a quarry and premix company. In addition to being involved in the civil engineering, building construction and granite quarrying business, he has last 10 years accumulated vast and varied experience in logging, sawmilling and other related wood based industries. 14 years of experience as an Administrator / Contractor in building construction. Currently sits on the of several private limited companies.
<b>Date of Appointment</b>	19th May, 2003	11th November, 1999
<b>Other Directorship of Public Listed Companies</b>	Director of Kuantan Flour Mills Berhad (Second Board of BMSB)	NIL
<b>Membership of Board Committees</b>	Member of Audit Committee and Chairman of Remuneration Committee	NIL
<b>Family Relationship with Director and/or Major Shareholder of BTM Resources</b>	NIL	Son of Dato' Seri Yusof Bin Mohamad, Chairman of BTM Resources and brother of Puan Fatimah Zalina Binti Yusof, a major shareholder of BTM Resources.
<b>Conflict of Interest with BTM Resources, if any</b>	NIL	Saved as disclosed, and in notes no. 25 in the accompanying financial statements.
<b>Convictions for offences within the past 10 years other than traffic offences</b>	NIL	NIL
<b>No. of Board Meetings attended in the financial year</b>	2/2	3/4

	YONG EMMY	YONG ELLEN
<b>Position</b>	Non-Executive Director	Independent & Non-Executive Alternate Director to Mdm Yong Emmy
<b>Age</b>	29 years	26 years
<b>Nationality</b>	Malaysian	Malaysian
<b>Qualification Held</b>	Degree in Bachelor of Arts majoring in Japanese Studies and Economics.	Bachelor of Arts (design), Postgraduate Diploma in Design from Curtin University of Technology.
<b>Working Experience &amp; Occupation</b>	<p>Started her career in July 1997 as a Business Executive in Itochu Asia Pte Ltd, and Itochu Pulp &amp; Paper Asia Pte Ltd Singapore, both companies dealing with paper and wood pulp. She has gained experience in marketing &amp; trading. Appointed as Business Development Manager of Mizam Pte Ltd.</p> <p>5 years of experience in trading &amp; marketing of wood-based products. Currently sits on the Board of several private limited companies.</p>	<p>Started her career as a Management Trainee in the subsidiary company, BTM Marketing &amp; Trading Sdn. Bhd. on 1.6.2002.</p>
<b>Date of Appointment</b>	11th November, 1999	14th September, 2002
<b>Other Directorship of Public Listed Companies</b>	NIL	NIL
<b>Membership of Board Committees</b>	Audit Committee	NIL
<b>Family Relationship with Director and/or Major Shareholder of BTM Resources</b>	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources and To' Puan Ng Ah Heng, a major shareholder of BTM Resources.	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources and To' Puan Ng Ah Heng, a major shareholder of BTM Resources and sister of Yong Emmy, an Executive Director and major shareholder of BTM Resources Berhad.
<b>Conflict of Interest with BTM Resources, if any</b>	Saved as disclosed, and in notes no. 24 and no. 27 in the accompanying financial statements.	NIL
<b>Convictions for offences within the past 10 years other than traffic offences</b>	NIL	NIL
<b>No. of Board Meetings attended in the financial year</b>	3/4	1 - as Alternate to Yong Emmy

**TAN SRI DATO' (DR.) ABDUL AZIZ BIN ABDUL RAHMAN**

		<b>TAN SRI DATO' (DR.) ABDUL AZIZ BIN ABDUL RAHMAN</b>
	<b>Position</b>	Independent Non-Executive Director
	<b>Age</b>	71 years
	<b>Nationality</b>	Malaysian
	<b>Qualification Held</b>	Barrister-At-Law Lincoln's London. Hon. Doctor of Philosophy, University Utara Malaysia. Doctor of Business Administration h.c. International Management Centre Buckingham, UK. Advanced Management Programme (AMP) Harvard Business School, Harvard University U.S.A.
	<b>Working Experience &amp; Occupation</b>	An advocate and solicitor and a partner in the law firm of Nik Saghir & Ismail, K.L. More than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in judicial and legal service of the Federal Govt.. He served as Magistrate, President Sessions Court, Federal Court, Federal Counsel and Asst. Parliamentary Draftsman. His last government appointment was a Federal Counsel and Legal Officer of the National Operation Council during the Emergency of 1969. He subsequently served Malaysian Airlines from its inception in 1971 as a Company Secretary and Director of Legal Affairs. He retired in 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years.
	<b>Date of Appointment</b>	7th January, 2003
	<b>Other Directorship of Public Listed Companies</b>	He sits on the Board of MBM Resources Berhad and United Chemical Industries Berhad
	<b>Membership of Board Committees</b>	Member of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
	<b>Family Relationship with Director and/or Major Shareholder of BTM Resources</b>	NIL
	<b>Conflict of Interest with BTM Resources, if any</b>	NIL
	<b>Convictions for offences within the past 10 years other than traffic offences</b>	NIL
	<b>No. of Board Meetings attended in the financial year</b>	2/2

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of BTM Resources Berhad Group for financial year ended 31st December, 2003.

#### FINANCIAL PERFORMANCE

For the financial year under review, the Group's turnover rose 3.8% to RM27.270 million compared to that of the previous year's of RM26.267 million. The Group incurred a loss before taxation of RM3.960 million as compared to RM8.146 million in 2002.

#### DIVIDEND

The Board does not recommend the payment of dividend for the year under review.

#### ACQUISITION OF PROPERTIES AND PLANT AND MACHINERY AND ESTABLISHMENT OF AN EMPLOYEES SHARE OPTION SCHEME

On 19th January, 2004, the shareholders had approved the proposed acquisition of Properties and Plant and Machinery and the Establishment of an Employees Share Option Scheme.

#### PROSPECTS

For the year 2004, the group will continue to concentrate on its existing core business of an integrated timber operation. The Group expects its operations to continue to be challenging with increased operation cost especially its log and timber and other raw materials costs due to competitive market conditions.

The Directors of the company expect the result for the coming year to be affected by the above factors and shall also continue the efforts of improving the results. However, barring unforeseen circumstances, the Directors of the company expect the group's result to be better than that of financial year 2003.

#### APPRECIATION

On behalf of the Board of Directors, I would like to record our sincere appreciation to all our management and staff and employees who worked diligently and loyally. I also wish to thank the shareholders, customers, bankers and government authorities for their confidence and continued support of the Group.

*Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad*

Executive Chairman

The Board of BTM Resources Berhad is committed to the principles of Corporate Governance as embodied in the Malaysian Code on Corporate Governance. In achieving this end, the Board takes every step to ensure that the principles of Corporate Governance and best practices are observed and practised throughout the Group.

Set out below is a statement on the extent of the Group's application of the principles of the code and compliance with the best practices provisions:-

## A) THE BOARD

### (1) Composition of the Board

The Board currently has six (6) members, four (4) of them are Non-Executive Directors and two (2) are Independent Directors. The Board membership meets the requirement with one-third being independent non-executive directors.

A brief description of each director is presented in the Profile of Directors in this Annual Report.

### (2) Re-election of Directors

In accordance with the Company's Articles of Association, all directors who are appointed by the Board are subject to election by shareholders at the first opportunity after their appointment. The Articles also provide that at least one-third of the Board including the Managing Director is subject to re-election annually and each Director has to stand for re-election at least once every three (3) years.

The names of directors who are standing for re-election or re-appointment at the Tenth Annual General Meeting ("AGM") of the company are contained in the Statement Accompanying the Notice of AGM.

### (3) Board Meetings

The Board met four (4) times in the financial year ended 31 December 2003 and additional matters were resolved by way of circular resolutions as and when necessary. The attendance record of each director is set out below:

Name of Directors	No. of Meetings Held	No. of Meetings Attended
1. Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	4	4/4
2. Dato' Seri Yong Tu Sang	4	4/4
3. Dato' Mohd Zamry Bin Yusof	4	3/4
4. Yong Emmy	4	3/4
5. Choong Show Tong (appointed on 19.5.2003)	4	2/2
6. Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman (appointed on 01.7.2003)	4	2/2
7. Dato' Lau Chen Nai (Resigned on 01.7.2003)	4	1/2
8. How Wong Yuh (Resigned on 28.4.2003)	4	1/1

### (4) Supply of Information

All Directors are provided with agenda and board papers prior to the meeting in order to be briefed properly before the meeting and to enable them to obtain further explanations, where necessary. All Directors have access to the advice of Company Secretary and when necessary, the directors may obtain independent professional advice in the furtherance of their duties, at the company's expense.

## B) BOARD COMMITTEES

The following Board Committees have been established to assist the Board in the execution of specific responsibilities granted to the respective Committees that operate within approved terms and reference. These Committees put forward recommendations and report to the Board. Final decision on all matters lie with the Board.

