



BTM RESOURCES BERHAD
(303962-T) (Incorporated in Malaysia)

ANNUAL REPORT 2016





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Third Annual General Meeting of BTM Resources Berhad will be held at the Arcadia 1, Level 3, Hotel Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 30th May 2017 at 11.30 a.m. for the following purposes :-

AS ORDINARY BUSINESS

- | | | |
|----|--|---------------------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31st December 2016 together with the Reports of the Directors and Auditors thereon. | <i>(Please refer to Note i)</i> |
| 2. | To approve the payment of Directors' fees of RM 120,000.00 for the financial year ended 31st December 2016. | Resolution 1 |
| 3. | To re-elect Madam Yong Emmy who retires in accordance with Article 64 of the Company's Articles of Association. | Resolution 2 |
| 4. | To re-elect Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey who retires in accordance with Article 64 of the Company's Articles of Association. | Resolution 3 |
| 5. | To re-elect Messrs Folks DFK & Co. as Auditors and to authorise the Directors to fix their remuneration. | Resolution 4 |

AS SPECIAL BUSINESS

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

- | | | |
|-----|---|---------------------|
| 6. | Re-appointment of Director "THAT Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman be and is hereby re-appointed as a Director of the Company." | Resolution 5 |
| 7. | Continuation in Office as Independent Director "THAT subject to the passing of Ordinary Resolution No. 5, approval be and is hereby given to Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman who has served as an Independent Non-Executive Director of the Company for a cumulative terms of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." | Resolution 6 |
| 8. | Continuation in Office as Independent Director "THAT approval be and is hereby given to Mr Choong Show Tong who has served as an Independent Non-Executive Director of the Company for a cumulative terms of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." | Resolution 7 |
| 9. | Authority to Issue Shares Pursuant to Sections 75 and 76 of the Companies Act 2016. "THAT subject always to the Companies Act, 2016 ("Act"), Articles of Association of the Company, Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of the relevant governmental/regulatory bodies (if any), the Directors be and are hereby authorised and empowered pursuant to Section 75 and Section 76 of the Act to issue new shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed ten percentage (10%) of the total issued and paid-up share capital of the Company at the time of issue and that the Directors be and are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on Bursa Securities and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company." | Resolution 8 |
| 10. | Proposed Renewal of Existing 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 Shareholders dated 28 April 2017 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 propose that such approval shall continue in force until; i) the conclusion of the next Annual General Meeting (AGM) of the Company following the AGM at which the proposed renewal of the recurrent related parties transaction mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed; or ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 (Act) but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act; or iii) revoked or varied by resolution passed by the shareholders in a General Meeting, whichever is the earlier. | Resolution 9 |

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 authorised by this Ordinary Resolution."

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

NOTICE OF ANNUAL GENERAL MEETING

(cont'd)

By Order of the Board,

Chong Seok Tian (MIA 2502)
Mary Margret A/P V. Pelly (LS 04402)
Wong Youn Kim (MAICSA 7018778)
Joint Secretaries

Kuala Lumpur

Date : 28th April 2017

Notes :

- i) A member entitled to attend and vote at the meeting is entitled to appoint up to two (2) proxies to attend and vote in his stead. A proxy may but need not be a member of the Company.
- ii) Where a member appoints more than one (1) proxy, the appointments shall be invalid unless he specifies the proportion of his shareholding to be represented by each proxy.
- iii) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), as defined under the Securities Industry (Central Depositories) Act, 1991 there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
- iv) The instrument appointing a proxy shall be in writing 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 HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- vi) In respect of deposited securities, only members whose name appear on the Record of Depositors on 24 May 2017 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his behalf.

EXPLANATORY NOTES ON SPECIAL BUSINESS

- 1) To receive the Audited Financial Statements together with the Reports of the Directors and Auditors thereon after the financial year ended 31 December 2016.
This agenda item is meant for discussion only as under the provision of Section 340(1) of the Companies Act, 2016, the audited financial statements do not require formal approval of the members and hence, this item will not be put forward for voting.
2. **Ordinary Resolution 5 – Re-appointment of Director**
This Ordinary Resolution is to seek shareholders' approval on the re-appointment of Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman, who had been re-appointed at the Twenty-Second Annual General Meeting ("AGM") held on 30th May 2016 as a Director under Section 129 of the former Companies Act, 1965 which was then in force and whose term would expire at the conclusion of the Twenty-Third AGM, as a Director of the Company. If passed, this Ordinary Resolution will authorize the continuation of Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman in office from the date of the Twenty-Third AGM onwards.
3. **Ordinary Resolution 6 – Continuing in Office as Independent Non-Executive Director**
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman has served as Independent Non-Executive Director for a cumulative term of thirteen years. The Nomination Committee has assessed his independence and recommended him to continue to act as an Independent Non-Executive Director of the company on the following justifications :-
 - a) He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
 - b) He has vast experience and his legal background enables him to provide an objective and independent view point in enabling the Board to properly discharge its duties and responsibilities.
 - c) He has always actively participated in Board and Board Committee discussion and has continuously provided as independent view to the Board.
 - d) He has the calibre, qualifications, experience and personal qualities and therefore would be able to provide constructive opinion and exercises independent judgement and has the ability to act in the best interest of the Company.
- 4) **Ordinary Resolution 7- Continuing in Office as Independent Non-executive Director**
Mr Choong Show Tong has served as an Independent Non-Executive Director for a Cumulative of fourteen years. The Nomination Committee has assessed his independence and recommend him to continue to act as an Independent Non-Executive Director of the Company on the following justification :-
 - a) He has fulfilled the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.
 - b) He has vast experience as public accountant and is able to provide financial and accounting view point in enabling the Board to properly discharge its duties and responsibilities.
 - c) He has always actively participated in Board and Board Committee discussion and has continuously provided and independent view to the Board
 - d) He has the calibre, qualifications, experience and personal qualities and therefore would be able to provide constructive opinion and exercises Independent judgement and has the ability to act in the best interest of the Company.
- 5) **Ordinary Resolution 8 - Authority for Directors to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016.**
This Ordinary Resolution pursuant to Sections 75 and 76 of the Companies Act, 2016 is a renewal of the last mandate granted to the Directors at the Twenty-Second AGM held on 30th May 2016 and which will lapse at the conclusion of the Twenty-Third AGM.
This Ordinary Resolution, if passed, will give the Directors of the Company, from the date of the Twenty-Third AGM, the authority to allot shares in the Company up to and not exceeding in total ten per cent (10%) of the total number of issued and paid-up shares of the Company for such purposes as the Directors deem fit and in the best interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM.
As at the date of this Notice, no new shares in the Company were issued pursuant to the last mandate.
The renewal of this mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment, working capital and / or acquisitions.
- 6) **Ordinary Resolution 9 - Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("Proposed Renewal of Shareholders' Mandate")**
This Ordinary Resolution is to renew the Shareholders Mandate granted by the shareholders to the Company at the Twenty-Second AGM held on 30th May 2016. The Proposed Renewal of the Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to 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 Twenty-Third Annual General Meeting of the Company :-**

- A) Director retiring pursuant to Article 64 of the Company's Articles of Association:
i) Mdm Yong Emmy *(Resolution 2)*
- B) Director retiring pursuant to Article 64 of the Company's Articles of Association:
i) Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey *(Resolution 3)*
- C) Director whose term would expire at the conclusion of the Twenty-Third AGM
i) Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman *(Resolution 5)*

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 7 to 11 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (page 82 of the Annual Report)

2. Attendance of Directors at Board Meetings for year 2016

A total of five (5) Board Meetings were held during the financial year ended 31 December 2016. Details of attendance of Directors are set out on page 18 of this 2016 Annual Report.

| Name of Directors | Attendance |
|---|---------------------|
| Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman | 5 out of 5 meetings |
| Dato' Seri Yong Tu Sang | 5 out of 5 meetings |
| Mr. Choong Show Tong | 5 out of 5 meetings |
| Madam Yong Emmy | 4 out of 5 meetings |
| Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey | 4 out of 5 meetings |
| Mr Yong Hin Siong | 5 out of 5 meetings |

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

Date : Tuesday, 30 May 2017
Time : 11.30 a.m.
Place : Arcadia 1, Level 3,
Hotel Armada,
Lot 6, 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 7 to 11 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. Yong Hin Siong
Executive Director

Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey
Independent Non-Executive Director

Mr. Choong Show Tong
Independent Non-Executive Director

Madam Yong Emmy
Non-Executive Director

Madam Yong Ellen
Alternate to Madam Yong Emmy

AUDIT COMMITTEE

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

Mr. Choong Show Tong
Member

Madam Yong Emmy
Member

REMUNERATION COMMITTEE

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

Mr. Choong Show Tong
Member

Dato' Seri Yong Tu Sang
Member

NOMINATION COMMITTEE

Mr. Choong Show Tong
Chairman

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

COMPANY SECRETARIES

Ms Mary Margret A/P V. Pelly (LS 04402)

Mr. Chong Seok Tian (MIA 2502)

Ms Wong Youn Kim (MAICSA 7018778)

REGISTRARS

Sectrars Management Sdn Bhd
Lot 9-7, Menara Sentral Vista
No. 150, Jalan Sultan Abdul Samad
Brickfields
50470 Kuala Lumpur
Tel No : 03-2276 6138
Fax No : 03-2276 6131

AUDITORS

Folks DFK & Co.,
Public Accountants
12th Floor, Wisma Tun Sambanthan
No. 2, Jalan Sultan Sulaiman
50000 Kuala Lumpur
Tel No : 03-2273 2688
Fax No : 03-2274 2688

REGISTERED OFFICE

Level 2, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel No : 03-2241 5800
Fax No : .03-2282 5022

BANK

Alliance Bank Malaysia Berhad
Small Medium Enterprise Development Bank Malaysia Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

GROUP FINANCIAL HIGHLIGHTS

| (RM'000) | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|---------|---------|---------|---------|
| Revenue | 15,939 | 11,552 | 9,082 | 7,833 | 4,640 |
| Profit/(Loss) Before Tax | 404 | (2,633) | (6,346) | (2,306) | (2,094) |
| Profit/(Loss) Attributable to Equity Owners of The Company | 406 | (2,632) | (6,356) | (716) | (2,094) |
| Financial Position (RM'000) | | | | | |
| Total Assets | 39,922 | 39,394 | 41,110 | 33,911 | 24,159 |
| Total Liabilities | 13,521 | 13,599 | 13,302 | 15,152 | 12,528 |
| Net Assets Attributable to Equity Owners of The Company (Shareholders Funds) | 26,400 | 25,795 | 27,808 | 18,759 | 11,631 |
| Share Capital | 25,061 | 25,061 | 24,441 | 40,734 | 40,734 |
| Share Information (Sen) | | | | | |
| Basic Earnings /(Loss) Per Share (Sen) | 0.32 | (2.1) | (11.3) | (1.8) | (5.1) |
| Gross Dividend Per Share (Sen) | - | - | - | - | - |
| Net Assets Per Share Attributable to Equity Owners of The Company (Sen) | 21 | 21 | 23 | 46 | 29 |

DATO' SERI YONG TU SANG

| | |
|--|---|
| Position | Executive Director/ Managing Director |
| Age | 70 years |
| Nationality | Malaysian |
| Qualification Held | Timber Merchant / Businessman |
| Working Experience & Occupation | <p>His involvement in business commenced in 1973 with the setting up of BTM Timber Industries Sdn Bhd, a company principally involved in logging and sawmilling operations. Since then, he has been actively involved in the setting up and management of companies in a diverse area of business ranging from timber, oil palm plantation, civil and building construction, property development and sea transportation.</p> <p>45 years of experience in trading of timber. Currently sits on the Boards of several private limited companies in addition to companies within the BTM Resources Berhad.</p> |
| Date of Appointment | 27th December, 1995 |
| Other Directorship of Public Listed Companies | NIL |
| Membership of Board Committees | Member of Remuneration Committee |
| Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad | Husband of To' Puan Ng Ah Heng, a major shareholder of BTM Resources, father of Yong Emmy, a Non-Executive Director and major shareholder of BTM Resources Berhad and father of Yong Hin Siong, Executive Director of BTM Resources Berhad and Yong Ellen, an alternate director to Yong Emmy. |
| Conflict of Interest with BTM Resources Berhad, if any | Saved as disclosed, and in notes no. 31 in the accompanying financial statements |
| Convictions for offences within the past 10 years other than traffic offences | NIL |
| No. of Board Meetings attended in the financial year | 5/5 |

DIRECTORS' PROFILE

(cont'd)

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

| | |
|--|---|
| Position | Senior Independent Non-Executive Director |
| Age | 84 years |
| Nationality | Malaysian |
| Qualification Held | Barrister-At-Law Lincoln's London. Hon. Doctor of Philosophy, University Utara Malaysia, Doctor of Business Administration h.c. International Management Centre Buckingham UK, Advanced Management Programme (AMP) Harvard Business School Harvard University U.S.A. |
| Working Experience & Occupation | An advocate and solicitor and a partner in the law firm of Nik Saghir & Ismail, K.L. More than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in judicial and legal service of the Federal Govt. He served as Magistrate, President Sessions Court, Federal Counsel and Asst. Parliamentary Draftsman. His last government appointment was a Federal Counsel and Legal Officer of the National Operation Council during the Emergency of 1969. He subsequently served Malaysian Airlines from its inception in 1971 as Company Secretary and Director of Legal Affairs. He retired in 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years |
| Date of Appointment | 1st July, 2003 |
| Other Directorship of Public Listed Companies | NIL |
| Membership of Board Committees | Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee |
| Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad | NIL. |
| Conflict of Interest with BTM Resources Berhad, if any | NIL. |
| Convictions for offences within the past 10 years other than traffic offences | NIL. |
| No. of Board Meetings attended in the financial year | 5/5 |

DIRECTORS' PROFILE

(cont'd)

DATUK HAJI MOHAMED IQBAL BIN M.M. MOHAMED GANEY

| | |
|--|---|
| Position | Independent Non-Executive Director |
| Age | 68 years |
| Nationality | Malaysian |
| Qualification Held | Diploma in Banking from the Institute of Bankers London. An Associate of the International Bankers, London. |
| Working Experience & Occupation | <p>He has vast experience in banking having worked with foreign bank in various senior positions for 29 years. He had the opportunity to be exposed to various environment in the domestic as well as international markets whilst serving as the Head of Product Development, Trade Finance, Standard Chartered Bank Malaysia Berhad.</p> <p>He was also an active member of the Export Credit Refinancing (ECR) Committee chaired by Bank Negara Malaysia and currently by EXIM Bank, a committee member of APEC, for standardization of import and export documents chaired by EXIM Bank, a committee member of Cross Border Barter Trade chaired by Malaysian Banking Berhad, an examiner for the International Trade Finance (DP 06), paper of the Institute of Bankers Malaysia Diploma in Banking and Financial Services examination and a resident trainer for the Institute's International Trade. His immense contribution to the banking fraternity and to Bank Negara Malaysia has been well received and recognized.</p> <p>He is the Group Executive Director of SPM Holdings Sdn. Bhd. a major recycler in the country since 2000. He is also Chairman of Patchee Bakery Sdn. Bhd, a company involved in food production for more than 100 years. He is also the Chairman of MIG Resources Sdn. Bhd. an investment holding company with investment in properties, food production and restaurants.</p> <p>He has been involved in a number of social and religious bodies such as Persatuan Muslimin India Malaysia (PERMIM), Angkatan Kemajuan Islam PJ and Selangor, Chairman of Building Committee.</p> |
| Date of Appointment | 21st January, 2010 |
| Other Directorship of Public Listed Companies | NIL |
| Membership of Board Committees | NIL |
| Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad | NIL |
| Conflict of Interest with BTM Resources Berhad, if any | NIL |
| Convictions for offences within the past 10 years other than traffic offences | NIL |
| No. of Board Meetings attended in the financial year | 4/5 |

DIRECTORS' PROFILE

(cont'd)

| | CHOONG SHOW TONG | YONG EMMY |
|--|---|---|
| Position | Independent Non-Executive Director | Non-Executive Director |
| Age | 61 years | 42 years |
| Nationality | Malaysian | Malaysian |
| Qualification Held | Associate Member of the Institute of Chartered Accountants in England & Wales Admitted as a Member (Public Accountant) of MIA in May 1983. | Degree in Bachelor of Arts majoring in Japanese Studies and Economics, MBA (Finance) from Oklahoma City University. |
| Working Experience & Occupation | 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 | 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. 8 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies |
| Date of Appointment | 19th May, 2003 | 11th November, 1999 |
| Other Directorship of Public Listed Companies | NIL | NIL |
| Membership of Board Committees | Member of Audit Committee and Remuneration Committee, Chairman of Nomination Committee. | Audit Committee |
| Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad | NIL | 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. Sister of Yong Hin Siong Executive Director of BTM Resources Berhad and Yong Ellen, an alternate director to Yong Emmy. |
| Conflict of Interest with BTM Resources Berhad, if any | NIL | Saved as disclosed, and in note no. 31 in the accompanying financial statements |
| Convictions for offences within the past 10 years other than traffic offences | NIL | NIL |
| No. of Board Meetings attended in the financial year | 5/5 | 4/5 |

DIRECTORS' PROFILE

(cont'd)

| | YONG ELLEN | YONG HIN SIONG |
|--|---|--|
| Position | Non-Executive Alternate Director to Mdm Yong Emmy | Executive Director |
| Age | 39 years | 37 years |
| Nationality | Malaysian | Malaysian |
| Qualification Held | Bachelor of Arts (Design), Postgraduate Diploma in Design and Master of Design from Curtin University of Technology. | Bachelor of Arts from Macquarie University in New South Wales, Australia. |
| Working Experience & Occupation | Started her career as a Management Trainee in the subsidiary company, BTM Marketing & Trading Sdn. Bhd. on 1st June 2002. | After graduated from Macquarie University in New South Wales, Australia in 2004, he joined a timber consortium company as a management trainee focusing on operation management. He was promoted to manager of sales and purchases department in charge of purchasing raw material and sales of finished products whereby he gained valuable experience sourcing for raw materials from various countries. Subsequently, he also gained working experience in manufacturing of plywood, managing a golf and country resort, oil palm plantation and logging operation in Malaysia and Papua New Guinea. |
| Date of Appointment | 14th September, 2002 | 2nd May 2014. |
| Other Directorship of Public Listed Companies | NIL. | NIL. |
| Membership of Board Committees | NIL. | NIL. |
| Family Relationship with Director and/or 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 and Yong Hin Siong Executive Director of BTM Resources Berhad. | Son 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 brother of Yong Emmy, Non-Executive Director and major shareholder of BTM Resources Berhad and Yong Ellen, alternate Director to Yong Emmy. |
| Conflict of Interest with BTM Resources Berhad, if any | Saved as disclosed, and in note no. 31 in the accompanying financial statements | Saved as disclosed, and in note no. 31 in the accompanying financial statements |
| Convictions for offences within the past 10 years other than traffic offences | NIL | NIL |
| No. of Board Meetings attended in the financial year | - as alternate to Madam Yong Emmy | 5/5 |

CHAIRMAN'S STATEMENT

PERFORMANCE AND FINANCIAL REVIEW

For the financial year ended 31 December 2016, the Group achieved an improved performance. The Group recorded a profit before tax of RM0.40 million compared to loss before tax of RM2.63 million in the previous financial year.

