



Building on our strengths

Annual Report 2007



BTM RESOURCES BERHAD

303962-T (Incorporated in Malaysia)

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notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Fourteenth Annual General Meeting of BTM Resources Berhad will be held at the Nakhoda 2, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor on Monday, 30th June 2008 at 11.00 a.m. for the following purposes:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2007 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 2007. **Resolution 2**
3. To re-elect Mr. Choong Show Tong 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**

SPECIAL BUSINESS

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

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, approval 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 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 7th June 2008 subject further to the following:-

a) the transaction 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;

notice of annual general meeting (cont'd)

- i) the conclusion of the next Annual General Meeting (AGM) of the Company following the AGM at which the proposed renewal of the recurrent related parties transaction mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed; or
 - ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (ACT) but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
 - iii) revoked or varied by resolution passed by the shareholders in General Meeting,
- whichever is the earlier.

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

Resolution 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 Margaret Pelly
Joint Secretaries

KUALA LUMPUR
Date : 7th June 2008

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 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 costs involved in convening a general meeting, it is 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 27th June 2007. 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 operation, subject to the transactions being the ordinary course of business and on normal commercial terms 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 Thirteenth Annual General Meeting of the Company:-**

- A) Director retiring pursuant to Article 64 of the Company's Articles of Association:
- i) Mr. Choong Show Tong (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 6 to 8 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (page 63 of the Annual Report).

2. **Attendance of Directors at Board Meetings for year 2007**

A total of ten (10) Board Meetings were held during the financial year ended 31 December 2007. Details of attendance of Directors are set out on page 8 of this 2007 Annual Report.

Name of Directors	Attendance
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	8 out of 10 meetings
Dato' Seri Yong Tu Sang	10 out of 10 meetings
Mr. Choong Show Tong	10 out of 10 meetings
Madam Yong Emmy	10 out of 10 meetings
Dato' Mohd Salleh Bin Zakaria <i>- resigned on 30th May 2007</i>	5 out of 7 meetings
Encik Mohd Badaruddin Bin Zakaria <i>- resigned on 19th June 2007</i>	6 out of 7 meetings
Encik Mohd Qari Bin Ahmad <i>- ceased on 27th June 2007</i>	7 out of 7 meetings
Mr. Wong Kian Boon <i>- appointed on 17th July 2007 and resigned on 28th August 2007</i>	N.A

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

Date : Monday, 30 June 2008

Time : 11.00 a.m.

Place : Nakhoda 2, Level 3,
Hotel Armada
Lorong Utara C, Section 52
46200 Petaling Jaya
Selangor Darul Ehsan

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 6 to 8 herein.

corporate information

BOARD OF DIRECTORS**Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman**

- Chairman, Senior Independent Non-Executive Director

Dato' Seri Yong Tu Sang

- Managing Director

Mr. Choong Show Tong

- Independent Non-Executive Director

Madam Yong Emmy

- Non-Executive Director

Madam Yong Ellen

- Alternate to Miss Yong Emmy

AUDIT COMMITTEE

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

- Chairman

Choong Show Tong

- Member

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)

Ms 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 : 03-22746133

Fax No : 03-22741016

AUDITORS

Azman, Wong, Salleh & Co.,

Public Accountants

12th Floor, Wisma Tun Sambanthan

No. 2, Jalan Sultan Sulaiman

50764 Kuala Lumpur

Tel No : 03-22732688

Fax No : 03-22742688

REGISTERED OFFICE

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

Tel No : 03-22748988 /

03-22748980

Fax No : 03-22721864

BANK

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

directors' profile

	DATO' SERI YONG TU SANG	CHOONG SHOW TONG
<i>Position</i>	Executive Director/Managing Director	Independent Non-Executive Director
<i>Age</i>	61 years	52 years
<i>Nationality</i>	Malaysian	Malaysian
<i>Qualification Held</i>	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
<i>Working Experience & Occupation</i>	<p>His involvement in business commenced in 1973 with the setting up of BTM Timber Industries Sdn Bhd, a company principally involved in logging and sawmilling operations. Since then, he has been actively involved in the setting up and management of companies in a diverse area of business ranging from timber, oil palm plantation, civil and building construction, property development and sea transportation.</p> <p>30 years of experience in trading of timber. Currently sits on the Boards of several private limited companies 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 an Office Manager in Christopher Chooi & Co. a firm of Chartered Accountants in Kuala Lumpur. Since October 1984 till now he is the Sole Proprietor of Allan Choong & Co, a Chartered/Public Accountants firm in Kuala Lumpur.</p>
<i>Date of Appointment</i>	27th December, 1995	19th May, 2003
<i>Other Directorship of Public Listed Companies</i>	NIL	NIL
<i>Membership of Board Committees</i>	Member of Remuneration Committee	Member of Audit Committee and Remuneration Committee Chairman of Nomination Committee
<i>Family Relationship with Director and/or Major Shareholder of BTM Resources</i>	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
<i>Conflict of Interest with BTM Resources, if any</i>	Saved as disclosed, and in notes no. 27 in the accompanying financial statements	NIL
<i>Convictions for offences within the past 10 years other than traffic offences</i>	NIL	NIL
<i>No. of Board Meetings attended in the financial year</i>	10/10	10/10

directors' profile (cont'd)

	YONG EMMY	YONG ELLEN
<i>Position</i>	Non-Executive Director	Independent & Non-Executive Alternate Director to Mdm Yong Emmy
<i>Age</i>	33 years	30 years
<i>Nationality</i>	Malaysian	Malaysian
<i>Qualification Held</i>	Degree in Bachelor of Arts majoring in Japanese Studies and Economics, MBA (Finance) from Oklahoma City University.	Bachelor of Arts (Design), Postgraduate Diploma in Design and Master of Design from Curtin University of Technology.
<i>Working Experience & Occupation</i>	<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>8 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.
<i>Date of Appointment</i>	11th November, 1999	14th September, 2002
<i>Other Directorship of Public Listed Companies</i>	NIL	NIL
<i>Membership of Board Committees</i>	Audit Committee	NIL
<i>Family Relationship with Director and/or Major Shareholder of BTM Resources</i>	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 Yong Emmy, Non-Executive Director and major shareholder of BTM Resources Berhad
<i>Conflict of Interest with BTM Resources, if any</i>	Saved as disclosed, and in note no. 27 in the accompanying financial statements	NIL
<i>Convictions for offences within the past 10 years other than traffic offences</i>	NIL	NIL
<i>No. of Board Meetings attended in the financial year</i>	10/10	- as alternate to Miss Yong Emmy

directors' profile (cont'd)

TAN SRI DATO' (DR) ABDUL AZIZ BIN ABDUL RAHMAN	
<i>Position</i>	Senior Independent Non-Executive Director
<i>Age</i>	75 years
<i>Nationality</i>	Malaysian
<i>Qualification Held</i>	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.
<i>Working Experience & Occupation</i>	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 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.
<i>Date of Appointment</i>	1st July, 2003
<i>Other Directorship of Public Listed Companies</i>	NIL
<i>Membership of Board Committees</i>	Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
<i>Family Relationship with Director and/or Major Shareholder of BTM Resources</i>	NIL
<i>Conflict of Interest with BTM Resources, if any</i>	NIL
<i>Convictions for offences within the past 10 years other than traffic offences</i>	NIL
<i>No. of Board Meetings attended in the financial year</i>	8/10

ON BEHALF OF THE BOARD OF DIRECTORS, I AM PLEASED TO PRESENT THE ANNUAL REPORT AND FINANCIAL STATEMENTS OF BTM RESOURCES BERHAD GROUP FOR FINANCIAL YEAR ENDED 31ST DECEMBER, 2007.

FINANCIAL PERFORMANCE

For the financial year under review, the Group's turnover decreased by 36.38% to RM10.277 million compared to that of the previous year's of RM16.155 million. The Group incurred a higher loss before taxation of RM4.917 million as compared to RM1.747 million in 2006. The Group's financial performance was hampered by high operating costs and lack of working capital.

DIVIDEND

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

CORPORATE DEVELOPMENTS

- a) The company announced on 20 October, 2006, that it proposed to undertake the following :-
 - (i) Proposed private placement of up to 10% of the issued and paid-up share capital of the Company to investors to be identified ("Proposed Private Placement"); and
 - (ii) Proposed rights issue of up to 10,480,550 new ordinary of shares RM1.00 each in the Company ("BTM Shares") at an issue price of RM1.00 each on the basis of one (1) rights share for every three (3) existing BTM Shares held on a date to be determined later together with up to 10,480,550 new free detachable warrants of RM1.00 each on the basis of one (1) warrant for every one (1) rights share subscribed ("Proposed Rights Issue").
- b) The approval of the Securities Commission ("SC") and the SC, on behalf of the Foreign Investment Committee, for the Proposed Private Placement and the listing of and quotation for the Placement Shares was obtained vide the SC's letter dated 6th December 2006. Bursa Malaysia has approved in-principle the listing of up to 2,814,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Private Placement vide Bursa Malaysia's letter dated 8th January, 2007.
- c) On 16th April 2007, the Company issued the first tranche of the Placement Shares, comprising 590,940 new ordinary shares of RM1.00 each, which was listed on Bursa Malaysia on 24th April 2007. On 8th June 2007, the Company issued the second and final tranche of the Placement Shares, comprising 2,223,060 new ordinary shares

chairman's **statement** (cont'd)

of RM1.00 each, which listed on Bursa Malaysia on 15th June, 2007 and that the Private Placement is deemed completed on 15th June, 2007.

- d) On 19th September, 2007 the Company submitted its application to the SC on the Proposed Rights Issue. SC had, vide its letter dated 15th November 2007, rejected the Company's Proposed Rights Issue due to the non-compliance with the requirements of Paragraph 13.02 of the Policies and Guidelines on Issue/Offer of Securities, which states that all proposals by distressed listed companies should be sufficiently comprehensive and capable of resolving all financial problems faced and should demonstrate an increase in shareholders value. The Company's appeal to the SC against the earlier rejection of the Proposed Rights Issue exercise which was submitted on 14th December 2007, was also subsequently rejected by the SC vide its letter dated 27th February, 2008.
- e) On 15th April, 2008, Bursa Malaysia had suspended the trading of the securities of the Company pursuant to Paragraph 8.16A(3) of the Listing Requirements of Bursa Malaysia.

PROSPECTS

For the year 2008, the Group will continue to concentrate on its existing core business of wood based operation. The Group expects its operation to continue to be challenging with increase operation cost due to increase in price of logs, sawn timber other raw materials and overheads. The Directors of the Company expect the result for the coming year to be affected by the above factors. Barring unforeseen circumstances, the Directors of the Company expect the Group's result to be similar with the financial year 2007.

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, bankers and government authorities for their confidence and continued support of the Group.

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

Chairman

corporate governance statement

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 Fourteenth Annual General Meeting ("AGM") of the Company are contained in the Statement Accompanying the Notice of AGM.