### (1) Audit Committee

The primary object of the Audit Committee is to assist the Board of Directors in fulfilling its responsibilities relating to accounting and reporting practices. The Audit Committee's Report for the year is set out separately in this Annual Report.

## (2) Nomination Committee

The Nomination Committee was formed on 28 February 2004. The members of the Nomination Committee comprises majority of the Independent Non-Executive Directors as follows:-

Choon Show Tong (Chairman)  
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman  
Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad

The Committee's responsibility, among others, is to consider suitable persons for appointment as Board members of the Company.

## (3) Remuneration Committee

The Remuneration Committee was formed on 28 February 2004. The members of the Remuneration Committee comprises majority of the Independent Non-Executive Directors as follows:-

Tan Sri Dato' (Dr.) Abdul Aziz  
Bin Abdul Rahman (Chairman)  
Choong Show Tong  
Dato' Seri Yong Tu Sang

The Committee's primary responsibility, among others, is to recommend to the Board the company's policies on manpower requirements and review of Terms and Conditions of Service of the Executive Directors and Senior Managers.

## C) LEVEL AND COMPOSITION OF REMUNERATION PACKAGE

The Board believes that remuneration levels should be sufficient to attract and retain the Directors needed to run the Group. The remuneration scheme for the Executive Directors is linked to the Corporate and Individual performance, experience and scope of responsibilities. In the case of Non-Executive Director, the level of remuneration reflects experience and level of responsibilities undertaken by each of them. The fees of the Directors are subject to shareholders' approval at the Annual General Meeting.

Aggregate remuneration of Directors, paid or payable, categorised into appropriate components for the financial year ended 31 December 2003 are as follows:

### a) Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Fee	-	68,500
Salaries	456,000	90,000
Bonus	43,000	11,000
Benefits in kind	-	-
Others	290,000	66,840
<b>Total</b>	<b>789,720</b>	<b>236,340</b>

### b) Band (RM)

Remuneration Band	Executive Director	Non- Executive Director	Total
0 - 50,000	-	5	5
100,001 - 150,000	-	1	1
350,001 - 400,000	1	-	1
400,001 - 450,000	1	-	1

The Board of Directors feels that it is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

## D) RELATIONS WITH SHAREHOLDERS

The Board acknowledges the need for shareholders to be informed of all material business matters affecting the shareholders. Announcements and timely release of financial results on a quarterly basis, circulars and annual reports are sent to provide shareholders with an overview of the Group's performance and operations. A copy of the Annual Report is supplied to all shareholders and is made available upon request.

### **Annual General Meeting**

The Annual General Meeting of the Company represents the principal forum for dialog and interaction with all shareholders. Shareholders are notified of the meeting and provided with a copy of the company's Annual Report before the meeting. The Board encourages shareholders to participate in the question and answer session. Members of the Board, as well as the Auditors of the company, are present to answer and provide explanations based on information available to questions raised during the meeting.

### **E) ACCOUNTABILITY AND AUDIT**

#### **Financial Reporting**

In presenting the annual financial statement and quarterly announcement of results to shareholders, the Board aims to present a balanced assessment of the Group's financial position and prospects.

#### **Internal Control**

The Statement of Internal Control which provides an overview of the state of internal control within the Group is disclosed on page 15 of this Annual Report.

#### **Relationship with External Auditors**

The role of the Audit Committee in relation to the external auditors is described in the Audit Committee Report. The company has maintained a close and transparent relationship with its auditors in seeking professional advice and ensuring compliance with Accounting Standards of Malaysia.

#### **Statement on Material Contracts Involving Directors' or Major Shareholder Interest**

There is no material contracts subsisting as at 31 December 2003 or entered into since the end of the previous financial year by the company or its subsidiaries, which involved the interests of the Directors or Major Shareholders other than those disclosed under notes to the account on Related Party Transaction of revenue in nature and significant proposals.

### **F) OTHER INFORMATION**

#### **Non-Audit Fee**

There were no non-audit fee paid to the external auditors for the financial year.

#### **During the Financial Year**

- a) No proceeds were raised by the company from any corporate proposal.
- b) There were no share buybacks by the company during the financial year.
- c) The company did not sponsor any American Depository Receipt ("ADR") or Global Deposit Receipt ("GDR") programmes.
- d) There were no sanctions and/or penalties imposed on the company and its subsidiaries, directors or management by the regulatory bodies.
- e) There is no significant variance between the results for the financial year and the unaudited results previously announced. The company did not make any release on profit estimate, forecast or projection for the financial year.
- f) There is no profit guarantee given by the Company.

The Board of Directors acknowledges its responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity. Due to limitations that are inherent in any system of internal control, it should be noted that such system is designed to manage rather than eliminate the risk of failure to achieve business objectives. Further, such system can only provide reasonable but not absolute assurance against material risks or loss.

The Board has set up an Internal Audit Function which has been outsourced to an accounting firm with the objectives of reviewing the adequacy and the integrity of the system of internal control and assisting the Audit Committee to discharge its duties and responsibilities more effectively.

The key processes that the Board of Directors have established in reviewing the adequacy and integrity of the system of internal control are as follows:-

- A clearly defined organizational structure
- Key responsibilities are properly segregated
- Financial results are reviewed quarterly by the Board and the Audit Committee
- Effective reporting system to ensure timely generation of financial information for management review
- Ongoing reviews of the internal control system are carried out through internal audit function and the results of such reviews are reported directly to the Board and to the Audit Committee.

The Board remains committed towards operating a sound system of internal control and therefore recognises that the system must continuously evolve to support the type of business and size of operations of the Group. As such, the Board, in striving for continuous improvement, will put in place appropriate action plans, when necessary, to further enhance the Group's system of internal control.



## DIRECTORS' RESPONSIBILITY STATEMENT

The Directors aim to present a balanced assessment of the Group's position and prospects in all financial reports. In preparing the annual financial statements of the Group and the company, the Directors are collectively responsible to ensure that these financial statements have been prepared to 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 the results and cash flows of the Group and the company in accordance with the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965 and the Listing Requirements of the Bursa Malaysia Securities Berhad.

In preparing those financial statements for the year ended 31 December 2003 set out in the Annual Report, the Directors have applied appropriate accounting policies on a consistent basis and made judgement and estimates that are reasonable and prudent.

The Directors are responsible to ensure that proper accounting records are kept which disclose with reasonable accuracy at any time, the financial position

of the company and the Group and which enable them to ensure that the financial statement comply with the provisions of the Companies Act, 1965, the Listing Requirements and the applicable approved accounting standards.

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

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2003.

### 1. PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of subsidiary companies are disclosed in Note 7 to the financial statements.

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

### 2. RESULTS

	Group RM	Company RM
Loss after taxation	(3,960,461)	(95,498)
Minority interest	94,395	-
	(3,866,066)	(95,498)
(Accumulated losses)/retained profits brought forward	(8,039,805)	568,643
	(11,905,871)	473,145

### 3. DIVIDENDS

Since the end of the last financial year, no dividend have been declared or paid by the Company.

The directors do not recommend the payment of any dividend in respect of the year ended 31st December, 2003.

### 4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31st December, 2003.

### 5. DIRECTORS OF THE COMPANY

The directors in office since the date of the last Directors' Report are:-

Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad (Executive Chairman)  
 Dato' Seri Yong Tu Sang (Managing Director)  
 Dato' Mohd. Zamry bin Yusof  
 Yong Emmy  
 Tan Sri Dato' (Dr) Abdul Aziz bin Abdul Rahman (appointed on 1st July, 2003)  
 Choong Show Tong (appointed on 19th May, 2003)  
 Yong Ellen (alternate to Yong Emmy)  
 Dato' Lau Chen Nai (resigned on 1st July, 2003)  
 How Wong Yuh (resigned on 28th April, 2003)

## 5. DIRECTORS OF THE COMPANY (CONT'D)

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in the shares of the Company during the year covered by the income statement were as follows:-

	Number of Shares of RM1 Each			As at 31.12.2003
	As at 1.1.2003	Acquired	Sold	
Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000	-	-	1,552,000
Dato' Seri Yong Tu Sang	3,686,000	-	-	3,686,000
Dato' Mohd. Zamry bin Yusof	749,300	-	100,000	649,300
Yong Emmy	3,000,000	-	-	3,000,000

In accordance with Article 64 of the Company's Articles of Association, Dato' Seri Yong Tu Sang and Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129 of Companies Act, 1965, Tan Sri Dato'(Dr) Abdul Aziz bin Abdul Rahman retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Except for the disclosure in Note 26 to the financial statements, no director of the Company has, since the end of the last financial year, received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a subsidiary company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Except for the disclosure in Note 30 to the financial statements, neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

## 6. OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and its subsidiary companies were made up, the directors took reasonable steps:-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts; and
  - (ii) to ensure that any current assets which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records of the Company and its subsidiary companies have been written down to an amount which they might be expected so to realise.