Profit after tax for the financial year ended 31 December 2016 of RM0.40 million represented an increase of RM3.03 million compared to a loss after tax of RM2.63 million recorded in the previous financial year.

The Group's revenue of RM15.94 million for the financial year ended 31 December 2016 represented an increase of RM4.39 million or 37.98% compared to RM11.55 million recorded in the previous financial year.

The net assets per share as at 31 December 2016 was RM0.21 remained the same as compared to RM0.21 at 31 December 2015 while the Group's basic earnings per share for financial year is 0.32 sen compared to a loss of 2.1 sen in the previous year.

DIVIDEND

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

CORPORATE SOCIAL RESPONSIBILITY

"Corporate Social Responsibility is defined as open and transparent business practices that are based on ethical values and respect for community, employees, the environment, shareholders and other stakeholders."

(source : Bursa Malaysia Securities Berhad Corporate Social Responsibility Framework For Public Listed Companies Issued on 11th September 2006)

The principle and practice of corporate social responsibility as envisioned in the above definition has been observed in varying degrees except that these practices have not been reduced into written document or framework.

The principles and philosophy on corporate social responsibility are being reflected in the Group business practices as follows :-

- Providing quality products for the consumers
- Maximised the usage of raw material and reduced waste to ensure safe, healthier environment for our employees to best exert their individual potential and ability.

BTM Resources Berhad will continue to conduct and enhance its business practices in an open and transparent manner based on good ethical and moral values with due consideration and respect to the community, employees, the environment, shareholders and other stakeholders.

PROSPECTS

The Group is cautiously optimistic of its prospects for the financial year ending 31 December 2017 despite uncertainties in the global economic environment and the out look for wood based products is expected to be challenging.

The Group will continue to focus on generating revenue on its core products of wood moulding and priming products.

APPRECIATION

On behalf of the Board, I would like to thank all our shareholders, bankers, business partners, associates and our esteemed customers. Our appreciation also goes to the relevant regulatory authorities, the various government agencies and local authorities.

In closing, I would like to recode my profound appreciation to my fellow colleagues on the Board for their counsel, and to the management team and employees for their support, dedication and commitment throughout the year.

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

MANAGEMENT DISCUSSION & ANALYSIS

BUSINESS OVERVIEW

Our Group primarily involved in wood-based industry comprising of manufacturing of wood moulding, priming timber and laminated timber, provision of kiln drying services, trading in sawn timber, plywood and veneer, sawmilling and logging. Our operations are located wholly in Malaysia with manufacturing and sawmill facilities in Terengganu and a marketing office located in Selangor.

Our customers are mainly domestic dealers in wood products and local exporters of wood-based products. Our moulding and priming wood products are mainly exported to Australia, South Korea and Philippines, which contribute approximately 30% to the Group's revenue, while local market contributed the remaining.

For manufacturing moulding and priming timber, the major component of raw materials are rough sawn timber and rough sawn rubber wood timber which are mainly sourced from sawmills in the states of Terengganu, Kelantan, Perak and Kedah. As for trading, the plywood and veneer are mainly sourced from Gimzan Plywood Sdn. Bhd., a related party in which directors of the Company have substantial financial interest.

FINANCIAL RESULTS AND CONDITION

| Financial Information | 2016 | 2015 | 2014 | 2013 | 2012 |
|--|--------|---------|---------|--------|---------|
| Revenue (RM'000) | 15,939 | 11,552 | 9,082 | 7,833 | 4,640 |
| Profit /(Loss) after tax (RM'000) | 404 | (2,632) | (6,356) | (716) | (2,094) |
| Shareholders' equity (RM'000) | 26,400 | 25,795 | 27,808 | 18,760 | 11,631 |
| Total Assets (RM'000) | 39,922 | 39,394 | 41,110 | 33,911 | 24,159 |
| Cash, Bank and fixed deposits (RM'000) | 2,778 | 8,273 | 13,803 | 721 | 647 |
| Borrowings (RM'000) | 5,022 | 5,954 | 5,976 | 5,866 | 6,323 |
| Debt / Equity (%) | 19.02 | 23.08 | 21.49 | 31.27 | 54.36 |
| Earnings /(Loss) per share (sen) | 0.32 | (2.1) | (11.3) | (1.8) | (5.1) |
| Net assets per share (RM) | 0.21 | 0.21 | 0.23 | 0.46 | 0.29 |

For financial year ended 31 December 2016, the Group recorded revenue of RM15.94 million, an increase of RM4.39 million compared to RM11.55 million recorded in previous financial year ended 31 December 2015, mainly due to higher production volume and selling price of wood products achieved in the current financial year.

Profit after taxation for financial year ended 31 December 2016 improved to RM0.40 million from a loss after taxation of RM2.63 million registered in previous financial year ended 31 December 2015, which is an increase of RM3.04 million mainly attributable to improved sales volume and pricing of wood products. In addition, waiver of interest on term loan facility amounting to approximately RM1.0 million also contributed positively to profit after taxation for the financial year ended 31 December 2016.

Cash and bank balances (inclusive of fixed deposits) of the Group had decreased from RM8.27 million in 2015 to RM2.78 million in 2016, mainly due to the utilisation of the rights issue proceeds for the setting up of factory and purchase of plant and machineries for manufacturing of wood pellet business, repayment of bank borrowings and working capital purposes.

The Group's borrowings decreased by RM0.93 million due to repayment of term loan instalments during the financial year. For financial year ended 31 December 2016, other than the setting up factory and purchase of plant and machineries for manufacturing of wood pellet business, there are no other material capital commitments incurred by the Group that will have material impact on our financial results and position.

MANAGEMENT DISCUSSION & ANALYSIS

(cont'd)

Review of Operating Activities

Despite the challenging business environment, the Group achieved a small profit in the financial year ended 31 December 2016 after incurring losses in previous financial years mainly due to higher production volume and selling price achieved during the current financial year, coupled with cost control measures implemented by the management. Further positive contribution to profitability includes a waiver of approximately RM1.0 million of interest from a term loan facility.

Apart from concentrating on its core business of moulding and priming timber products for foreign markets, the anticipated production volume of wood pellets in financial year ending 2017 will have a positive impact on the Group's financial performance.

ANTICIPATED KNOWN RISKS OR STRATEGIES TO MITIGATE SUCH RISKS

Competition Risk

The Group's core business is subject to various competitive challenges posted by competitors, ranging from marketing efficiencies to product quality. Any of these factors may negatively impact the Group's profitability. To remain competitive, we intend to improve our productivity, further improve on the quality of our products and export to new markets, which in turn will improve our sales and profitability.

Foreign Exchange And Price Risks.

Our Group's products are mainly exported to foreign markets, which will directly be exposed to exchange rates and price fluctuations that may have effects to the revenue of the Group. We will closely monitor exchange rates fluctuations of key foreign markets and refine pricing strategy for our products, in addition to improving production efficiencies, thereby increasing the Group's profit margin accordingly.

Credit Risk

Our financial performance and position are dependent on the credit worthiness of our customers and we normally grant them very short credit periods and substantial part of customers is trading on cash basis. In the event of significant delay or default in payment by our customers, it may adversely affect our financial position and the Group's results should there be any impairment made for bad or doubtful debts. As part of credit risk management, we normally request for cash on delivery for new customers and we will assess their credit standing before granting any credit terms.

FORWARD LOOKING STATEMENT

Possible Trend and Outlook

Our Board expects the timber market outlook to remain challenging under current global economic conditions and weakness of Malaysia Ringgit coupled with intense competition. We will continue to focus on existing core business of manufacturing of moulding and priming timber products and trading of sawn timber, veneer and plywood. We expects manufacturing of wood pellet will commence in financial year ending 2017, which will contribute positively towards our Group's business performance.

With its current business development and maintaining good relationship with current customers, we are optimistic that the Group will deliver better financial performance for the next financial year.

STATEMENT OF CORPORATE GOVERNANCE

The Board of BTM Resources Berhad ("BTM") recognizes that good Corporate Governance practices is important to protect, enhance and support the business affairs and financial performance of the Group to safe guard shareholders' investment and create value for shareholders.

During the year the Board has reviewed its practices and procedures taking into consideration the principles and recommendations in the Malaysia Code on Corporate Governance 2012 ("the Code"), Bursa Malaysia Securities Berhad recommendations via their letter dated 19 December 2016 arising from their review and analysis of corporate governance disclosures in annual report, and Chapter 15 of Bursa's Main Market Listing Requirements.

The Board is pleased to set out below, the manner in which the Group has applied the Corporate Governance Principles and Recommendations set out in the Code and compliance efforts undertaken by the Group.

1) Board's Roles and Responsibility

1.1 Composition

In accordance with Article 67, until otherwise determined at an annual general meeting, the Board shall have not less than two (2) nor more than twenty (20) directors. The optimum composition of the Board is determined with the assistance of a Nomination Committee ("NC"). The Board of BTM currently comprised of six directors and one alternate director with an appropriate mix of:

- two executive directors ;
- three independent non-executive directors ; and
- one non-independent non-executive director and one alternate director.

1.2 Separation of Position of Chairman and Managing Director

Recommendation 3.2 of MCGG 2012 recommends that the position of chairman and managing director should be held by different individuals and the chairman must be a non-executive member of the board.

BTM's board is comprised of an independent non-executive chairman, an executive managing director and an executive director, two (2) independent non-executive directors, one (1) non-independent non-executive director and one alternate director, thus Company has complied with the recommendation 3.2 of MCGG 2012.

1.3 Diversity

The Board views diversity in the boardroom as an essential factor in ensuring an effective and well-functioning Board. The Board firmly believes that the current composition:

- is comprised of Directors from a diverse background ;
- members' age range from 37 years to 84 years ;
- one board member is of female gender and her alternate is also of female gender ; and
- is drawn from different ethnic, cultural and social-economic background and is sufficiently diverse to ensure that different view point are considered in the decision making process.

1.4 Management

Daily management responsibilities are delegated to the Executive Directors of the Group who acts collectively and assisted by competent senior management team. The Executive Directors are appointed by the Board and accountable to the Board. The Executive Directors are responsible for daily management of the Group with all powers, discretions and delegations authorized by the Board.

The Executive Director's primary responsibilities include:

- Overall responsibility over business units and daily management of the Group, organizational effectiveness and implementation of Board policies, strategies and decisions.
- The development of corporate strategies for the Group, preparing business plans and reports with senior management and reporting / presenting to the Board on current and future initiatives.
- Providing leadership, supervision and control to senior management to ensure sustainable growth and achieve business objectives of the Group.
- Overseeing the Group's risk management practices and policies.
- Assessment of business opportunities which enable sustainable growth of the Group.
- Reporting significant matters to the Board in a timely manner.

STATEMENT OF CORPORATE GOVERNANCE

(cont'd)

1.5 Non-Executive Chairman

The Independent Non-Executive Chairman is primarily responsible for:

- The leadership of the Board and facilitating effective contribution of all directors at Board meetings, ensuring that no individual Board member dominated discussions and that appropriate discussions and opinions amongst members are forthcoming.
- Representing the Board in shareholders' meeting, chairing annual general meeting of shareholders and representing the Board in public relations exercises and other events relating to the Group.
- The efficient organization and conduct of the Board including setting of agenda for Board Meetings in consultation with the Executive Directors, chairing Board meetings and overseeing that the Board acts in accordance with the code of conduct for Directors.
- Ensure all directors receive accurate, timely and quality information to enable them to discharge their duties. All directors are entitled to request additional information where they consider such information necessary to make informed decisions.
- Overseeing that the views of shareholders are communicated to the Board as a whole and that governance and strategy issue are discussed with major shareholders.

1.6 Individual Board Members

The roles and responsibility of individual board members include:

- To observe the provisions, regulations, guidelines and other relevant requirements under the Company's Articles of Association, the Companies Act 2016, the Main Market Listing Requirements, Capital Markets and Services Act 2007 and such other applicable statutes and to maintain confidentiality in the use of the company's information.
- Responsible to inform the Board of any other directorship in other listed issuers or private companies.
- Attendance of continuing education and training programmes which are relevant to the Group's operations and business.
- Review and endorse business objectives of the Group.
- Monitor resource allocation and operational conduct of Group's business.
- Identify key risk factors of the Group's business and monitor implementation of appropriate risk management and mitigation measures.
- Oversee succession planning for senior management team.
- Review adequacy and integrity of the Group's internal control and information management systems.

The Board is responsible for proper governance and stewardship of the Group, which include providing strategic business direction, development and control of the Group and initiatives to embrace any governance responsibilities according to MCGG 2012.

In discharging their fiduciary and governance responsibilities, members of the Board focused on the deliberation and review of financial performance of the Group, execution of strategic plan by the Executive Directors, key risks faced by the Group and effectiveness of management mitigation plan, appraisal and succession planning of senior management as well as the integrity of internal controls and management information system of the Group. Listed below are some of the key business matters that requires endorsement and approval of the Board:

- Acquisition of Business / Investments
- Divestments and Disposals of Business / Investments
- Corporate Finance and Proposals
- Acquisition and Disposal of Properties
- Acquisition and disposal of Fixed Assets, other than properties, for amounts exceeding RM500,000.
- Bank borrowings and finance arrangements

The Board established specific committees namely Audit Committee, Nomination Committee and Remuneration Committee. These committees ensure specific, objective and independent deliberations of specific board agenda. The Board has defined the terms of reference for each committee and the Chairman of these respective committees would report to the Board during the Board meetings on significant matters deliberated in the committees.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

1.7 Access to Information and Board Effectiveness.

The Board members have full and unrestricted access to all information on the Group's businesses and affairs to enable them to discharge their duties and responsibilities effectively. All Directors have access to management and may interact directly with management or request further explanations and information in relation to any areas of the Group's business affairs.

All Directors also have full and unrestricted access to the advice and services of all professional services providers engaged by the Group and may obtain independent professional advice at the Company's expense in order to discharge their duties effectively. The Board is regularly updated on new guidelines, directions and new regulatory issues affecting the Group by in-house professionals and external consultants. The Company Secretaries together with the Executive Directors and Financial Controller will assist the Chairman of the Board, and Chairman of the Board Committees to deal with the Board agenda and to provide the relevant information and documents to directors on a timely basis. The Board is satisfied with the support services provided by them in assisting the Board to discharge its duties.

In review and analysing quarterly financial results, the Board was provided with various key management updates. The board papers issued prior to Board meetings provided the Directors with relevant and timely information to enable them to deliberate issues during Board meetings more effectively.