(3) Board Meetings

The Board met ten (10) times in the financial year ended 31 December 2007 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 Attended
1. Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	8/10
2. Dato' Seri Yong Tu Sang	10/10
3. Yong Emmy	10/10
4. Choong Show Tong	10/10
5. Dato' Mohd Salleh Bin Zakaria <i>- resigned on 30th May 2007</i>	5/7
6. Mohd Badaruddin Bin Masodi <i>- resigned on 19th June 2007</i>	6/7
7. Mohd Qari Bin Ahmad <i>- ceased on 27th June 2007</i>	7/7
8. Wong Kian Boon <i>- appointed on 17th July and resigned on 28th August 2007</i>	N.A

(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.

corporate governance **statement** (cont'd)

(5) Director's Training

The Board acknowledge the importance of continuous education and training to enable effective discharge of their responsibilities. All the Directors have attended the Directors' Mandatory Accreditation Programme ("MAP") prescribed by Bursa Securities for Directors of Public-Listed Company. During the year, the Directors have attended various trainings and all continue to undergo other relevant training programmes, as appropriate, to further enhance their skills and knowledge.

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 term 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

During the financial year ended 31 December 2007, one meeting was held.

(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

corporate governance **statement** (cont'd)

Dato' Seri Yong Tu Sang

The terms of reference of the Remuneration Committee are as follows:-

- To established 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 deals with any other related matter as referred to by the Board.

During the financial year ended 31 December 2007, one meeting was held.

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 2007 are as follows:

a) *Aggregate Remuneration*

	Executive Directors RM	Non-Executive Directors RM
<i>Company Level</i>		
Fee	-	90,000
Salaries	216,000	-
Benefits in kinds	-	-
Bonus, allowance & others	56,320	-
Total:	272,320	90,000
<i>Subsidiary Level</i>		
Fee	-	-
Salaries	59,760	-
Benefits in kinds	-	-
Bonus, allowance & others	111,197	-
Total:	170,957	-
Grand Total:	443,277	90,000

b) *Band (RM)*

Remuneration Band (RM)	Executive Director	Non-Executive Director	Total
0 – 50,000	-	3	3
50,001 – 100,000	-	1	1
300,001 – 400,000	1	-	-

corporate governance **statement** (cont'd)

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

D) RELATIONS WITH SHAREHOLDERS

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

Annual General Meeting

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

E) ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

The Statement of Internal Control which provides an overview of the state of internal control within the Group is disclosed on page 18 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 2007 or entered into since the end of the previous financial year by the Company or its subsidiaries, which involved the interests of the Directors or Major Shareholders other than those disclosed under notes to the account on Related Party Transaction of revenue in nature and significant proposals.

F) DIRECTORS' RESPONSIBILITY STATEMENT

The Companies Act, 1965 requires the Directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the

results and cash flows of the Company and the Group for the financial year.

In preparing the financial statements for the financial year ended 31st December 2007 the Directors have used and applied on a consistent basis, the accounting policies and practices under the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

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

G) 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) A total of RM2,849,000.00 were raised by the Company from Private Placement Exercise and the implementation of Employees Share Option Scheme 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 give by the Company.

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors on 26th May 2008.

audit committee report

1. COMPOSITION OF MEMBERS

For the financial year ended 31 December 2007 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)

Miss 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 2007 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.

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 2007, 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	5/5
Mr. Choong Show Tong	5	3/5

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 2007 was made in accordance with the criteria as set out in the bye-laws of the Company's ESOS.

The movement in options to take up unissued ordinary shares of RM1.00 each and exercise price are as follows:-

Exercise Price	Date Granted	Options Over Number of Shares of RM1.00 Each				Balance as at 31.12.2007
		Balance as at 1.1.2007	Offered and Accepted	Exercised	Forfeited	
RM1.00	1.6.2004	35,000	-	35,000	-	Nil

statement on **internal control**

The Board is pleased to present the Statement on Internal Control pursuant to paragraph 15.27(b) of the Listing Requirements of Bursa Malaysia Securities Berhad.

The Board of Directors of the company acknowledged the importance of internal control to safeguard shareholders' investment and the Group's assets and affirms its overall responsibility for maintaining a sound system of internal control and for reviewing its adequacy and integrity.

It must be noted, however, that such system are designed to identify and manage rather than eliminate the risk of failure to achieve the Group's objectives and inherently can only provide reasonable and not absolute assurance against material misstatement or loss.

Since the financial year ended 31st December 2004, the internal audit function was out sourced to a professional firm with the objectives of reviewing the adequacy and 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 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.

financial statements

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directors' report

The directors submit herewith their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2007.

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 10 to the financial statements.

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

2. RESULTS

	<u>GROUP</u>	<u>COMPANY</u>
	RM	RM
Loss for the year	4,679,404	4,230,827

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, 2007.

4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31st December, 2007 other than those disclosed in the financial statements.

5. SHARE CAPITAL

During the year, the issued and fully paid-up share capital of the Company was increased from RM28,568,650 to RM31,417,650 as a result of the following:-

- (i) issue of 35,000 new ordinary shares of RM1.00 each under the Company's Employees' Share Option Scheme at an issue price of RM1.00 per ordinary share;
- (ii) issue of 590,940 new ordinary shares of RM1.00 each under the first tranche of a Private Placement exercise at an issue price of RM1.00 per ordinary share; and
- (iii) issue of 2,223,060 new ordinary shares of RM1.00 each under the second and final tranche of the said Private Placement exercise at an issue price of RM1.00 per ordinary share.

The newly issued ordinary shares rank pari-passu in all material respects with the existing ordinary shares of the Company.

Proceeds from the shares issued were utilised for working capital purpose and repayment of bank borrowings.

6. 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)
 Wong Kian Boon (appointed on 17th July, 2007 and resigned on 28th August, 2007)
 Mohd Qari Bin Ahmad (ceased on 27th June, 2007)
 Dato' Mohd Salleh Bin Zakaria (resigned on 30th May, 2007)
 Mohd Badaruddin Bin Masodi (resigned on 19th June, 2007)

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

	Number of shares of RM1.00 each			
	As at 1.1.2007	Acquired	Sold	As at 31.12.2007
In the Company				
Direct:				
Dato' Seri Yong Tu Sang	4,186,000	-	-	4,186,000
Yong Emmy	3,024,000	-	-	3,024,000
Yong Ellen 54,000	-	(18,000)	36,000	
Indirect:				
Dato' Seri Yong Tu Sang *	9,747,500	-	-	9,747,500
Yong Ellen **	1,875,000	-	-	1,875,000

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

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

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

Other than as disclosed, no other directors in office at the end of the financial year held any interest in shares of the Company and its related corporations.

In accordance with Article 64 of the Company's Articles of Association, Choong Show Tong retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself 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-appointment.

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 other than by virtue of transactions entered into in the ordinary course of business and as disclosed in Note 30 and Note 36 to the financial statements.

Neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

directors' report (Cont'd)

7. OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and its subsidiary companies were made up, the directors took reasonable steps:-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records of the Company and its subsidiary companies have been written down to an amount which they might be expected so to realise.
- (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, 2007 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, 2007.
- (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, 2007 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, 2007 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, 2007 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, other than as disclosed in Note 36 to the financial statements.

8. 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.

8. EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONT'D)

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 Securities Berhad ("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 31.12.2007
		Balance as at 1.1.2007	Offered and accepted	Exercised	Forfeited	
RM1.00	1.6.2004	35,000	-	(35,000)	-	-

9. STATUS OF CORPORATE PROPOSALS

The Company announced on 20 October, 2006, that it proposed to undertake the following:-

- (i) Proposed private placement of up to 10% of the issued and paid-up share capital of the Company to investors to be identified ("Proposed Private Placement"); and
- (ii) Proposed rights issue of up to 10,480,550 new ordinary shares of RM1.00 each in the Company ("BTM Shares") at an issue price of RM1.00 each on the basis of one (1) rights share for every three (3) existing BTM Shares held on a date to be determined later together with up to 10,480,550 new free detachable warrants of RM1.00 each on the basis of one (1) warrant for every one (1) rights share subscribed ("Proposed Rights Issue").

The approval of the Securities Commission ("SC") and the SC, on behalf of the Foreign Investment Committee, for the Proposed Private Placement and the listing of and quotation for the Placement Shares was obtained vide the SC's letter dated 6th December, 2006. Bursa Malaysia has approved in-principle the listing of up to 2,814,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Private Placement vide Bursa Malaysia's letter dated 8th January, 2007.

On 16th April, 2007, the Company issued the first tranche of the Placement Shares, comprising 590,940 new ordinary shares of RM1.00 each, which was listed on Bursa Malaysia on 24th April, 2007. On 8th, June 2007, the Company issued the second and final tranche of the Placement Shares, comprising 2,223,060 new ordinary shares of RM1.00 each, which was listed on Bursa Malaysia on 15th June, 2007 and that the Private Placement is deemed completed on 15th June, 2007.

directors' report (Cont'd)**9. STATUS OF CORPORATE PROPOSALS (CONT'D)**

On 19th September, 2007, the Company submitted its application to the SC on the Proposed Rights Issue. SC had, vide its letter dated 15th November, 2007, rejected the Company's Proposed Rights Issue due to the non-compliance with the requirements of Paragraph 13.02 of the Policies and Guidelines on Issue/Offer of Securities, which states that all proposals by distressed listed companies should be sufficiently comprehensive and capable of resolving all financial problems faced and should demonstrate an increase in shareholders value. The Company's appeal to the SC against the earlier rejection of the Proposed Rights Issue exercise which was submitted on 14th December, 2007 was also subsequently rejected by the SC vide its letter dated 27th February, 2008.

10. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 15th April, 2008, Bursa Malaysia had suspended the trading of the securities of the Company pursuant to paragraph 8.16A(3) of the Listing Requirements of Bursa Malaysia.