## 6. OTHER STATUTORY INFORMATION (CONT'D)

- (b) At the date of this report:-
- (i) the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowances for doubtful debts, in the financial statements of the Company and of its subsidiary companies, inadequate to any substantial extent;
  - (ii) the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company and of its subsidiary companies misleading;
  - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company and of its subsidiary companies misleading or inappropriate;
  - (iv) the directors are not aware of any circumstances that would render any amount stated in the respective financial statements misleading;
  - (v) there does not exist any charge on the assets of the Company or of its subsidiary companies that has arisen since 31st December, 2003 which secures the liabilities of any other person; and
  - (vi) there does not exist any contingent liability in respect of the Company or of its subsidiary companies that has arisen since 31st December, 2003.
- (c) No contingent liability or other liability of the Company or of its subsidiary companies has become enforceable, or is likely to become enforceable within the period of twelve months from 31st December, 2003 which, in the opinion of the directors, will or may affect the ability of the Company or of its subsidiary companies to meet their obligations as and when they fall due.
- (d) In the opinion of the directors:-
- (i) the results of the operations of the Company and of its subsidiary companies for the year ended 31st December, 2003 were not substantially affected by any item, transaction or event of a material and unusual nature; and
  - (ii) there has not arisen in the interval between 31st December, 2003 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 Company and of its subsidiary companies for the financial year in which this report is made.

## 7. SIGNIFICANT EVENT AFTER BALANCE SHEET DATE

At an Extraordinary General Meeting of the Company held on 19th January, 2004, the undermentioned proposals were approved by shareholders.

- (a) Acquisition of Properties and Plant and Machinery
- (i) Acquisition via a wholly-owned subsidiary company, BTM Global Holdings Sdn. Bhd., of land, and plant and machineries for a total purchase consideration of RM3,000,000 to be satisfied via the issuance of 1,875,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share; and

## 7. SIGNIFICANT EVENT AFTER BALANCE SHEET DATE (CONT'D)

(a) Acquisition of Properties and Plant and Machinery (Cont'd)

- (ii) Acquisition of a 5 1/2 storey office known as "Wisma Kam Choon" for a purchase consideration of RM4,500,000 to be satisfied via the issuance of 2,812,500 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share.

(b) Employees Share Option Scheme (ESOS)

An Employees Share Option Scheme whereby eligible employees and executive directors of the Group can subscribe for shares in the Company at an option price to be determined.

The shares to be issued pursuant to the above proposals shall, upon issue and allotment, rank pari passu in all respects with one another and the existing ordinary shares of the Company except that they shall not be entitled to any dividend or distributions that may be declared, made or paid in respect of the prior financial year or any interim dividend or any other distribution that may be declared before allotment of the consideration shares.

## 8. AUDITORS

Azman, Wong, Salleh & Co. have expressed their willingness to accept reappointment.

Signed in accordance with a resolution of the Board of Directors,

DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD

DATO' SERI YONG TU SANG

Terengganu,  
Date: 9 April 2004

# BALANCE SHEET

AS AT 31ST DECEMBER, 2003

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	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
PROPERTY, PLANT AND EQUIPMENT	6	15,853,547	16,376,686	810,024	936,009
SUBSIDIARY COMPANIES	7	-	-	18,873,558	18,924,558
INVESTMENTS	8	61,196	110,196	40,000	40,000
<b>CURRENT ASSETS</b>					
Inventories	9	5,047,607	7,642,837	-	-
Trade receivables	10	7,307,416	9,934,123	-	-
Other receivables and deposits		1,816,990	2,280,148	1,011,779	479,156
Amounts due from subsidiary companies	11	-	-	6,923,722	7,016,345
Fixed deposits with a licensed bank	12	305,292	266,431	-	-
Cash and bank balances		428,063	551,385	10,235	7,241
		<b>14,905,368</b>	20,674,924	<b>7,945,736</b>	7,502,742
<b>LESS: CURRENT LIABILITIES</b>					
Trade payables		4,451,085	8,086,744	-	-
Other payables and accruals		2,072,152	1,231,092	653,795	284,738
Amount due to subsidiary companies		-	-	3,248	-
Bank borrowings	13	8,437,503	7,725,497	-	-
Hire purchase payables	14	20,278	50,157	-	-
Amount due to directors		14,118	150,031	14,118	36,916
Taxation		709,513	709,513	-	-
		<b>15,704,649</b>	17,953,034	<b>671,161</b>	321,654
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		<b>(799,281)</b>	2,721,890	<b>7,274,575</b>	7,181,088
		<b>15,115,462</b>	19,208,772	<b>26,998,157</b>	27,081,655
<b>FINANCED BY:</b>					
SHARE CAPITAL	15	19,999,000	19,999,000	19,999,000	19,999,000
SHARE PREMIUM	16	6,460,012	6,460,012	6,460,012	6,460,012
(ACCUMULATED LOSSES)/ RETAINED PROFITS		(11,905,871)	(8,039,805)	473,145	568,643
<b>SHAREHOLDERS' EQUITY</b>		<b>14,553,141</b>	18,419,207	<b>26,932,157</b>	27,027,655
MINORITY INTEREST		-	23,475	-	-
<b>NON-CURRENT LIABILITIES</b>					
Provision for retirement benefits	17	390,240	306,240	66,000	54,000
Bank borrowings	13	88,500	413,000	-	-
Hire purchase payables	14	83,581	46,850	-	-
		<b>562,321</b>	766,090	<b>66,000</b>	54,000
		<b>15,115,462</b>	19,208,772	<b>26,998,157</b>	27,081,655

The notes on pages 26 to 42 form part of these financial statements.

## INCOME STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
OPERATING REVENUE	19	<b>27,270,595</b>	26,267,649	<b>1,200,000</b>	1,200,000
COST OF SALES		<b>(25,366,114)</b>	(27,581,765)	-	-
GROSS PROFIT/(LOSS)		<b>1,904,481</b>	(1,314,116)	<b>1,200,000</b>	1,200,000
OTHER OPERATING INCOME		<b>480,572</b>	118,513	-	1,706
OTHER OPERATING EXPENSES		-	(14,740)	-	-
DISTRIBUTION EXPENSES		<b>(1,686,792)</b>	(1,487,741)	-	-
ADMINISTRATIVE EXPENSES		<b>(3,930,685)</b>	(4,748,567)	<b>(1,295,191)</b>	(1,712,575)
LOSS FROM OPERATIONS		<b>(3,232,424)</b>	(7,446,651)	<b>(95,191)</b>	(510,869)
FINANCE EXPENSES		<b>(728,037)</b>	(699,581)	<b>(307)</b>	(165)
LOSS BEFORE TAXATION	20	<b>(3,960,461)</b>	(8,146,232)	<b>(95,498)</b>	(511,034)
TAXATION	21	-	(47,934)	-	-
LOSS AFTER TAXATION		<b>(3,960,461)</b>	(8,194,166)	<b>(95,498)</b>	(511,034)
MINORITY INTEREST		<b>94,395</b>	484	-	-
NET LOSS FOR THE YEAR		<b>(3,866,066)</b>	(8,193,682)	<b>(95,498)</b>	(511,034)
DIVIDENDS PER SHARE		-	-	-	-
LOSS PER SHARE	22	<b>(19.3 sen)</b>	(41.0 sen)		

The notes on pages 26 to 42 form part of these financial statements.

## STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Share Capital RM	Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total RM
<b>GROUP</b>				
As at 1st January, 2002	19,999,000	6,460,012	153,877	26,612,889
Net loss for the year	-	-	(8,193,682)	(8,193,682)
As at 31st December, 2002	19,999,000	6,460,012	(8,039,805)	18,419,207
Net loss for the year	-	-	(3,866,066)	(3,866,066)
As at 31st December, 2003	19,999,000	6,460,012	(11,905,871)	14,553,141
<b>COMPANY</b>				
As at 1st January, 2002	19,999,000	6,460,012	1,079,677	27,538,689
Net loss for the year	-	-	(511,034)	(511,034)
As at 31st December, 2002	19,999,000	6,460,012	568,643	27,027,655
Net loss for the year	-	-	(95,498)	(95,498)
As at 31st December, 2003	19,999,000	6,460,012	473,145	26,932,157

The notes on pages 26 to 42 form part of these financial statements.



## CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2003

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
<b>Loss before taxation</b>	<b>(3,960,461)</b>	(8,146,232)	<b>(95,498)</b>	(511,034)
Adjustments for:-				
Goodwill written off	-	26,063	-	-
Allowance for doubtful debts	-	31,924	-	-
Amortisation of leasehold land	<b>7,378</b>	33,928	-	-
Depreciation on property, plant and equipment	<b>1,541,326</b>	1,949,451	<b>139,895</b>	134,128
Provision for retirement benefits	<b>84,000</b>	84,000	<b>12,000</b>	12,000
Gain on disposal of property, plant and equipment	<b>(87,355)</b>	(142)	-	(1,706)
(Gain)/loss on disposal of subsidiary company	<b>(83,815)</b>	-	<b>41,000</b>	-
Property, plant and equipment written off	<b>1,167</b>	3,433	-	-
Interest expense	<b>684,384</b>	589,346	-	-
Interest on fixed deposits	<b>(7,292)</b>	(5,740)	-	-
<b>Operating (loss)/profit before working capital changes</b>	<b>(1,820,668)</b>	(5,433,969)	<b>97,397</b>	(366,612)
Decrease in inventories	<b>2,464,279</b>	4,444,633	-	-
Decrease/(increase) in trade receivables	<b>2,456,995</b>	(1,289,984)	-	-
Decrease/(increase) in other receivables and deposits	<b>253,197</b>	(621,470)	<b>(532,623)</b>	393,194
Decrease in amount due from subsidiary companies	-	-	<b>92,623</b>	146,739
(Decrease)/increase in trade payables	<b>(3,154,309)</b>	4,106,929	-	-
Increase in other payables and accruals	<b>1,101,212</b>	575,143	<b>369,057</b>	95,847
Increase in amount due to subsidiary companies	-	-	<b>3,248</b>	-
(Decrease)/increase in amount due to directors	<b>(135,913)</b>	113,675	<b>(22,798)</b>	560
<b>Cash generated from/(used in) operations</b>	<b>1,164,793</b>	1,894,957	<b>6,904</b>	269,728
Tax paid	-	(65,000)	-	-
Interest paid	<b>(614,781)</b>	(537,936)	-	-
Retirement benefits paid	-	-	-	-
<b>Net cash generated from/(used in) operating activities</b>	<b>550,012</b>	1,292,021	<b>6,904</b>	269,728
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Investment in unquoted shares	-	(89,000)	-	(40,000)
Investment in a subsidiary company	-	(10,386)	-	(51,000)
Purchase of property, plant and equipment	<b>(1,127,525)</b>	(396,554)	<b>(13,910)</b>	(188,048)
Proceeds from disposal of property, plant and equipment	<b>151,355</b>	17,300	-	2,300
Effects of disposal of a subsidiary company (Note 24(a))	<b>9,772</b>	-	<b>10,000</b>	-
Interest received	<b>7,170</b>	6,942	-	-
<b>Net cash used in investing activities</b>	<b>(959,228)</b>	(471,698)	<b>(3,910)</b>	(276,748)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Drawdown of hire purchase facility	61,300	63,000	-	-
Bankers' acceptances discounted	1,929,000	396,000	-	-
Repayment of export credit refinancing	-	(157,000)	-	-
Repayment of bankers' acceptance	(3,197,000)	(209,000)	-	-
Repayment of term loan	(324,500)	(229,080)	-	-
Repayment of hire purchase	(54,448)	(56,092)	-	-
Interest paid	(69,603)	(67,788)	-	-
Net cash used in financing activities	(1,655,251)	(259,960)	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(2,064,467)	560,363	2,994	-7,020
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(4,137,681)	(4,698,044)	7,241	14,261
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	(6,202,148)	(4,137,681)	10,235	7,241
<b>CASH AND CASH EQUIVALENTS COMPRISE:-</b>				
Fixed deposits with a licensed bank	305,292	266,431	-	-
Cash and bank balances	428,063	551,385	10,235	7,241
Bank overdrafts (Note 13)	(6,935,503)	(4,955,497)	-	-
	(6,202,148)	(4,137,681)	10,235	7,241

The notes on pages 26 to 42 form part of these financial statements.

## NOTES TO THE FINANCIAL STATEMENTS

- 31ST DECEMBER, 2003

### 1. BASIS OF ACCOUNTING

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The new applicable approved accounting standards adopted in these financial statements are as follows:-

MASB 25	Income Taxes
MASB 29	Employee Benefits

The adoption of the new accounting standards do not have any significant effect on net profit or shareholders' equity for the year.

The preparation of financial statements in conformity with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 requires the Directors to make 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 year. Actual results could differ from those estimates.

### 2. GENERAL INFORMATION

The financial statements of the Group and the Company were authorised for issue on 9th April, 2004 by the Board of Directors.

The Company is a public limited company incorporated and domiciled in Malaysia.

The Company is listed on the Second Board of Bursa Malaysia Securities Berhad.

The Group and the Company have 279 (2002: 265) and 5 (2002: 5) employees respectively at the end of the financial year.

The registered office of the Company is No. 22-2, Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur.

The administrative and correspondence address of the Company is located at No.101, 3rd Floor, Wisma Kam Choon, Jalan Kampung Tiong, 20100 Kuala Terengganu, Terengganu Darul Iman.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's activities expose it to a variety of financial risks, including foreign currency exchange risk, interest rate risk and credit risk. The Board of Directors have formulated a financial risk management framework with the principal objectives of minimising the Group's exposure to risks and/or costs associated with the financing, investing and operating activities of the Group.

Various risk management policies are established for observation in the day-to-day operations for the controlling and management of the risks associated with the deployment of financial instruments by the Group.

#### (a) Foreign Currency Exchange Risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. A large portion of the Group's foreign currency transactions are denominated in US Dollars and the exposure to exchange risk is mitigated due to the pegging of Ringgit Malaysia (RM) against US Dollar by the Malaysian Authorities.

### 3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

#### (b) Interest Rate Risk

The Group's income and operating cash flows are substantially dependent on changes in market interest rates. Interest rate exposure arises from the Group's borrowings and is managed through the use of floating rate debt.

#### (c) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made to customers with an appropriate credit history. The Group considers the risk of material loss in the event of non- performance by a financial counterparty to be unlikely.

#### (d) Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables.

#### (e) Financial Liabilities and Equity Instruments

Debts and equity instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangements.

Significant financial liabilities include trade and other payables, bank borrowings and hire purchase payables.

### 4. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to 31st December, 2003. Intercompany transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

The results of subsidiary companies acquired or disposed during the financial year are included in the Group income statement from the date of their acquisition up to the date of their disposal.

Goodwill arising on consolidation represents the excess of the purchase price over the fair value of the net assets of subsidiary companies at the dates of acquisition. Goodwill on consolidation is written off in the year of acquisition.

Details of the subsidiary companies are listed in Note 7 to the financial statements. For subsidiary companies which were acquired by way of the issue of shares in a manner which satisfy the requirements relating to a merger, the merger method of accounting was adopted for consolidating the results of the subsidiary companies so acquired (Note 5). The difference between the cost of acquisition over the nominal value of the shares of these subsidiary companies has been adjusted against group retained profits.

#### (b) Property, Plant and Equipment

Certain factory buildings are amortised over the remaining periods of the leasehold properties on which they are located. The remaining periods of these leasehold properties vary between 10 to 20 years.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Other property, plant and equipment are stated at cost less accumulated depreciation and impairment loss, (if any).

Depreciation on property, plant and equipment is calculated on a straight line basis at rates which are determined to write off the cost of the assets over their estimated useful lives. The principal annual rates of depreciation used are as follows:-

Buildings	4% to 5% or over period of lease (if shorter)
Plant and machinery	10% to 20%
Office equipment, furniture and fittings	5% to 33 1/3%
Motor vehicles	20%

(c) Impairment of Assets

The carrying values of assets are reviewed for impairment when there is an indication that the values of the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amount. Recoverable amount is the higher of net realisable value and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not practicable, for the relevant cash generating units.

An impairment loss is charged to the income statement immediately. Any subsequent increase in the recoverable amount of an asset is treated as reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(d) Investments

Investments are stated at cost adjusted for any permanent diminution in value.

(e) Inventories

Inventories are valued at the lower of cost and net realisable value determined on a weighted average basis. In arriving at net realisable value, due allowance has been made for all obsolete and slow moving items. Cost include the cost of logs and other raw materials, direct labour and appropriate manufacturing overheads.

(f) Receivables

Trade receivables are carried at invoiced amount less an estimate made for doubtful debts based on a review of outstanding amounts at the end of the year. Bad debts are written off when identified.

(g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the applicable tax rate at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unabsorbed tax losses and unutilised capital allowances to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unabsorbed tax losses and unutilised capital allowances can be utilised.

Deferred tax is measured at the applicable tax rate at the balance sheet date.

#### 4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

##### (h) Foreign Exchange

Transactions in foreign currencies are converted into Ringgit Malaysia at the rates approximating those ruling at the dates of the transactions. Foreign currency monetary assets and liabilities at the balance sheet date are translated into Ringgit Malaysia at rates of exchange approximating those ruling at that date. All exchange gains and losses are taken to the income statement.

