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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of BTM Resources Berhad will be held at the Embassy 2, 12th Floor, Crown Princess Hotel, City Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Friday, 23rd June 2006 at 11.00 a.m. for the following purposes:

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2005 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 2005. **RESOLUTION 2**
3. To re-elect Madam Yong Emmy who retires in accordance with Article 64 of the Company's Articles of Association. **RESOLUTION 3**
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 4
5. To re-elect Messrs Azman, Wong, Salleh & Co as Auditors and to authorise the Directors to fix their remuneration. **RESOLUTION 5**

AS SPECIAL BUSINESS

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

6. Authority to allot shares pursuant to Section 132D of the Companies Act, 1965

"THAT subject always to the Companies Act, 1965 and the 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 aggregated 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 6
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 31st May, 2006 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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

- 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 7

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
Mary Margret Pelly
Joint Secretaries

KUALA LUMPUR
Date: 31st May 2006

NOTES:

- 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 right 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 appointer 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 24th June, 2005. 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 the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the 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 Twelfth Annual General Meeting of the Company:

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

i) Madam Yong Emmy

RESOLUTION 3

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

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

RESOLUTION 4

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 8 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 53 of the Annual Report)

2. Attendance of Directors at Board Meetings for year 2005

A total of four (4) Board Meetings were held during the financial year ended 31 December 2005. The attendance record of Directors during the financial year is as follows:

Name of Directors	Attendance
Dato' Seri Yong Tu Sang	4 out of 4 meetings
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	4 out of 4 meetings
Mr. Choong Show Tong	4 out of 4 meetings
Madam Yong Emmy	4 out of 4 meetings

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

Date : Friday, 23 June 2006

Time : 11.00 a.m.

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

4. Profile of Directors who are standing for re-election:

The information required in compliance with the Appendix 8A, Section (4) under the BMSB Listing Requirement has been included in pages 8 to 10 herein.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Seri Yong Tu Sang
Managing Director

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman
Chairman, Senior Independent Non-Executive Director

Mr. Choong Show Tong
Independent Non-Executive Director

Madam Yong Emmy
Non-Executive Director

Miss Yong Ellen
(Alternate Director to Madam Yong Emmy)

AUDIT COMMITTEE

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

Mr. Choong Show Tong
Member

Madam Yong Emmy
Member

REMUNERATION COMMITTEE

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

Mr. Choong Show Tong
Member

Dato' Seri Yong Tu Sang
Member

NOMINATION COMMITTEE

Mr. Choong Show Tong
Chairman

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

COMPANY SECRETARIES

Mr. Heng Ji Keng (MIA 926)
Madam Mary Margaret Pelly (LS 04402)
Mr. Chong Seok Tian (MIA 2502)

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

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 : 03-2274 1016

BANKS

RHB Bank Berhad
Standard Chartered (M) Berhad
Alliance Bank Malaysia Berhad
HSBC Bank Malaysia Berhad
Bank Perusahaan Kecil & Sederhana Malaysia Berhad
Export-Import Bank of Malaysia Berhad

STOCK EXCHANGE LISTING

Second Board of the
Bursa Malaysia Securities Berhad

1. COMPOSITION OF MEMBERS

For the financial year ended 31 December 2005 the committee comprised the following members :-

Chairman

Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman
Senior Non-Executive Independent Director

Members

Mr. Choong Show Tong
Non-Executive Independent Director

Madam Yong Emmy
Non-Independent / Non-Executive Director

Secretary

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

2. 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

3. SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee has during the financial year ended 31 December 2005 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 statements 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.
- d) Reviewed and verified the allocation of options pursuant to Employee Share Option Scheme ("ESOS") as being in compliance with the criteria of the ESOS, at the end of each financial year.

AUDIT COMMITTEE REPORT (CONT'D)

4. 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.

5. 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 2005, five 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	5	5/5
Madam Yong Emmy	5	4/5
Mr. Choong Show Tong	5	5/5

6. STATEMENT VERIFYING ALLOCATION OF OPTIONS

The Committee has reviewed and verified that the allocation of share options pursuant to the Employee Share Option Scheme ("ESOS") for the financial year ended 31 December 2005 was made in accordance with the criteria as set out in the bye-laws of the Company's ESOS.

DIRECTORS' PROFILE

	DATO' SERI YONG TU SANG	CHOONG SHOW TONG
Position	Executive Director / Managing Director	Independent Non-Executive Director
Age	60 years	49 years
Nationality	Malaysian	Malaysian
Qualification Held	Timber Merchant / Businessman	Associate Member of the Institute of Chartered Accountants in England & Wales Admitted as a Member (Public Accountant) of MIA in May 1983
Working Experience & Occupation	<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>More than 42 years of experience in trading of timber. Currently sits on the Boards of several private limited companies and one listed company, in addition to companies within the BTM Resources Berhad.</p>	<p>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 1983, 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.</p>
Date of Appointment	27th December, 1995	19th May, 2003
Other Directorship of Public Listed Companies	Heveaboard Berhad	NIL
Membership of Board Committees	Member of Remuneration Committee	Member of Nomination Committee and Remuneration Committee, Chairman of Nomination Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources	Husband of To' Puan Ng Ah Heng, a major shareholder of BTM Resources and father of Yong Emmy, an Executive Director and major shareholder of BTM Resources.	NIL
Conflict of Interest with BTM Resources, if any	Saved as disclosed, and in note no. 27 in the accompanying financial statements.	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	4/4	4/4

DIRECTORS' PROFILE (CONT'D)

	YONG EMMY	YONG ELLEN
Position	Non-Executive Director	Independent & Non-Executive Alternate Director to Mdm Yong Emmy
Age	31 years	28 years
Nationality	Malaysian	Malaysian
Qualification Held	Degree in Bachelor of Arts majoring in Japanese Studies and Economics	Bachelor of Arts (Design), Postgraduate Diploma in Design and Master of Design from Curtin University of Technology
Working Experience & Occupation	<p>Started her career in July 1997 as a Business Executive in Itochu Asia Pte Ltd, and Itochu Pulp & Paper Asia Pte Ltd Singapore, both companies dealing with paper and wood pulp. She has gained experience in marketing & trading. Appointed as Business Development Manager of Mizam Pte Ltd.</p> <p>7 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies</p>	Started her career as a Management Trainee in the subsidiary company, BTM Marketing & Trading Sdn. Bhd. on 1.6.2002.
Date of Appointment	11th November, 1999	14th September, 2002
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Audit Committee	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad and sister of Madam Yong Emmy, Non-Executive Director and major shareholder of BTM Resources Berhad
Conflict of Interest with BTM Resources, if any	Saved as disclosed, and in note no. 27 in the accompanying financial statements.	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	4/4	NIL

DIRECTORS' PROFILE (CONT'D)

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

Position	Senior Independent Non-Executive Director
Age	73 years
Nationality	Malaysian
Qualification Held	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.
Working Experience & Occupation	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 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
Date of Appointment	1st July, 2003
Other Directorship of Public Listed Companies	United Chemical Industries Berhad and AsiaEP Berhad
Membership of Board Committees	Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources	NIL
Conflict of Interest with BTM Resources, if any	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL
No. of Board Meetings attended in the financial year	4/4

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of BTM Resources Berhad Group for the financial year ended 31st December, 2005.