11. 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: 26th May, 2008

balance sheets as at 31st December, 2007

	Note	GROUP		COMPANY	
		2007	2006	2007	2006
		RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	18,163,739	20,159,542	6,069,470	6,312,903
Prepaid lease payments	9	747,562	967,838	-	-
Subsidiary companies	10	-	-	785,152	785,152
Investments	11	40,000	61,196	40,000	40,000
Total Non-Current Assets		18,951,301	21,188,576	6,894,622	7,138,055
Current Assets					
Inventories	12	1,767,420	1,677,645	-	-
Trade receivables	13	4,102,333	3,804,095	-	-
Other receivables and deposits	13	851,243	1,016,593	65,295	199,177
Amounts due from subsidiary companies	14	-	-	7,267,004	8,702,144
Fixed deposits with a licensed bank	15	181,022	173,898	-	-
Cash and bank balances		220,513	32,664	285	5,940
Total Current Assets		7,122,531	6,704,895	7,332,584	8,907,261
TOTAL ASSETS		26,073,832	27,893,471	14,227,206	16,045,316
EQUITY AND LIABILITIES					
Equity Attributable To Equity Holders Of The Company					
Share capital	16	31,417,650	28,568,650	31,417,650	28,568,650
Share premium	17	8,133,294	8,206,963	8,133,294	8,206,963
Revaluation reserves	19	5,283,185	5,499,863	1,536,587	1,473,597
Accumulated losses		(34,325,765)	(29,970,661)	(27,650,544)	(23,419,717)
TOTAL EQUITY		10,508,364	12,304,815	13,436,987	14,829,493
Non-Current Liabilities					
Retirement benefits	20	1,000,574	1,016,269	198,522	171,080
Bank borrowings (secured)	21	5,188,821	-	-	-
Deferred taxation	22	1,328,366	1,690,054	174,891	249,686
Total Non-Current Liabilities		7,517,761	2,706,323	373,413	420,766
Current Liabilities					
Trade payables	23	1,837,868	1,460,012	-	-
Other payables and accruals		2,715,455	2,493,744	395,539	622,407
Bank borrowings (secured)	21	2,809,660	8,096,722	-	-
Hire purchase payables	24	-	11,260	-	-
Amount due to directors		21,267	172,650	21,267	172,650
Taxation		663,457	647,945	-	-
Total Current Liabilities		8,047,707	12,882,333	416,806	795,057
TOTAL LIABILITIES		15,565,468	15,588,656	790,219	1,215,823
TOTAL LIABILITIES AND EQUITY		26,073,832	27,893,471	14,227,206	16,045,316

The notes on pages 31 to 60 form part of these financial statements.

income statements for the year ended 31st December, 2007

	Note	GROUP		COMPANY	
		2007 RM	Restated 2006 RM	2007 RM	Restated 2006 RM
REVENUE	25	10,277,566	16,155,125	650,320	906,960
COST OF SALES		(11,329,147)	(14,748,865)	-	-
GROSS (LOSS)/PROFIT		(1,051,581)	1,406,260	650,320	906,960
OTHER INCOME		388,893	1,385,063	-	-
DISTRIBUTION EXPENSES		(283,807)	(341,385)	-	-
ADMINISTRATIVE EXPENSES		(3,205,723)	(3,457,762)	(4,891,987)	(6,348,394)
FINANCE EXPENSES		(765,740)	(739,111)	(965)	(482)
LOSS BEFORE TAXATION	26	(4,917,958)	(1,746,935)	(4,242,632)	(5,441,916)
TAXATION	27	238,554	(387)	11,805	-
LOSS FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		(4,679,404)	(1,747,322)	(4,230,827)	(5,441,916)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic	28	(15.5 sen)	(6.4 sen)		

The notes on pages 31 to 60 form part of these financial statements.

statements of changes in equity for the year ended 31st December, 2007 (Cont'd)

	Attributable to Equity Holders of The Company				Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserves RM	Accumulated Losses RM	
GROUP					
As at 1st January, 2006:-					
As previously reported	27,155,150	8,206,963	-	(27,703,031)	7,659,082
Effects of adopting actuarial valuation (Note 34)	-	-	-	(520,308)	(520,308)
As restated	27,155,150	8,206,963	-	(28,223,339)	7,138,774
Surplus on revaluation of land and building, net of tax	-	-	5,499,863	-	5,499,863
Loss for the year:-					
As previously reported	-	-	-	(1,689,893)	(1,689,893)
Effects of adopting actuarial valuation (Note 34)	-	-	-	(57,429)	(57,429)
As restated	-	-	-	(1,747,322)	(1,747,322)
Total recognised income and expenses during the year	-	-	5,499,863	(1,747,322)	3,752,541
Issue of shares under Employees' Share Option Scheme (Note 16)	1,413,500	-	-	-	1,413,500
As at 31st December, 2006	28,568,650	8,206,963	5,499,863	(29,970,661)	12,304,815
Revaluation surplus transferred to accumulated losses (Note 19)	-	-	(324,300)	324,300	-
Transfer of deferred tax liabilities to revaluation surplus	-	-	107,622	-	107,622
Share issue expenses	-	(73,669)	-	-	(73,669)
Net loss for the year	-	-	-	(4,679,404)	(4,679,404)
Total recognised income and expenses during the year	-	(73,669)	(216,678)	(4,355,104)	(4,645,451)
Issue of shares under Employees' Share Option Scheme (Note 16)	35,000	-	-	-	35,000
Issue of shares under Private Placements (Note 16)	2,814,000	-	-	-	2,814,000
As at 31st December, 2007	31,417,650	8,133,294	5,283,185	(34,325,765)	10,508,364

statements of **changes in equity** for the year ended 31st December, 2007 (Cont'd)

	Attributable to Equity Holders of The Company				Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserves RM	Accumulated Losses RM	
COMPANY					
As at 1st January, 2006:-					
As previously reported	27,155,150	8,206,963	-	(17,921,842)	17,440,271
Effects of adopting actuarial valuation (Note 34)	-	-	-	(55,959)	(55,959)
As restated	27,155,150	8,206,963	-	(17,977,801)	17,384,312
Surplus on revaluation of land and building, net of tax	-	-	1,473,597	-	1,473,597
Loss for the year:-					
As previously reported	-	-	-	(5,428,795)	(5,428,795)
Effects of adopting actuarial valuation (Note 34)	-	-	-	(13,121)	(13,121)
As restated	-	-	-	(5,441,916)	(5,441,916)
Total recognised income and expenses during the year	-	-	1,473,597	(5,441,916)	(3,968,319)
Issue of shares under Employees' Share Option Scheme (Note 16)	1,413,500	-	-	-	1,413,500
As at 31st December, 2006	28,568,650	8,206,963	1,473,597	(23,419,717)	14,829,493
Transfer of deferred tax liabilities to revaluation surplus	-	-	62,990	-	62,990
Share issue expenses	-	(73,669)	-	-	(73,669)
Loss for the year	-	-	-	(4,230,827)	(4,230,827)
Total recognised income and expenses during the year	-	(73,669)	62,990	(4,230,827)	(4,241,506)
Issue of shares under Employees' Share Option Scheme (Note 16)	35,000	-	-	-	35,000
Issue of shares under Private Placements (Note 16)	2,814,000	-	-	-	2,814,000
As at 31st December, 2007	31,417,650	8,133,294	1,536,587	(27,650,544)	13,436,987

The notes on pages 31 to 60 form part of these financial statements.

cash flow statements for the year ended 31st December, 2007

	GROUP		COMPANY	
	2007	Restated 2006	2007	Restated 2006
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(4,917,958)	(1,746,935)	(4,242,632)	(5,441,916)
Adjustments for:-				
Amortisation of prepaid lease payments	220,276	28,725	-	-
Depreciation on property, plant and equipment	1,833,021	1,912,694	245,527	254,764
Allowance for doubtful debts	107,600	106,000	3,583,722	4,853,703
Bad debts written off	2,283	-	-	-
Defined benefit obligations	46,176	117,429	27,442	25,121
Gain on disposal of property, plant and equipment	(323,708)	(1,210,915)	-	-
Gain on disposal of quoted investments	(5,545)	-	-	-
Property, plant and equipment written off	166,230	1	-	-
Write down in value of inventories	137,204	-	-	-
Interest expense	613,068	727,759	-	-
Dividend income	-	(7,631)	-	-
Interest on fixed deposits	(7,124)	(5,848)	-	-
Operating loss before working capital changes	(2,128,477)	(78,721)	(385,941)	(308,328)
(Increase)/decrease in inventories	(226,979)	729,684	-	-
(Increase)/decrease in trade receivables	(298,238)	482,472	-	-
Decrease in other receivables and deposits	55,467	255,927	26,282	218,107
Increase in amount due from subsidiary companies	-	-	(2,040,982)	(1,187,898)
Increase/(decrease) in trade payables	377,856	(2,517,333)	-	-
Increase/(decrease) in other payables and accruals	221,711	70,232	(226,868)	16,747
Decrease in amount due to a subsidiary company	-	-	-	(168,332)
(Decrease)/increase in amount due to directors	(151,383)	16,267	(151,383)	16,267
Cash used in operations	(2,150,043)	(1,041,472)	(2,778,892)	(1,413,437)
Retirements benefits paid	(61,871)	-	-	-
Net cash used in operating activities	(2,211,914)	(1,041,472)	(2,778,892)	(1,413,437)

cash flow statements for the year ended 31st December, 2007 (Cont'd)

	GROUP		COMPANY	
	2007	Restated 2006	2007	Restated 2006
	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(22,242)	(25,800)	(2,094)	(1,600)
Proceeds from disposal of property, plant and equipment	342,502	1,418,871	-	-
Proceeds from disposal of quoted investments	26,741	-	-	-
Dividend received	-	7,631	-	-
Interest received	7,124	5,848	-	-
Net cash generated from/(used in) investing activities	354,125	1,406,550	(2,094)	(1,600)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares (net of expenses)	2,775,331	1,413,500	2,775,331	1,413,500
Term loan raised	554,154	-	-	-
Increase in short-term deposits pledged as security	(5,987)	(5,478)	-	-
Repayment of bankers' acceptances	-	(119,981)	-	-
Repayment of term loan	(30,000)	-	-	-
Repayment of hire purchase	(11,260)	(11,504)	-	-
Repayment of supplier credit facilities	(169,077)	(713,422)	-	-
Interest paid	(291,526)	(427,741)	-	-
Net cash generated from financing activities	2,821,635	135,374	2,775,331	1,413,500
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	963,846	500,452	(5,655)	(1,537)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(3,510,745)	(4,011,197)	5,940	7,477
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	(2,546,899)	(3,510,745)	285	5,940
CASH AND CASH EQUIVALENTS COMPRISE:-				
Fixed deposits with a licensed bank	181,022	173,898	-	-
Cash and bank balances	220,513	32,664	285	5,940
Bank overdrafts (Note 21)	(2,788,919)	(3,563,779)	-	-
	(2,387,384)	(3,357,217)	285	5,940
Less: Deposits pledged as securities	(159,515)	(153,528)	-	-
	(2,546,899)	(3,510,745)	285	5,940

The notes on pages 31 to 60 form part of these financial statements.

notes to the **financial statements** - 31st December, 2007

1. BASIS OF ACCOUNTING

- (a) The financial statements have been prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies and comply with Financial Reporting Standards ("FRSs") issued by the Malaysian Accounting Standards Board ("MASB") and the provisions of the Companies Act, 1965.
- (b) During the financial year, the Group and the Company adopted the following revised FRSs that are relevant to its operations and which are mandatory for the financial period beginning on or after 1st October, 2006 :-

FRS 117	Leases
FRS 124	Related Party Disclosures

The adoption of FRS 124 only affects the identification of related parties and some other related party disclosures and did not have any significant financial impact on the financial statements of the Group and the Company. The effects of adopting FRS 117 are disclosed below.

Prior to 1st January, 2007, leasehold land held for own use was classified as property, plant and equipment and was stated at valuation less accumulated depreciation and impairment losses, if any. The adoption of FRS 117 has resulted in a change in accounting policy in relation to the treatment of leasehold land. Under FRS 117, leasehold land held for own use is now treated as an operating lease. The payment made on entering into or acquiring a leasehold land represents prepaid lease payment and is amortised on a straight line basis over the remaining lease term.