The principal closing rates used in the translation of foreign currency amounts are as follow:-

	At 31.12.2003	At 31.12.2002
Foreign currency		
1 US Dollar	<b>RM3.80</b>	RM3.80
1 Australian Dollar	<b>RM2.84</b>	RM2.15

##### (i) Employee Benefits

###### (i) Short Term Benefits

Wages, salaries and bonuses are recognised as an expense in the year in which the associated services are rendered by employees of the Company. Short term accumulated compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulated compensated absences such as sick leave are recognised when the absences occur.

###### (ii) Defined Contribution Plan

As required by law, companies in Malaysia make contributions to the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the income statement as incurred.

###### (iii) Defined Benefits Plan

The Group provides for retirement benefits to eligible employees who have completed the minimum qualifying period of ten years continuous service. It is an unfunded defined benefits scheme that takes into account current and past service costs.

The quantum of benefits is calculated as follows:

$M \times \text{Final monthly salary} \times \text{Service (years)}$ ; where M is 1

For any incomplete year of service, the calculation shall be apportioned accordingly.

##### (j) Revenue Recognition

Revenue is recognised upon delivery and acceptance of goods by customers and rendering of services.

##### (k) Cash and Cash Equivalents

Cash equivalents are short-term, highly liquid balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## 5. MERGER ACCOUNTING

The acquisitions of Besut Tsuda Industries Sendirian Berhad and Syarikat Maskayu Sawmill Sdn. Bhd. are accounted for using the merger method of accounting.

The details of the acquisitions are as follows:-

	Equity Acquired		Consideration	
	No. of Shares	%	No. of Shares	Fair Value RM
Besut Tsuda Industries Sendirian Berhad	4,000,000	100.00	13,851,912	15,494,232
Syarikat Maskayu Sawmill Sdn. Bhd.	1,836,840	99.99	3,021,088	3,379,326
			<u>16,873,000</u>	<u>18,873,558</u>

## 6. PROPERTY, PLANT AND EQUIPMENT

GROUP - 2003	Short term Leasehold Land RM	Short term Leasehold Building RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital Work In Progress RM	Total RM
Cost:							
Balance at 1st January	958,563	9,040,600	17,614,372	2,584,736	5,548,416	8,105,721	43,852,408
Additions	-	11,000	986,638	52,300	77,587	-	1,127,525
Disposals	-	-	(124,304)	(8,339)	(233,111)	-	(365,754)
Write offs	-	-	-	(25,204)	-	-	(25,204)
Disposal of subsidiary	-	-	(98,495)	(400)	-	-	(98,895)
Balance at 31st December	958,563	9,051,600	18,378,211	2,603,093	5,392,892	8,105,721	44,490,080
Accumulated Depreciation:							
Balance at 1st January	844,980	5,413,738	14,339,666	1,476,107	540,1231	-	27,475,722
Charge for the year	7,378	345,759	931,662	204,453	59,452	-	1,548,704
Eliminated on disposal	-	-	(66,685)	(1,961)	(233,108)	-	(301,754)
Eliminated on write off	-	-	-	(24,037)	-	-	(24,037)
Eliminated on disposal of subsidiary	-	-	(61,809)	(293)	-	-	(62,102)
Balance at 31st December	852,358	5,759,497	15,142,834	1,654,269	5,227,575	-	28,636,533
Net Book Value at 31st December	106,205	3,292,103	3,235,377	948,824	165,317	8,105,721	15,853,547

## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

GROUP - 2002	Short term	Short term	Plant and	Office	Motor	Capital	Total
	Leasehold	Leasehold		Equipment,			
	Land	Building	Machinery	Furniture	Vehicles	Progress	
	RM	RM	RM	and Fittings	RM	RM	RM
Cost:							
Balance at 1st January	958,563	9,029,517	17,638,946	2,394,947	5,519,933	7,997,921	43,539,827
Acquisition of subsidiary	-	-	16,647	-	-	-	16,647
Additions	-	14,750	80,950	217,157	83,697	-	396,554
Transfers	-	-	(107,800)	-	-	107,800	-
Disposals	-	-	-	(660)	(55,214)	-	(55,874)
Write offs	-	(3,667)	(14,371)	(26,708)	-	-	(44,746)
Balance at 31st December	958,563	9,040,600	17,614,372	2,584,736	5,548,416	8,105,721	43,852,408
Accumulated Depreciation:							
Balance at 1st January	811,052	5,037,989	13,059,646	1,275,378	5,387,694	-	25,571,759
Acquisition of subsidiary	-	-	613	-	-	-	613
Charge for the year	33,928	377,705	1,292,967	226,592	52,187	-	1,983,379
Eliminated on disposal	-	-	-	(66)	(38,650)	-	(38,716)
Eliminated on write off	-	(1,956)	(13,560)	(25,797)	-	-	(41,313)
Balance at 31st December	844,980	5,413,738	14,339,666	1,476,107	5,401,231	-	27,475,722
Net Book Value at 31st December	113,583	3,626,862	3,274,706	1,108,629	147,185	8,105,721	16,376,686

COMPANY - 2003	Office	Total
	Equipment, Furniture and Fittings RM	RM
Cost:		
Balance at 1st January	1,222,837	1,222,837
Additions	13,910	13,910
Balance at 31st December	1,236,747	1,236,747
Accumulated Depreciation:		
Balance at 1st January	286,828	286,828
Charge for the year	139,895	139,895
Balance at 31st December	426,723	426,723
Net Book Value at 31st December	810,024	810,024



## 6. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Office Equipment, Furniture and Fittings RM	Total RM
<b>COMPANY - 2002</b>		
Cost:		
Balance at 1st January	1,035,449	1,035,449
Additions	188,048	188,048
Disposals	(660)	(660)
Balance at 31st December	1,222,837	1,222,837
Accumulated Depreciation:		
Balance at 1st January	152,766	152,766
Charge for the year	134,128	134,128
Eliminated on disposal	(66)	(66)
Balance at 31st December	286,828	286,828
Net Book Value at 31st December	936,009	936,009

The cost of property, plant and equipment that were acquired through hire purchase arrangements are:-

	Group	
	2003 RM	2002 RM
Motor vehicles	165,878	83,700
Plant and machinery	-	116,000
	<b>165,878</b>	<b>199,700</b>

The property, plant and equipment of certain subsidiary companies are subject to fixed and floating charges for an amount of RM8,000,000 by way of debentures to secure banking facilities for the subsidiary companies.

## 7. SUBSIDIARY COMPANIES

	Company	
	2003 RM	2002 RM
Unquoted shares, at cost:		
Balance at 1st January	18,924,558	18,873,558
Disposal/acquisition during the year	(51,000)	51,000
Balance at 31st December	18,873,558	18,924,558

## 7. SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies, all of which are incorporated in Malaysia, are as follows:-

Name of Company	Equity Interest (%)		Principal Activities
	2003	2002	
Besut Tsuda Industries Sendirian Berhad	100.00	100.00	Investment holding, logging, sawmilling and trading of sawn timber and logs.
Syarikat Maskayu Sawmill Sdn. Bhd.	99.99	99.99	Logging, sawmilling, and trading of sawn timber.
Besut Tsuda Wood Products Sdn. Bhd. (held indirectly through Besut Tsuda Industries Sendirian Berhad)	100.00	100.00	Kiln-drying operations, timber moulding and manufacturing of finger jointed timber and lamination boards.
BTM Marketing & Trading Sdn. Bhd.	100.00	100.00	Trading of sawn timber.
NTL Marine Park Sdn. Bhd.	-	51.00	Rearing of fresh water fish for sale and related activities.
* BTM Properties Sdn. Bhd.	100.00	100.00	Dormant
* BTM Construction Sdn. Bhd.	100.00	100.00	Dormant
* BTM Development Sdn. Bhd.	100.00	100.00	Dormant
* BTM Global Holdings Sdn. Bhd.	100.00	100.00	Dormant

\* Companies not audited by Azman, Wong, Salleh & Co.

During the year, the Company disposed 51,000 ordinary shares of RM1 each, representing 51% equity interest in NTL Marine Park Sdn. Bhd., for a cash consideration of RM10,000.