The Board is informed of various requirements and updates by the various regulatory authorities. These requirements and updates were provided by management, company secretaries, external and internal auditors. The management, external and internal auditors were invited to attend Board / Committee meetings to provide additional insights and professional advice on specific items on the meeting agenda.

1.8 Support of Company Secretaries

The Board is supported by two external company secretaries and an in-house company secretary. All company secretaries of the Group are qualified to act as company secretary under Section 235 of the Companies Act 2016.

The company secretaries provided the required support to the Board in carrying out its duties and stewardship role, providing necessary advices with regards to the company's constitution, Board's policies and procedures as well as compliance with regularly requirements, codes, guidance and legislation.

The Board is of the view that all company secretaries have been competent and kept themselves abreast with evolving regulatory changes and development through continuous education programmes and attendance of relevant conferences, seminars and training programmes. The Board is satisfied with the performance and support rendered by the company secretaries to the Board.

1.9 Risk Management System, Integrity of Management Information and Internal Control

The Board implemented a risk management system which is overseen by the Audit Committee and ultimately to the Board. Risk Management is regarded by the Board to be an integral part of business operations and good government practices. The Board's risk management objective is not to eliminate risks completely but to provide structural means and direction to identify and manage risks involved in all the Group's activities.

The Board is responsible for maintaining and ensuring integrity of a sound system of internal controls which support effective and efficient business operations to safe guard shareholders interest and the Group's businesses and assets.

1.10 Shareholder Communication Policy

The Board recognizes the importance of communications with its shareholders and investors to ensure they are well informed of the Group's performance and latest development. As such, the Group disseminates information to its shareholders and investors through its annual report, circular quarterly financial results and various announcements from time to time. Shareholders and investors may obtain the Company's latest announcement via the website of Bursa Malaysia at www.bursamalaysia.com. The Group also maintains its website at www.btmresources.com.my containing business, investors and product information for the access of the general public.

The Group's annual general meeting ("AGM") serves as the primary forum for dialogue with shareholders. Shareholders are encouraged to raise questions pertaining to the operations and financial performance of the Group.

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)**2) STRENGTHEN COMPOSITION****2.1 Board Commitment**

A policy on time commitment will be prepared and adopted by the Board following the Board's review of its governance procedures to enhance and affirm the Directors' commitment to the Group and ensure their devotion of time towards the affairs of the Group and to continuously improve their knowledge and skills.

The Board meets at least every quarter and on other occasions, as and when the need arises, to review and approve quarterly financial results, statutory financial statements, the annual report, business ventures as well as to review the performance of the Company and its operating subsidiaries, governance matters and other business development matters.

An annual calendar of all scheduled meetings and planned events for the financial year are furnished to all Directors and management by the company secretary at the first quarter Board Meeting to aid Directors in scheduling their time commitments. All directors are also required to inform the Board before accepting any other directorships in other public listed companies.

The Executive Directors are engage full time in daily management and operations while the Non-Executive Directors attend Board Meetings and Committee Meetings as and when required, dictated by circumstances. All Directors commit and devote their time to make themselves available to attend any meetings which requires their attention individually or collectively.

The attendance record of the Directors at Board and Committee Meetings in respect of the financial year ended 31 December 2016 is set out below.

| Name of Director | Position | Attendance | | | |
|---|--|------------|-----|-----|-----|
| | | Board | AC | NC | RC |
| TAN SRI DATO' (DR) ABDUL AZIZ BIN ABDUL RAHMAN | Independent Non-Executive Director | 5/5 | 5/5 | 1/1 | 1/1 |
| DATO' SERI YONG TU SANG | Managing Director | 5/5 | - | 1/1 | 1/1 |
| DATUK HAJI MOHAMED IQBAL BIN M.M. MOHAMED GANEY | Independent Non-Executive Director | 4/5 | - | - | - |
| CHOONG SHOW TONG | Independent Non-Executive Director | 5/5 | 5/5 | 1/1 | 1/1 |
| YONG HIN SIONG | Executive Director | 5/5 | - | - | - |
| YONG EMMY | Non-Independent Non-Executive Director | 4/5 | 4/5 | - | - |

Note : AC – Audit Committee , NC – Nomination Committee, RC– Remuneration Committee

2.2 Directors' Training

The Directors have attended the Mandatory Accreditation Programme ("MAP") conducted by Bursatra Sdn Bhd in compliance with the Listing Requirements. Although no formal assessment is required, the Directors were encouraged to attend relevant training programmes / seminars / briefings to further enhance their skills and knowledge in latest statutory and regulatory requirements as well as to keep abreast with business development trends to assist them in discharging their duties as Director.

During the financial year ended 31 December 2016, only Mr Choong Show Tong has attended the following events:

- Audit series : workshop 5- Auditing of Property Developers and Contractors.
- Audit Quality Enhancement Programme for SMPs 2016
- Seminar Percukaian Kebangsaan 2016
- National Tax Conference 2016

As for Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman, Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey, Dato' Seri Yong Tu Sang, Mr Yong Hin Siong, Mdm Yong Emmy and Mdm Yong Ellen have not attended any suitable programmes due to demanding time schedules with their official engagements. However, they kept abreast with corporate and regulatory requirements through dissemination of updates and notices from Bursa Malaysia and also by reading current affairs materials and professional journals.

2.3 Audit Committee

The composition requirement of the Audit Committee ("AC") members complied with regulatory requirements. The AC chairman has access to all the Executive Directors, Senior Management, External and Internal Auditors. On a separate note, the Board is mindful of the Listing Requirements in relation to terms of office and performance of the AC and each of its members. The review of terms of office and performance of AC and each of its members are carried out annually.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

2.4 Nomination Committee

The Nomination Committee consist of two (2) members and all members are independent Non-Executive Directors. The present members of the Nomination Committee are Mr. Choong Show Tong (Chairman) and Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman. The Nomination Committee assists the Board on the following functions:

- To review regularly, and at least once a year, the structure, size and composition of the Board and make recommendations to the Board on any changes that may, in their view, be beneficial to the company as well as review its members' composition to improve gender diversity.
- To review the required mix of skills, experience and core competencies which Non-Executive Directors bring to the Board.
- To implement a process, to be carried out annually, to assess the effectiveness of the Board as a whole, committee of the Board and the contribution of individual directors.
- To be responsible for identifying and recommending suitable candidates to the Board when vacancies arises.
- To recommend to the Board retirement of directors who are retiring by service of any director who has reached the age of 70.

During the year ended 31 December 2016, the Nomination Committee has one (1) meetings where all the member have attended the meeting.

2.5 Re-Election of Directors

In accordance with the Company's Articles of Association, one third (1/3) of the Directors for the time being, or if their number is not three or a multiple of three, then the number nearest to one-third (1/3) shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once every three (3) years but shall be eligible for re-election.

3. DIRECTORS' REMUNERATION

3.1 Remuneration Committee

The Remuneration Committee comprises of Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Independent Non-Executive Director) who is the Chairman, Mr. Choong Show Tong (Independent Non-Executive Director) and Dato' Seri Yong Tu Sang (Managing Director). During the financial year ended 31 December 2016, the Remuneration Committee has one (1) meeting and all the members have attended the meeting.

3.2 Remuneration Policy

The Remuneration Committee recommended to the Board for approval of the remuneration package of Executive Directors. The remuneration packages take into account individual performance and experience, comparison of the Company's actual performance relative to other companies in the same sector and additional responsibilities of the Directors. The fee of directors is subject to shareholders' approval at the annual general meeting. Remuneration of Directors is subject to endorsement by the Board and tabled for approval by the shareholders of the Group at the Annual General Meeting.

3.3 Details of the Directors Remuneration

| | Fee (RM) | Salaries & Other Emoluments (RM) | Total (RM) |
|---------------------------|----------|----------------------------------|------------|
| Company Level | | | |
| Executive Directors | - | 462,112 | 462,112 |
| Non-Executive Directors | 120,000 | - | 120,000 |
| Subsidiaries Level | | | |
| Executive Directors | - | 178,112 | 178,112 |

STATEMENT OF CORPORATE GOVERNANCE
(cont'd)

The number of Director whose remuneration fall into the following bands of RM50,000 is shown below :-

| Range of Remuneration (RM) | Executive | Non-Executive |
|----------------------------|-----------|---------------|
| Below 50,000 | - | 4 |
| 50,001 – 100,000 | - | - |
| 100,001 - 150,000 | 1 | 1 |
| 150,001 – 200,000 | - | - |
| 200,001 – 250,000 | - | - |
| 250,001 – 300,000 | - | - |
| 300,001 – 350,000 | - | - |
| 350,001 – 400,000 | 1 | - |
| Total | 2 | 5 |

The Board is of the opinion that the disclosure of Directors' remuneration through the "band disclosure" is sufficient to meet the objectives of the code. They feel that is inappropriate to disclose the remuneration of individual Directors and has opted not to do so.

CODE OF BUSINESS CONDUCT AND ETHICS

The Board of Directors intend to prepare a code of Business Conduct and Ethics which sets out the standards of ethical behavior and values expected of Directors and employees and serve as a guide and reference in the course of discharging their professional responsibilities.

The Board will implement appropriate processes and system to support, promote and ensure its compliance. The Board through the Nomination Committee is entrusted for the preparation of the code which will be made available on the corporate website.

ACCOUNTABILITY AND AUDIT**1. Financial Reporting**

The Directors have responsibility to present a balanced, true and fair assessment of the Group's financial position and prospects primarily through annual report to shareholders and quarterly financial statements to the Bursa Securities.

The Audit Committee assists the Board in reviewing the information disclosed to ensure accuracy, adequacy and completeness of all information and subject to prior approval of the Board before releasing to the Bursa Securities.

2. Internal Control

The Board acknowledges its responsibility for maintaining a sound system of internal controls and for reviewing its adequacy and integrity. The system of internal controls covers risk management and financials, organizational, operational and compliance controls. The internal control system helps to safeguard shareholders' investment and the Group's assets. However, in view of the inherent limitations in any system, such internal controls system is designed to manage rather than to eliminate risks that may impede the achievements of the Group's objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatements, frauds or losses.

The information on the Group's internal control is presented in the Statement on Risk Management and Internal Control set out on page 26 of the Annual Report.

3. Relationship With The External Auditors

The Audit Committee terms of reference formalizes the relationship with the External Auditors to report to the members of the Company on their findings which are included as per part of the Company's financial reports with respects to annual statutory audit on the statutory financial statements. In doing so, the Company has established a transparent arrangement with the External Auditors to meet their professional requirements and seeking professional advice on matters that require the Board's attention. The role of the Audit Committee in relation to the External Auditors is described on page 23 to 25 of the Annual Report.

STATEMENT OF CORPORATE GOVERNANCE (cont'd)

RESPONSIBILITIES STATEMENT BY THE BOARD OF DIRECTORS

The Board is responsible to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year under review.

The Board is satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2016, the Group had applied the appropriate and relevant accounting policies and applied them consistently and made judgements and estimates that are reasonable and fair.

The financial statements are prepared on a going concern basis and the Board has ensure that proper accounting records are kept so as to enable the preparation of the financial statements with reasonable accuracy.

The Board has also taken the necessary steps to ensure that the appropriate systems are in place for proper safeguard of assets of the Group and for prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable but not absolute assurance against material misstatements, loss and fraud.

ADDITIONAL COMPLIANCE INFORMATION

a) **Share Buy Back**

During the financial year under review, the Company did not seek any shareholders' approval to buy-back its own shares.

b) **Options, Warrants or Convertible Securities Exercised**

During the year under review, no Warrants 2009/2019 and Warrants 2014/2024 has been exercised and the total number of warrants remained unexercised are 19,985,593 units for Warrants 2009/2019 and 29,487,346 units for Warrants 2014/2024.

c) **American Depository Receipt ("ADR") or Global Depository Receipt ("GDR") Programme**

The Company did not sponsor any ADR or GDR programme during the financial year.

d) **Imposition of Sanctions and/or Penalties**

There were no public sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by any regulatory bodies during the financial year.

e) **Non-Audit Fees**

Non-audit fees amounting to RM4,500 incurred for services in relation to review of Statement of Risk Management and Internal Controls ("SORMIC") rendered by external auditors to the Company for the financial year ended 31 December 2016.

f) **Variation in Results**

There were no material variation between the audited results for the year ended 31 December 2016 and the unaudited results for the quarterly year ended 31 December 2016 of the Group. Explanation and reconciliation are not required for variation of less than 10%.

g) **Profit Estimate, Forecast or Guarantee**

The Company did not announce any profit estimate, forecast or Guarantee during the financial year ended 31 December 2016.

h) **Related Party Transaction**

A list of significant related party transactions is set in Note 31 to the Financial Statement Section of this Annual Report.

i) **Accumulated Utilisation of Proceeds From Corporate Proposals**

The accumulated utilisation of proceeds as at financial year ended 31 December 2016 from the Right Issue with Warrants exercise are as follows:-

| | As approved (RM'000) | Utilisation (RM'000) |
|---|-------------------------|-------------------------|
| Working Capital | 9,224 | 8,736 |
| Repayment of borrowings | 1,100 | 998 |
| Estimated Expenses | 970 | 562 |
| To set up factory and purchase of plant and machinery for manufacturing of wood pellet business | 5,000 | 4,999 |
| Total | 16,294 | 15,295 |

STATEMENT OF CORPORATE SUSTAINABILITY

The Board of Directors acknowledges the importance of corporate sustainability and strives to meet expectations of its stakeholders by enhancing its social, environmental and economic performance while ensuring sustainable operational success of the Company.

I. Environment

The Group recognizes the impact of its operations on the environment. The Group's new biomass wood pellet manufacturing facility utilizes wood waste, saw dust, timber off-cuts, wood branches, and twigs as its raw materials, which will have a positive impact to the environment as it reduces wastage from wood products and generate sustainable renewable energy. Furthermore, this new facility will serve as a recycling point for wood waste originated from nearby factories which involved in manufacturing of wood products. This will reduce open burning of wood waste and minimise pollution. The Group is committed to implement environmental friendly operation processes and raising environmental sustainability awareness among its staff.

II. Workplace

The Group believes that competent and diverse human capital is vital to achieve sustainable business performance and success. As such, the Group continuously invests to create a safe, pleasant and conducive working environment for its employees. The Group respects cultural, gender and religion diversity of our stakeholders as rich diversity offers broader range of competence, skills and experience to enhance our capabilities to achieve business goals which is vital for overall business sustainability. The Group is committed to provide equal opportunity and embrace diversity to harness the strengths of its human capital.

To optimize human capital competencies, various training programmes and seminars are provided to upskill employees and enhance the Group's competitive edge.

III. Supply Chain and Key Markets

The Group is committed to ensure that interest of key stakeholders (i.e. shareholders, analysts, bankers, customers, suppliers, authority bodies and public) are managed proactively. The Group endorses good corporate governance practices, transparency and accountability to meet stakeholders' expectations.

IV. Communities

The Group recognizes the correlation between business growth and social well-being and welfare of communities which the Group operates in. Therefore, in fulfilling its corporate social responsibilities to the communities in which it conducts its business, the Group contributes primarily to charitable causes which support disabled individuals.

The Group will continue to play its role in enhancing community sustainability via its corporate social responsibilities efforts.

AUDIT COMMITTEE REPORT

Chairman

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

Members

Mr Choong Show Tong
(Independent Non-Executive Director)

Mdm Yong Emmy
(Non-Independent Non Executive Director)

TERM OF REFERENCE

1. MEMBERSHIP

- 1.1 The Committee shall be appointed by the Board of Directors amongst the Directors of the Company which fulfils the following requirements :
- (a) the Committee must be composed of no fewer than 3 members, a majority of whom must be independent directors;
 - (b) all members of the Audit Committee shall be non-executive directors and should be financially liberate; and
 - (c) at least one member of the Committee :
 - (i) must a member of the Malaysian Institute of Accountants; or
 - (ii) if he is not a member of the Malaysian Institute of Accountants, he must have at least 3 years' working experience and:
 - (aa) he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1957; or
 - (bb) he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967.
 - (iii) fulfils such other requirements as prescribed or approved by the Exchange.
- 1.2 The members of the Committee shall elect a Chairman from among themselves who shall be an independent director.
- 1.3 No alternate director should be appointed as a member of the Committee.
- 1.4 In the event of any vacancy in the Committee resulting in the non-compliance of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad pertaining to the composition of the Audit Committee, the Board of Directors shall within three months of that event fill the vacancy.

2. MEETINGS

2.1 Frequency

- 2.1.1 Meetings shall be held not less than four times a year.
- 2.1.2 Upon the request of the external auditors, the Chairman of the Committee shall convene a meeting of the Committee to consider any matter the external auditors believe should be brought to the attention of the Directors or shareholders.

2.2 Quorum

- 2.2.1 To form a quorum the majority of members present must be independent directors.

2.3 Secretary

- 2.3.1 The Company Secretary shall be the Secretary of the Committee or in his absence, another person authorised by the Chairman of the Committee.