The Group and the Company has adopted FRS 117 in accordance with the transitional provisions of the Standard and has classified the unamortised revalued amount of leasehold land, as the surrogate carrying amount, to prepaid lease payments. The reclassification has been accounted for retrospectively and the effects on comparative figures are shown in Note 1(b)(ii) below. The effects on the consolidated balance sheet as at 31st December, 2007 are disclosed in Note 1(b)(i). The adoption has no impact on the Company's balance sheet as at 31st December, 2007 and 2006. Other than the reclassification, the adoption of FRS 117 does not have any impact on the results reported by the Group and the Company for the current and prior financial years.

- (i) Effects on consolidated balance sheet as at 31st December, 2007

	(Decrease)/ Increase RM
Property, plant and equipment	(747,562)
Prepaid lease payments	747,562

- (ii) Effects on consolidated balance sheet as at 31st December, 2006

	As previously reported RM	Effects on adoption of FRS 117 RM	As restated RM
Property, plant and equipment	21,127,380	(967,838)	20,159,542
Prepaid lease payments	-	967,838	967,838

notes to the financial statements - 31st December, 2007 (Cont'd)

1. BASIS OF ACCOUNTING (CONT'D)

The Group and the Company have not early adopted the following new and revised standards that have been issued by MASB but are not yet effective :-

<u>Standard/Interpretation</u>	<u>Effective date</u>
FRS 107, Cash Flow Statements	1st July, 2007
FRS 111, Construction Contracts	1st July, 2007
FRS 112, Income Taxes	1st July, 2007
FRS 118, Revenue	1st July, 2007
FRS 119, Employee Benefits	1st July, 2007
FRS 120, Accounting for Government Grants and Disclosure of Government Assistance	1st July, 2007
Amendment to FRS 121, The Effects of Changes in Foreign Exchange Rates Net Investment in a Foreign Operation	1st July, 2007
FRS 126, Accounting and Reporting by Retirement Benefits Plan	1st July, 2007
FRS 129, Financial Reporting in Hyperinflationary Economies	1st July, 2007
FRS 134, Interim Financial Reporting	1st July, 2007
FRS 137, Provisions, Contingent Liabilities and Contingent Assets	1st July, 2007
FRS 139, Financial Instruments: Recognition and Measurement	To be announced
IC Interpretation 1, Changes in Existing Decommissioning, Restoration and Similar Liabilities	1st July, 2007
IC Interpretation 2, Members' Shares in Co-operative Entities and Similar Instruments	
IC Interpretation 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds	1st July, 2007
IC Interpretation 6, Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment	1st July, 2007
IC Interpretation 7, Applying the Restatement Approach under FRS 129/2004 Financial Reporting in Hyperinflationary Economies	1st July, 2007
IC Interpretation 8, Scope of FRS 2	1st July, 2007

The Group and the Company plan to apply the above-mentioned FRSs (except for FRSs 111, 120, 126, 129, and IC Interpretations 1, 2, 5, 6, 7, 8 as these FRSs and IC Interpretations are not applicable to the Group and the Company and FRS 139 as its effective date has yet to be announced) to their operations for the financial year beginning on 1st January, 2008. The application of these FRSs is not expected to have any significant financial impact on the financial statements of the Group and the Company.

The Company will apply FRS 139 when it becomes effective. The impact of applying FRS 139 on the financial statements of the Company is not disclosed by virtue of the exemption given in paragraph 103AB of FRS 139.

notes to the financial statements - 31st December, 2007 (Cont'd)

2. GENERAL INFORMATION

The financial statements of the Group and the Company were authorised for issue on 26th May, 2008 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 Securities Berhad.

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 risks. 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 United States 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.

(c) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made to customers with an appropriate credit history. The Group's main exposure to credit risk is in respect of its trade receivables.

(d) Liquidity and Cash Flow Risks

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 a mix of equity capital, external borrowings and supplies credit.

(e) Financial Assets

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

notes to the financial statements - 31st December, 2007 (Cont'd)

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

(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, 2007.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the purchase method of accounting except for those subsidiary companies acquired prior to 1st January, 2006 by way of issue of shares in a manner that satisfy the requirements relating to a merger, which are consolidated using the merger method of accounting (Note 7).

Under the purchase method, the cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Goodwill is recognised as an asset and is measured at cost less accumulated impairment loss. The excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

Under the merger method, the difference between the cost of acquisition over the nominal value of the shares of the subsidiary company is adjusted against the Group's retained profits.

All significant intercompany transactions and balances have been eliminated on consolidation.

(b) Property, Plant and Equipment

Property, plant and equipment are initially stated at cost. Freehold land and factory buildings are subsequently stated at revalued amount, which is the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Fair value is determined from market-based evidence by appraisal that is undertaken by an independent qualified valuer. All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Revaluations of freehold land and factory buildings are performed with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to revaluation reserves included within equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged. A revaluation decrease is first offset against the increase in the earlier valuation in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

notes to the financial statements - 31st December, 2007 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

Freehold land is not amortised. Depreciation on other property, plant and equipment is calculated on a straight line basis at rates which are determined to write down the cost or valuation of the assets to their residual value over their estimated useful lives. The principal annual rates of depreciation used are as follows:-

Buildings	4% to 5%
Plant and machinery	10% to 20%
Office equipment, furniture and fittings	5% to 33 1/3%
Motor vehicles	20%

The residual values and useful lives of assets are reviewed at each financial year end and appropriately adjusted where expectations differ from previous estimates. Property, plant and equipment are reviewed for impairment in accordance with the Group's accounting policy for impairment of assets.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained profits.

(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 in the period in which it arises unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised directly against the revaluation surplus account for that asset to the extent that the impairment losses does not exceed the amount held in the revaluation surplus account. 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 unless that asset is carried at revalued amount in which case, such reversal is treated as a revaluation increase.

(d) Investments

(i) Investment in Subsidiary Companies

Investment in subsidiary companies is stated at cost less impairment losses.

(ii) Other Non-Current Investments

Other investments held for long term 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 with cost determined on a weighted average cost 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.

notes to the financial statements - 31st December, 2007 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(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.

(g) Operating Lease

Operating lease payments are recognised as expenses in the income statement on a straight line basis over the period of the relevant lease.

Leasehold land that normally has an indefinite economic life and where title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments that are amortised over the lease term in accordance with the pattern of benefits provided.

(h) 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 deductible 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.

(i) 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.

(j) 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 Group. 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.

notes to the financial statements - 31st December, 2007 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Employee Benefits (Cont'd)

(ii) Defined Contributions Plan

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

(iii) Defined Benefits Plan

Defined benefit plans are post-employment benefits plans other than defined contribution plans and under which the pension benefits payable to employees are usually determined by reference to employee's earning and/or length of service.

The Group operates an unfunded defined benefit final salary plan for eligible employees.

The liability recognised is the net total of the present value of the defined obligation at the balance sheet date together with adjustments for unrecognised actuarial gains or losses and unrecognised past service cost. The present value of the defined benefit obligations is determined on a triennial basis by actuarial valuations using the Projected Unit Credit Method, whereby the amount of benefit that employees have earned in return for their services in the current and prior periods are estimated.

Actuarial gains or losses arise from experience adjustments or changes in actuarial assumptions. When the net cumulative unrecognised actuarial gains or losses exceed 10% of the present value of the defined benefit obligation, such excess amount of gains or losses are recognised as income or expense over a period of three years.

Past service cost is recognised on a straight line basis over the average period until the benefits become vested or to the extent that the benefits are already vested following the introduction of, or changes to, the defined benefit plan, the past service cost is recognised immediately.

Previously, the liability recognised in respect of its defined benefit obligations was based on management's estimates using the following formula:

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

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

The adoption of the actuarial valuation method has been accounted for retrospectively which resulted in a prior year adjustment. The effects on the current and comparative financial statements of the Group and the Company are disclosed in Note 34.

(iv) Termination Benefits

Termination benefits are recognised as a liability and an expense when the Group is committed to terminate the employment of current employees according to a detailed formal plan without possibility of withdrawal. Termination benefits falling over more than twelve months after the balance sheet date are discounted to present value.

(v) Share-based Payment

Where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options that are expected to be vested by the vesting date. At balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

notes to the **financial statements** - 31st December, 2007 (Cont'd)**4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

(j) Employee Benefits (Cont'd)

(v) Share-based Payment (Cont'd)

Under the transitional provisions of FRS 2, Share-based Payment, this FRS will apply to share options which were granted after 31st December, 2004 and which had not yet vested on 1st January, 2006. The adoption of this FRS has not resulted in any financial impact to the Group as there are no new share options granted by the Group after 31st December, 2004 which remain unvested on 1st January, 2006.

(k) Revenue Recognition

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

(l) Borrowing Costs

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

(m) 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. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the financial statements of the Group and of the Company requires management to exercise their judgement in the process of applying the Group's accounting policies and which may have significant effects on the amounts recognised in the financial statements. It also requires the use of accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the results reported for the reporting period and that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. Although these judgements and estimates are based on the management's best knowledge of current events and actions, actual results may differ.

There are no areas of estimation uncertainties and critical judgements in applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements of the Group other than as described below:-

Factory Building

As disclosed in Note 8 (iv), the factory building of a subsidiary company which has a net carrying amount of RM169,101 (2006: RM178,101) as at 31st December, 2007 is located on a parcel of leasehold land which lease term has expired during the year. The relevant authorities have yet to give their approval on the subsidiary company's application for an extension of the lease term of the land. However, the Directors of the subsidiary company expect that such approval will be given eventually and therefore, no impairment loss has been recognised in respect of the carrying amount of the factory building.

notes to the **financial statements** - 31st December, 2007 (Cont'd)

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

Deferred Tax Assets

No deferred tax asset has been recognised in respect of unabsorbed tax losses and other deductible temporary differences as the probability that taxable profits will be available against which the losses and deductible temporary differences can be utilised is uncertain. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised unabsorbed tax losses and other deductible temporary differences disclosed under Note 22 and the unrecognised deferred tax assets as at the balance sheet date in connection thereto amounted to approximately RM7,678,000 (2006: RM8,222,000).

Impairment of Assets

The Group assess impairment of property, plant and equipment when events or changes in circumstances indicate that the carrying amounts of these assets may not be recoverable. In assessing such impairment, the recoverable amount of the assets is estimated using the latest available fair value (after taking into account the costs to sell) or the value in use of the relevant assets.