## 8. INVESTMENTS

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Quoted investments:				
Shares quoted in Malaysia, at cost	21,196	21,196	-	-
Unquoted shares, at cost	40,000	89,000	40,000	40,000
	<b>61,196</b>	110,196	<b>40,000</b>	40,000
Market value of quoted shares	<b>15,897</b>	16,109	-	-

## 9. INVENTORIES

	Group	
	2003 RM	2002 RM
At cost:-		
Logs and sawn timber	3,433,617	5,066,453
Manufactured products	969,673	1,772,131
Consumable stores	489,010	761,730
Timber mouldings	138,507	14,928
Others	16,800	27,595

## 10. TRADE RECEIVABLES

	Group	
	2003 RM	2002 RM
Balances outstanding	7,307,416	9,966,047
Allowances for doubtful debts	-	(31,924)
	<b>7,307,416</b>	<b>9,934,123</b>

The currency exposure profile of trade receivables is analysed as follows:-

	Group	
	2003 RM	2002 RM
- Ringgit Malaysia	5,164,356	4,535,409
- US Dollar	2,003,058	5,363,441
- Australian Dollar	140,002	35,273
	<b>7,307,416</b>	<b>9,934,123</b>

## 11. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

These represent interest-free trade related advances with no fixed terms of repayment.

## 12. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM137,600 in the names of certain subsidiary companies were placed under lien to secure a credit facility from the same financial institution to another subsidiary company.

Fixed deposits with a face value of RM129,632 in the name of another subsidiary company was pledged to a licensed bank to secure a bank guarantee facility.

### 13. BANK BORROWINGS (SECURED)

	Group	
	2003 RM	2002 RM
Bankers' acceptances	1,148,000	2,416,000
Term loan	442,500	767,000
Bank overdrafts	6,935,503	4,955,497
	<b>8,526,003</b>	8,138,497
Due in the next 12 months	<b>8,437,503</b>	7,725,497
Due later than one year and not later than five years	<b>88,500</b>	413,000
	<b>8,526,003</b>	8,138,497

- (i) The Group's trade facilities and term loans are secured by:-
- (a) a corporate guarantee of RM8,200,000 given by the Company to secure the trade and loan facilities for the purpose of financing the purchase of a unit woodwaste fired cogenerator system by a subsidiary company.
  - (b) a negative pledge on the property, plant and equipment of a subsidiary company.
  - (c) fixed deposits with a face value of RM137,600 in the names of certain subsidiary companies placed under lien to secure a credit facility from the same financial institution to another subsidiary company.
  - (d) a limited guarantee of RM2,000,000 by a director, and
  - (e) a general security agreement relating to goods held.
  - (f) a deed of Debenture creating fixed and floating charges over the assets of another subsidiary company for an amount of RM3,000,000.
- (ii) The overdraft facilities of subsidiary companies is secured by way of:-
- (a) A first legal charge over a subsidiary company's leasehold land and factory buildings for RM5,000,000.
  - (b) A debenture creating a first fixed and floating charge over the subsidiary companies fixed and floating assets for RM8,000,000; and
  - (c) A corporate guarantee by the Company.
- (iii) The term loan is repayable over 30 monthly instalments of RM29,500 (excluding interest) each commencing from 26th September, 2002 and the bank overdrafts are repayable on demand.
- (iv) Indicative interest rates on the Group's borrowings are as follows:-

	2003 (%)	2002 (%)
Export credit refinancing	<b>2.0 per annum</b>	2.0 per annum
Bankers' acceptances	<b>3.05 to 3.10 per annum</b>	4.70 to 4.92 per annum
Term loan	<b>8.50 to 9.40 per annum</b>	8.65 per annum
Bank overdrafts	<b>8.50 to 9.50 per annum</b>	8.90 per annum

**14. HIRE PURCHASE PAYABLES**

	Group	
	2003 RM	2002 RM
Balance outstanding	126,225	112,014
Interest in suspense	(22,366)	(15,007)
	<b>103,859</b>	97,007
Due in the next 12 months	20,278	50,157
Due later than one year and not later than five years	83,581	46,850
	<b>103,859</b>	97,007

**15. SHARE CAPITAL**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Ordinary shares of RM1 each:-				
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	19,999,000	19,999,000	19,999,000	19,999,000

**16. SHARE PREMIUM - GROUP/COMPANY**

balance on this account is not distributable by way of cash dividends and may be utilised only in the manner set out in Section 60(3) of the Companies Act, 1965.

**17. PROVISION FOR RETIREMENT BENEFITS**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Balance at 1st January	306,240	222,240	54,000	42,000
Provision made for the year	84,000	84,000	12,000	12,000
Balance at 31st December	<b>390,240</b>	306,240	<b>66,000</b>	54,000

## 18. DEFERRED TAXATION

The amount of deductible temporary differences, unutilised capital allowances and unabsorbed tax losses, for which no deferred tax asset has been recognised in the balance sheet are as follows:-

	Group	
	2003 RM	2002 RM
Deductible temporary differences	<b>6,222,191</b>	4,972,008
Unabsorbed tax losses	<b>13,884,352</b>	11,508,210

## 19. OPERATING REVENUE

Operating revenue of the Company relates to management fees receivable. Operating revenue of the Group represents revenue from the sale of timber products at invoiced value net of returns.

## 20. LOSS BEFORE TAXATION

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
This is stated after charging/(crediting):-				
Non-executive directors' remuneration				
- fees	<b>68,500</b>	79,200	<b>68,500</b>	79,200
Executive directors' salaries, bonuses and other emoluments				
- company's directors	<b>957,560</b>	949,800	<b>565,720</b>	561,400
- other directors	<b>153,720</b>	161,760	-	-
Audit fees	<b>43,200</b>	42,000	<b>5,000</b>	5,000
Depreciation on property, plant and equipment	<b>1,541,326</b>	1,949,451	<b>139,895</b>	134,128
Amortisation of leasehold land	<b>7,378</b>	33,928	-	-
Allowances for doubtful debts	-	31,924	-	-
Goodwill written off	-	26,063	-	-
Property, plant and equipment written off	<b>1,167</b>	3,433	-	-
Interest expense - hire purchase	<b>11,950</b>	12,202	-	-
- bank overdraft	<b>544,268</b>	442,145	-	-
- bankers' acceptances	<b>74,889</b>	106,622	-	-
- export bills	<b>150</b>	6,659	-	-
- term loan	<b>53,127</b>	18,638	-	-
- others	-	3,080	-	-
Royalties and cess	<b>179,551</b>	25,308	-	-
Rental of land and buildings				
- belonging to directors	<b>61,344</b>	61,344	<b>61,344</b>	61,344
- others	<b>68,185</b>	229,424	<b>18,068</b>	36,137
Rental of vehicles	<b>87,600</b>	87,600	-	-
Provision for retirement benefits	<b>84,000</b>	84,000	<b>12,000</b>	12,000
Rental of machinery	<b>(62,343)</b>	(34,275)	-	-
Interest on fixed deposits	<b>(14,322)</b>	(5,740)	-	-
Gain on disposal of property, plant and equipment	<b>(87,355)</b>	(142)	-	(1,706)
(Gain)/loss on disposal of subsidiary	<b>(83,815)</b>	-	<b>41,000</b>	-
Realised gain on foreign exchange	<b>(6,951)</b>	(30,883)	-	-

**20. LOSS BEFORE TAXATION (CONT'D)**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
This is stated after charging/(crediting):-				
Management fees - subsidiary companies	-	-	<b>(1,200,000)</b>	(1,200,000)
Estimated cash value of benefits-in-kind of directors	-	-	-	-
Staff costs	<b>4,110,758</b>	4,802,353	<b>813,647</b>	737,266

Included in staff costs of the company are contributions made to Employee Provident Fund amounting to RM 26,511(2002:RM 18,711).

**21. TAXATION**

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Current year's tax charge	-	-	-	-
Transfer from deferred taxation account (Note 17)	-	-	-	-
Over/(under)provision in respect of prior years	-	(47,934)	-	-
	-	(47,934)	-	-

The Company is not subject to any tax for the current year in view of its operating losses.

Subject to agreement with the Inland Revenue Board, the Company has unutilised capital allowances and unabsorbed tax losses of approximately RM97,384 (2002: RM101,000) and RM100,218 (2002:RM100,000) respectively that are available for set-off against future taxable income.

The estimated tax exempt income available to the Company for distribution as tax exempt dividends is RM396,000 (2002: RM396,000).

The Company and certain of its subsidiary companies have adequate tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends out of their respective retained profits as at 31st December, 2003.

**22. LOSS PER SHARE**

The loss per ordinary share has been calculated based on the Group's loss after taxation of RM3,866,066 (2002: RM8,193,682) and on the number of ordinary shares in issue during the year of 19,999,000 (2002: 19,999,000).