2.4 Attendance

- 2.4.1 The Head of Finance, the Internal Auditor and a representative of the external auditors shall normally attend meetings
- 2.4.2 Other Directors and employees may attend any particular meeting only at the Committee's invitation, specific to the relevant meeting.

2.5 Reporting Procedure

- 2.5.1 The minutes of each meeting shall be circulated to all members of the Audit Committee.
- 2.5.2 The Audit Committee shall report to the Board on any key issues affecting the Company.

2.6 Meeting Procedure

The Committee shall regulate its own procedure, in particular:-

- (a) the calling of meetings;
- (b) the notice to be given of such meetings;
- (c) the vote and proceedings of such meetings;
- (d) the keeping of minutes ; and
- (e) the custody, production and inspection of such minutes.

AUDIT COMMITTEE REPORT
(cont'd)**3. RIGHTS**

The Committee in performing its duties shall in accordance with a procedure to be determined by the Board of Directors:

- (a) have authority to investigate any matter within its terms reference;
- (b) have the resources which are required to perform its duties;
- (c) have full and unrestricted access to any information pertaining to the Company;
- (d) have direct communication channels with the external auditors and person(s) carrying out the internal audit function or activity;
- (e) be able to obtain independent professional or other advices; and
- (f) be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of the other directors and employees of Company, whenever deemed necessary.

4. FUNCTIONS

The Committee shall, amongst others, discharge the following functions:

4.1 To review :-

- (a) the quarterly results and year-end financial statements, prior to the approval by the Board of Directors, focusing particularly on :-
 - (i) the going concern assumption;
 - (ii) changes in or implementation of major accounting policy changes;
 - (iii) significant and unusual events ; and
 - (iv) compliance with accounting standards and other legal requirements.
- (b) any related party transaction and conflict of interest situation that may arise within the Company or Group including any transaction, procedure or course of conduct that raises questions on management integrity.
- (c) with the external auditors:
 - (i) the audit plan;
 - (ii) his evaluation of the system of internal controls;
 - (iii) his audit report;
 - (iv) his management letter and managements response; and
 - (v) the assistance given by the Company's employees to the external auditors.

4.2 To monitor the management's risk management practices and procedures.

4.3 In respect of the appointment of external auditors:

- (a) to review whether there is reason (supported by grounds) to believe that the external auditors are not suitable for reappointment;
- (b) to consider the nomination of a person or persons as external auditors and to determine the audit fee; and
- (c) to consider any questions of resignation or dismissal of external auditors.

4.4 In respect of the internal audit function :

- (a) to review the adequacy of the scope, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work and that it report directly to the Audit Committee.
- (b) to review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and whether or not appropriate action is taken on the recommendations of the internal audit function:

4.5 To carry out such other functions as may be agreed to by the Committee and the Board of Directors.

DETAILS OF ATTENDANCE OF MEMBERS AT AUDIT COMMITTEE MEETINGS

During the financial year ended 31 December 2016, there were five (5) Audit Committee Meetings held. The details of the attendance of each member are as follows :-

| Name | No. of Meetings | |
|--|-----------------|----------|
| | Held | Attended |
| Tan Sri Dato'(Dr.) Abdul Aziz Bin Abdul Rahman | 5 | 5 |
| Mr. Choong Show Tong | 5 | 5 |
| Madam Yong Emmy | 5 | 4 |

SUMMARY OF ACTIVITIES

In discharging its functions and duties in accordance with its Terms of Reference, the Audit Committee had carried out the following activities during the financial year ended 31 December 2016 :

- (i) reviewed and discussed the audit plan presented by the external auditors and ensured its scope was adequate;
- (ii) reviewed and discussed the internal audit report on findings and recommendations and ensure timely corrective actions were duly implemented when necessary;
- (iii) reviewed and discussed the Group's unaudited quarterly results together with the relevant notes and made recommendations to the Board of Directors for approval;
- (iv) reviewed the annual financial statements of the Company and its subsidiaries together with the external auditors' report and discussed various audit and accounting issues ; and
- (v) considered and recommended the re-appointment and remuneration of the external auditors.

INTERNAL AUDIT FUNCTION

The Group has appointed Messrs Baker Tilly Monteiro Governance Sdn Bhd ("Internal Auditors") to provide outsourced internal audit function of the Group. The Internal Auditors reports directly to Audit Committee and the internal audit function is independent of the activities or operations of other operating units. The main role of the Internal Audit function is to provide the Audit Committee the reasonable assurance of the effectiveness of the risk management, control and governance processes in the Group.

The internal audit activities were carried out based on a risk-based internal audit plan presented by Internal Auditors during financial year under review :-

- a) Tabled the internal audit plan for the Audit Committee's review and approval.
- b) Conducted internal audit and review on the operating unit in accordance with the approved internal audit plan and presented the internal audit report.

The cost of internal audit services rendered by the Internal Auditors in respect of the financial year ended 31 December 2016 amounted to RM17,844.04.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors is pleased to provide the Statement on Risk Management and Internal Control ("SORMIC") of the Group, prepared in accordance with the Statement on Risk Management and Internal Control : Guidelines for Directors of Public Listed Issuers ("Guidelines") issued by Bursa Malaysia Securities Berhad which outlines the processes to be adopted by the Board of Directors in reviewing adequacy and effectiveness of risk management and internal control system of the Group.

This SORMIC outlines the processes that have been implemented to ensure adequacy and integrity of the system of risk management and internal control of the Company during the financial year ended 31 December 2016 and it has been prepared in compliance with Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Audit Committee ("AC") being the delegated committee of the Board, is responsible for the preparation of the SORMIC in accordance with the Guidelines. Set out below is the SORMIC which has been prepared in accordance with the Guidelines.

BOARD'S RESPONSIBILITY

The Board has an overall responsibility in maintaining a sound system of risk management and internal control within the Group and to continuously review and evaluate its adequacy and integrity. The risk management and internal control system is designed to identify, evaluate and manage risks that may hinder the achievement of the Group's objectives, rather than eliminate these risk. Therefore, the system can only provide reasonable but not absolute assurance against material misstatement of financial reporting, fraud or loss, and this is achieved through preventive, detective and corrective measures designed in the system.

The Board has established appropriate control structure and process for identifying, evaluating, monitoring and managing significant risks that may affect the achievement of business objectives. The control structure and process which have been instituted throughout the organisation are updated and reviewed periodically to suit changes in business environment and this on-going process has been in place for the whole financial year under review and up to the date of approval of this statement for inclusion in the annual report.

KEY PROCESSES

The Board regards risk management as part of business operations and involves an on-going process for identifying, evaluating, managing and reviewing any changes in the significant risks that may hinder the Group in achieving its business objectives. Management of respective business and functional units of the Group is involved in the risk management process in identifying and managing significant risks impacting the achievement of business objectives of the Group.

Management implements the Board's policies and procedures on risk management by identifying and addressing the risks faced by the Group as part of their routine functions and through review of such risks at regular management meetings chaired by managing/executive directors. Unresolved matters at management level will be brought to the attention of the Board for discussion. The Group's internal audit function provides further independent assurance on the adequacy and effectiveness of the risk management and internal control system.

The following are key areas of governance which defines the values, ethics and conduct of the Group and policies and procedures in place to ensure a sound system of internal control is maintained within the Group.

ORGANISATIONAL STRUCTURE

The Board provides business direction and oversight to the Group and management. The Board is supported by a number of Board Committees namely Audit Committee ("AC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). Each committee has formal defined terms of reference and responsibilities and report on activities of each committee is presented to the Board on a regular basis.

There is a clearly defined organisational structure aligned to the operational requirements of the business of the Group, which provides levels of authority limits, accountability and responsibility of respective job functions of management.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (cont'd)

AUDIT COMMITTEE AND INTERNAL AUDIT

The Group has outsourced the internal audit function to an independent professional firm which assists the AC to review key business processes, check compliance with policies / procedures set by the Board, and evaluate effectiveness of risk management, internal control and governance processes established by the Board through implementation of internal audit. The AC oversees the function of Internal Auditor, its independence, scope of work and resources.

The annual audit plan prepared by internal audit function is reviewed and approved by the AC. Significant audit findings and areas of improvement are reported to the AC and communicated to management on a timely basis. Follow-up audits will be conducted to assess implementation of corrective action plans to address internal control lapses which have been identified. Further details on the activities of the AC during the year are set out in the AC Report.

HUMAN CAPITAL

Talent plays a critical role in enabling the Group to achieve its business objectives. Succession planning is in place to ensure the Group has a strong management team vital to maintain the quality of the Group's products whilst retaining clients' confidence.

The Group has established procedures and guidelines for human capital development and training, recruitment and performance appraised to enhance staff competencies and productivity.

INSURANCE

The Group has in place adequate insurance coverage of a range of insurable business risks, including property risk to appropriate levels, which are determined upon consultation with insurance brokers.

ANNUAL BUDGET

Budgets are prepared on an annual basis by the operations units and presented to the Board for approval. The Group's performance is tracked and measured against the approved budget on a quarterly basis. The actual quarterly results are reviewed by the Audit Committee and the Board against the budget to identify and address significant variances so that corrective actions can be taken to improve the achievement of budgeted results and eventually the Group's business objectives as a whole.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

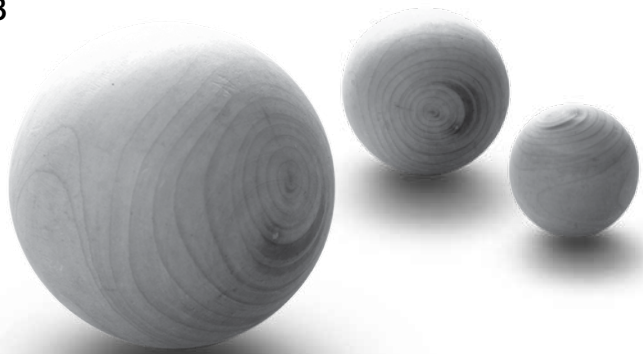
As required by Paragraph 15.23 of the Bursa Securities Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

CONCLUSIONS

The Board has received assurance from the Managing Director and Financial Controller that the risk management and internal control system adopted by the Group is operating adequately and effectively, in all material aspect, based on their observations of routine business operations of the Group.

The Board is pleased to report for the financial year under review and up to the date of this report that internal control system and risk management practices of the Group are able to meet the objectives of the Group and to facilitate good corporate governance. There was no material failure or weakness that would have a material adverse impact on the results of the Group for the period under review and up to the date of this report that would require a separate disclosure in the Group's annual report or financial statements.

This statement is made in accordance with a resolution of the Board dated 20 April 2017.



FINANCIAL STATEMENTS

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The directors submit here with their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

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

FINANCIAL RESULTS

| | Group RM | Company RM |
|---|----------------|--------------------|
| Profit/(Loss) before taxation | 404,372 | (1,000,692) |
| Taxation | (225) | - |
| Profit/(Loss) for the year | <u>404,147</u> | <u>(1,000,692)</u> |
| Profit/(Loss) for the year attributable to: | | |
| - Owners of the Company | 405,547 | (1,000,692) |
| - Non-controlling interest | (1,400) | - |
| | <u>404,147</u> | <u>(1,000,692)</u> |

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

RESERVES AND PROVISIONS

There were no material transfers made to or from reserves or provisions accounts during the year other than those disclosed in the financial statements.

DIRECTORS

The names of the directors in office since the date of the last directors' report on 19 April 2016 are as follows :-

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Chairman)
Dato' Seri Yong Tu Sang (Managing Director)
Yong Emmy
Choong Show Tong
Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey
Yong Ellen (alternate director to Yong Emmy)
Yong Hin Siong

In accordance with Article 64 of the Company's Articles of Association, Yong Emmy and Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey retire from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

DIRECTORS' REPORT

(cont'd)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings, the interests of the directors in office at the end of the financial year in shares and warrants of the Company during the financial year are as follows :-

| | Number of ordinary shares of RM0.20 each | | | As at 31.12.2016 |
|-------------------------|--|---|----------|---------------------|
| | As at 1.1.2016 | <----- During the financial year -----> Acquired | Disposed | |
| Dato' Seri Yong Tu Sang | | | | |
| - direct | 12,339,081 | - | - | 12,339,081 |
| - indirect * | 22,204,299 | - | - | 22,204,299 |
| Yong Emmy | | | | |
| - direct | 12,096,000 | - | - | 12,096,000 |
| Yong Ellen | | | | |
| - direct | 108,300 | - | - | 108,300 |
| - indirect # | 5,610,100 | - | - | 5,610,100 |

| | Number of Warrants 2009/2019 | | | As at 31.12.2016 |
|-------------------------|------------------------------|---|----------|---------------------|
| | As at 1.1.2016 | <----- During the financial year -----> Acquired | Disposed | |
| Dato' Seri Yong Tu Sang | | | | |
| - indirect * | 252,425 | - | - | 252,425 |
| Yong Emmy | | | | |
| - direct | 146,359 | - | - | 146,359 |
| Yong Ellen | | | | |
| - direct | 214 | - | - | 214 |

| | Number of Warrants 2014/2024 | | | As at 31.12.2016 |
|-------------------------|------------------------------|---|----------|---------------------|
| | As at 1.1.2016 | <----- During the financial year -----> Acquired | Disposed | |
| Dato' Seri Yong Tu Sang | | | | |
| - direct | 2,290,421 | - | - | 2,290,421 |
| - indirect * | 2,121,146 | - | - | 2,121,146 |
| Yong Emmy | | | | |
| - direct | 1,225,600 | - | - | 1,225,600 |
| Yong Ellen | | | | |
| - direct | 228,880 | - | - | 228,880 |
| - indirect # | 1,440,000 | - | - | 1,440,000 |

* Deemed interest by virtue of shares and warrants held by his spouse and children.

Deemed interest by virtue of shares and warrants held by her spouse.

The details of the Warrants 2009/2019 and Warrants 2014/2024 are disclosed in Notes 13 and 17 to the financial statements respectively.

By virtue of his interests in the shares of the Company, Dato' Seri Yong Tu Sang is deemed to be interested in the shares of all its subsidiary companies to the extent that the Company has an interest.

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

DIRECTORS' BENEFITS

As at the end of the financial year and during the year, there did not subsist any arrangement to which the Company was a party, whereby the directors or their nominees might acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than any benefit that may accrue to the directors arising from the warrants.

Since the end of the previous financial year, no director has received or become entitled to receive any benefits (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the directors and as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the director or his nominees or with a firm of which he is a member or with a company in which he has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business.



OTHER STATUTORY INFORMATION

- a) Before the financial statements of the Group and of the Company were made out, 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 provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and
 - ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.
- b) As at the date of this report, the directors are not aware of any circumstances :-
- i) which would render the amount written off for bad debts and provision made for doubtful debts in the Group and the Company inadequate to any substantial extent;
 - ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;
 - iii) which have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading or inappropriate; and
 - iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- c) As at the date of this report, there does not exist :-
- i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
 - ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.
- d) In the opinion of the directors :-
- i) no contingent or other liabilities have become enforceable or are likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;
 - ii) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

On behalf of the Board of Directors,

DATO' SERI YONG TU SANG

Director

YONG HIN SIONG

Director

This report is made pursuant to the directors' resolution passed on 20 April 2017

Date : 20 April 2017

STATEMENT BY DIRECTORS

Pursuant to Section 169(15) of the Companies Act, 1965

We, DATO' SERI YONG TU SANG and YONG HIN SIONG, being two of the directors of BTM RESOURCES BERHAD, state that in the opinion of the directors, the financial statements set out on pages 34 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2016 and of the results of operations and cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 37 to the financial statements on page 77 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board of Directors,

DATO' SERI YONG TU SANG

Director

YONG HIN SIONG

Director

Date : 20 April 2017

STATUTORY DECLARATION

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

I, CHEN KAR MUN, being the person primarily responsible for the financial management of BTM RESOURCES BERHAD, do solemnly and sincerely declare that the accompanying financial statements together with the notes attached thereto, are to the best of my knowledge and belief, 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 this 20 April 2017.