6. FUNCTIONAL AND PRESENTATION CURRENCY

Items included in the financial statements of the Company and its subsidiary companies are measured using the currency of the primary economic environment in which the Company and its subsidiary companies operate (the "Functional Currency"). The financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

7. 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 - 31st December, 2007 (Cont'd)

8. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land	Building Freehold Building	on Leasehold Land	Plant and Machinery	Office Equipment, Furniture and Fittings	Motor Vehicles	Capital Work In Progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
GROUP - 2007								
Cost/Valuation:								
Balance at 1st January:	-	-	-	18,079,129	3,041,174	5,403,280	8,105,721	34,629,304
- Cost	4,070,000	9,090,000	477,939	-	-	-	-	13,637,939
- Valuation	-	-	-	-	-	-	-	-
Balance at 31st December	4,070,000	9,090,000	477,939	18,079,129	3,041,174	5,403,280	8,105,721	48,267,243
Additions	-	-	-	3,100	19,142	-	-	22,242
Disposals/write-offs	-	-	(140,000)	(506,855)	(566,129)	(314,266)	-	(1,527,250)
Represented by:-								
At cost	-	-	-	17,575,374	2,494,187	5,089,014	8,105,721	33,264,296
At valuation	4,070,000	9,090,000	337,939	-	-	-	-	13,497,939
Balance at 31st December	4,070,000	9,090,000	337,939	17,575,374	2,494,187	5,089,014	8,105,721	46,762,235
Accumulated Depreciation:								
Balance at 1st January	-	311,744	159,837	16,833,259	2,187,787	4,562,214	-	24,054,841
Charge for the year	-	1,038,571	9,000	280,786	163,090	341,574	-	1,833,021
Eliminated on disposal/write-off	-	-	-	(492,768)	(540,772)	(308,686)	-	(1,342,226)
Balance at 31st December	-	1,350,315	168,837	16,621,277	1,810,105	4,595,102	-	24,545,636
Accumulated Impairment Loss:								
Balance at 1st January/31st December	-	-	-	-	-	-	4,052,860	4,052,860
Net Book Value:								
At cost	-	-	-	954,097	684,082	493,912	4,052,861	6,184,952
At valuation	4,070,000	7,739,685	169,102	-	-	-	-	11,978,787
Balance at 31st December	4,070,000	7,739,685	169,102	954,097	684,082	493,912	4,052,861	18,163,739

notes to the financial statements - 31st December, 2007 (Cont'd)

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

	Freehold Land	Freehold Building	Short Term Leasehold Land	Building on Leasehold Land	Plant and Machinery	Office Equipment, Furniture and Fittings	Motor Vehicles	Capital Work In Progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM
GROUP - 2006 (Restated)									
Cost/Valuation:									
Balance at 1st January:									
- As previously reported	2,920,000	8,599,645	958,563	2,848,455	18,455,341	3,037,904	6,760,295	8,105,721	51,685,924
- Effects on adoption of FRS 117 (Note 9)	-	-	(958,563)	-	-	-	-	-	(958,563)
As restated	2,920,000	8,599,645	-	2,848,455	18,455,341	3,037,904	6,760,295	8,105,721	50,727,361
Additions	-	17,500	-	-	1,030	3,270	4,000	-	25,800
Disposals/write-offs	-	-	-	(203,684)	(377,242)	-	(1,361,015)	-	(1,941,941)
Revaluation surplus	1,150,000	4,883,120	-	249,248	-	-	-	-	6,282,368
Elimination of accumulated depreciation on revaluation	-	(4,410,265)	-	(2,416,080)	-	-	-	-	(6,826,345)
Represented by:-									
At cost	-	-	-	-	18,079,129	3,041,174	5,403,280	8,105,721	34,629,304
At valuation	4,070,000	9,090,000	-	477,939	-	-	-	-	13,637,939
Balance at 31st December	4,070,000	9,090,000	-	477,939	18,079,129	3,041,174	5,403,280	8,105,721	48,267,243
Accumulated Depreciation:									
Balance at 1st January:									
- As previously reported	-	3,979,626	867,114	2,662,683	16,556,824	2,006,635	5,496,709	-	31,569,591
- Effects on adoption of FRS 117 (Note 9)	-	-	(867,114)	-	-	-	-	-	(867,114)
As restated	-	3,979,626	-	2,662,683	16,556,824	2,006,635	5,496,709	-	30,702,477
Charge for the year	-	742,383	-	20,342	630,595	181,152	338,222	-	1,912,694
Eliminated on disposal/write-off	-	-	-	(107,108)	(354,160)	-	(1,272,717)	-	(1,733,985)
Elimination of accumulated depreciation on revaluation	-	(4,410,265)	-	(2,416,080)	-	-	-	-	(6,826,345)
Balance at 31st December	-	311,744	-	159,837	16,833,259	2,187,787	4,562,214	-	24,054,841
Accumulated Impairment Loss:									
Balance at 1st January/ 31st December	-	-	-	-	-	-	-	4,052,860	4,052,860
Net Book Value:									
At cost	-	-	-	-	1,245,870	853,387	841,066	4,052,861	6,993,184
At valuation	4,070,000	8,778,256	-	318,102	-	-	-	-	13,166,358
Balance at 31st December	4,070,000	8,778,256	-	318,102	1,245,870	853,387	841,066	4,052,861	20,159,542

notes to the financial statements - 31st December, 2007 (Cont'd)

8. PROPERTY, PLANT AND EQUIPMENT (CONTD)

	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY - 2007				
Balance at 1st January:				
- Cost	-	-	1,238,647	1,238,647
- Valuation	3,100,000	2,800,000	-	5,900,000
	3,100,000	2,800,000	1,238,647	7,138,647
Additions	-	-	2,094	2,094
Represented by:-				
At cost	-	-	1,240,741	1,240,741
At valuation	3,100,000	2,800,000	-	5,900,000
Balance at 31st December	3,100,000	2,800,000	1,240,741	7,140,741
Accumulated Depreciation:				
Balance at 1st January	-	18,278	807,466	825,744
Charge for the year	-	140,000	105,527	245,527
Balance at 31st December	-	158,278	912,993	1,071,271
Net Book Value				
Represented by:-				
At cost	-	-	327,748	327,748
At valuation	3,100,000	2,641,722	-	5,741,722
Balance as at 31st December	3,100,000	2,641,722	327,748	6,069,470
COMPANY - 2006				
Balance at 1st January:				
- Cost	2,120,000	2,380,000	1,237,047	5,737,047
Additions	-	-	1,600	1,600
Revaluation surplus	980,000	743,283	-	1,723,283
Elimination of accumulated depreciation on revaluation	-	(323,283)	-	(323,283)
Represented by:-				
At cost	-	-	1,238,647	1,238,647
At valuation	3,100,000	2,800,000	-	5,900,000
Balance at 31st December	3,100,000	2,800,000	1,238,647	7,138,647
Accumulated Depreciation:				
Balance at 1st January	-	204,283	689,980	894,263
Charge for the year	-	137,278	117,486	254,764
Elimination of accumulated depreciation on revaluation	-	(323,283)	-	(323,283)
Balance at 31st December	-	18,278	807,466	825,744

notes to the financial statements - 31st December, 2007 (Cont'd)

8. PROPERTY, PLANT AND EQUIPMENT (CONTD)

	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY - 2006 (Cont'd)				
Represented by:-				
At cost	-	-	431,181	431,181
At valuation	3,100,000	2,781,722	-	5,881,722
Balance as at 31st December	3,100,000	2,781,722	431,181	6,312,903

(i) The property, plant and equipment of certain subsidiary companies are subject to fixed and floating charges for an amount of RM17,675,000 by way of debentures to secure banking facilities for the subsidiary companies.

(ii) The freehold land and the buildings of the Group and of the Company were revalued in 2006 by an independent professional valuer. Fair value is determined by reference to the current market values on the existing use basis.

Had the freehold land and buildings of the Group been carried under the cost model, the carrying amount as at 31st December, 2007, would have been RM2,920,000 (2006: RM2,920,000) and RM3,804,526 (2006: RM4,245,740) respectively.

Had the land and building of the Company been carried under the cost model, the carrying amount as at 31st December, 2007, would have been RM2,120,000 (2006: RM2,120,000) and RM1,937,717 (2006: RM2,056,717) respectively.

(iii) The titles to certain parcels of freehold land of the Company and a subsidiary company with a total net carrying amount as at 31st December, 2007 of RM4,070,000 (2006: RM4,070,000) have yet to be registered in the name of the Company and the subsidiary company respectively as at balance sheet date.

(iv) The factory building of a subsidiary company which has a net carrying amount as at 31st December, 2007 of RM169,101 (2006: RM178,101) is located on a parcel of leasehold land which lease term has expired during the year (Note 9 (ii)). The subsidiary company has made an application to the relevant authorities for an extension of the lease term. As at balance sheet date, the subsidiary company has yet to receive the approval for such extension.

9. PREPAID LEASE PAYMENTS

	Group Short term leasehold land	
	2007 RM	Restated 2006 RM
Valuation		
Balance as at 1st January		
- As previously reported	990,000	-
- Effects on adoption of FRS 117 (Note 8)	-	958,563
- As restated	990,000	958,563
Eliminated upon disposal/expiry of leasehold	(195,000)	(697,244)
Revaluation surplus	-	905,115
Elimination of accumulated amortisation on revaluation	-	(176,434)
Balance as at 31st December	795,000	990,000

notes to the financial statements - 31st December, 2007 (Cont'd)

9. PREPAID LEASE PAYMENTS (CONT'D)

	Group	
	Short term leasehold land	
	2007	Restated 2006
	RM	RM
Accumulated amortisation		
Balance as at 1st January		
- As previously reported	22,162	-
- Effects on adoption of FRS 117 (Note 8)	-	867,114
As restated	22,162	867,114
Eliminated upon disposal/expiry of leasehold	(195,000)	(697,243)
Amortisation for the year	220,276	28,725
Elimination of accumulated amortisation on revaluation	-	(176,434)
Balance as at 31st December	47,438	22,162
Net carrying amount as at 31st December	747,562	967,838

- (i) As disclosed in Note 1(b), prepaid lease payments have been reclassified from property, plant and equipment as a result of the adoption of FRS 117, Leases, during the year. In accordance with the transitional provisions of FRS 117, the unamortised revalued amount of leasehold land has been retained as the surrogate carrying amount of prepaid lease payments.
- (ii) On 30th March, 2007, the lease term of a parcel of leasehold land of a subsidiary company had expired. The gross carrying amount of the land of RM195,000 had been written off against the accumulated amortisation during the year. The subsidiary company has made an application to the relevant authorities for an extension of the lease term. As at the balance sheet date, approval from the authorities for such extension has yet to be received.
- (iii) The leasehold land are amortised on a straight line basis over the period of their respective lease term ranging from 10 to 30 years. These leasehold land have been pledged as security for banking facilities granted to the Company.
- (iv) All leasehold land were revalued in 2006 by an independent professional valuer. Fair value was determined by reference to the then current market value on an existing use basis.

10. SUBSIDIARY COMPANIES

	COMPANY	
	2007	2006
	RM	RM
Unquoted shares, at cost	18,873,558	18,873,558
Accumulated impairment losses	(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
	2007	2006	
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 and logs.

notes to the financial statements - 31st December, 2007 (Cont'd)

10. SUBSIDIARY COMPANIES (CONT'D)

Details of the subsidiary companies, all of which are incorporated in Malaysia, are as follows:- (Cont'd)

Name of Company	Equity Interest (%)		Principal Activities
	2007	2006	
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.