FINANCIAL PERFORMANCE

For the financial year under review, the Group's turnover decreased 17.0% to RM20.869 million compared to that of the previous year's of RM25.144 million. The Group incurred a lower loss before taxation of RM5.423 million as compared to RM10.371 million in 2004 mainly due to an impairment loss on plant and equipment amounting to RM4.053 million charged to income statement in 2004.

DIVIDEND

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

PROPOSED RIGHTS ISSUE

- a) On 17 June 2004, the Company announced that it proposed to undertake a rights issue of up to 27,155,150 Rights Shares in the Company at an issue price of RM1.00 each payable in two-call upon application, on a renounceable basis of one (1) Rights Share for every one (1) existing Company Share held on a date to be determined later together with up to 27,155,150 free detachable Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed ("Original Proposal")
- b) On 10 August 2004, the Company announced a revision to the number of Rights Shares from the Original Proposal pursuant to the implementation of the Company's employees' share option scheme, increasing the proposed rights issue to up to 29,485,650 Rights Shares and up to 29,485,650 new free detachable Warrants.
- c) On 31 March 2005, the Company announced that the Securities Commission ("SC") vide its letter dated 25 March 2005, approved the Proposed Two-Call Rights Issue pursuant to Section 32(5) of the SC Act 1993 subject to certain terms and conditions as set out in the announcement.
- d) On 21 September 2005, the company announced that the Securities Commission ("SC") vide its letter dated 20 September 2005, approved the extension of time to six months from 25 September 2005 to 24 March 2006 for the Company to complete the Two-Call Rights Issue.

- e) On 10 March 2006, the Company announced that the Securities Commission ("SC") vide its letter dated 9 March 2006, approved the revision to the Two-Call Rights Issue and the 2nd extension of time of three months from 25 March 2006 to 24 June 2006 subject to certain terms and conditions as set in the announcement.

PROSPECTS

For the year 2006, 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 2005.

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 YONG TU SANG

Managing Director

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 four (4) members, of which two (2) are Independent Non-Executive Directors. The Board membership meets the requirement with half being independent non-executive director.

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 Twelfth 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 2005 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	Number of Meetings Held	Number of Meetings Attended
1. Dato' Seri Yong Tu Sang	4	4/4
2. Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	4	4/4
3. Yong Emmy	4	4/4
4. Choong Show Tong	4	4/4

(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.

(5) Directors' Training

Directors are encouraged to attend continuous education programmes to keep them abreast of changes in legislations and regulations that effect business operations. All the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities for Directors of Public-listed companies. The Directors have also successfully completed the required Continuing Education Programme ("CEP") for Directors of Public-listed companies, accredited by Bursa Securities. The Board shall determine the training needs for Directors to enhance their knowledge where relevant in the discharge of their duties.

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:

Choong Show Tong (*Chairman*)
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman

The terms of reference of the Nomination Committee are as follows:

- Making appropriate recommendations to the Board on matters of renewal, extension, retiring and appointment and re-appointment of Directors
- To assess and recommend any candidate for directorship and ensure an appropriate plan for Board succession for the Group.
- To review annually the mix of skills and experience and effectiveness of the Board as a whole, the committees of the Board and contributions of each individual Director for the effective decision making of the Board.

On 29th November 2005, the Nomination Committee held a meeting to review the effectiveness and composition of the Board and Board Committees and propose the re-election of retiring Directors.

(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 terms of reference of the Remuneration Committee are as follows:

- To establish and recommend the structure and policy of remuneration of executive directors.
- To review and recommend to the Board on matters relating to Employees Share Option Schemes or any amendments to the existing scheme.
- To deal with any other related matter as referred to by the Board.

During the financial year ended 31 December 2005, one meeting was held on 29th November 2005.

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 2005 are as follows:

(a) Aggregate Remuneration

	Executive Directors	Non-Executive Directors
	RM	RM
Fee	-	60,000
Salaries	216,000	30,000
Bonus	15,000	2,300
Benefits in kind	-	-
Others	93,920	63,108
TOTAL	324,920	155,408

(b) Band (RM)

Remuneration Band (RM)	Executive Director	Non-Executive Director	Total
0 - 50,000	-	4	4
300,001 - 400,000	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 statements 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 17 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 2005 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.

Statement of Compliance with the Best Practices of the Code

The Group has taken necessary steps throughout the financial year to comply with the Best Practices of good corporate governance as set out in Part 2 of the Malaysian Code on Corporate Governance. The Group will continuously review its corporate governance principles and practices in its effort to achieve the highest standards of transparency, accountability and above all, integrity.

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 other than the private placement place during the year.
- 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.

STATEMENT ON INTERNAL CONTROL

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 process 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.

STATEMENT OF DIRECTORS' RESPONSIBILITY

IN RELATION TO THE AUDITED FINANCIAL STATEMENTS

The Directors are responsible for ensuring that the annual financial statements of the Group and the Company are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

The Directors are to ensure that the annual financial statements of the Group and the Company give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2005 and of the results of their operations and cash flows for the year ended on that date.

In preparing the financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;
- prepared the financial statements on going concern basis; and
- ensured that proper accounting and other records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Directors are also responsible for taking reasonable steps to safeguard the assets of the Group to prevent and detect fraud and irregularities.

This statement is made in accordance with the resolution of the Board of Directors dated 20th April 2006.

FINANCIAL STATEMENTS

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DIRECTORS' REPORT

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, 2005.

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	(5,425,700)	(269,451)
Accumulated losses brought forward	(22,277,331)	(17,652,391)
Accumulated losses carried forward	(27,703,031)	(17,921,842)

3. DIVIDENDS

Since the end of the last financial year, no dividends 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, 2005.

4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31st December, 2005.

5. DIRECTORS OF THE COMPANY

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

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Chairman)
Dato' Seri Yong Tu Sang (Managing Director)
Yong Emmy
Choong Show Tong
Yong Ellen (alternate to Yong Emmy)

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 and options of the Company and its related corporations during the year covered by the income statement were as follows:-

In the Company	Number of Shares of RM1 Each			As at 31.12.2005
	As at 1.1.2005	Acquired	Sold	
Direct:				
Dato' Seri Yong Tu Sang	3,936,000	-	-	3,936,000
Yong Emmy	3,000,000	-	-	3,000,000
Indirect:				
Dato' Seri Yong Tu Sang *	4,687,500	-	-	4,687,500

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

In the Company	No. of Options Over Ordinary Shares of RM1 Each			As at 31.12.2005
	As at 1.1.2005	Granted	Exercised	
Dato' Seri Yong Tu Sang	250,000	-	-	250,000
Yong Emmy	200,000	-	-	200,000

By virtue of their interests in the shares and options in the Company as disclosed above, Dato' Seri Yong Tu Sang and Yong Emmy are deemed to have interest in the shares of all its subsidiary companies.