Before me,
Commissioner for Oaths
KAPT. (B) JASNI BIN YUSOFF
NO.: W465

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | Note | 2016 RM | 2015 RM |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 27,110,592 | 21,961,665 |
| Prepaid lease payments | 5 | 401,308 | 439,780 |
| | | <u>27,511,900</u> | <u>22,401,445</u> |
| Current Assets | | | |
| Inventories | 8 | 7,555,564 | 5,005,123 |
| Trade receivables | 9 | 1,344,910 | 1,896,640 |
| Other receivables, deposits and prepayments | 10 | 731,334 | 1,817,927 |
| Fixed deposits with licensed banks | 12 | 1,516,650 | 7,658,449 |
| Cash and bank balances | | 1,261,493 | 614,553 |
| | | <u>12,409,951</u> | <u>16,992,692</u> |
| Total Assets | | <u>39,921,851</u> | <u>39,394,137</u> |
| EQUITY AND LIABILITIES | | | |
| Equity Attributable To Owners Of The Company | | | |
| Share capital | 13 | 25,060,517 | 25,060,517 |
| Share premium | 14 | 424,700 | 424,700 |
| Revaluation reserves | 15 | 16,377,545 | 16,377,545 |
| Capital reserves | 16 | 531,845 | 531,845 |
| Warrant reserve | 17 | 4,039,766 | 4,039,766 |
| Accumulated losses | | (20,032,506) | (20,639,251) |
| | | <u>26,401,867</u> | <u>25,795,122</u> |
| Non-Controlling Interest | | (1,399) | - |
| Total Equity | | <u>26,400,468</u> | <u>25,795,122</u> |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Retirement benefit obligations | 18 | 1,736,261 | 1,697,775 |
| Term loan (secured) | 19 | 3,904,840 | 4,973,586 |
| Hire purchase creditors | 20 | 27,671 | 48,736 |
| Deferred taxation | 21 | 165,000 | 165,000 |
| | | <u>5,833,772</u> | <u>6,885,097</u> |
| Current Liabilities | | | |
| Trade payables | 22 | 1,793,501 | 1,355,960 |
| Other payables and accruals | | 1,704,274 | 2,854,849 |
| Term loan (secured) | 19 | 1,068,746 | 908,096 |
| Amount due to directors | 23 | 3,098,125 | 1,496,104 |
| Hire purchase creditors | 20 | 21,065 | 23,533 |
| Taxation | | 1,900 | 75,376 |
| | | <u>7,687,611</u> | <u>6,713,918</u> |
| Total Liabilities | | <u>13,521,383</u> | <u>13,599,015</u> |
| Total Equity and Liabilities | | <u>39,921,851</u> | <u>39,394,137</u> |

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

| | Note | 2016 RM | 2015 RM |
|--|--------|--------------|--------------|
| Revenue | 24 | 15,939,357 | 11,552,490 |
| Cost of sales | | (12,267,423) | (10,609,940) |
| Gross profit | | 3,671,934 | 942,550 |
| Other income | | 1,383,583 | 970,126 |
| Distribution expenses | | (768,426) | (535,419) |
| Administrative expenses | | (3,413,259) | (3,448,849) |
| Finance costs | | (469,460) | (561,331) |
| Profit/(Loss) before taxation | 25 | 404,372 | (2,632,923) |
| Taxation | 26 | (225) | 579 |
| Profit/(Loss) for the year | | 404,147 | (2,632,344) |
| Other comprehensive income : | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| - Actuarial gain on defined benefit obligations | | 201,198 | - |
| Total comprehensive income/(loss) for the year | | 605,345 | (2,632,344) |
| Profit/(Loss) for the year attributable to: | | | |
| Owners of the Company | | 405,547 | (2,632,344) |
| Non-controlling interest | | (1,400) | - |
| | | 404,147 | (2,632,344) |
| Total comprehensive income/(loss) for the year attributable to: | | | |
| Owners of the Company | | 606,745 | (2,632,344) |
| Non-controlling interest | | (1,400) | - |
| | | 605,345 | (2,632,344) |
| Earnings/(Loss) per share attributable to owners of the Company | | | |
| Basic | 27 (a) | 0.32 sen | (2.1 sen) |
| Diluted | 27 (b) | 0.31 sen | N/A |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

| | Attributable to Owners of the Company | | | | | | Total equity RM |
|---|---------------------------------------|----------------------------|-----------------------------------|-------------------------------|------------------------------|-----------------------|-----------------------------|
| | Share capital (Note 13) RM | Share premium (Note 14) RM | Revaluation reserves (Note 15) RM | Capital reserves (Note 16) RM | Warrant reserve (Note 17) RM | Accumulated losses RM | |
| Balance as at 1 January 2015 | 24,440,517 | - | 16,377,545 | 531,845 | 4,464,466 | (18,006,907) | 27,807,466 |
| Loss for the year, representing total comprehensive loss for the year | - | - | - | - | - | (2,632,344) | (2,632,344) |
| Issuance of new shares from conversion of Warrants 2014/2024 | 620,000 | 424,700 | - | - | (424,700) | - | 620,000 |
| Balance as at 31 December 2015 | 25,060,517 | 424,700 | 16,377,545 | 531,845 | 4,039,766 | (20,639,251) | 25,795,122 |
| | Attributable to Owners of the Company | | | | | | |
| | Share capital (Note 13) RM | Share premium (Note 14) RM | Revaluation reserves (Note 15) RM | Capital reserves (Note 16) RM | Warrant reserve (Note 17) RM | Accumulated losses RM | Total equity RM |
| Balance as at 1 January 2016 | 25,060,517 | 424,700 | 16,377,545 | 531,845 | 4,039,766 | (20,639,251) | 25,795,122 |
| Profit for the year | - | - | - | - | - | 405,547 | 405,547 |
| Other comprehensive income: | | | | | | | |
| Actuarial gain on defined benefit obligations | - | - | - | - | - | 201,198 | 201,198 |
| Total comprehensive income for the year | - | - | - | - | - | 606,745 | 606,745 |
| Subscription of share in a subsidiary | - | - | - | - | - | - | 1 |
| Balance as at 31 December 2016 | 25,060,517 | 424,700 | 16,377,545 | 531,845 | 4,039,766 | (20,032,506) | 26,401,867 |
| | | | | | | | Non-controlling interest RM |
| | | | | | | | (1,399) |
| | | | | | | | 26,400,468 |

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

| | 2016 RM | 2015 RM |
|--|-------------|-------------|
| Cash Flows From Operating Activities | | |
| Profit/(Loss) before taxation | 404,372 | (2,632,923) |
| Adjustments for :- | | |
| Amortisation of prepaid lease payments | 38,472 | 38,473 |
| Allowance for impairment loss on trade receivables | - | 21,230 |
| Bad debt written off | 111 | - |
| Depreciation | 861,096 | 877,666 |
| Defined benefit obligations | 239,684 | 219,627 |
| Property, plant and equipment written off | 1 | - |
| Waiver of interest on term loan | (1,011,650) | - |
| Gain on disposal of property, plant and equipment | (66,199) | (35,327) |
| Interest expense | 468,965 | 560,646 |
| Interest income | (167,851) | (272,393) |
| Operating Profit/(Loss) before working capital changes | 767,001 | (1,223,001) |
| Increase in inventories | (2,550,441) | (735,787) |
| Decrease in trade receivables | 605,672 | 593,625 |
| Decrease/(Increase) in other receivables, deposits and prepayments | 1,086,593 | (1,410,432) |
| Increase/(Decrease) in trade payables | 437,541 | (89,581) |
| (Decrease)/Increase in other payables and accruals | (138,925) | 447,281 |
| Increase/(Decrease) in amount due to directors | 1,602,021 | (762,147) |
| Cash generated from/(used in) operations | 1,809,462 | (3,180,042) |
| Taxation paid | (73,701) | (1,755) |
| Interest received | 113,798 | 272,393 |
| Interest paid | (1,905) | (1,810) |
| Net cash from/(used in) operating activities | 1,847,654 | (2,911,214) |
| Cash Flows From Investing Activities | | |
| Proceeds from disposal of property, plant and equipment | 66,200 | 35,330 |
| Purchase of property, plant and equipment | (6,010,025) | (3,247,190) |
| Net cash used in investing activities | (5,943,825) | (3,211,860) |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of share to non-controlling interest | 1 | - |
| Proceeds from issuance of shares, net of share issue expenses | - | 620,000 |
| Repayment of term loans | (908,096) | - |
| Term loan interest paid | (463,673) | - |
| Payment of hire purchase liabilities | (23,533) | (22,109) |
| Hire purchase interest paid | (3,387) | (5,202) |
| Net cash (used in)/from financing activities | (1,398,688) | 592,689 |
| Net Decrease In Cash And Cash Equivalents | (5,494,859) | (5,530,385) |
| Cash and cash equivalents at beginning of year | 8,273,002 | 13,803,387 |
| Cash And Cash Equivalents At End Of Year (Note 28) | 2,778,143 | 8,273,002 |

STATEMENT OF FINANCIAL POSITION

As at 31 December 2016

| | Note | 2016 RM | 2015 RM |
|---|------|-------------------|-------------------|
| ASSETS | | | |
| Non-Current Assets | | | |
| Property, plant and equipment | 4 | 7,573,282 | 7,718,405 |
| Subsidiary companies | 6 | 1,281,695 | 1,281,692 |
| | | <u>8,854,977</u> | <u>9,000,097</u> |
| Current Assets | | | |
| Other receivables, deposits and prepayments | 10 | 27,956 | 26,560 |
| Amount due from subsidiary companies | 11 | 20,816,781 | 14,712,711 |
| Fixed deposits with licensed banks | 12 | 1,062,720 | 7,219,395 |
| Cash and bank balances | | 40,695 | 41,289 |
| | | <u>21,948,152</u> | <u>21,999,955</u> |
| Total Assets | | <u>30,803,129</u> | <u>31,000,052</u> |
| EQUITY AND LIABILITIES | | | |
| Equity Attributable to Owners of The Company | | | |
| Share capital | 13 | 25,060,517 | 25,060,517 |
| Share premium | 14 | 424,700 | 424,700 |
| Revaluation reserves | 15 | 4,198,896 | 4,198,896 |
| Warrant reserve | 17 | 4,039,766 | 4,039,766 |
| Accumulated losses | | (5,418,726) | (4,438,559) |
| Total Equity | | <u>28,305,153</u> | <u>29,285,320</u> |
| Liabilities | | | |
| Non-Current Liabilities | | | |
| Retirement benefit obligations | 18 | 411,309 | 395,102 |
| Hire purchase creditors | 20 | 27,671 | 48,736 |
| Deferred taxation | 21 | 95,000 | 95,000 |
| | | <u>533,980</u> | <u>538,838</u> |
| Current Liabilities | | | |
| Other payables and accruals | | 194,806 | 167,847 |
| Hire purchase creditors | 20 | 21,065 | 21,943 |
| Amount due to directors | 23 | 1,748,125 | 986,104 |
| | | <u>1,963,996</u> | <u>1,175,894</u> |
| Total Liabilities | | <u>2,497,976</u> | <u>1,714,732</u> |
| Total Equity and Liabilities | | <u>30,803,129</u> | <u>31,000,052</u> |

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2016

| | Note | 2016 RM | 2015 RM |
|--|------|--------------------|------------------|
| Revenue | 24 | 396,444 | 416,844 |
| Other income | | 98,532 | 258,116 |
| Administrative expenses | | (1,492,397) | (1,535,417) |
| Finance costs | | (3,271) | (4,402) |
| Loss before taxation | 25 | (1,000,692) | (864,859) |
| Taxation | 26 | - | - |
| Loss for the year | | (1,000,692) | (864,859) |
| Other comprehensive income: | | | |
| <i>Item that will not be reclassified subsequently to profit or loss</i> | | | |
| - Actuarial gain on defined benefit obligations | | 20,525 | - |
| Total comprehensive loss for the year | | (980,167) | (864,859) |

STATEMENT OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2016

| | Share capital (Note 13) RM | Share premium (Note 14) RM | Non-distributable Revaluation reserve (Note 15) RM | Warrant reserve (Note 17) RM | Accumulated losses RM | Total equity RM |
|---|-------------------------------|-------------------------------|---|---------------------------------|--------------------------|--------------------|
| Balance as at 1 January 2015 | 24,440,517 | - | 4,198,896 | 4,464,466 | (3,573,700) | 29,530,179 |
| Loss for the year, representing total comprehensive loss for the year | - | - | - | - | (864,859) | (864,859) |
| Issuance of new shares from conversion of Warrants 2014/2024 | 620,000 | 424,700 | - | (424,700) | - | 620,000 |
| Balance as at 31 December 2015 | 25,060,517 | 424,700 | 4,198,896 | 4,039,766 | (4,438,559) | 29,285,320 |
| Balance as at 1 January 2016 | 25,060,517 | 424,700 | 4,198,896 | 4,039,766 | (4,438,559) | 29,285,320 |
| Loss for the year | - | - | - | - | (1,000,692) | (1,000,692) |
| Other comprehensive income: | | | | | | |
| Actuarial gain on defined benefit obligations | - | - | - | - | 20,525 | 20,525 |
| Total comprehensive loss for the year | - | - | - | - | (980,167) | (980,167) |
| Balance as at 31 December 2016 | 25,060,517 | 424,700 | 4,198,896 | 4,039,766 | (5,418,726) | 28,305,153 |

The notes on pages 42 to 76 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2016

| | 2016 RM | 2015 RM |
|---|------------------|------------------|
| Cash Flows From Operating Activities | | |
| Loss before taxation | (1,000,692) | (864,859) |
| Adjustments for :- | | |
| Depreciation | 154,653 | 167,503 |
| Defined benefit obligations | 36,732 | 40,173 |
| Interest expense | 2,873 | 3,902 |
| Interest income | (98,532) | (257,916) |
| Operating loss before working capital changes | (904,966) | (911,197) |
| Increase in other receivables, deposits and prepayments | (1,396) | (4,907) |
| Increase in amount due from subsidiary companies | (6,104,070) | (1,934,540) |
| Increase/(Decrease) in other payables and accruals | 26,959 | (104,448) |
| Increase/(Decrease) in amount due to directors | 762,021 | (1,272,147) |
| Cash used in operations | (6,221,452) | (4,227,239) |
| Interest received | 98,532 | 257,916 |
| Net cash used in operating activities | (6,122,920) | (3,969,323) |
| Cash Flows From Investing Activities | | |
| Investment in subsidiary companies | (3) | (999,998) |
| Purchase of property, plant and equipment | (9,530) | (8,475) |
| Net cash used in investing activities | (9,533) | (1,008,473) |
| Cash Flows From Financing Activities | | |
| Proceeds from issuance of shares, net of share issue expenses | - | 620,000 |
| Payment of hire purchase liabilities | (21,943) | (17,097) |
| Hire purchase interest paid | (2,873) | (3,902) |
| Net cash (used in)/from financing activities | (24,816) | 599,001 |
| Net Decrease In Cash And Cash Equivalents | (6,157,269) | (4,378,795) |
| Cash and cash equivalents at beginning of year | 7,260,684 | 11,639,479 |
| Cash And Cash Equivalents At End Of Year (Note 28) | 1,103,415 | 7,260,684 |

NOTES TO THE FINANCIAL STATEMENTS

At 31 December 2016

1. GENERAL INFORMATION

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

The registered office of the Company is located at Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur.

The principal place of business of the Company is located at No. 101, 3rd Floor, Wisma Kam Choon, Jalan Kampung Tiong, 20100 Kuala Terengganu, Terengganu Darul Iman.

The principal activities of the Company consist of investment holding and the provision of management services. The principal activities of the subsidiary companies are set out in Note 6 to the financial statements.

The financial statements are presented in Ringgit Malaysia (RM).

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the directors on 20 April 2017.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**2.1 Basis of Preparation**

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia. The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistent with those applied in the previous financial year other than the application of the amendments to MFRSs adopted as disclosed in Note 2.2 below, where applicable.

2.2 Adoption of Amendments to MFRSs

During the financial year, the Group has adopted the following amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") which are effective for accounting period beginning on or after 1 January 2016 :-

- Amendments to MFRS 10, MFRS 12 and MFRS 128 - Investment Entities : Applying the Consolidation Exception
- Amendments to MFRS 11 - Accounting for Acquisitions of Interests in Joint Operations
- Amendments to MFRS 101 - Disclosure Initiative
- Amendments to MFRS 116 and MFRS 138 - Clarification of Acceptable Methods of Depreciation and Amortisation
- Amendments to MFRS 116 and MFRS 141 - Agriculture : Bearer Plants
- Amendments to MFRS 127 - Equity Method in Separate Financial Statements
- Amendments to MFRSs Classified as "Annual Improvements to MFRSs 2012 - 2014 Cycle"

The application of the above amendments to MFRSs where applicable did not result in any significant changes to the Group's accounting policies and have no significant financial impact on the amounts reported in the financial statements of the Group and of the Company.

2.3 New MFRSs and Amendments to MFRSs and IC Interpretation That Are In Issue But Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new MFRSs and amendments to MFRSs and IC Interpretation that have been issued by the MASB but are not yet effective :-

Effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 112 - Recognition of Deferred Tax Assets for Unrealised Losses
- Amendments to MFRS 107 - Disclosure Initiative
- Amendments to MFRS 12 - Disclosure of Interests in Other Entities Classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"

Effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- Amendments to MFRS 2 - Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 128 - Investments in Associates and Joint Ventures Classified as "Annual Improvements to MFRSs 2014 - 2016 Cycle"
- Amendments to MFRS 140 - Transfers of Investment Property
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration

Effective for annual periods beginning on or after 1 January 2019

- MFRS 16, Leases

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.3 New MFRSs and Amendments to MFRSs and IC Interpretation That Are In Issue But Not Yet Effective and Have Not Been Early Adopted (cont'd)

Effective for annual periods beginning on or after a date to be determined by MASB

Amendments to MFRS 10 and MFRS 128 - Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The Group will adopt the above new MFRSs and amendments to MFRSs and IC Interpretation that are applicable when they become effective. The main features of the significant new standards and amendments are as summarised below :-

a) MFRS 15, Revenue from Contracts with Customers

MFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. MFRS 15 will supersede the current revenue recognition guidance including MFRS 111, MFRS 118 and the related IC Interpretations when it becomes effective.