11. INVESTMENTS

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Shares quoted in Malaysia, at cost	-	21,196	-	-
Unquoted shares, at cost	40,000	40,000	40,000	40,000
	40,000	61,196	40,000	40,000
Market value of quoted shares	-	32,642	-	-

On 30th January, 2007, a subsidiary company had disposed all its quoted investment for a total consideration of RM26,741.

12. INVENTORIES

	GROUP	
	2007 RM	2006 RM
At cost:-		
Logs and sawn timber	543,534	707,700
Manufactured products	633,991	565,756
Consumable stores	355,343	389,509
Others	9,962	14,680
	1,542,830	1,677,645
At net realisable value:-		
Logs and sawn timber	224,590	-
	1,767,420	1,677,645

notes to the **financial statements** - 31st December, 2007 (Cont'd)

13. RECEIVABLES

		GROUP	
		2007	2006
		RM	RM
(a)	Trade Receivables		
	Trade receivables as at 31st December	4,208,333	3,910,095
	Allowance for doubtful debts	(106,000)	(106,000)
		4,102,333	3,804,095
The currency exposure profile of trade receivables is analysed as follows:			
	- Ringgit Malaysia	4,061,181	3,761,290
	- US Dollar	41,152	42,805
		4,102,333	3,804,095

Credit term for trade receivables is 30 days (2006: 30 days).

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
(b)	Other Receivables and Deposits			
	958,843	1,016,593	172,895	199,177
	(107,600)	-	(107,600)	-
	851,243	1,016,593	65,295	199,177

14. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

These represent interest-free trade related balances with no fixed terms of repayment. The amount is net of allowance for doubtful debts of RM8,329,825 (2006: RM4,853,703).

15. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM159,515 (2006: RM153,528) in the name of a subsidiary company were pledged to a licensed bank to secure a bank guarantee facility. The weighted average interest rate and average maturity period of deposits that were effective during the year were 3.9% (2006 3.7%) and 12 months (2006: 12 months) respectively.

16. SHARE CAPITAL

		GROUP/COMPANY	
		2007	2006
		RM	RM
Ordinary shares of RM1 each:-			
	Authorised	100,000,000	100,000,000
	Issued and fully paid:		
	Balance as at 1st January	28,568,650	27,155,150
	Issue of shares under Employees' Share Option Scheme	35,000	1,413,500
	Issue of shares under private placements	2,814,000	-
	Balance as at 31st December	31,417,650	28,568,650

notes to the financial statements - 31st December, 2007 (Cont'd)

16. SHARE CAPITAL (CONT'D)

During the year, the issued and fully paid-up share capital of the Company was increased from RM28,568,650 to RM31,417,650 as a result of the following:-

- (i) issue of 35,000 new ordinary shares of RM1.00 each under the Company's Employees' Share Option Scheme ("ESOS") at an issue price of RM1.00 per ordinary share;
- (ii) issue of 590,940 new ordinary shares of RM1.00 each under the first tranche of a Private Placement exercise at an issue price of RM1.00 per ordinary share; and
- (iii) issue of 2,223,060 new ordinary shares of RM1.00 each under the second and final tranche of the said Private Placement exercise at an issue price of RM1.00 per ordinary share.

In the previous year, the issued and fully paid-up share capital of the Company was increased by RM1,413,500 through the issue of 1,413,500 new ordinary shares of RM1.00 each under the ESOS at an issue price of RM1.00 per ordinary share.

The newly issued ordinary shares rank pari-passu in all material respects with the existing ordinary shares of the Company.

17. SHARE PREMIUM

	GROUP/COMPANY	
	2007 RM	2006 RM
Balance as at 1st January	8,206,963	8,206,963
Share issue expenses	(73,669)	-
Balance as at 31st December	8,133,294	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.

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

notes to the **financial statements** - 31st December, 2007 (Cont'd)

18. EMPLOYEES' SHARE OPTION SCHEME (ESOS) (CONT'D)

- (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:

Options over number of shares of RM1.00 each						
Exercise Price	Date Granted	Balance as at 1.1.2007	Offered and accepted	Exercised	Forfeited	Balance as at 31.12.2007
RM1.00	1.6.2004	35,000	-	(35,000)	-	-

19. REVALUATION RESERVES

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
At 1st January	5,499,863	-	1,473,597	-
Revaluation surplus during the year	-	7,187,483	-	1,723,283
Transfer to accumulated losses:				
- due to expiry of leasehold/disposal of revalued assets	(324,300)	-	-	-
Transferred from/(to) deferred taxation (Note 22)	107,622	(1,687,620)	62,990	(249,686)
At 31st December	5,283,185	5,499,863	1,536,587	1,473,597

20. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2007 RM	Restated 2006 RM	2007 RM	Restated 2006 RM
Present value of unfunded defined benefit obligations	977,227	1,016,269	190,299	171,080
Unrecognised actuarial gain	23,347	-	8,223	-
	1,000,574	1,016,269	198,522	171,080

- (a) Provision for employees' retirement benefits is determined by an independent actuarial valuation using the Projected Unit Credit Method and is made to cover estimated obligations for payment of retirement benefits to employees. The valuation was performed in May 2008. These benefits are payable upon reaching the age of retirement, on retirement due to medical grounds or upon death in respect of employees who have served continuously for a period of ten (10) or more years.

The movements in the provision for employees' retirements benefits during the year are as follows:

	GROUP		COMPANY	
	2007 RM	Restated 2006 RM	2007 RM	Restated 2006 RM
As at 1st January	1,016,269	898,840	171,080	145,959
Recognised in income statement	46,176	117,429	27,442	25,121
Benefits paid	(61,871)	-	-	-
As at 31st December	1,000,574	1,016,269	198,522	171,080

notes to the financial statements - 31st December, 2007 (Cont'd)

20. RETIREMENT BENEFITS

- (b) The amount recognised as an expense in the income statement of the Group and of the Company can be analysed as follows:

	GROUP		COMPANY	
	2007	Restated 2006	2007	Restated 2006
	RM	RM	RM	RM
Current service cost	71,732	67,993	18,033	17,093
Interest on obligations	54,193	49,436	9,409	8,028
Curtailments gain	(79,749)	-	-	-
	46,176	117,429	27,442	25,121

- (c) The amount charged to the income statement has been included under administrative expenses.

- (d) The principal actuarial assumptions used in respect of the Group's defined benefit plan were as follows:

	GROUP/COMPANY	
	2007	2006
	%	%
Discount rate	5.5	5.5
Rate of compensation increase	4.5	4.5

- (e) The comparative amounts for the provision for retirement benefits as at 31st December, 2006 has been restated as follows:

	GROUP RM	COMPANY RM
As previously reported	438,532	102,000
Effects of adopting actuarial valuation	577,737	69,080
As restated	1,016,269	171,080

21. BANK BORROWINGS (SECURED)

	GROUP	
	2007	2006
	RM	RM
Term loan	-	1,376,045
Term loan 1	1,614,039	-
Term loan 2	3,595,523	-
Supplier credit facilities	-	169,077
Revolving loans	-	2,987,821
Bank overdrafts	2,788,919	3,563,779
	7,998,481	8,096,722
Due in the next 12 months	2,809,660	8,096,722
Due later than one year and not later than five years	5,188,821	-
	7,998,481	8,096,722

notes to the financial statements - 31st December, 2007 (Cont'd)

21. BANK BORROWINGS (SECURED) (CONT'D)

- (i) During the year, a subsidiary company has restructured and rescheduled its outstanding term loan and revolving loan facilities and which outstanding balances are now disclosed as Term Loan 1 and Term Loan 2 respectively.
- (ii) The Group's trade facilities and term loans are secured by:-
- Two debentures by way of a First and Second Fixed and Floating charges on all present and future assets of the subsidiary companies for RM12,675,000;
 - Negative pledge on property, plant and equipment of the subsidiary companies;
 - Unconditional and irrevocable corporate guarantee from BTM Resources Berhad;
 - Unconditional and irrevocable guarantee from certain directors of the subsidiary companies; and
 - A Sinking Fund Account in which an amount equivalent to five per cent is to be collected from each export proceeds received.
- (iii) The overdraft facility of a subsidiary company is secured by way of:-
- A first legal charge over a subsidiary company's leasehold land and factory buildings for RM5,000,000;
 - A debenture creating first fixed and floating charges over the subsidiary company's fixed and floating assets for RM5,000,000; and
 - A corporate guarantee by the Company.
- (iv) Indicative interest rates on the Group's borrowings are as follows:-

	2007 (%)	2006 (%)
Term loan	-	8.50% to 8.75% per annum
Term loan 1	9.75% per annum	-
Term loan 2	9.75% per annum	-
Revolving loan	-	8.50% to 8.75% per annum
Supplier credit facility	-	6.75% per annum
Bank overdrafts	9.25% to 10.25% per annum	9.25% to 10.25% per annum

22. DEFERRED TAXATION

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Balance as at 1st January	1,690,054	2,434	249,686	-
Recognised in income statement (Note 27)	(254,066)	-	(11,805)	-
Transferred (to)/from revaluation reserve (Note 19)	(107,622)	1,687,620	(62,990)	249,686
Balance as at 31st December	1,328,366	1,690,054	174,891	249,686

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

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Deductible temporary differences	8,535,000	6,862,000	73,000	48,000
Unabsorbed tax losses	25,267,000	23,128,000	372,000	12,000
Unutilised reinvestment allowance	3,393,000	2,776,000	-	-

notes to the **financial statements** - 31st December, 2007 (Cont'd)

23. TRADE PAYABLES

Credit term for trade payables is 30 days (2006: 30 days).

24. HIRE PURCHASE PAYABLES

	GROUP	
	2007 RM	2006 RM
Instalments payable:-		
Not later than 1 year	-	11,414
Later than 1 year	-	11,414
Finance charges allocated to future periods	-	(154)
	-	11,260
Due in the next 12 months	-	11,260
Due later than one year and not later than five years	-	-
	-	11,260

Interest rate applicable is 4.25% to 5.25% (2006: 4.25% to 5.25%) per annum.