In accordance with Article 64 of the Company's Articles of Association, Yong Emmy retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers herself 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.

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.

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 director 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.
- (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, 2005 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, 2005.
- (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, 2005 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, 2005 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, 2005 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. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company had implemented an Employees' Share Option Scheme ("the ESOS") effective from 1st April, 2004, that provides for the granting and exercise of options to subscribe for up to 10% of the issued and paid-up ordinary share capital of the Company to eligible executive directors and employees of the Group. The ESOS is governed by the by-laws which were approved by the shareholders on 19th January, 2004.

The salient features of the scheme are as follows:-

- (a) eligible employees are those employed by and is on the payroll of a company within the Group;
- (b) the options granted may be exercised in respect of such lesser number of new shares provided that the number shall be in multiples of and not less than 1,000 new shares;
- (c) the ESOS shall be in force for a duration of five years and may be renewed for another five years (Option Period);
- (d) the option is personal and is non-assignable;
- (e) the option price shall be at a discount of not more than 10% of the weighted average market price of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia for the five trading days preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher; and
- (f) the persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

During the financial year, the movements in the options to take up unissued ordinary shares of RM1.00 each and the exercise price are as follows:

Exercise Price	Date Granted	Balance as at 1.1.2005	Options over number of shares of RM1.00 each			Balance as at 31.12.2005
			Offered and accepted	Exercised	Forfeited	
RM1.00	1.6.2004	1,808,500	-	-	(278,000)	1,530,500

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 YONG TU SANG

YONG EMMY

Kuala Lumpur,
Date: 20 April 2006

BALANCE SHEETS

AS AT 31ST DECEMBER, 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
PROPERTY, PLANT AND EQUIPMENT	6	16,063,473	17,633,954	4,842,784	5,092,234
SUBSIDIARY COMPANIES	7	-	-	785,152	785,152
INVESTMENTS	8	61,196	61,196	40,000	40,000
CURRENT ASSETS					
Inventories	9	2,407,329	4,293,069	-	-
Trade receivables	10	4,392,567	7,194,676	-	-
Other receivables and deposits		1,272,520	1,126,166	417,284	282,523
Amounts due from subsidiary companies	11	-	-	12,367,949	12,292,481
Fixed deposits with a licensed bank	12	168,050	162,767	-	-
Cash and bank balances		33,150	298,219	7,477	7,001
		8,273,616	13,074,897	12,792,710	12,582,005
LESS: CURRENT LIABILITIES					
Trade payables	13	3,977,345	3,213,140	-	-
Other payables and accruals		2,123,494	2,216,863	605,660	626,062
Amount due to a subsidiary company	11	-	-	168,332	26,571
Bank borrowings (secured)	14	8,455,664	9,781,072	-	-
Hire purchase payables	15	15,326	23,828	-	-
Amount due to directors		156,383	59,036	156,383	59,036
Taxation		647,558	647,558	-	-
		15,375,770	15,941,497	930,375	711,669
NET CURRENT (LIABILITIES)/ASSETS		(7,102,154)	(2,866,600)	11,862,335	11,870,336
		9,022,515	14,828,550	17,530,271	17,787,722

BALANCE SHEETS (CONT'D)

AS AT 31ST DECEMBER, 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
FINANCED BY:					
SHARE CAPITAL	16	27,155,150	27,155,150	27,155,150	27,155,150
SHARE PREMIUM	17	8,206,963	8,206,963	8,206,963	8,206,963
ACCUMULATED LOSSES		(27,703,031)	(22,277,331)	(17,921,842)	(17,652,391)
<hr/>					
SHAREHOLDERS' EQUITY		7,659,082	13,084,782	17,440,271	17,709,722
NON-CURRENT LIABILITIES					
Provision for retirement benefits	19	378,532	474,240	90,000	78,000
Bank borrowings (secured)	14	975,029	1,208,336	-	-
Hire purchase payables	15	7,438	61,192	-	-
Deferred taxation	20	2,434	-	-	-
		1,363,433	1,743,768	90,000	78,000
<hr/>					
		9,022,515	14,828,550	17,530,271	17,787,722
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The notes on pages 30 to 50 form part of these financial statements.

INCOME STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Note	GROUP		COMPANY	
		2005 RM	2004 RM	2005 RM	2004 RM
OPERATING REVENUE	21	20,869,179	25,143,994	858,828	1,336,172
COST OF SALES		(21,691,989)	(25,465,852)	-	-
GROSS (LOSS)/PROFIT		(822,810)	(321,858)	858,828	1,336,172
OTHER OPERATING INCOME		267,324	282,084	-	89
DISTRIBUTION EXPENSES		(828,980)	(1,559,534)	-	-
ADMINISTRATIVE EXPENSES		(3,220,363)	(3,956,272)	(1,128,019)	(1,372,130)
IMPAIRMENT LOSS ON PROPERTY, PLANT AND EQUIPMENT		-	(4,052,860)	-	-
ALLOWANCE FOR DIMINUTION IN VALUE OF INVESTMENT IN SUBSIDIARY COMPANIES		-	-	-	(18,088,406)
LOSS FROM OPERATIONS		(4,604,829)	(9,608,440)	(269,191)	(18,124,275)
FINANCE EXPENSES		(818,437)	(763,020)	(260)	(1,261)
LOSS BEFORE TAXATION	22	(5,423,266)	(10,371,460)	(269,451)	(18,125,536)
TAXATION	23	(2,434)	-	-	-
LOSS AFTER TAXATION		(5,425,700)	(10,371,460)	(269,451)	(18,125,536)
MINORITY INTEREST		-	-	-	-
NET LOSS FOR THE YEAR		(5,425,700)	(10,371,460)	(269,451)	(18,125,536)
LOSS PER SHARE					
Basic	24	(20.0 sen)	(41.3 sen)		

The notes on pages 30 to 50 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	Share Capital RM	Share Premium RM	(Accumulated Losses)/ Retained Profits RM	Total RM
GROUP				
As at 1st January, 2004	19,999,000	6,460,012	(11,905,871)	14,553,141
Issued during the year	7,156,150	2,812,500	-	9,968,650
Share issue expenses	-	(1,065,549)	-	(1,065,549)
Net loss for the year	-	-	(10,371,460)	(10,371,460)
As at 31st December, 2004	27,155,150	8,206,963	(22,277,331)	13,084,782
Net loss for the year	-	-	(5,425,700)	(5,425,700)
As at 31st December, 2005	27,155,150	8,206,963	(27,703,031)	7,659,082
COMPANY				
As at 1st January, 2004	19,999,000	6,460,012	473,145	26,932,157
Issued during the year	7,156,150	2,812,500	-	9,968,650
Share issue expenses	-	(1,065,549)	-	(1,065,549)
Net loss for the year	-	-	(18,125,536)	(18,125,536)
As at 31st December, 2004	27,155,150	8,206,963	(17,652,391)	17,709,722
Net loss for the year	-	-	(269,451)	(269,451)
As at 31st December, 2005	27,155,150	8,206,963	(17,921,842)	17,440,271

The notes on pages 30 to 50 form part of these financial statements.