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the followings steps :-

- Step 1 Identify the contract(s) with a customer
- Step 2 Identify the performance obligations in the contract
- Step 3 Determine the transaction price
- Step 4 Allocate the transaction price to the performance obligations in the contract
- Step 5 Recognise revenue when (or as) the entity satisfies a performance obligation

Under MFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. MFRS 15 also requires more extensive disclosures.

b) Clarifications to MFRS 15, Revenue from Contracts with Customers

The Amendments clarify how certain principles should be applied in :-

- (i) Identifying whether performance obligations are distinct;
- (ii) Determining whether an entity is a principal or an agent; and
- (iii) Assessing whether revenue from a licence of intellectual property is recognised over time or at a point in time.

c) MFRS 9, Financial Instruments (IFRS 9 issued in July 2014)

The Standard replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting.

The key enhancements of MFRS 9 are :

- Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost, fair value through other comprehensive income ("FVTOCI") or fair value through profit or loss ("FVTPL") on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets under MFRS 139 had been replaced.
- Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9, except for the measurement of financial liabilities designated as at FVTPL. Under MFRS 139, the entire amount of the change in the fair value of the financial liability designated as FVTPL is presented in profit or loss. However, MFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's own credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.
- In relation to the impairment of financial assets, MFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under MFRS 139. Under MFRS 9, it is no longer necessary for a credit event to have occurred before credit losses are recognised. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition.
- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in MFRS 139 i.e. fair value hedges, cash flow hedges and hedges of a net investment in a foreign operation. MFRS 9 incorporates a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedge items and hedging instruments respectively.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.3 New MFRSs and Amendments to MFRSs and IC Interpretation That Are In Issue But Not Yet Effective and Have Not Been Early Adopted (cont'd)****d) MFRS 16, Leases**

MFRS 16 will replace the existing standard on Leases, MFRS 117 when it becomes effective. Currently under MFRS 117, a lease is classified either as a finance lease or an operating lease based on the extent to which risks and rewards incidental to ownership of the leased asset lie with the lessor or the lessee. A lessee recognises the asset and liability arising from a finance lease but not an operating lease. MFRS 16 eliminates the distinction between finance leases and operating leases for lessees. Under the new standard, a lessee is required to recognise the assets and liabilities in respect of all leases, except for short-term leases of 12 months or less and leases of low value assets. At the commencement of a lease, a lessee recognises a right-of-use asset and a corresponding lease liability. The lessee will be required to separately recognise the depreciation on the right-of-use asset and interest expense on the lease liability. Lessor accounting remained substantially unchanged from the current accounting under MFRS 117.

The initial application of MFRS 9 and MFRS 16 may have an impact on the financial statements of the Group and of the Company. However, it is not practicable to provide a reasonable estimate of the effect until a detailed review has been completed. The initial application of other new MFRSs and amendments to MFRSs and IC interpretation is not expected to have any significant impact on the financial statements of the Group and of the Company.

2.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries are prepared for the same reporting date as the Company. The consolidated financial statements are prepared using uniform accounting policies for like transactions and other events in similar circumstances.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group :

- has power over the entity;
- is exposed, or has rights, to variable returns from its involvement with the entity; and
- has the ability to affect those returns through its power over the entity.

The Group reassesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of controls listed above.

Consolidation of a subsidiary begins from the date the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

In preparing consolidated financial statements, intra-group balances and transactions and the resulting unrealised profits are eliminated on consolidation. Unrealised losses are eliminated on consolidation and the relevant assets are assessed for impairment. The consolidated financial statements reflect external transactions and balances only. When necessary, adjustments are made to the financial statements of subsidiaries to ensure conformity with the Group's accounting policies. The total comprehensive income of a subsidiary is attributed to the Group and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received by the Group is recognised directly in equity and attributed to owners of the Company. If the Group loses control of a subsidiary, the assets (including any goodwill) and liabilities of the subsidiary and non-controlling interests will be derecognised at their carrying amounts at the date when control is lost. Any investment retained in the former subsidiary is recognised at its fair value at the date when control is lost. The resulting difference between the amounts derecognised and the aggregate of the fair value of consideration received and investment retained is recognised as gain or loss in profit or loss attributable to the Group.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.5 Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred for the acquisition of an acquiree is measured at fair value which is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred, equity interests issued and contingent consideration given. Acquisition-related costs are recognised as an expense in the periods in which the costs are incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their acquisition-date fair values, except for non-current assets (or disposal group) that are classified as held for sale which shall be measured at fair value less costs to sell.

Goodwill is measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed. The excess of the Group's interest in the net amounts of the identifiable assets, liabilities and contingent liabilities over the aggregate of the consideration transferred, the amount of any non-controlling interests and the acquisition-date fair value of any previously held equity interest is recognised immediately in profit or loss.

Non-controlling interests represent that portion of profit or loss and net assets of a subsidiary not attributable, directly or indirectly, to the Group. For each business combination, non-controlling interests are measured either at their fair value at the acquisition date or at the non-controlling interests' proportionate share of the subsidiary's identifiable net assets. Non-controlling interests in the net assets of consolidated subsidiaries comprised the amount of non-controlling interests at the date of original combination and their share of changes in equity since the date of combination.

In a business combination achieved in stages, any previously held equity interest is remeasured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

2.6 Goodwill on Consolidation

Goodwill arising on the acquisitions of subsidiaries is recognised as an asset and carried at cost as established at the acquisition date less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. For the purpose of impairment testing, goodwill from acquisition date is allocated to each of the Group's cash-generating unit ("CGU") or groups of CGUs that are expected to benefit from the synergies of the combination in which the goodwill arose. The test for impairment of goodwill on consolidation is in accordance with the Group's accounting policy for impairment of non-financial assets. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a CGU or groups of CGUs and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation and the portion of the CGU retained.

2.7 Share Capital

Ordinary shares are classified as equity. Distributions to holders of ordinary shares are debited directly to equity and dividends declared at or before the end of the reporting period are recognised as liabilities. Costs directly attributable to equity transactions are accounted for as a deduction, net of tax, from equity.

2.8 Property, Plant and Equipment

Items of property, plant and equipment are initially stated at cost. Cost initially recognised includes expenditure that is directly attributable to the acquisition of the asset. Land and buildings are subsequently carried at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.8 Property, Plant and Equipment (cont'd)**

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised in profit or loss during the financial period in which they are incurred.

If the carrying amount of land and buildings is increased as a result of a revaluation, the increase is recognised in other comprehensive income and accumulated in equity under revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously expensed. A decrease in the carrying amount arising on a revaluation is recognised to profit or loss to the extent that it exceeds the credit balance held in the revaluation reserve relating to a previous revaluation of that asset.

Freehold land and capital work-in-progress or unused plant are not depreciated. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost or valuation of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress or unused plant commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease terms. The annual depreciation rates used are as follows :-

| | |
|--|----------------|
| Buildings | 5% to 6% |
| Plant and machinery | 10% to 15% |
| Office equipment, furniture and fittings | 20% to 33 1/3% |
| Factory renovation | 5% |
| Motor vehicles | 20% |

The residual values and useful lives of assets are reviewed at each financial year end and adjusted prospectively, if appropriate, 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 non-financial assets as disclosed in Note 2.9.

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.

2.9 Impairment of Non-Financial Assets

The carrying amounts of non-financial assets (other than inventories and deferred tax assets) are reviewed for impairment at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss. For goodwill, intangible assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at the end of each reporting period or more frequently when indicators of impairment are identified.

An impairment loss is recognised if the carrying amount of an asset or a cash generating unit (CGU) exceeds its recoverable amount. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or group of assets. Impairment losses recognised in respect of CGUs (or groups of CGUs) are allocated first to reduce the carrying amount of any goodwill allocated to the units (or groups of units) and then to reduce the carrying amount of the other assets in the units (or groups of units) on a pro rata basis.

The recoverable amount of an asset or CGU is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to the profit or loss in the period in which it arises, unless the asset is carried at revalued amount. Any impairment loss of a revalued asset is recognised in other comprehensive income for that asset to the extent that the impairment loss does not exceed the amount held in the revaluation surplus account.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.9 Impairment of Non-Financial Assets (cont'd)

Impairment loss on goodwill is not reversed in a subsequent period. An impairment loss for an asset other than goodwill is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised to the profit or loss unless the asset is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

2.10 Hire Purchase and Finance Lease Arrangements and Operating Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership of the leased assets. All other leases are classified as operating leases.

Assets acquired under hire purchase arrangements are recognised and measured in a similar manner as finance leases.

a) Assets Acquired under Hire Purchase and Finance Lease Arrangements

Assets acquired under hire purchase and finance lease arrangements are stated at the amounts equal at the inception of the arrangement to the lower of their fair values and the present values of the minimum hire purchase or lease payments.

The corresponding obligations are taken up as hire purchase or finance lease liabilities. Hire purchase or lease payments are apportioned between the outstanding liabilities and finance charges which are charged to profit or loss over the period of the hire purchase/lease term so as to produce a constant periodic rate of interest on the remaining balance of the liabilities for each period.

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 2.8 above.

b) Operating Lease

Operating lease payments are recognised as expenses in profit or loss on a straight line basis over the period of the relevant leases.

2.11 Investment in Subsidiary Companies

Investments in subsidiary companies are stated at cost less accumulated impairment losses. The investments are reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

2.12 Investment in Club Membership

Investment in club membership is stated at cost less accumulated impairment losses.

The investment in club membership is reviewed for impairment in accordance with the Group's accounting policy for impairment of non-financial assets.

2.13 Inventories

Inventories are valued at the lower of cost and net realisable value with cost determined on the weighted average cost basis. Cost include the actual cost of logs and other raw materials, direct labour and appropriate manufacturing overheads. Net realisable value represents the estimated selling price in the ordinary course of business less distribution expenses and all other estimated costs to completion.

2.14 Provisions

Provisions are recognised when the Group has a present legal and constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the effect of time value of money is material, the amount of provision is measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. Where discounting is used, the increase in the amount of a provision due to passage of time is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.15 Taxation**

Tax expense is the aggregate amount of current and deferred taxation. Current and deferred taxes are recognised as income or expense in profit or loss except to the extent that the taxes relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity or a business combination.

Current tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantially enacted at the end of the reporting period.

Deferred tax is provided using the liability method on temporary differences at end of the reporting period between the carrying amounts of assets and liabilities and the amounts attributed to those assets and liabilities for taxation purposes.

Deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences and unabsorbed tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the assets can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Tax rates enacted or substantively enacted at the end of the reporting period are used to determine deferred tax.

2.16 Foreign Currencies**a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

b) Foreign Currency Transactions and Balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At the end of each reporting period, foreign currency monetary assets and liabilities are translated at exchange rates prevailing at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the date of the transactions. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income. Exchange differences arising from such non-monetary items are recognised directly to other comprehensive income.

2.17 Employee Benefits**i) Short-Term Benefits**

Wages, salaries, bonuses and social security contributions, paid annual and sick leave and non-monetary benefits are recognised as an expense or included in the costs of assets, where applicable, in the period in which the associated services are rendered by the employees of the Group.

ii) Defined Contribution Plans

The Group provides post-employment benefits by way of contribution to defined contribution plans operated by the relevant authorities at the prescribed rates.

A defined contribution plan is a post-employment benefit plan under which the Group pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

The Group's contributions to defined contribution plans are recognised as an expense in the period to which the contributions relate or included in the costs of assets, where applicable.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.17 Employee Benefits (cont'd)

iii) Defined Benefit Plans

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 in the statement of financial position is the present value of the defined benefit obligation at the reporting date.

The present value of the defined benefit obligation is determined on a triennial basis by independent qualified actuaries using the Projected Unit Credit Method. The present value of the defined benefit obligation is determined by discounting the estimate of the amount of benefit that employees have earned in return for their service in the current and prior periods using interest rate of high quality corporate bonds that are denominated in the currency in which the benefits are expected to be paid and that have terms of maturity approximating the terms of the Company's obligations.

Actuarial gains or losses arising from experience adjustments and changes in actuarial assumptions are recognised in other comprehensive income in the period in which they arise and will not be reclassified to profit or loss.

Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment or curtailment. Past service cost is recognised as an expense in profit or loss in the period of a plan amendment or curtailment.

The Company recognises the components of defined benefit cost as follows :

- current service cost, past service cost and gains or losses on curtailment and settlement to profit or loss;
- net interest on the net defined liability to profit or loss; and
- remeasurement of the net defined liability in other comprehensive income.

Net interest on the net defined liability is determined by multiplying the net defined liability by the discount rate used in determining the present value of defined benefit obligation, both as determined at the start of the annual reporting period, taking into account of any changes in the net defined liability during the period as a result of contribution and benefit payments.

iv) Termination Benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for those benefits. The Group recognises termination benefits at the earlier of (i) when the Group can no longer withdraw the offer of those benefits; and (ii) when the Group recognises costs for a restructuring that is within the scope of MFRS 137, Provisions, Contingent Liabilities and Contingent Assets and involves the payment of termination benefits.

Termination benefits falling over more than twelve (12) months after the end of the reporting period are discounted to present value.

2.18 Revenue Recognition

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

Rental income is recognised on an accrual basis over the period of tenancy.

2.19 Borrowings Costs

Borrowing costs that are directly attributable to the acquisition, construction, production or preparation of assets until they are ready for their intended use or sale are capitalised as part of the cost of those assets. Other borrowing costs are recognised as an expense in the period in which they are incurred.

2.20 Cash and Cash Equivalents

Cash and cash equivalents in the statements of cash flows comprise cash and bank balances, deposits with licensed banks and short term investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, reduced by bank overdrafts. The statements of cash flows are prepared using the indirect method.

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with the policy set out in Note 2.21(a).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)**2.21 Financial Assets**

The Group recognises all financial assets in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial assets are initially measured at fair value plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Financial assets are classified into specified categories namely financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets depending on the nature and purpose of the financial assets and are determined at the time of initial recognition. The Group classified its financial assets as follows :-

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Trade receivables, loans and other receivables are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchase or sale of financial assets

Regular way purchases or sales of financial assets are recognised and derecognised using trade date accounting. Trade date accounting refers to :-

- the recognition of an asset to be received and the liability to pay for it on the trade date which is the date the Group commits itself to purchase or sell an asset; and
- derecognition of an asset that is sold, the recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset, other than financial assets at fair value through profit or loss, is impaired. Financial assets are considered to be impaired when objective evidence indicates that a loss event has occurred after the initial recognition of the assets and that the loss event had a negative effect on the estimated future cash flows of that asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised. For quoted equity instrument, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

An amount of impairment loss in respect of financial assets measured at amortised cost is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate i.e. the effective rate computed at initial recognition. The carrying amount of the asset is reduced through an allowance account. The amount of loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss on financial assets measured at amortised cost decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account to the extent that the carrying amount of the financial asset does not exceed its amortised cost had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

Derecognition of a financial asset

The Group derecognises a financial asset when, and only when, the contractual rights to the cash flows from the financial asset expire or it transfers the financial asset without retaining control or substantially all the risks and rewards of ownership of the financial asset to another party.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

2.22 Financial Liabilities

The Group recognises all financial liabilities in its statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

Classification and measurement

Financial liabilities are initially measured at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group classified its financial liabilities as follows :-

(a) **Other financial liabilities**

All financial liabilities, other than those categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Other financial liabilities of the Group include trade and other payables and bank borrowings.

A gain or loss on other financial liabilities is recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

Derecognition of a financial liability

A financial liability is derecognised when, and only when, the obligation specified in the contract is extinguished. When an existing financial liability is exchanged with the same lender on substantially different terms or the terms of an existing liability are substantially modified, they are accounted for as an extinguishment of the original financial liability and a new financial liability is recognised. The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.23 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs.

Subsequent to initial recognition, financial guarantee contracts are amortised to profit or loss using the straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made in accordance with MFRS 137, Provisions, Contingent Liabilities and Contingent Assets. If the carrying amount of the financial guarantee is lower than the obligation estimated, the carrying value is adjusted to the obligation amount and accounted for as a provision.

2.24 Earnings Per Share

Basic earnings per share is calculated by dividing the profit or loss for the financial year attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the financial year, net of treasury shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, net of treasury shares held, for the effects of all dilutive potential ordinary shares.