25. REVENUE

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

26. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2007 RM	Restated 2006 RM	2007 RM	Restated 2006 RM
This is stated after charging/(crediting):-				
Directors' fees	90,000	90,000	90,000	90,000
Executive directors' salaries, bonuses and other emoluments				
- company's directors	443,277	472,440	272,320	277,920
Audit fees - statutory audit	44,550	44,550	10,000	10,000
- others	30,000	-	30,000	-
Allowance for doubtful debts				
- amount due from subsidiary companies	-	-	3,476,122	4,853,703
- trade and other receivables	107,600	106,000	107,600	-
Amortisation of prepaid lease payments	220,276	28,725	-	-
Bad debts written off	2,283	-	-	-
Depreciation on property, plant and equipment	1,833,021	1,912,694	245,527	254,764
Property, plant and equipment written off	166,230	1	-	-
Interest expense				
- hire purchase	154	1,236	-	-
- bank overdraft	280,928	363,823	-	-
- bankers' acceptances	-	2,830	-	-
- term loan	71,451	78,011	-	-
- revolving loan	250,091	220,771	-	-
- others	10,444	61,088	-	-

notes to the **financial statements** - 31st December, 2007 (Cont'd)

26. LOSS BEFORE TAXATION (CONT'D)

	GROUP		COMPANY	
	2007	Restated 2006	2007	Restated 2006
	RM	RM	RM	RM
This is stated after charging/(crediting):- (Cont'd)				
Rental of land and buildings				
- belonging to directors	53,088	61,344	53,088	61,344
Defined benefit obligations	46,176	117,429	27,442	25,121
Rental of machinery	(5,440)	(15,812)	-	-
Interest on fixed deposits	(7,124)	(5,848)	-	-
Gain on disposal of property, plant and equipment	(323,708)	(1,210,915)	-	-
Gain on disposal of quoted investment	(5,545)	-	-	-
Realised loss on foreign exchange	-	74	-	-
Management fees- subsidiary companies	-	-	(480,000)	(720,000)
Write down in value of inventories	137,204	-	-	-
Employee benefits expense	2,041,349	2,168,987	549,485	546,492

Included in employee benefits expense are contributions made to the Employees Provident Fund of director and employees of the Group and of the Company amounting to RM155,941 and RM56,615 respectively (2006: RM179,355 and RM56,398).

27. TAXATION

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
Current year's tax charge	5,900	113,000	-	-
Under/(over)provision in previous year	9,612	(112,613)	-	-
Deferred tax income resulting from origination and reversal of temporary differences (Note 22)	(254,066)	-	(11,805)	-
	(238,554)	387	(11,805)	-

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	%	%	%	%
Applicable tax rate	(27)	(28)	(27)	(28)
Tax effects of:				
Expenses not deductible for tax purposes	5	27	25	27
Utilisation of previously unrecognised unabsorbed tax losses and deductible temporary differences	-	(21)	-	-
Unabsorbed business losses not recognised	17	20	2	1
Overprovision in prior year	-	2	-	-
Effective tax rate	(5)	-	-	-

notes to the **financial statements** - 31st December, 2007 (Cont'd)

27. TAXATION (CONT'D)

Subject to agreement by the Inland Revenue Board, the Company has the following estimated unutilised reinvestment allowances, unutilised capital allowances and unabsorbed tax losses, which are available for set-off against future taxable income:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Unutilised reinvestment allowances	3,393,000	2,776,000	-	-
Unutilised capital allowances	6,996,000	6,236,000	101,000	72,000
Unabsorbed tax losses	25,267,000	23,128,000	372,000	12,000

28. LOSS PER SHARE

	GROUP	
	2007 RM	Restated 2006 RM
Loss per share is calculated as follows:-		
Basic		
Loss for the year (RM)	(4,679,404)	(1,747,322)
Weighted average number of ordinary shares (No.)	30,279,302	27,447,643
Basic loss per share (sen)	(15.5)	(6.4)

Diluted

In the previous year, 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 had not been presented.

29. CONTINGENT LIABILITIES

	COMPANY			
	2007		2006	
	Limit of Facilities RM	Outstanding Amount RM	Limit of Facilities RM	Outstanding Amount RM
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	17,675,000	7,998,981	20,675,000	8,096,722

30. RELATED PARTY TRANSACTIONS AND BALANCES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party or one party controlled both.

notes to the **financial statements** - 31st December, 2007 (Cont'd)

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

(a) Transactions and year-end outstanding balances with subsidiary companies.

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

	COMPANY	
	2007	2006
	RM	RM
Amount due from subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	4,981,964	3,332,891
Besut Tsuda Wood Products Sdn. Bhd.	7,590,205	6,374,514
Syarikat Maskayu Sawmill Sdn. Bhd.	1,585,552	1,499,518
BTM Properties Sdn. Bhd.	14,636	12,856
BTM Construction Sdn. Bhd.	14,665	12,885
BTM Development Sdn. Bhd.	56,372	54,592
BTM Marketing & Trading Sdn. Bhd.	98,955	1,018,577
BTM Global Holdings Sdn. Bhd.	1,254,480	1,250,014
	15,596,829	13,555,847
Less: Allowance for doubtful debts	(8,329,825)	(4,853,703)
	7,267,004	8,702,144

All the outstanding amounts are trade related, unsecured, interest free and repayment is expected to be in cash.

Expenses recognised by the Company during the year in respect of doubtful debts due from subsidiary companies amounted to RM3,476,122 (2006: RM4,853,703) which comprise of:-

	COMPANY	
	2007	2006
	RM	RM
Besut Tsuda Industries Sendirian Berhad	3,315,518	1,666,446
Besut Tsuda Wood Products Sdn. Bhd.	-	3,187,257
BTM Properties Sdn. Bhd.	14,636	-
BTM Construction Sdn. Bhd.	14,665	-
BTM Development Sdn. Bhd.	56,372	-
BTM Global Holdings Sdn. Bhd.	74,931	-
	3,476,122	4,853,703

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

	COMPANY	
	2007	2006
	RM	RM
Income		
Management fees		
Besut Tsuda Industries Sendirian Berhad	120,000	120,000
Besut Tsuda Wood Products Sdn. Bhd.	120,000	120,000
BTM Marketing & Trading Sdn. Bhd.	240,000	480,000

notes to the **financial statements** - 31st December, 2007 (Cont'd)

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

(b) Transactions with a director, Dato' Seri Yong Tu Sang

	GROUP AND COMPANY	
	2007	2006
	RM	RM
Rental expenses paid/payable to Dato' Seri Yong Tu Sang	53,088	61,344

(c) Transactions and year-end outstanding balances with other related parties

(i) 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) BTM Timber Industries Sdn. Bhd.
- (iv) SPPT Development Sdn. Bhd.
- (v) Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.
- (vi) Syarikat Zamry Sawmill Sdn. Bhd.
- (vii) Sung Lee Timber Trading Sdn. Bhd.
- (viii) NLS Sdn. Bhd.

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

	GROUP		COMPANY	
	2007	2006	2007	2006
	RM	RM	RM	RM
<u>Trade payables</u>				
Syarikat Zamry Sawmill Sdn. Bhd.	(1,994)	(2,837)	-	-
Sung Lee Timber Trading Sdn. Bhd.	(948)	(85,041)	-	-
BTM Timber Industries Sdn. Bhd.	(508,021)	(169,736)	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	(133)	-	-	-
Gimzan Plywood Sdn. Bhd.	(194,343)	-	-	-
SPPT Development Sdn. Bhd.	(404,145)	(75,682)	-	-
<u>Trade receivables</u>				
Gimzan Plywood Sdn. Bhd.	70,375	348,223	-	-
BTM Timber Industries Sdn. Bhd.	2,382,568	1,975,797	-	-
SPPT Development Sdn. Bhd.	1,541,663	1,388,024	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	3,249	946	-	-
Sung Lee Timber Trading Sdn. Bhd.	38,955	35,364	-	-
<u>Other payables</u>				
Seri Indah Enterprise Sdn. Bhd.	(220,760)	(208,378)	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	(8,725)	-	-
BTM Timber Industries Sdn. Bhd.	(150)	-	(150)	-
Gimzan Plywood Sdn. Bhd.	(1,501)	-	(1,501)	-
<u>Other receivables</u>				
Sung Lee Timber Trading Sdn. Bhd.	49,273	2,609	39,275	-
BTM Timber Industries Sdn. Bhd.	200	77	-	-
SPPT Development Sdn. Bhd.	90	-	-	-

notes to the financial statements - 31st December, 2007 (Cont'd)

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

(c) Transactions and year-end outstanding balances with other related parties (Cont'd)

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

The trade balances of related parties are subject to the normal credit terms given to or by customers and suppliers, where applicable, as disclosed in these financial statements. The non-trade balances have no fixed terms of repayment. All the outstanding amounts are unsecured, interest free and repayment is expected to be in cash.

No expense has been recognised during the year in respect of bad or doubtful debts due from other related parties.

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

	GROUP	
	2007	2006
	RM	RM
Income		
Sales of logs and sawn timber		
BTM Timber Industries Sdn. Bhd.	355,635	3,128,885
Gimzan Plywood Sdn. Bhd.	287,810	952,588
Syarikat Zamry Sawmill Sdn. Bhd.	-	7,201
Services		
BTM Timber Industries Sdn. Bhd.	38,204	45,938
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	13,800
Sung Lee Timber Trading Sdn. Bhd.	7,399	28,115
Syarikat Zamry Sawmill Sdn. Bhd.	3,249	-
Gimzan Plywood Sdn. Bhd.	89,609	233,973
Sales of motor vehicles		
Sung Lee Timber Trading Sdn. Bhd.	-	183,000
BTM Timber Industries	50,000	-
Contract fees		
SPPT Development Sdn. Bhd.	311,181	2,598,096
Others		
Gimzan Plywood Sdn. Bhd.	14	1,840
NLS Sdn. Bhd.	-	948
Sung Lee Timber Trading Sdn. Bhd.	250	-
BTM Timber Industries Sdn. Bhd.	260,845	267,788
Expenditure		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	5,054,454	5,945,709
BTM Timber Industries Sdn. Bhd.	197,603	323,299
SPPT Development Sdn. Bhd.	328,962	2,894,219
Syarikat Zamry Sawmill Sdn. Bhd.	-	14,838
Purchase of diesel and spare parts		
BTM Timber Industries Sdn. Bhd.	41,868	49,080
Sung Lee Timber Trading Sdn. Bhd.	4,058	73,721

notes to the financial statements - 31st December, 2007 (Cont'd)

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

(c) Transactions and year-end outstanding balances with other related parties (Cont'd)

(iii) Details of significant transactions between the other related parties and the Group during the year are as follows:- (Cont'd)

	GROUP	
	2007 RM	2006 RM
Services		
BTM Timber Industries Sdn. Bhd.	174,439	202,181
Syarikat Zamry Sawmill Sdn. Bhd.	946	-
Sung Lee Timber Trading Sdn. Bhd.	1,144	-
Gimzan Plywood Sdn. Bhd.	1,573	-
Seri Indah Enterprise Sdn. Bhd.	99,895	75,585
Contract fees		
BTM Timber Industries Sdn. Bhd.	222,272	1,581,777
Sung Lee Timber Trading Sdn. Bhd.	-	60,000
Others		
BTM Timber Industries Sdn. Bhd.	29,269	26,521
NLS Sdn. Bhd.	-	612

(d) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. The key management personnel of the Company include all the Directors of the Company and senior personnel and their remuneration for the year are as follows:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Short-term benefits	626,860	735,640	467,900	548,800
Post-employment benefits	3,984			
- Employees Provident Fund	61,404	62,192	53,844	54,512
Total	688,264	797,832	521,744	603,312

31. CAPITAL COMMITMENTS

	GROUP	
	2007 RM	2006 RM
Authorised and contracted for	-	2,180,000

32. 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 - 31st December, 2007 (Cont'd)

33. 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			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
<u>Financial assets</u>				
Trade and other receivables	4,953,576	4,953,576	4,820,688	4,820,688
Fixed deposits	181,022	181,022	173,898	173,898
Quoted investments	-	-	21,196	32,642
Cash and bank balances	220,513	220,513	32,664	32,664
<u>Financial liabilities</u>				
Trade, other payables and accruals	4,553,323	4,553,323	3,953,756	3,953,756
Amount due to directors	21,267	21,267	172,650	172,650
Bank borrowings	2,809,660	2,809,660	8,096,722	8,096,722
Hire purchase payables	-	-	11,260	11,260
Long term borrowings	5,188,821	5,188,821	-	-

	COMPANY			
	2007		2006	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	RM	RM	RM	RM
<u>Financial assets</u>				
Other receivables	65,295	65,295	199,177	199,177
Amount due from subsidiary companies	7,267,004	7,267,004	8,702,144	8,702,144
Cash and bank balances	285	285	5,940	5,940
<u>Financial liabilities</u>				
Other payables and accruals	395,539	395,539	622,407	622,407
Amount due to directors	21,267	21,267	172,650	172,650

The following methods and assumptions are used to estimate the fair value of each class of financial assets and liabilities.