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(5,423,266)	(10,371,460)	(269,451)	(18,125,536)
Adjustments for:-				
Amortisation of leasehold land	7,378	7,378	-	-
Depreciation on property, plant and equipment	1,791,348	1,637,713	249,450	218,090
Impairment loss on property, plant and equipment	-	4,052,860	-	-
Allowance for diminution in value of investments in subsidiary companies	-	-	-	18,088,406
Provision for retirement benefits	60,000	84,000	12,000	12,000
Gain on disposal of property, plant and equipment	(42,439)	(7,169)	-	-
Property, plant and equipment written off	180	-	-	-
Interest expense	805,908	730,388	-	-
Interest on fixed deposits	(6,580)	(2,219)	-	-
Operating (loss)/profit before working capital changes	(2,807,471)	(3,868,509)	(8,001)	192,960
Decrease in inventories	1,885,740	754,538	-	-
Decrease in trade receivables	2,802,109	112,740	-	-
(Increase)/decrease in other receivables and deposits	(146,354)	690,824	(134,761)	729,256
Increase in amount due from subsidiary companies	-	-	(75,468)	(2,368,759)
Increase/(decrease) in trade payables	764,205	(1,237,945)	-	-
(Decrease)/increase in other payables and accruals	(214,365)	144,711	(20,402)	(27,733)
Increase in amount due to a subsidiary company	-	-	141,761	23,323
Increase in amount due to directors	97,347	44,918	97,347	44,918
Cash generated from/(used in) operations	2,381,211	(3,358,723)	476	(1,406,035)
Tax paid	-	(61,955)	-	-
Retirement benefits paid	(155,708)	-	-	-
Net cash generated from/(used in) operating activities	2,225,503	(3,420,678)	476	(1,406,035)
CASH FLOWS FROM INVESTING ACTIVITIES				
Issuance of shares (net of expenses)	-	1,403,101	-	1,403,101
Purchase of property, plant and equipment	(406,230)	(87,439)	-	(300)
Proceeds from disposal of property, plant and equipment	220,244	116,250	-	-
Interest received	6,580	2,219	-	-
Net cash (used in)/generated from investing activities	(179,406)	1,434,131	-	1,402,801

CASH FLOW STATEMENTS (CONT'D)

FOR THE YEAR ENDED 31ST DECEMBER, 2005

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Bankers' acceptances discounted	-	2,994,000	-	-
Term loan raised	-	1,508,463	-	-
Revolving loan raised	2,040,500	3,727,843	-	-
(Increase)/decrease in short-term deposits pledged as security	(5,283)	124,465	-	-
Decrease in bank overdraft	(510,755)	(1,066,305)	-	-
Repayment of bankers' acceptances	(1,058,019)	(2,964,000)	-	-
Repayment of term loan	(132,418)	(442,500)	-	-
Repayment of revolving loan	(1,898,023)	-	-	-
Repayment of hire purchase	(22,082)	(18,839)	-	-
Interest paid	(725,086)	(730,388)	-	-
Net cash (used in)/generated from financing activities	(2,311,166)	3,132,739	-	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(265,069)	1,146,192	476	(3,234)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	318,219	(827,973)	7,001	10,235
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	53,150	318,219	7,477	7,001
CASH AND CASH EQUIVALENTS COMPRISE:-				
Fixed deposits with a licensed bank	168,050	162,767	-	-
Cash and bank balances	33,150	298,219	7,477	7,001
	201,200	460,986	7,477	7,001
LESS: Deposits pledged as securities	(148,050)	(142,767)	-	-
	53,150	318,219	7,477	7,001

The notes on pages 30 to 50 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31ST DECEMBER, 2005

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 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 20th April, 2006 by the Board of Directors.

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

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

The Group and the Company have 168 (2004: 285) and 4 (2004: 4) 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 certain financial risks, including foreign currency exchange risk, interest rate risk, credit risk and liquidity and cash flow 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. The Group reviews its foreign currency exposure periodically to ensure that its net exposure is managed at an acceptable level.

(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.

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

(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.

(d) Liquidity and Cash Flow Risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. Due to the dynamic nature of the underlying business, the Group aims at maintaining flexibility in its funding requirements through its bankers and suppliers.

(e) Financial Assets

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

(f) 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, 2005. 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 or 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.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, Plant and Equipment

Freehold land is stated at cost and is not amortised.

A parcel of leasehold land has been amortised in full. Three parcels of leasehold land are amortised over their remaining lease periods of 2 to 28 years.

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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 2 to 28 years.

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 (other than inventories and financial 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 actual cost of logs and other raw materials, direct labour and appropriate manufacturing overheads.

(f) Receivables

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Income Taxes

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 tax rate that have been enacted at the balance sheet date.

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

Deferred tax is measured at the rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date.

Deferred tax is recognised in the income statement except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also charged or credited directly to equity, or when it arises from a business combination that is an acquisition, in which case the deferred tax is included in the resulting goodwill.

(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.

	At 31.12.2005	At 31.12.2004
Foreign currency		
1 US Dollar	RM3.76	RM3.80
1 Australian Dollar	RM2.74	RM2.96

(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 Contributions Plan

As required by law, the Company makes contributions to the Employees Provident Fund. Such contributions are recognised as an expense in the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee Benefits (Cont'd)

(iii) Defined Benefits Plan (Cont'd)

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 scheme that takes into account current and past service costs.

The quantum of benefits is calculated as follows:

$M \times \text{Final month salary} \times \text{Service (years)}$; 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) Borrowing Costs

Borrowing costs are recognised as an expense in the income statement as and when incurred.

(l) 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
			16,873,000	18,873,558

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

6. PROPERTY, PLANT AND EQUIPMENT

GROUP - 2005

Cost:	Freehold Land RM	Freehold Building RM	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
Balance at 1st January	2,920,000	2,380,000	958,563	9,058,100	18,602,751	2,676,492	7,259,642	8,105,721	51,961,269
Additions	-	-	-	10,000	-	396,230	-	-	406,230
Disposals/write-offs	-	-	-	-	(147,410)	(34,818)	(499,347)	-	(681,575)
Balance at 31st December	2,920,000	2,380,000	958,563	9,068,100	18,455,341	3,037,904	6,760,295	8,105,721	51,685,924
Accumulated Depreciation:									
Balance at 1st January	-	85,283	859,736	6,105,581	15,965,197	1,847,725	5,410,933	-	30,274,455
Charge for the year	-	119,000	7,378	332,445	738,987	193,548	407,368	-	1,798,726
Eliminated on disposal/write-off	-	-	-	-	(147,360)	(34,638)	(321,592)	-	(503,590)
Balance at 31st December	-	204,283	867,114	6,438,026	16,556,824	2,006,635	5,496,709	-	31,569,591
Accumulated Impairment Loss:									
Balance at 1st January/31st December	-	-	-	-	-	-	-	4,052,860	4,052,860
Net Book Value at 31st December	2,920,000	2,175,717	91,449	2,630,074	1,898,517	1,031,269	1,263,586	4,052,861	16,063,473