2.25 Operating Segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses relating to transactions with other components of the Group. Operating segment results are reviewed by the chief operating decision maker i.e. the Group Managing Director who makes decision about resources to be allocated to the segments and to assess their performance and for which discrete financial information is available.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of financial statements in conformity with the Malaysian Financial Reporting Standards and International Financial Reporting Standards 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.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

a) Significant judgements in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

b) Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

i) Impairment of non-financial assets

The Group assesses impairment of property, plant and equipment, investments in subsidiary companies and other investments when the events or changes in circumstances indicate that the carrying amounts of the 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 expected value in use of the relevant assets.

ii) Impairment losses of receivables

The Group evaluates the allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables.

iii) Deferred tax assets

Deferred tax assets are recognised for unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment on the probability of the availability of future taxable profits. The total carrying amount of deferred tax assets recognised on unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences of the Group and the Company at the end of the reporting period are RM2,242,411 (2015 : RM2,379,710) and RM405,123 (2015 : RM411,778) respectively.

The unrecognised unabsorbed tax losses, unutilised allowances and other deductible temporary differences are disclosed under Note 21(b) and the unrecognised deferred tax assets in connection thereto at the end of the reporting period are estimated at RM9,159,619 (2015 : RM9,458,894) and RM597,144 (2015 : RM438,760) for the Group and the Company respectively.

iv) Retirement benefit obligations

The Group's retirement benefit obligations for eligible employees were measured by an actuarial valuation using the Projected Unit Credit Actuarial Cost Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefit obligations. All these assumptions are disclosed in Note 18.

v) Estimated useful lives of property, plant and equipment

The Group reviews annually the estimated useful lives of property, plant and equipment based on various factors such as level of usage and business plans. The estimated useful lives are as disclosed in Note 2.8. Changes in the expected level of usage and business plan could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT

| | At valuation -----> | | | At cost -----> | | | | | |
|------------------------------------|---------------------|----------------------|------------------------|---|-------------------|-----------------------|-----------------|-----------------------------|------------|
| | Freehold land RM | Freehold building RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Factory Renovation RM | Unused plant RM | Capital work in progress RM | Total RM |
| Group 2016 | | | | | | | | | |
| Cost/Valuation | | | | | | | | | |
| At beginning of year | 7,400,000 | 12,900,000 | 12,062,137 | 2,279,624 | 1,479,599 | 92,786 | 8,227,492 | 2,914,100 | 47,355,738 |
| Additions | - | - | 99,862 | 29,087 | - | 26,437 | - | 5,854,639 | 6,010,025 |
| Disposals | - | - | (278,711) | - | - | - | - | - | (278,711) |
| Write off | - | - | - | - | (58,066) | - | - | - | (58,066) |
| At end of year | 7,400,000 | 12,900,000 | 11,883,288 | 2,308,711 | 1,421,533 | 119,223 | 8,227,492 | 8,768,739 | 53,028,986 |
| Accumulated depreciation | | | | | | | | | |
| At beginning of year | - | 2,280,000 | 11,258,012 | 2,235,174 | 1,388,609 | 6,286 | - | - | 17,168,081 |
| Charge for the year | - | 715,714 | 104,724 | 21,559 | 13,880 | 5,219 | - | - | 861,096 |
| Disposals | - | - | (278,710) | - | - | - | - | - | (278,710) |
| Write off | - | - | - | - | (58,065) | - | - | - | (58,065) |
| At end of year | - | 2,995,714 | 11,084,026 | 2,256,733 | 1,344,424 | 11,505 | - | - | 17,692,402 |
| Accumulated impairment loss | | | | | | | | | |
| At beginning /end of year | - | - | 8,500 | - | - | - | 8,217,492 | - | 8,225,992 |
| Net book value | 7,400,000 | 9,904,286 | 790,762 | 51,978 | 77,109 | 107,718 | 10,000 | 8,768,739 | 27,110,592 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

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

| | <----- At valuation -----> | | | ----- At cost -----> | | | | | Total RM |
|------------------------------------|----------------------------|----------------------------|------------------------------|---|-------------------------|-----------------------------|-----------------------|--------------------------------------|-------------|
| | Freehold land RM | Freehold building RM | Plant and machinery RM | Office equipment, furniture and fittings RM | Motor vehicles RM | Factory Renovation RM | Unused plant RM | Capital work in progress RM | |
| Group 2015 | | | | | | | | | |
| Cost/Valuation | | | | | | | | | |
| At beginning of year | 7,400,000 | 12,900,000 | 11,881,595 | 2,246,106 | 1,580,029 | 80,111 | 8,227,492 | - | 44,315,333 |
| Additions | - | - | 225,542 | 33,518 | 61,355 | 12,675 | - | 2,914,100 | 3,247,190 |
| Disposals | - | - | (45,000) | - | (161,785) | - | - | - | (206,785) |
| At end of year | 7,400,000 | 12,900,000 | 12,062,137 | 2,279,624 | 1,479,599 | 92,786 | 8,227,492 | 2,914,100 | 47,355,738 |
| Accumulated depreciation | | | | | | | | | |
| At beginning of year | - | 1,564,286 | 11,214,543 | 2,193,449 | 1,523,183 | 1,736 | - | - | 16,497,197 |
| Charge for the year | - | 715,714 | 88,468 | 41,725 | 27,209 | 4,550 | - | - | 877,666 |
| Disposals | - | - | (44,999) | - | (161,783) | - | - | - | (206,782) |
| At end of year | - | 2,280,000 | 11,258,012 | 2,235,174 | 1,388,609 | 6,286 | - | - | 17,168,081 |
| Accumulated impairment loss | | | | | | | | | |
| At beginning /end of year | - | - | 8,500 | - | - | - | 8,217,492 | - | 8,225,992 |
| Net book value | 7,400,000 | 10,620,000 | 795,625 | 44,450 | 90,990 | 86,500 | 10,000 | 2,914,100 | 21,961,665 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| | <-----At valuation -----> | | <----- At cost -----> | Total RM |
|---------------------------------|---------------------------|----------------------------|---|------------------|
| | Freehold land RM | Freehold building RM | Office equipment, motor vehicle, furniture and fittings RM | |
| Company 2016 | | | | |
| Cost/Valuation | | | | |
| At beginning of year | 5,000,000 | 3,000,000 | 1,433,746 | 9,433,746 |
| Additions | - | - | 9,530 | 9,530 |
| At end of year | 5,000,000 | 3,000,000 | 1,443,276 | 9,443,276 |
| Accumulated depreciation | | | | |
| At beginning of year | - | 300,000 | 1,415,341 | 1,715,341 |
| Charge for the year | - | 150,000 | 4,653 | 154,653 |
| At end of year | - | 450,000 | 1,419,994 | 1,869,994 |
| Net book value | 5,000,000 | 2,550,000 | 23,282 | 7,573,282 |
| Company 2015 | | | | |
| Cost/Valuation | | | | |
| At beginning of year | 5,000,000 | 3,000,000 | 1,425,271 | 9,425,271 |
| Additions | - | - | 8,475 | 8,475 |
| At end of year | 5,000,000 | 3,000,000 | 1,433,746 | 9,433,746 |
| Accumulated depreciation | | | | |
| At beginning of year | - | 150,000 | 1,397,838 | 1,547,838 |
| Charge for the year | - | 150,000 | 17,503 | 167,503 |
| At end of year | - | 300,000 | 1,415,341 | 1,715,341 |
| Net book value | 5,000,000 | 2,700,000 | 18,405 | 7,718,405 |

- a) The property, plant and equipment of a subsidiary company with a net carrying amount of RM15,295,541 (2015 : RM11,165,931) as at 31 December 2016 are subject to fixed and floating charges to secure a term loan facility for the subsidiary company as disclosed in Note 19.
- b) The freehold land and buildings of the Group and of the Company were last revalued by the directors on 31 December 2013 based on their open market values as ascertained through an independent valuation carried out by professional valuers on that date. No professional independent valuation has been carried out on these properties since then.

The Group uses the following level of fair value hierarchy for determining the fair values of the freehold land and buildings of the Group and of the Company :-

Level 1 : Quoted prices (unadjusted) in active markets for identical assets.

Level 2 : Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly or indirectly.

Level 3 : Inputs for the asset that are not based on observable market data.

The fair values of the freehold land and buildings of the Group and of the Company as at 31 December 2013 were RM20,300,000 and RM8,000,000 respectively and these fair values have been assessed by the directors to remain at approximately the same as at 31 December 2015 and 31 December 2016.

The fair values of the freehold land and buildings as at the end of the reporting period are determined in accordance with Level 2 of the fair value hierarchy. In the assessment of the fair values, the sales prices of comparable properties in the locality are adjusted for factors which affect values such as the size of the properties. The most significant input into this valuation is price per square foot.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

4. PROPERTY, PLANT AND EQUIPMENT (cont'd)

- c) Had the freehold land and buildings of the Group been carried under the cost model, the carrying amount as at 31 December 2016, would have been RM2,920,000 (2015 : RM2,920,000) and RM936,668 (2015 : RM1,118,575) respectively.

Had the freehold land and building of the Company been carried under the cost model, the carrying amount as at 31 December 2016, would have been RM2,120,000 (2015 : RM2,120,000) and RM866,717 (2015 : RM985,717) respectively.

- d) The titles to all freehold land of the Company and a subsidiary company with a total net carrying amount as at 31 December 2016 of RM7,400,000 (2015 : RM7,400,000) have yet to be registered in the name of the Company and the subsidiary company respectively as at the end of the reporting period. The transfers of these titles to the Company and the subsidiary company are in progress as at the date of this report.
- e) Property, plant and equipment of the Group and of the Company include the following assets acquired under hire purchase arrangements :-

| | Cost RM | Accumulated depreciation RM | Net book value RM | Current year depreciation RM |
|---------------------|------------|-----------------------------------|-------------------------|------------------------------------|
| Group 2016 | | | | |
| Motor vehicles | 213,611 | 213,609 | 2 | - |
| Group 2015 | | | | |
| Motor vehicles | 213,611 | 213,609 | 2 | 11,640 |
| Company 2016 | | | | |
| Motor vehicle | 174,613 | 174,612 | 1 | - |
| Company 2015 | | | | |
| Motor vehicle | 174,613 | 174,612 | 1 | 11,640 |

- f) The unused plant refers to a Woodwaste Fired Cogeneration System boiler plant acquired by a subsidiary company which has yet to be installed. The directors had reviewed the carrying amount of the asset for impairment given that there was no immediate plan for use of the asset and its limited potential for sale in the market. Based on their review, the directors had assessed the recoverable amount of the asset to be its scrap value of RM10,000. The scrap value was based on an indicative offer determined in accordance with Level 2 of the fair value hierarchy whereby the most significant input was the sale value per metric ton of scrap metal. Accordingly, the asset had been impaired to its estimated recoverable amount of RM10,000.

5. PREPAID LEASE PAYMENTS

| | GROUP | |
|---|----------------|----------------|
| | 2016 RM | 2015 RM |
| Cost | | |
| At beginning/end of year | 795,000 | 795,000 |
| Accumulated Amortisation | | |
| At beginning of year | 355,220 | 316,747 |
| Charge for the year | 38,472 | 38,473 |
| At end of year | 393,692 | 355,220 |
| Net carrying amount at end of year | 401,308 | 439,780 |

- a) Prepaid lease payments have been reclassified from property, plant and equipment as a result of the adoption of FRS 117, Leases in 2007. In accordance with the transitional provisions of FRS 117, the unamortised revalued amount of leasehold lands have been retained as the surrogate carrying amount of prepaid lease payments.
- b) The leasehold land are amortised on a straight line basis over the period of their respective lease term ranging from 12 to 27 years.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

6. SUBSIDIARY COMPANIES

| | COMPANY | |
|-------------------------------|------------------|------------------|
| | 2016 RM | 2015 RM |
| Unquoted shares, at cost | 19,873,553 | 19,873,550 |
| Accumulated impairment losses | (18,591,858) | (18,591,858) |
| | <u>1,281,695</u> | <u>1,281,692</u> |

a) Details of the subsidiary companies

Details of the subsidiary companies, all of which have their place of incorporation and principal place of business in Malaysia are as follows :-

| Name of Company | Equity Interest (%) | | Principal Activities |
|--|---------------------|--------|--|
| | 2016 | 2015 | |
| 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 (presently dormant) |
| 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 Biomass Products Sdn. Bhd. | 100.00 | 100.00 | Manufacturing and sale of wood pellets (yet to commence production) |
| BTM Gourmet Sdn. Bhd. | 100.00 | - | Quick service restaurants business (presently dormant) |
| BTM Open Road Auto Sdn. Bhd. | 50.00 | - | Intended to venture into motor vehicle dealership business (presently dormant) |

During the financial year, the Company had incorporated two new subsidiary companies namely BTM Gourmet Sdn. Bhd. and BTM Open Road Auto Sdn. Bhd., both with issued and paid-up share capital of RM2 comprising 2 ordinary shares of RM1.00 each. As at the end of the financial year, the Company's beneficial interest of 50% in BTM Open Road Auto Sdn. Bhd. represented by 1 ordinary share of RM1.00 was held in trust by a director on behalf of the Company. The shareholding structure in BTM Open Road Auto Sdn. Bhd. will be restructured to reflect the Company's equity interest of 51% as announced by the Company to Bursa Malaysia Securities Berhad on 24 November 2016.

b) Non-controlling interest in a subsidiary company

The Company's non-wholly owned subsidiary company, BTM Open Road Auto Sdn. Bhd. does not have non-controlling interest which is material to the Group as at the reporting date as it is presently dormant.

7. INVESTMENT IN CLUB MEMBERSHIP

| | GROUP/COMPANY | |
|--------------------------------------|---------------|------------|
| | 2016 RM | 2015 RM |
| Golf club membership, at cost | 40,000 | 40,000 |
| Less : Allowance for impairment loss | (40,000) | (40,000) |
| | <u>-</u> | <u>-</u> |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

8. INVENTORIES

| | GROUP | |
|---------------------------------|------------------|------------------|
| | 2016 RM | 2015 RM |
| At Cost | | |
| Logs and sawn timber | 1,150,453 | 1,364,459 |
| Manufactured products | 5,992,983 | 3,285,075 |
| Consumables stores | 395,701 | 337,879 |
| Others | 112 | 1,086 |
| | <u>7,539,249</u> | <u>4,988,499</u> |
| At net realisable value: | | |
| Logs and sawn timber | 16,315 | 16,624 |
| | <u>7,555,564</u> | <u>5,005,123</u> |

Inventories amounting to RM7,555,452 (2015 : RM5,004,037) have been pledged as securities to a licensed bank for a term loan facility granted to a subsidiary company.

9. TRADE RECEIVABLES

| | GROUP | |
|--------------------------------------|------------------|------------------|
| | 2016 RM | 2015 RM |
| Trade receivables | 1,354,938 | 1,927,898 |
| Less : Allowance for impairment loss | (10,028) | (31,258) |
| | <u>1,344,910</u> | <u>1,896,640</u> |

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

| | GROUP | |
|----------------------|------------------|------------------|
| | 2016 RM | 2015 RM |
| Ringgit Malaysia | 1,220,396 | 1,848,253 |
| United States Dollar | 134,542 | 79,645 |
| | <u>1,354,938</u> | <u>1,927,898</u> |

b) The ageing analysis of trade receivables as at end of the reporting period is as follows :-

| | GROUP | |
|--|------------------|------------------|
| | 2016 RM | 2015 RM |
| Past due 1 - 30 days | 25,609 | 3,873 |
| Past due 31 - 120 days | 3,293 | 101,615 |
| Past due more than 120 days | 847,322 | 1,315,723 |
| Balance past due but not impaired | 876,224 | 1,421,211 |
| Balance past due more than 120 days and impaired | 10,028 | 31,258 |
| Balance neither past due nor impaired | 468,686 | 475,429 |
| Total trade receivables | <u>1,354,938</u> | <u>1,927,898</u> |

The normal credit term of trade receivables is 30 days (2015 : 30 days).

Trade receivables that are not impaired are considered to be creditworthy and are able to settle their debts.

Trade receivables are individually determined to be impaired when they have defaulted on their settlements and are deemed to be unable to fulfill their obligations to settle.

The Group does not hold any collateral as security for the trade receivables as at the end of the reporting period.

During the financial year, the Group did not renegotiate the terms of any trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

9. TRADE RECEIVABLES (Cont'd)

- c) As at the end of the reporting period, the Group has significant concentration of credit risk arising from the exposure to the amounts owing by the related parties as disclosed in Note 31(c)(iii) to the financial statements. The total amount owing by related parties represents approximately 79% (2015 : 85%) of the total trade receivables. The amounts due and repayments from these related parties are closely monitored to ensure credit limits and terms are complied with.
- d) The movements of allowance for impairment loss during the year are as follows :-

| | GROUP | |
|--|------------|------------|
| | 2016 RM | 2015 RM |
| At beginning of year | 31,258 | 10,028 |
| Additional impairment loss recognised for the year | - | 21,230 |
| Bad debts written off during the year | (21,230) | - |
| At end of financial year | 10,028 | 31,258 |

10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Other receivables and deposits | 698,536 | 1,858,639 | 131,600 | 131,370 |
| Less : Allowance for impairment losses | (118,069) | (118,069) | (111,850) | (111,850) |
| | 580,467 | 1,740,570 | 19,750 | 19,520 |
| Prepayments | 150,867 | 77,357 | 8,206 | 7,040 |
| | 731,334 | 1,817,927 | 27,956 | 26,560 |

The movement of allowance for impairment loss during the financial year is as follows :-

| | GROUP | | COMPANY | |
|--------------------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| At beginning of year | 118,069 | 119,839 | 111,850 | 111,850 |
| Bad debt written off during the year | - | (1,770) | - | - |
| At end of year | 118,069 | 118,069 | 111,850 | 111,850 |

11. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies are interest-free, unsecured and are repayable on demand. The amount is stated net of impairment loss of RM13,846,313 (2015 : RM13,846,313).