## 23. CONTINGENT LIABILITIES

	Company	
	2003 RM	2002 RM
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	16,200,000	16,200,000

## 24. SUMMARY OF EFFECTS OF DISPOSAL OF A SUBSIDIARY COMPANY

During the financial year, the Group disposed off its equity interest NTL Marine Park Sdn. Bhd. for a cash consideration of RM10,000.

a) Details of net assets and cash flow arising from the disposal are as follows:-

	At date of disposal RM
Property, plant and equipment	36,793
Unquoted investment	49,000
Inventories	130,951
Trade receivables	169,712
Other receivables and deposit	210,083
Trade payables	(481,350)
Other payables and accruals	(260,152)
Cash and bank balances	228
	(144,735)
Minority interest	70,920
Net assets	(73,815)
Gain on disposal of subsidiary company	83,815
Net disposal proceeds	10,000
Cash and bank balances	(228)
Net cash flow on disposal	9,772

## 25. INTERCOMPANY BALANCES AND TRANSACTIONS

(a) Amounts due from/(to) subsidiary companies at year end included in the balance sheet are as follows:-

	Company	
	2003 RM	2002 RM
Amount due from/(to) subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	844,337	672,382
Besut Tsuda Wood Products Sdn. Bhd.	4,814,239	5,316,721
Syarikat Maskayu Sawmill Sdn. Bhd.	1,186,038	950,080
BTM Properties Sdn. Bhd.	9,327	9,157
BTM Construction Sdn. Bhd.	9,362	9,192
BTM Development Sdn. Bhd.	51,698	50,894
BTM Marketing & Trading Sdn. Bhd.	(3,248)	-
BTM Global Holdings Sdn. Bhd.	8,721	7,917



## 25. INTERCOMPANY BALANCES AND TRANSACTIONS (CONT'D)

- (b) Details of significant transactions between the following subsidiary companies and the Company during the year are as follows:-

Income	Company	
	2003 RM	2002 RM
Management fees		
Besut Tsuda Industries Sendirian Berhad	<b>480,000</b>	480,000
Besut Tsuda Wood Products Sdn. Bhd.	<b>480,000</b>	480,000
Syarikat Maskayu Sawmill Sdn. Bhd.	<b>240,000</b>	240,000

## 26. RELATED PARTY TRANSACTIONS

Related party relationships exist between the Group and the following companies in which certain directors of the Company, namely Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad, Dato' Seri Yong Tu Sang and Dato' Mohd. Zamry bin Yusof are substantial shareholders:-

- (i) Dajanti Holdings Sdn. Bhd.
- (ii) Gimzan Plywood Sdn. Bhd.
- (iii) Seri Indah Enterprise Sdn. Bhd.
- (iv) Seri Indah Resort Sdn. Bhd.
- (v) BTM Timber Industries Sdn. Bhd.
- (vi) SPPT Development Sdn. Bhd.
- (vii) Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.
- (viii) Syarikat Zamry Sawmill Sdn. Bhd.
- (ix) Sung Lee Timber Trading Sdn. Bhd.
- (x) Syarikat Rimba Timor Sdn. Bhd.

- (a) Amounts due (to)/from related parties at year end included in the balance sheets are as follows:-

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Trade payables</b>				
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	<b>(1,946)</b>	(764)	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	<b>(3,587)</b>	(7,712)	-	-
Sung Lee Timber Trading Sdn. Bhd.	<b>(385,562)</b>	(818,042)	-	-
BTM Timber Industries Sdn. Bhd.	<b>(912,174)</b>	(505,743)	-	-
SPPT Development Sdn. Bhd.	-	(3,427)	-	-
Gimzan Plywood Sdn. Bhd.	<b>(169,250)</b>	(5,731)	-	-
<b>Trade receivables</b>				
Gimzan Plywood Sdn. Bhd.	<b>1,721,916</b>	1,157,648	-	-
BTM Timber Industries Sdn. Bhd.	<b>1,346,969</b>	960,750	-	-
SPPT Development Sdn. Bhd.	<b>1,354,631</b>	1,491,027	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	<b>8,393</b>	-	-	-
<b>Other payables</b>				
Seri Indah Enterprise Sdn. Bhd.	<b>(260,157)</b>	(229,097)	<b>(1,743)</b>	-
Sung Lee Timber Trading Sdn. Bhd.	<b>(138,640)</b>	(140,000)	<b>(130,000)</b>	(140,000)
Seri Indah Resort Sdn. Bhd.	<b>(5,044)</b>	-	<b>(2,587)</b>	-

## 26. RELATED PARTY TRANSACTIONS (CONT'D)

(a) Amounts due (to)/from related parties at year end included in the balance sheets are as follows:- (Cont'd)

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
<b>Other receivables</b>				
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	(40,000)	(40,000)	-	-
Sung Lee Timber Trading Sdn. Bhd.	32,685	-	-	-
	-	3,011	-	-

(b) Details of significant transactions between the related parties and the Group during the year are as follows:-

	Group	
	2003 RM	2002 RM
<b>Income</b>		
Sales of logs and sawn timber		
BTM Timber Industries Sdn. Bhd.	391,853	102,242
Sung Lee Timber Trading Sdn. Bhd.	791,056	115,418
Syarikat Zamry Sawmill Sdn. Bhd.	-	15,543
Gimzan Plywood Sdn. Bhd.	459,842	-
Services		
BTM Timber Industries Sdn. Bhd.	65,509	87,446
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	964	14,632
Syarikat Zamry Sawmill Sdn. Bhd.	4,268	4,125
Sung Lee Timber Trading Sdn. Bhd.	489	555
Gimzan Plywood Sdn. Bhd.	22,354	44,875
Others		
BTM Timber Industries Sdn. Bhd.	475,962	5,210
Gimzan Plywood Sdn. Bhd.	196,593	15,000
<b>Expenditure</b>		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	8,234,108	-
BTM Timber Industries Sdn. Bhd.	1,896,174	3,240,326
Syarikat Zamry Sawmill Sdn. Bhd.	-	167,258
Sung Lee Timber Trading Sdn. Bhd.	773,394	-
SPPT Development Sdn. Bhd.	90,748	-
Services		
BTM Timber Industries Sdn. Bhd.	377,983	371,882
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	25,155	28,178
Sung Lee Timber Trading Sdn. Bhd.	150,943	10,517
Rental		
BTM Timber Industries Sdn. Bhd.	71,728	100,800
Others		
BTM Timber Industries Sdn. Bhd.	111,395	(87,108)
Seri Indah Enterprise Sdn. Bhd.	166,229	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	(110)
Gimzan Plywood Sdn. Bhd.	31,313	-

## 27. CAPITAL COMMITMENTS

	Group	
	2003 RM	2002 RM
Authorised and contracted for	2,180,000	2,180,000

## 28. SEGMENT INFORMATION

The Group's activities are conducted within a single industry segment and its operations are located wholly in Malaysia. Accordingly, segment information reporting is not relevant in the context of the Group.

## 29. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities of the Group and of the Company approximate their fair values at balance sheet date.

## 30. SIGNIFICANT EVENT AFTER BALANCE SHEET DATE

At an Extraordinary General Meeting of the Company held on 19th January, 2004, the undermentioned proposals were approved by shareholders.

### (a) Acquisition of Properties and Plant and Machinery

- (i) Acquisition via a wholly-owned subsidiary company, BTM Global Holdings Sdn. Bhd., of land, and plant and machineries for a total purchase consideration of RM3,000,000 to be satisfied via the issuance of 1,875,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share; and
- (ii) Acquisition of a 5 1/2 storey office known as "Wisma Kam Choon" for a purchase consideration of RM4,500,000 to be satisfied via the issuance of 2,812,500 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share.

### (b) Employees Share Option Scheme (ESOS)

An Employees Share Option Scheme whereby eligible employees and executive directors of the Group can subscribe for shares in the Company at an option price to be determined.

The shares to be issued pursuant to the above proposals shall, upon issue and allotment, rank pari passu in all respects with one another and the existing ordinary shares of the Company except that they shall not be entitled to any dividend or distributions that may be declared, made or paid in respect of the prior financial year or any interim dividend or any other distribution that may be declared before allotment of the consideration shares.

We, DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD and DATO' SERI YONG TU SANG, being two of the directors of BTM RESOURCES BERHAD, state that in the opinion of the directors, the financial statements set out on pages 21 to 42 are drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2003 and of their results and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Board of Directors,

DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD




DATO' SERI YONG TU SANG

Terengganu,  
Date: 9 April 2004

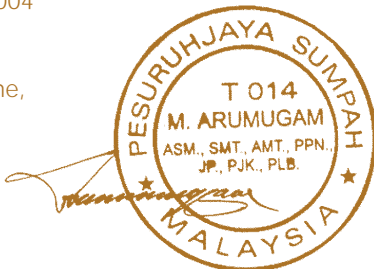
## STATUTORY DECLARATION

I, CHEN KAR MUN, the person primarily responsible for the financial management of BTM RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 21 to 42 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the  
abovenamed CHEN KAR MUN at Kuala  
Terengganu in the State of Terengganu Darul  
9 April 2004

)  
)  
)  
)   
) CHEN KAR MUN

Before me,



No. 4-B, Tingkat Satu,  
Jalan Air Jernih,  
20300 Kuala Terengganu.