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

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

GROUP - 2004

Cost:	Freehold	Freehold	Short term	Short term	Plant and	Office	Motor	Capital	Total
	Land	Building	Leasehold	Leasehold	Machinery	Equipment, Furniture and Fittings	Vehicles	Work In Progress	
	RM	RM	RM	RM	RM	RM	RM	RM	RM
Balance at 1st January	-	-	9,051,600	18,378,211	2,603,093	5,392,892	8,105,721	44,490,080	
Additions	2,920,000	2,380,000	6,500	317,540	73,399	1,890,000	-	7,587,439	
Disposals	-	-	-	(93,000)	-	(23,250)	-	(116,250)	
Balance at 31st December	2,920,000	2,380,000	9,058,100	18,602,751	2,676,492	7,259,642	8,105,721	51,961,269	
Accumulated Depreciation:									
Balance at 1st January	-	-	5,759,497	15,142,834	1,654,269	5,227,575	-	28,636,533	
Charge for the year	-	85,283	346,084	828,563	193,456	184,327	-	1,645,091	
Eliminated on disposal	-	-	-	(6,200)	-	(969)	-	(7,169)	
Balance at 31st December	-	85,283	6,105,581	15,965,197	1,847,725	5,410,933	-	30,274,455	
Accumulated Impairment Loss:									
Balance at 1st January	-	-	-	-	-	-	-	-	
Impairment loss during the year	-	-	-	-	-	-	4,052,860	4,052,860	
Balance at 31st December	-	-	-	-	-	-	4,052,860	4,052,860	
Net Book Value at 31st December	2,920,000	2,294,717	2,952,519	2,637,554	828,767	1,848,709	4,052,861	17,633,954	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

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

COMPANY - 2005	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
Cost:				
Balance at 1st January/31st December	2,120,000	2,380,000	1,237,047	5,737,047
Accumulated Depreciation:				
Balance at 1st January	-	85,283	559,530	644,813
Charge for the year	-	119,000	130,450	249,450
Balance at 31st December	-	204,283	689,980	894,263
Net Book Value at 31st December	2,120,000	2,175,717	547,067	4,842,784

COMPANY - 2004

Cost:				
Balance at 1st January	-	-	1,236,747	1,236,747
Additions	2,120,000	2,380,000	300	4,500,300
Balance at 31st December	2,120,000	2,380,000	1,237,047	5,737,047
Accumulated Depreciation:				
Balance at 1st January	-	-	426,723	426,723
Charge for the year	-	85,283	132,807	218,090
Balance at 31st December	-	85,283	559,530	644,813
Net Book Value at 31st December	2,120,000	2,294,717	677,517	5,092,234

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

	GROUP	
	2005 RM	2004 RM
Motor vehicles	23,714	87,006

The property, plant and equipment of certain subsidiary companies are subject to fixed and floating charges for an amount of RM20,675,000 by way of debentures to secure banking facilities for the subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

7. SUBSIDIARY COMPANIES

	COMPANY	
	2005 RM	2004 RM
Unquoted shares, at cost:		
Balance at 1st January/31st December	18,873,558	18,873,558
Allowance for diminution in value	(18,088,406)	(18,088,406)
	785,152	785,152

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

Name of Company	Equity Interest (%)		Principal Activities
	2005	2004	
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 and plywood.
* 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	Letting of plant and machinery.

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

8. INVESTMENTS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Shares quoted in Malaysia, at cost	21,196	21,196	-	-
Unquoted shares, at cost	40,000	40,000	40,000	40,000
	61,196	61,196	40,000	40,000
Market value of quoted shares	20,030	19,288	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

9. INVENTORIES

	GROUP	
	2005 RM	2004 RM
At cost:-		
Logs and sawn timber	1,032,951	2,739,567
Manufactured products	918,034	995,121
Consumable stores	417,391	439,148
Timber mouldings	552	119,233
Others	38,401	-
	2,407,329	4,293,069

10. TRADE RECEIVABLES

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

	GROUP	
	2005 RM	2004 RM
-Ringgit Malaysia	3,478,835	6,183,925
-US Dollar	760,585	1,010,751
-Australian Dollar	153,147	-
	4,392,567	7,194,676

Credit term for trade receivables is 30 days (2004: 30 days).

11. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

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

12. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM148,050 (2004: RM142,767) in the name of a subsidiary company were pledged to a licensed bank to secure a bank guarantee facility.

13. TRADE PAYABLES

Credit term for trade payables is 30 days (2004: 30 days).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

14. BANK BORROWINGS (SECURED)

	GROUP	
	2005 RM	2004 RM
Bankers' acceptances	119,981	1,178,000
Term loan	1,376,045	1,508,463
Revolving loans	3,870,320	3,727,843
Bank overdrafts	4,064,347	4,575,102
	9,430,693	10,989,408

	GROUP	
	2005 RM	2004 RM
Due in the next 12 months	8,455,664	9,781,072
Due later than one year and not later than five years	975,029	1,208,336
	9,430,693	10,989,408

- (i) The Group's trade facilities and term loans are secured by:-
- (a) Debentures by way of a First and Second Fixed and Floating charges on all present and future assets of the subsidiary companies;
 - (b) Negative pledge on property, plant and equipment of the subsidiary companies;
 - (c) Unconditional and irrevocable corporate guarantee from BTM Resources Berhad;
 - (d) Unconditional and irrevocable guarantee from directors of the subsidiary companies and a related company's director; and
 - (e) A Sinking Fund Account in which an amount equivalent to five per cent is to be collected from each export proceeds received.
- (ii) The overdraft facilities of subsidiary companies are secured by way of:-
- (a) A first legal charge over a subsidiary company's leasehold land and factory buildings for RM5,000,000.
 - (b) Two debentures creating a First Fixed and Floating charge over two subsidiary companies' fixed and floating assets for RM8,000,000; and
 - (c) A corporate guarantee by the Company.
- (iii) Indicative interest rates on the Group's borrowings are as follows:-

	2005 (%)	2004 (%)
Bankers' acceptances	3.05 to 3.10 per annum	3.05 to 3.10 per annum
Term loan	7.25 to 7.35 per annum	7.25 to 7.35 per annum
Bank overdrafts	8.00 to 9.50 per annum	8.50 to 9.50 per annum
Revolving loans	6.00 to 7.35 per annum	6.00 to 7.35 per annum

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

15. HIRE PURCHASE PAYABLES

	GROUP	
	2005 RM	2004 RM
Instalments payable:-		
Not later than 1 year	16,562	30,968
Later than 1 year	7,592	68,769
	24,154	99,737
Finance charges allocated to future periods	(1,390)	(14,717)
	22,764	85,020
Due in the next 12 months	15,326	23,828
Due later than one year and not later than five years	7,438	61,192
	22,764	85,020

Interest rate applicable is 4.25% to 5.25% (2004: 4.25% to 5.25%) per annum.