(a) Trade and other receivables and payables

The fair values of trade receivables and payables which are subject to normal trade credit terms approximate their carrying amounts. 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.

notes to the **financial statements** - 31st December, 2007 (Cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

- (c) Fixed deposits, cash and bank balances

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

- (d) Amount due to directors

The fair value of the indebtedness is a reasonable estimate of its carrying amount because of its short maturity.

- (e) Bank borrowings

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

- (f) Long term borrowings

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

34. PRIOR YEAR ADJUSTMENT

During the year, the Group has adopted actuarial valuation using the Projected Unit Credit method for the purpose of determining the liability to be recognised in respect of its defined benefit obligations as at balance sheet date. The liability recognised is the net total of the present value of the defined benefit obligations as at balance sheet date together with adjustments for unrecognised actuarial gains or losses and unrecognised past service costs. Previously, the liability recognised in respect of its defined benefit obligations was based on management's estimates.

The adoption of the actuarial valuation method has been accounted for retrospectively which resulted in a prior year adjustment. The effects on the current and comparative financial statements of the Group and the Company are as follows:-

	GROUP		COMPANY	
	2007 RM	2006 RM	2007 RM	2006 RM
Effects on accumulated losses				
As at 1st January, as previously reported	29,392,924	27,703,031	23,350,637	17,921,842
Effects of adopting actuarial valuation	577,737	520,308	69,080	55,959
As at 1st January, as restated	29,970,661	28,223,339	23,419,717	17,977,801
Effects on loss for the year				
Loss for the year before adoption of actuarial valuation/as previously reported	4,755,099	1,689,893	4,215,385	5,428,795
Effects of adopting actuarial valuation	(75,695)	57,429	15,442	13,121
Loss for the year	4,679,404	1,747,322	4,230,827	5,441,916

notes to the **financial statements** - 31st December, 2007 (Cont'd)**35. STATUS OF CORPORATE PROPOSALS**

The Company announced on 20th October, 2006, that it proposed to undertake the following:-

- (i) Proposed private placement of up to 10% of the issued and paid-up share capital of the Company to investors to be identified ("Proposed Private Placement"); and
- (ii) Proposed rights issue of up to 10,480,550 new ordinary shares of RM1.00 each in the Company ("BTM Shares") at an issue price of RM1.00 each on the basis of one (1) rights share for every three (3) existing BTM Shares held on a date to be determined later together with up to 10,480,550 new free detachable warrants of RM1.00 each on the basis of one (1) warrant for every one (1) rights share subscribed ("Proposed Rights Issue").

The approval of the Securities Commission ("SC") and the SC, on behalf of the Foreign Investment Committee, for the Proposed Private Placement and the listing of and quotation for the Placement Shares was obtained vide the SC's letter dated 6th December, 2006. Bursa Malaysia Securities Berhad ("Bursa Malaysia") has approved in-principle the listing of up to 2,814,000 new ordinary shares of RM1.00 each to be issued pursuant to the Proposed Private Placement vide Bursa Malaysia' letter dated 8th January, 2007.

On 16th April, 2007, the Company issued the first tranche of the Placement Shares, comprising 590,940 new ordinary shares of RM1.00 each, which was listed on Bursa Malaysia on 24th April, 2007. On 8th, June 2007, the Company issued the second and final tranche of the Placement Shares, comprising 2,223,060 new ordinary shares of RM1,00 each, which was listed on Bursa Malaysia on 15th June, 2007 and that the Private Placement is deemed completed on 15th June, 2007.

On 19th September, 2007, the Company submitted its application to the SC on the Proposed Rights Issue. SC had, vide its letter dated 15th November, 2007, rejected the Company's Proposed Rights Issue due to the non-compliance with the requirements of Paragraph 13.02 of the Policies and Guidelines on Issue/Offer of Securities, which states that all proposals by distressed listed companies should be sufficiently comprehensive and capable of resolving all financial problems faced and should demonstrate an increase in shareholders value. The Company's appeal to the SC against the earlier rejection of the Proposed Rights Issue exercise which was submitted on 14th December, 2007 was also subsequently rejected by the SC vide its letter dated 27th February, 2008.

36. EVENT SUBSEQUENT TO BALANCE SHEET DATE

On 15th April, 2008, Bursa Malaysia had suspended the trading of the securities of the Company pursuant to paragraph 8.16A(3) of the Listing Requirements of Bursa Malaysia.

37. COMPARATIVE FIGURES

Certain comparative figures have been amended to conform with the current year's presentation.

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 25 to 60 are drawn up in accordance with the Financial Reporting Standards issued by the Malaysian Accounting Standards Board 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, 2007 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: 26th May, 2008

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 25 to 60 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 26th May, 2008.) CHEN KAR MUN

Before me,

report of **the auditors** to the members of BTM Resources Berhad

We have audited the financial statements set out on pages 25 to 60. 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 Financial Reporting Standards issued by the Malaysian Accounting Standards Board 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, 2007 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 10 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

1064/03/09(J/PH)

Partner of the Firm

Kuala Lumpur,

Date: 26th May, 2008

analysis of shareholdings as at 21st May 2008

Class of Share	: Ordinary Share of RM1.00 each
Authorised	: 100,000,000
Issued and Fully Paid-up Capital	: 31,417,650
Voting Rights	: One vote per share
Number of Shareholders	: 958

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 99	4	160	-
100 - 1,000	466	442,100	1.41
1,001 - 10,000	381	1,576,290	5.02
10,001 - 100,000	89	2,670,300	8.50
100,001 - 1,459,730	12	7,853,400	24.99
1,459,731 and above (*)	6	18,875,400	60.08
TOTAL	958	31,417,650	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' Mohd Salleh Bin Zakaria <i>Shares held under Mayban Securities Nominees (Tempatan) Sdn Bhd are 4,500,000 units and Kenanga Nominees (Tempatan) Sdn Bhd 884,000 units</i>	5,661,900	21.20	-	-
Dato' Seri Yong Tu Sang a) Shares held under name are 3,386,000 units b) Shares held under Citigroup Nominees (Tempatan) Sdn Bhd are 800,000 units	4,186,000	13.32	@4,187,500	13.33
Yong Emmy	3,024,000	9.62	-	-
Ng Ah Heng	2,500,000	7.96	#2,312,500	7.36
Sung Lee Timber Trading Sdn. Bhd.	2,312,500	7.36	-	-
BTM Timber Industries Sdn. Bhd.	1,875,000	5.97	-	-

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

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

DIRECTORS AND THEIR SHAREHOLDINGS

	Directors		No. of Shares	
	Direct	%	Indirect	%
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	-	-	-	-
Dato' Seri Yong Tu Sang	4,186,000	13.32	@4,187,500	13.33
Yong Emmy	3,024,000	9.62	-	-
Choong Show Tong	-	-	-	-
Yong Ellen (Alternate to Yong Emmy)	36,000	0.11	*1,875,000	5.97

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

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

analysis of **shareholdings** as at 21st May 2008 (Cont'd)**LIST OF THIRTY LARGEST SHARE HOLDERS**

No	Name of Shareholders	No. of Shares Held	Percentage
1.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Salleh Bin Zakaria (REM 817-Margin)</i>	5,777,900	18.39
2.	Dato' Seri Yong Tu Sang	3,386,000	10.77
3.	Yong Emmy	3,024,000	9.62
4.	Ng Ah Heng	2,500,000	7.95
5.	Sung Lee Timber Trading Sdn Bhd	2,312,500	7.36
6.	BTM Timber Industries Sdn Bhd	1,875,000	5.96
7.	Thong Kuan Yuen	1,500,000	4.77
8.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tham Kaam Siong (CST)</i>	1,018,100	3.24
9.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Abdul Malik Bin Mohd Hussin (CEB)</i>	928,400	2.95
10.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Salleh Bin Zakaria)</i>	884,000	2.81
11.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Tu Sang (473593)</i>	800,000	2.54
12.	Yeo Kim Team	689,100	2.19
13.	Permodalan Nasional Berhad	625,400	1.99
14.	Halim Bin Mohamad	429,000	1.36
15.	Wong Kian Boon	372,000	1.18
16.	Farah Hanani Binti Kasim	300,000	0.95
17.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Alexander Toh Kie Kieng</i>	172,200	0.54
18.	Ngan Cheng Tiam	135,200	0.43
19.	Wong Chein Choi @ Wong Heing Cheung	100,000	0.31
20.	PM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Chin Yu (G)</i>	99,800	0.31
21.	Tong Soon Ming	90,000	0.28
22.	Lee Nyek	77,500	0.24
23.	Ng Kin Li	76,000	0.24
24.	Muhammad Adam @ Edward Bin Abdullah	75,000	0.23
25.	Lee Chee Soon	59,000	0.18
26.	Toh Seng Tat	56,000	0.17
27.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Low Wan Choon</i>	50,100	0.15
28.	HDM Nominees (Tempatan) Sdn Bhd <i>Phillip Securities Pte Ltd for Bek Kuang Joo</i>	50,000	0.15
29.	Chia King Sia	50,000	0.15
30.	Chung Youn Sin	50,000	0.15
		27,562,200	87.56

list of properties

LOCATION	Tenure	Description	Land Area	Approx. Age of the Building	Net Book Value as at 31.12.2006
BTM Resources Berhad					
No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman	Freehold	5½ Storey Office Building	385 sq.m	9 years	5,741,772
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	31 years	169,101
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	-	178,750
Syarikat Maskayu Sawmill Sdn Bhd					
Lot No :- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year's leasehold expiring on 29-11-2033	Sawmill building, timber sheds and office erected thereon	0.998 Hectare	31 years	568,812
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	14 years	6,067,963

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 Fourteenth Annual General Meeting of the Company to be held at Nakhoda 2, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor on Monday, 30th June 2008 and 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 _____ 2008.

iNote:

- 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 right 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.

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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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