## REPORT OF THE AUDITORS

TO THE MEMBERS OF BTM RESOURCES BERHAD

We have audited the financial statements set out on pages 21 to 42. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. Our audit includes an examination, on a test basis, of evidence supporting the amounts and disclosures in the financial statements. Our audit also includes an assessment of the accounting principles used and significant estimates made by the directors, as well as an evaluation of the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 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 of the Company as at 31st December, 2003 and of their results and cash flows for the year then ended;

and

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

We have considered the financial statements and the auditors' reports of the subsidiary companies for which we have not acted as auditors as indicated in Note 7 to the financial statements.

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 or comments made under subsection (3) of Section 174 of the Act.



AZMAN, WONG, SALLEH & CO.  
AF: 0012  
Chartered Accountants



NG ENG KIAT  
1064/03/05(J/PH)  
Partner of the Firm

Kuala Lumpur,  
Date: 9 April 2004

Class of Share	:	Ordinary Share of RM1.00 each
Authorised	:	100,000,000
Issued and Fully Paid-up Capital	:	27,155,150
Voting Rights	:	One vote per share
Number of Shareholders	:	1287

## ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 999	1	4,450	0.02
1,000 - 10,000	1,173	2,690,250	9.91
10,001 - 100,000	77	2,162,650	7.96
100,001 - 1,000,000	17	7,672,300	28.25
Above 1,000,000	6	14,625,500	53.86
<b>Total</b>	<b>1,287</b>	<b>27,155,150</b>	<b>100.00</b>

SUBSTANTIAL SHAREHOLDERS  
(HOLDING 5% OR MORE IN THE SHARE CAPITAL)

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Seri Yong Tu Sang	3,686,000	13.57	@ 4,687,500	17.26
a) Shares held under name are 2,886,000 units				
b) Shares held under CitiCorp Nominees (Tempatan) Sdn. Bhd. are 500,000 units Hong Leong Finance Berhad 300,000 units				
Yong Emmy	3,000,000	11.05	-	-
Sung Lee Timber Trading Sdn. Bhd.	2,812,500	10.36	-	-
Ng Ah Heng	2,500,000	9.21	# 2,812,500	10.36
BTM Timber Industries Sdn. Bhd.	1,875,000	6.90	-	-
Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	1,552,000	5.72	* 1,875,000	6.90

@ Deemed interest by virtue of his substantial shareholdings in Sung Lee Timber Trading Sdn. Bhd. and BTM Timber Industries Sdn. Bhd.

# Deemed interest by virtue of her substantial shareholdings in Sung Lee Timber Trading Sdn. Bhd.

\* Deemed interest by virtue of his substantial shareholdings in BTM Timber Industries Sdn. Bhd.

## DIRECTORS AND THEIR SHAREHOLDINGS

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Ser Yusof Bin Dato' Biji Sura @ Mohamad	1,552,000	5.72	# 1,875,000	6.90
Dato' Seri Yong Tu Sang	3,686,000	13.57	@ 4,687,500	17.26
Dato' Mohd. Zamry Bin Yusof	649,300	2.39	-	-
Yong Emmy	3,000,000	11.05	-	-
Tan Sri Dato' (Dr.) Abdul Aziz	-	-	-	-
Bin Abdul Rahman	-	-	-	-
Choong Show Tong	-	-	-	-
Yong Ellen (Alternate to Yong Emmy)	-	-	-	-

# Deemed interest by virtue of his substantial interest in BTM Timber Industries Sdn. Bhd.

@ Deemed interest by virtue of his substantial interest in BTM Timber Industries and Sung Lee Timber Trading Sdn. Bhd.

## LIST OF THIRTY LARGEST SHAREHOLDINGS

<i>Name of Shareholders</i>	<i>Shares Held</i>	<i>%</i>
1. Yong Emmy	3,000,000	11.05
2. Dato' Seri Yong Tu Sang	2,886,000	10.63
3. Sung Lee Timber Trading Sdn. Bhd.	2,812,500	10.36
4. Ng Ah Heng	2,500,000	9.21
5. BTM Timber Industries Sdn. Bhd.	1,875,000	6.90
6. Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000	5.72
7. Permodalan Nasional Berhad	1,000,000	3.68
8. Dato' Mohd Zamry Bin Dato' Seri Yusof	649,300	2.39
9. Fatimah Zalina Binti Yusof	635,700	2.34
10. How Han Siew	570,350	2.10
11. Ong Har Hong	522,700	1.93
12. Citicorp Nominee (Tempatan) Sdn Bhd <i>(pledged Securities Account for Dato' Seri Yong Tu Sang)</i>	500,000	1.84
13. Wang Wei	490,000	1.81
14. Kelvin Low Meng Poh	490,000	1.81
15. Halim Bin Mohamad	429,000	1.58
16. Loh Lai Foong	409,650	1.51
17. Chua Eng Lim	409,000	1.51
18. Yow Lap Kong	407,500	1.50
19. Leong Chong Shoo @ Leong Chan Chiew	370,000	1.36
12. Hong Leong Finance Berhad <i>(pledged Securities Account for Dato' Seri Yong Tu Sang)</i>	300,000	1.10
21. Poo Choo @ Ong Poo Choi	229,100	1.84
22. HSBC Nominees (Tempatan) Sdn Bhd <i>(pledged Securities Account for Dato' Lau Yin Pin)</i>	155,000	0.57
23. Tan Joo Yee	105,000	0.39
24. Yap Leong Seng	95,400	0.35
25. Mercsec Nominees (Tempatan) Sdn Bhd <i>(pledged Securities Account for Chew Beow Soon)</i>	85,000	0.31
26. Ng Kin Li	76,000	0.27
27. Chan Yan Ping	71,000	0.26
28. Mah Mun Fai	65,650	0.24
29. Tsunami Capital Sdn. Bhd.	62,400	0.22
30. Toh Seng Tat	56,000	0.21
	<b>16,141,000</b>	<b>80.63</b>

<i>Location</i>	<i>Tenure</i>	<i>Description</i>	<i>Land Area Hectare</i>	<i>Approx. Age of the Building</i>	<i>Net Book Value as at 31.12.2003</i>
<b><i>Besut Tsuda Industries Sdn Bhd</i></b>					
Lot No:- 003067 Mukim of Pengkalan Nangka District of Besut Terengganu Darul Iman	30 year's leasehold expiring on 30/03/2007	Industrial land with sawmill building, timber sheds and office erected thereon	12.06	27 years	73,418
Lot No:- 002995 Mukim of Pengkalan Nangka District of Besut Terengganu Darul Iman	30 year's leasehold expiring on 26/10/2018	Vacant industrial land	9.014	-	55,940
<b><i>Syarikat Maskayu Sawmill Sdn Bhd</i></b>					
Lot No:- 11341 Mukim Of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	30 year's leasehold expiring on 31/12/2004	Sawmill building, timber sheds and office erected thereon	2.837	28 years	172,281
Lot No:- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year's leasehold expiring on 29/11/2033	Log yard	0.998	-	53,100
<b><i>Besut Tsuda Wood Products Sdn Bhd</i></b>					
Lot No:- 1654 Mukim of Tanggol District of Hulu Terengganu Terengganu Darul Iman	30 year's leasehold expiring on 31/03/2024	Factory buildings kiln-dried chambers, office erected thereon	4.005	10 years	3,048,570





# FORM OF PROXY

I / We \_\_\_\_\_

of \_\_\_\_\_

being a Member / Members of BTM Resources Berhad hereby appoint \_\_\_\_\_

\_\_\_\_\_

of \_\_\_\_\_

or failing him, the Chairman of the meeting as my / our proxy to vote for me / us on my / our behalf at the Tenth Annual General Meeting of the Company to be held at Embassy 2, 12th Floor, Crown Princess Hotel, City Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Monday, 21 June 2004 at any adjournment thereof.

The proxy is to vote on the Resolutions set out in the Notice of Meeting as indicated with "X" in the appropriate spaces. If no specific direction as to voting given, the proxy will vote or abstain from voting at his discretion.

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		
Resolution 7		
Resolution 8		

Number of Shares Held	
-----------------------	--

\_\_\_\_\_  
Signature of Shareholder(s)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2004.

**Note:**

- i) A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll.
- ii) A proxy may but need not be a member.
- iii) Where the member of the Company appoints two or more proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- iv) If the appointor is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- v) The instrument appointing a proxy must be deposited at the registered office of the Company at Heng & Monteiro Consultants Sdn Bhd, No.22-2, Jalan Tun Sambanthan 3, 50470 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

**EXPLANATORY NOTES ON SPECIAL BUSINESS**

Resolution Pursuant to Section 132D of the Companies Act, 1965.

The proposed Ordinary Resolution, under item (6) if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any delay and costs involved in convening a general meeting, it is thus appropriate to seek shareholders' approval.