16. SHARE CAPITAL

	GROUP/COMPANY	
	2005 RM	2004 RM
Ordinary shares of RM1 each:-		
Authorised	100,000,000	100,000,000
Issued and fully paid:		
Balance as at 1st January	27,155,150	19,999,000
Issued during the year	-	7,156,150
Balance as at 31st December	27,155,150	27,155,150

17. SHARE PREMIUM

	GROUP/COMPANY	
	2005 RM	2004 RM
Balance as at 1st January	8,206,963	6,460,012
Arising in respect of issuance of shares	-	2,812,500
Share issue expenses	-	(1,065,549)
Balance as at 31st December	8,206,963	8,206,963

The 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

18. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

The Company had implemented an Employees' Share Option Scheme effective from 1st April, 2004, that provides for the granting and exercise of options to subscribe for up to 10% of the issued and paid-up ordinary share capital of the Company to eligible executive directors and employees of the Group. The ESOS is governed by the by-laws which were approved by the shareholders on 19th January, 2004.

The salient features of the scheme are as follows:-

- (a) eligible employees are those employed by and is on the payroll of a company within the Group;
- (b) the options granted may be exercised in respect of such lesser number of new shares provided that the number shall be in multiples of and not less than 1,000 new shares;
- (c) the ESOS shall be in force for a duration of five years and may be renewed for another five years (Option Period);
- (d) the option is personal and is non-assignable;
- (e) the option price shall be at a discount of not more than 10% of the weighted average market price of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia for the five trading days preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher; and
- (f) the persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

During the financial year, the movements in the options to take up unissued ordinary shares of RM1.00 each and the exercise price are as follows:

Exercise Price	Date Granted	Options over number of shares of RM1.00 each				Balance as at 31.12.2005
		Balance as at 1.1.2005	Offered and accepted	Exercised	Forfeited	
RM1.00	1.6.2004	1,808,500	-	-	(278,000)	1,530,500

19. PROVISION FOR RETIREMENT BENEFITS

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Balance at 1st January	474,240	390,240	78,000	66,000
Add: Provision made for the year	60,000	84,000	12,000	12,000
Less: Payment during the year	534,240 (155,708)	474,240 -	90,000 -	78,000 -
Balance at 31st December	378,532	474,240	90,000	78,000

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

20. DEFERRED TAXATION

	GROUP	
	2005 RM	2004 RM
Balance as at 1st January	-	-
Charged to income statement (Note 23)		
- property, plant and equipment	2,434	-
Balance as at 31st December	2,434	-
Deferred tax liabilities		
- property, plant and equipment	2,434	-

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Deductible temporary differences	7,071,000	7,040,172	-	9,766
Unabsorbed tax losses	23,831,000	19,335,000	-	-

21. OPERATING REVENUE

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

22. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
This is stated after charging/(crediting):-				
Non-executive directors' remuneration				
- fees	60,000	60,000	60,000	60,000
Executive directors' salaries, bonuses and other emoluments				
- company's directors	420,328	914,424	277,920	544,904
- other directors	54,760	58,240	-	-
Audit fees				
- current year	44,400	43,600	10,000	10,000
- underprovision in previous year	-	1,000	-	5,000
Depreciation on property, plant and equipment	1,791,348	1,637,713	249,450	218,090
Amortisation of leasehold land	7,378	7,378	-	-
Allowance for diminution in value of subsidiary companies	-	-	-	18,088,406

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

22. LOSS BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Impairment loss on property, plant and equipment	-	4,052,860	-	-
Property, plant and equipment written off	180	-	-	-
Interest expense				
- hire purchase	6,377	7,649	-	-
- bank overdraft	374,533	470,630	-	-
- bankers' acceptances	74,006	39,819	-	-
- term loan	100,834	82,575	-	-
- revolving loan	248,087	125,863	-	-
- others	2,071	3,852	-	-
Rental of land and buildings				
- belonging to directors	61,344	61,344	61,344	61,344
- others	500	16,540	-	10,540
Rental of vehicles	32,390	87,600	-	-
Provision for retirement benefits	60,000	84,000	12,000	12,000
Rental of machinery	(64,462)	(45,996)	-	-
Interest on fixed deposits	(6,580)	(2,219)	-	-
Gain on disposal of property, plant and equipment	(42,439)	(7,169)	-	-
Realised loss/(gain) on foreign exchange	2,533	(1,146)	-	-
Management fees- subsidiary companies	-	-	(660,000)	(1,200,000)
Staff costs	2,928,695	4,108,323	544,730	813,085

Included in staff costs of the Group and the Company are contributions made to the Employees Provident Fund amounting to RM186,251 and RM28,452 respectively (2004: RM237,461 and RM28,664).

23. TAXATION

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Current year's tax charge	-	-	-	-
Transfer to deferred taxation account (Note 20)	2,434	-	-	-
	2,434	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

23. TAXATION (CONT'D)

A reconciliation between the applicable tax rate on the reported results and the average effective tax rate is as follows:-

	GROUP		COMPANY	
	2005 %	2004 %	2005 %	2004 %
Applicable tax rate	(28)	(28)	(28)	(28)
Tax effects of:				
Expenses not deductible for tax purposes	7	-	26	28
Income not subject to tax	-	12	-	-
Previously unabsorbed capital allowance	(2)	-	-	(1)
Unabsorbed business losses not recognised	23	16	2	1
Effective tax rate	-	-	-	-

24. LOSS PER SHARE

Loss per share is calculated as follow:-

	GROUP	
	2005	2004
Basic		
Net loss for the year	(5,425,700)	(10,371,460)
Weighted average number of ordinary shares	27,155,150	25,087,984
Basic loss per share	(20.0sen)	(41.3sen)

Diluted

The effect on the loss per share of the assumed exercise of the ESOS granted is anti-dilutive and hence, the 'diluted' loss per share has not been presented.

25. CONTINGENT LIABILITIES

	COMPANY			
	2005		2004	
	Carrying Value RM	Fair Value RM	Carrying Value RM	Fair Value RM
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	20,675,000	9,430,693	20,675,000	10,989,408

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

26. INTERCOMPANY BALANCES AND TRANSACTIONS

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

	COMPANY	
	2005 RM	2004 RM
Amount due from/(to) subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	2,666,016	1,465,865
Besut Tsuda Wood Products Sdn. Bhd.	5,996,078	7,116,224
Syarikat Maskayu Sawmill Sdn. Bhd.	1,486,188	1,426,038
BTM Properties Sdn. Bhd.	12,686	10,955
BTM Construction Sdn. Bhd.	12,715	10,990
BTM Development Sdn. Bhd.	54,422	52,692
BTM Marketing & Trading Sdn. Bhd.	(168,332)	(26,571)
BTM Global Holdings Sdn. Bhd.	2,139,844	2,209,717

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

	COMPANY	
	2005 RM	2004 RM
Income		
Management fees		
Besut Tsuda Industries Sendirian Berhad	300,000	480,000
Besut Tsuda Wood Products Sdn. Bhd.	300,000	480,000
Syarikat Maskayu Sawmill Sdn. Bhd.	60,000	240,000

27. RELATED PARTY BALANCES AND TRANSACTIONS

Related party relationships exist between the Group and the following companies in which certain directors and former directors of the Company, are substantial shareholders:-

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

27. RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D)

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

	GROUP		COMPANY	
	2005 RM	2004 RM	2005 RM	2004 RM
Trade payables				
Syarikat Zamry Sawmill Sdn. Bhd.	(2,967)	(3,087)	-	-
Sung Lee Timber Trading Sdn. Bhd.	(587,238)	(425,127)	-	-
BTM Timber Industries Sdn. Bhd.	(41,623)	(8,728)	-	-
Gimzan Plywood Sdn. Bhd.	(1,159,240)	(159,865)	-	-
Trade receivables				
Gimzan Plywood Sdn. Bhd.	-	870,376	-	-
BTM Timber Industries Sdn. Bhd.	1,507,832	2,956,128	-	-
SPPT Development Sdn. Bhd.	1,584,579	1,378,317	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	8,393	8,393	-	-
Syarikat Rimba Jaya (1972) Industries Sdn. Bhd.	199,653	200,214	-	-
NLS Sdn. Bhd.	1,356	16,125	-	-
Other payables				
Seri Indah Enterprise Sdn. Bhd.	(271,474)	(259,789)	(5,606)	-
Sung Lee Timber Trading Sdn. Bhd.	-	(18,908)	-	(12,717)
Seri Indah Resort Sdn. Bhd.	-	(2,341)	-	(2,173)
NLS Sdn. Bhd.	(19,784)	(13,608)	-	-
BTM Timber Industries Sdn. Bhd.	(3,245)	-	(3,033)	-
Other receivables				
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	53,597	42,315	-	-
Sung Lee Timber Trading Sdn. Bhd.	40,753	-	40,053	-
NLS Sdn. Bhd.	390	-	390	-

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

	GROUP	
	2005 RM	2004 RM
Income		
Sales of logs and sawn timber		
BTM Timber Industries Sdn. Bhd.	169,513	7,931
Sung Lee Timber Trading Sdn. Bhd.	1,244	9,088
Gimzan Plywood Sdn. Bhd.	1,037,874	337,621
NLS Sdn. Bhd.	791	3,398
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	80,654	-
Services		
BTM Timber Industries Sdn. Bhd.	533,857	45,117
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	13,800	-
Sung Lee Timber Trading Sdn. Bhd.	79,294	10,922
Gimzan Plywood Sdn. Bhd.	47,437	15,035

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

27. RELATED PARTY BALANCES AND TRANSACTIONS (CONT'D)

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

	GROUP	
	2005 RM	2004 RM
Others		
Gimzan Plywood Sdn. Bhd.	2,000	43,681
NLS Sdn. Bhd.	33,750	42,259
BTM Timber Industries Sdn. Bhd.	77,026	-
Sung Lee Timber Trading Sdn. Bhd.	168	-
Expenditure		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	10,372,192	13,916,451
BTM Timber Industries Sdn. Bhd.	343,153	980,606
Sung Lee Timber Trading Sdn. Bhd.	663,136	450,542
SPPT Development Sdn. Bhd.	43,582	-
Purchase of diesel and spare parts		
BTM Timber Industries Sdn. Bhd.	77,141	16,383
Sung Lee Timber Trading Sdn. Bhd.	102,761	102,761
Services		
BTM Timber Industries Sdn. Bhd.	450,254	184,061
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	24,178	805
Sung Lee Timber Trading Sdn. Bhd.	21,088	405
Gimzan Plywood Sdn. Bhd.	33,727	-
Seri Indah Enterprise Sdn. Bhd.	164,126	181,355
Tanalised charges		
BTM Timber Industries Sdn. Bhd.	74,709	84,401
Others		
BTM Timber Industries Sdn. Bhd.	88,552	147,400
Gimzan Plywood Sdn. Bhd.	11,970	3,876
NLS Sdn. Bhd.	-	17,588

28. CAPITAL COMMITMENTS

	GROUP	
	2005 RM	2004 RM
Authorised and contracted for	2,180,000	2,180,000

29. 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

- 31ST DECEMBER, 2005

30. FINANCIAL INSTRUMENTS

The carrying amounts of the financial assets and liabilities of the Group and of the Company and their fair values at balance sheet date are as follows:-

	GROUP			
	2005		2004	
	Carrying Value RM	Fair Value RM	Carrying Value RM	Fair Value RM
Financial assets				
Trade and other receivables	5,665,087	5,665,087	8,320,842	8,320,842
Fixed deposits	168,050	168,050	162,767	162,767
Quoted investments	21,196	21,196	21,196	21,196
Cash and bank balances	33,150	33,150	298,219	298,219
Financial liabilities				
Trade, other payables and accruals	6,100,839	6,100,839	5,430,003	5,430,003
Amount due to directors	156,383	156,383	59,036	59,036
Bank borrowings	8,455,664	8,455,664	9,781,072	9,781,072
Hire purchase payables	22,764	22,764	85,020	85,020
Long term borrowings	975,029	975,029	1,208,336	1,208,336
Financial assets				
Other receivables	417,284	417,284	282,523	282,523
Amount due from subsidiary companies	12,367,949	12,367,949	12,292,481	12,292,481
Cash and bank balances	7,477	7,477	7,001	7,001
Financial liabilities				
Other payables and accruals	605,660	605,660	626,062	626,062
Amount due to subsidiary companies	168,332	168,332	26,571	26,571
Amount due to directors	156,383	156,383	59,036	59,036

(a) Trade and other receivables and payables

The carrying amounts of trade receivables and payables which are subject to normal trade credit terms approximate fair values. The carrying amounts of other receivables and payables are reasonable estimates of fair values because of their short maturity.

(b) Quoted investments

The fair value of the quoted investments is based on the average market price of the securities during the year multiplied by the number of units held.

Since it is intention of the Group that the investments are held over the long term, the market value may not be a practical estimate of the fair values of the quoted investments. Therefore, the investment is carried at its original cost of RM21,196.

30. FINANCIAL INSTRUMENTS (CONT'D)

- (c) Fixed deposits, cash and bank balances

The carrying amount of fixed deposits, cash and bank balances approximates fair value because of their short maturity.

- (d) Amount due to directors

The carrying amount due to the directors is reasonable estimates of fair value because of its short maturity.

- (e) Bank borrowings

The carrying amount of short term bank borrowings approximate fair values because of their short maturity.

- (f) Long term borrowings

The carrying amount of long term bank borrowings approximate fair values because they attract a floating rate of interest.

31. STATUS OF CORPORATE PROPOSALS

The Company announced on 17th June, 2004, that it proposed to undertake a rights issue of up to 27,155,150 Rights Shares in the Company at an issue price of RM1.00 each payable in two calls upon application, on a renounceable basis of one (1) Rights Share for every one (1) existing Ordinary Share held on a date to be determined later together with up to 27,155,150 new free detachable Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed ("Proposed Two-Call Rights Issue").

Subsequently, on 10th August, 2004, the Company announced a revision to the number of Rights Shares from the original proposal pursuant to the implementation of the Company's ESOS which was offered to the eligible directors and employees of the Group, increasing the proposed rights issue to up to 29,485,650 Rights Shares and up to 29,485,650 new free detachable Warrants.

The Securities Commission ("SC") has approved the Proposed Two-Call Rights Issue on 25th March, 2005.

The shareholders has approved the Proposed Two-Call Rights Issue at the Extraordinary General Meeting on 24th June, 2005. The SC has, vide its letter dated 20th September, 2005, approved the extension of time of six (6) months to 24th March, 2006 for the Company to complete the Proposed Two-Call Rights Issue.

On 9th March, 2006, the SC approved Company's application to revise the Two-Call Rights Issue as follows:-

- (i) Renounceable two-call rights issue of up to 28,804,650 new ordinary shares of RM1.00 each at an indicative issue price of RM1.00 each (of which the 1st call of RM0.72 per rights share shall be payable in cash upon application whilst the 2nd call of RM0.28 per rights share shall be paid from its share premium account), on the basis of 1 rights share for every existing ordinary share held on a date to be determined later, together with up to 28,804,650 new free detachable warrants on the basis of 1 warrant for every rights share subscribed; and
- (ii) 2nd extension of time of up to 24th June, 2006, from the expiry date of 24th March, 2006, for the Group to implement its revised Proposed Two-Call Rights Issue.

STATEMENT BY DIRECTORS

We, DATO' SERI YONG TU SANG and YONG EMMY, being two of the directors of BTM RESOURCES BERHAD, state that in the opinion of the directors, the financial statements set out on pages 24 to 50 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, 2005 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 YONG TU SANG

YONG EMMY

Kuala Lumpur,
Date: 20 April 2006

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 24 to 50 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 Lumpur in the Federal Territory on)
20 April 2006) CHEN KAR MUN

Before me,

KOK POO HIM
Commissioner for Oaths
No. W386

REPORT OF THE AUDITORS

TO THE MEMBERS OF BTM RESOURCES BERHAD

We have audited the financial statements set out on pages 24 to 50. These financial statements are the responsibility of the directors.

It is our responsibility to form an independent opinion, based on our audit, on these financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility towards any other person for the contents of this report.

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, 2005 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

1064/03/07(J/PH)

Partner of the Firm

Kuala Lumpur,

Date: 20 April 2006

ANALYSIS OF SHAREHOLDINGS

AS AT 8TH MAY 2006

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	:	1,347

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 99	3	150	0.00
100 - 1,000	617	590,200	2.17
1,001 - 10,000	584	2,336,800	8.61
10,001 - 100,000	123	3,627,800	13.36
100,001 - 1,357,757	14	6,224,700	22.92
1,357,758 and above (*)	6	14,375,500	52.94
Total	1,347	27,155,150	100.00

Notes:

* 5% of issued and paid-up Share Capital

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

	Direct		Indirect	
	No. of Shares	%	No. of Shares	%
Dato' Seri Yong Tu Sang	3,936,000	14.49	* 4,187,500	15.41
a) Shares held under name are 3,136,000 units				
b) Shares held under CitiGroup Nominees (Tempatan) Sdn. Bhd. are 500,000 units and HLB Nominees (Tempatan) Sdn. Bhd. 300,000 units				
Yong Emmy	3,000,000	11.05	-	-
Ng Ah Heng	2,500,000	9.21	# 2,312,500	8.51
Sung Lee Timber Trading Sdn. Bhd.	2,312,500	8.51	-	-
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 Sunge Lee Timber Trading Sdn. Bhd.

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

DIRECTORS AND THEIR SHAREHOLDINGS

Directors	No. of Shares			
	Direct	%	Indirect	%
Dato' Seri Yong Tu Sang	3,936,000	14.49	* 4,187,500	15.41
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)	-	-	# 1,875,000	6.90

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

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

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 8TH MAY 2006

LIST OF THIRTY LARGEST SHAREHOLDERS

Name of Shareholders	No. of Shares Held	%
1. Dato' Seri Yong Tu Sang	3,136,000	11.54
2. Yong Emmy	3,000,000	11.04
3. Ng Ah Heng	2,500,000	9.20
4. Sung Lee Timber Trading Sdn. Bhd.	2,312,500	8.51
5. BTM Timber Industries Sdn. Bhd.	1,875,000	6.90
6. Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	1,552,000	5.71
7. Permodalan Nasional Berhad	1,000,000	3.68
8. Ong Har Hong	843,400	3.10
9. Chok Koon Lan	753,800	2.77
10. Fatimah Zalina Binti Yusof	635,700	2.34
11. Tsunami Pacific Sdn. Bhd.	515,500	1.89
12. CitiGroup Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Yong Tu Sang (473593)</i>	500,000	1.84
13. Halim Bin Mohammad	429,000	1.57
14. HLB Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Yong Tu Sang</i>	300,000	1.10
15. Dato' Mohd Zamry Bin Dato' Seri Yusof	251,500	0.92
16. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Goh Sin Yee</i>	245,800	0.90
17. Poo Choo @ Ong Poo Choi	229,100	0.84
18. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Cheng Khar Tiang</i>	190,100	0.70
19. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Kuek Hann Yih</i>	176,000	0.64
20. Yap Leong Seng	154,800	0.57
21. Kuala Lumpur City Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Alexander Toh Kie Kieng</i>	97,600	0.35
22. Kenanga Nominees (Asing) Sdn. Bhd. <i>pledged Securities Account for Dato' Hurairah Taha</i>	97,000	0.35
23. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for George Toh Kin Siang</i>	93,600	0.34
24. Lau Chee Heng @ Lau Chow Heng	88,000	0.32
25. Kenanga Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Li Wing Fong</i>	85,100	0.31
26. Mercsec Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Chew Beow Soon</i>	85,000	0.31
27. HLB Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Yong Chaw Nam</i>	84,000	0.30
28. Ng Kin Li	76,000	0.27
29. Alliancegroup Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Lee Chen Ye (100296)</i>	75,000	0.27
30. TA Nominees (Tempatan) Sdn. Bhd. <i>pledged Securities Account for Lau Yen Chang</i>	74,500	0.27
	21,456,000	78.85

LIST OF PROPERTIES

Location	Tenure	Net Book Description	Land Area Hectare	Approx. Age of the Building	Net Book Value as at 31.12.2005
BTM Resources Berhad					
No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman	Freehold	5½ Storey Office Building	385 sq.m	7 years	4,295,717
Besut Tsuda Industries Sdn Bhd					
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 Hectare	29 years	49,657
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 Hectare	-	41,019
Syarikat Maskayu Sawmill Sdn Bhd					
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 Hectare	30 years	136,114
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 Hectare	-	50,432
Besut Tsuda Wood Products Sdn Bhd					
Lot No: 1654 Mukim of Tanggol District of Hulu Terengganu Terengganu Darul Iman	Freehold	Factory Buildings Kiln-dried chambers, office erected thereon	4.005 Hectare	12 years	3,244,302

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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 Twelfth 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 Friday, 23 June 2006 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		

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

Signature of Shareholder(s)

Signed this _____ day of _____ 2006.

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.

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AFFIX
STAMP

BTM RESOURCES BERHAD

(303962-T)

No. 22-2, Jalan Tun Sambanthan 3
50470 Kuala Lumpur

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