12. FIXED DEPOSITS WITH LICENSED BANKS

The effective interest rates and maturity profile of the fixed deposits with licensed banks of the Group as at the end of the financial year range from 2.80% to 3.45% (2015 : 2.95% to 3.45%) per annum and 1 to 12 months (2015 : 1 to 12 months) respectively. In respect of the Company, the effective interest rates and maturity profile of the fixed deposits with licensed banks as at the end of the financial year is 2.80% (2015 : 2.95% to 3.00%) per annum and 1 month (2015 : 1 to 3 months) respectively.

Included in fixed deposits of the Group are deposits amounting to RM212,584 (2015 : RM205,775) in the name of a subsidiary company which are pledged to a licensed bank as securities for a term loan facility granted to the subsidiary company.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

13. SHARE CAPITAL

| | GROUP/COMPANY | | | |
|---|----------------|----------------|-------------|-------------|
| | 2016 Number | 2015 Number | 2016 RM | 2015 RM |
| Authorised :- | | | | |
| Ordinary shares of RM0.20 each | | | | |
| At beginning/end of year | 500,000,000 | 500,000,000 | 100,000,000 | 100,000,000 |
| Issued and fully paid :- | | | | |
| Ordinary shares of RM0.20 each | | | | |
| At beginning of year | 125,302,588 | 122,202,588 | 25,060,517 | 24,440,517 |
| Issuance of new shares | | | | |
| from conversion of Warrants 2014/2024 (Note 17) | - | 3,100,000 | - | 620,000 |
| At end of year | 125,302,588 | 125,302,588 | 25,060,517 | 25,060,517 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

Warrants 2009/2019

These warrants which were issued as free detachable warrants together with a rights issue of ordinary shares in 2009 carry the entitlement, at any time from the issue date on 21 December 2009 up to the close of business at 5.00 p.m. in Malaysia on the maturity date of 20 December 2019 ("Exercise Period"), to subscribe for one new ordinary share of RM0.20 each in the Company at the exercise price of RM0.94 which shall be satisfied in cash. Any warrant not exercised during the Exercise Period will lapse and thereafter cease to be valid for any purpose.

Warrants 2009/2019 are constituted by the Deed Poll dated 16 November 2009.

The movements in the number of Warrants 2009/2019 that remained unexercised are as follows :-

| | GROUP/COMPANY | |
|--------------------------|----------------|----------------|
| | 2016 Number | 2015 Number |
| At beginning/end of year | 19,985,593 | 19,985,593 |

14. SHARE PREMIUM

| | GROUP/COMPANY | |
|--|---------------|------------|
| | 2016 RM | 2015 RM |
| At beginning of year | 424,700 | - |
| Transfer from warrant reserve (Note 17) | - | 424,700 |
| At end of year | 424,700 | 424,700 |

Share premium 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.

15. REVALUATION RESERVES

| | GROUP | | COMPANY | |
|--------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| At beginning/end of year | 16,377,545 | 16,377,545 | 4,198,896 | 4,198,896 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

16. CAPITAL RESERVES

| | GROUP | |
|--------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| At beginning/end of year | 531,845 | 531,845 |

The above represents net surplus on the revaluation of the Group's short term leasehold land in 2006, reclassified as capital reserve on transition to MFRS framework.

17. WARRANT RESERVE

| | GROUP/COMPANY | |
|---|---------------|------------|
| | 2016 RM | 2015 RM |
| At beginning of year | 4,039,766 | 4,464,466 |
| Transfer to share premium upon conversion of Warrants 2014/2024 (Note 14) | - | (424,700) |
| At end of year | 4,039,766 | 4,039,766 |

The warrant reserve represents the fair value allocated to the 32,587,346 free detachable Warrants 2014/2024 issued together with a rights issue of ordinary shares by the Company in 2014. The fair value allocated to each of the Warrants 2014/2024 as at their issuance date is RM0.137 which has been ascertained through an independent valuation performed by professional valuers using the Black-Scholes option pricing model. The fair value determined is in accordance with Level 2 of the fair value hierarchy as defined in Note 4(b) which is based on observable inputs including the Company's share prices and volatility of the share prices over a trading period and market risk free rate of return. The warrant reserve arising from the allocation of fair value to the warrants has been charged to share premium and accumulated losses.

The Warrants 2014/2024 carry the entitlement, at any time from the issue date on 24 October 2014 up to the close of business at 5.00 p.m. in Malaysia on the maturity date of 23 October 2024 ("Exercise Period"), to subscribe for one new ordinary share of RM0.20 each in the Company at the exercise price of RM0.20 which shall be satisfied in cash. Any warrant not exercised during the Exercise Period will lapse and thereafter cease to be valid for any purpose.

Warrants 2014/2024 are constituted by the Deed Poll dated 12 September 2014.

The movements in the number of Warrants 2014/2024 that remained unexercised are as follows :-

| | GROUP/COMPANY | |
|------------------------------------|----------------|----------------|
| | 2016 Number | 2015 Number |
| At beginning of year | 29,487,346 | 32,587,346 |
| Warrants converted during the year | - | (3,100,000) |
| At end of year | 29,487,346 | 29,487,346 |

18. RETIREMENT BENEFIT OBLIGATIONS

| | GROUP | | COMPANY | |
|---|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Present value of unfunded defined benefit obligations | 1,736,261 | 1,697,775 | 411,309 | 395,102 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

18. RETIREMENT BENEFIT OBLIGATIONS (Cont'd)

- a) Provision for employees' retirement benefit obligations was determined by an independent actuarial valuation using the Projected Unit Credit Actuarial Cost Method and was made to cover estimated obligations for payment of retirement benefits to employees. The valuation was performed as at 31 December 2016. 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 present value of unfunded defined benefit obligations during the year are as follows :-

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| At beginning of year | 1,697,775 | 1,478,148 | 395,102 | 354,929 |
| Defined benefit cost recognised in profit or loss [Note 18(b)] | 239,684 | 219,627 | 36,732 | 40,173 |
| Actuarial gain arising from remeasurements due to :- | | | | |
| - Changes in financial assumptions | (21,318) | - | (3,393) | - |
| - Experience adjustments | (179,880) | - | (17,132) | - |
| Actuarial gain recognised in other comprehensive income | (201,198) | - | (20,525) | - |
| At end of year | 1,736,261 | 1,697,775 | 411,309 | 395,102 |

- b) The amount of defined benefit cost recognised in profit or loss of the Group and of the Company can be analysed into the following components :-

| | GROUP | | COMPANY | |
|----------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Current service cost | 156,422 | 144,128 | 22,662 | 21,610 |
| Past service cost | 4,857 | - | - | - |
| Interest cost | 78,405 | 75,499 | 14,070 | 18,563 |
| | 239,684 | 219,627 | 36,732 | 40,173 |

- c) The significant actuarial assumptions used for determination of the present value of defined benefit obligations were as follows :-

| | GROUP | | COMPANY | |
|-----------------------|-----------|-----------|-----------|-----------|
| | 2016 % | 2015 % | 2016 % | 2015 % |
| Discount rate | 5.40 | 5.25 | 5.40 | 5.25 |
| Salary increment rate | 4.50 | 4.50 | 4.50 | 4.50 |

The discount rate is determined based on the values of AA rated corporate bond yields with 3 to 15 years of maturity.

- d) A sensitivity analysis of the effects of changes to the significant actuarial assumptions [as disclosed in Note 18(c)] on the defined benefit obligations as at the end of the year, with all other assumptions remain constant is as follows :-

| | GROUP | | COMPANY | |
|------------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Discount rate | | | | |
| 1% increase | (131,403) | (143,296) | (22,887) | (14,161) |
| 1% decrease | 153,276 | 143,296 | 24,886 | 14,161 |
| Salary increment rate | | | | |
| 1% increase | 144,143 | 188,966 | 22,789 | 23,073 |
| 1% decrease | (125,915) | (188,966) | (21,420) | (23,073) |

The sensitivity analysis presented above may not be representative of the actual change in defined benefit obligations as the change in assumptions unlikely would occur in isolation of one another as some of the assumptions may be correlated.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

19. TERM LOAN (SECURED)

| | GROUP | |
|--|------------|------------|
| | 2016 RM | 2015 RM |
| Amount due within one year (included under current liabilities) | 1,068,746 | 908,096 |
| Amount due more than one year (included under non-current liabilities) | 3,904,840 | 4,973,586 |
| Outstanding principal at year end | 4,973,586 | 5,881,682 |

The above term loan granted by Small Medium Enterprise Development Bank Malaysia Berhad to a subsidiary company resulted from the restructuring of two previous outstanding loans. The restructured term loan shall be repayable over 60 equal monthly instalments commencing after the formalisation of a Supplemental Facility Agreement executed with the lending bank which was stamped on 24 February 2016. The first monthly instalment payment for the restructured term loan commenced on 29 February 2016 based on a written advice from the bank on 25 February 2016.

During the year, outstanding interest of RM1,011,650 accrued on the restructured term loan due to delay in the formalisation of the supplemental facility agreement and included in other payables as at 31 December 2015 was waived as disclosed in Note 25.

The Group's term loan is secured by :-

- First fixed charge over land and buildings of a subsidiary company;
- A debenture creating first fixed and floating charges on all present and future assets of the subsidiary company;
- Unconditional and irrevocable corporate guarantee from the Company;
- Unconditional and irrevocable joint and several guarantee from a director and past directors of the subsidiary company; and
- Assignment of monies in sinking fund account in which an amount equivalent to five per cent from each export proceeds is to be deposited.

Interest charged on the term loan is at the rate of 8.85% (2015 : 8.85%) per annum.

20. HIRE PURCHASE CREDITORS

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Future minimum payments:- | | | | |
| Payable within one year | 22,908 | 26,921 | 22,908 | 24,817 |
| Payable more than one year | 28,529 | 51,437 | 28,529 | 51,437 |
| | 51,437 | 78,358 | 51,437 | 76,254 |
| Future finance charges | (2,701) | (6,089) | (2,701) | (5,575) |
| Present value | 48,736 | 72,269 | 48,736 | 70,679 |
| Payable within one year (included under current liabilities) | (21,065) | (23,533) | (21,065) | (21,943) |
| Payable more than one year (included under non-current liabilities) | 27,671 | 48,736 | 27,671 | 48,736 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

21. DEFERRED TAXATION

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| At beginning of year | 165,000 | 167,434 | 95,000 | 95,000 |
| Recognised in profit or loss (Note 26) | - | (2,434) | - | - |
| At end of year | 165,000 | 165,000 | 95,000 | 95,000 |

- a) The components and movements of deferred tax liabilities and assets recognised in the financial statements during the financial year are as follows:-

| | At beginning of year RM | Recognised in profit or loss RM | At end of year RM |
|--|----------------------------------|--|-------------------------|
| Group 2016 | | | |
| Deferred tax liabilities :- | | | |
| Revaluation of land and building | 2,541,986 | (137,027) | 2,404,959 |
| Accelerated capital allowances | 2,184 | 268 | 2,452 |
| | 2,544,170 | (136,759) | 2,407,411 |
| Deferred tax assets :- | | | |
| Excess of depreciation over capital allowances | (341,918) | 46,999 | (294,919) |
| Unutilised capital allowances | (1,165,834) | 692,007 | (473,827) |
| Unabsorbed tax losses | (871,418) | (602,247) | (1,473,665) |
| | (2,379,170) | 136,759 | (2,242,411) |
| | 165,000 | - | 165,000 |
| Group 2015 | | | |
| Deferred tax liabilities :- | | | |
| Revaluation of land and building | 2,661,867 | (119,881) | 2,541,986 |
| Accelerated capital allowances | 21,517 | (19,333) | 2,184 |
| | 2,683,384 | (139,214) | 2,544,170 |
| Deferred tax assets :- | | | |
| Excess of depreciation over capital allowances | - | (341,918) | (341,918) |
| Unutilised capital allowances | (1,381,474) | 215,640 | (1,165,834) |
| Unabsorbed tax losses | (1,134,476) | 263,058 | (871,418) |
| | (2,515,950) | 136,780 | (2,379,170) |
| | 167,434 | (2,434) | 165,000 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

21. DEFERRED TAXATION (cont'd)

| | At beginning of year RM | Recognised in profit or loss RM | At end of year RM |
|------------------------------------|----------------------------------|--|-------------------------|
| Company 2016 | | | |
| Deferred tax liabilities :- | | | |
| Revaluation of land and building | 506,428 | (7,440) | 498,988 |
| Accelerated capital allowances | 350 | 785 | 1,135 |
| | 506,778 | (6,655) | 500,123 |
| Deferred tax assets :- | | | |
| Unutilised capital allowances | (11,160) | (1,595) | (12,755) |
| Unabsorbed tax losses | (400,618) | 8,250 | (392,368) |
| | (411,778) | 6,655 | (405,123) |
| | 95,000 | - | 95,000 |
| Company 2015 | | | |
| Deferred tax liabilities :- | | | |
| Revaluation of land and building | 513,867 | (7,439) | 506,428 |
| Accelerated capital allowances | 639 | (289) | 350 |
| | 514,506 | (7,728) | 506,778 |
| Deferred tax assets :- | | | |
| Unutilised capital allowances | (11,518) | 358 | (11,160) |
| Unabsorbed tax losses | (407,988) | 7,370 | (400,618) |
| | (419,506) | 7,728 | (411,778) |
| | 95,000 | - | 95,000 |

- b) Deferred tax assets have not been recognised in respect of the following items which are available for set-off against future taxable profit :-

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Other deductible temporary differences | 1,736,273 | 1,697,775 | 411,309 | 395,102 |
| Unutilised capital allowances | 23,737 | 13,109 | - | - |
| Unabsorbed tax losses | 33,012,068 | 34,308,173 | 2,076,793 | 1,433,063 |
| Unutilised reinvestment allowances | 3,393,000 | 3,393,000 | - | - |
| | 38,165,078 | 39,412,057 | 2,488,102 | 1,828,165 |

22. TRADE PAYABLES

The normal credit terms for trade payables range from 30 days to 90 days (2015 : 30 days to 90 days). Trade payables are denominated in Ringgit Malaysia.

23. AMOUNT DUE TO DIRECTORS

The amount due to directors are unsecured, interest free and are repayable on demand. Repayment is expected to be in cash.

24. REVENUE

Revenue of the Company relates to management fees and rental income. Revenue of the Group represents revenue from the sale of timber products at invoiced value net of returns and discounts and rental income. All intra-group transactions have been eliminated in arriving at the revenue of the Group.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

25. PROFIT/(LOSS) BEFORE TAXATION

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| This is stated after charging :- | | | | |
| Auditors' remuneration | | | | |
| - statutory audit | | | | |
| current year | 63,000 | 57,200 | 23,000 | 23,000 |
| underprovision in prior year | 2,300 | - | - | - |
| - other services | 4,500 | 4,500 | 4,500 | 4,500 |
| Amortisation of prepaid lease payments | 38,472 | 38,473 | - | - |
| Allowance for impairment loss on trade receivables | - | 21,230 | - | - |
| Bad debts written off | 111 | - | - | - |
| Interest expense :- | | | | |
| - hire purchase | 3,387 | 5,202 | 2,873 | 3,902 |
| - bank overdraft | - | 5 | - | - |
| - term loans | 463,673 | 505,825 | - | - |
| - others | 1,905 | 49,614 | - | - |
| Depreciation | 861,096 | 877,666 | 154,653 | 167,503 |
| Defined benefit obligations | 239,684 | 219,627 | 36,732 | 40,173 |
| Directors' fees | 120,000 | 120,000 | 120,000 | 120,000 |
| Executive directors' salaries, bonuses and other emoluments | | | | |
| - directors of the Company | 640,224 | 631,144 | 462,112 | 457,432 |
| Property, plant and equipment written off | 1 | - | - | - |
| Rental of plant equipment | 16,972 | - | - | - |
| Rental of premises | | | | |
| - belonging to a director | 48,960 | 48,960 | 48,960 | 48,960 |
| And crediting :- | | | | |
| Rental income | 252,444 | 333,844 | 156,444 | 176,844 |
| Interest income | 167,851 | 272,393 | 98,532 | 257,916 |
| Forfeiture income | - | 420,000 | - | - |
| Waiver of interest on term loan (Note 19) | 1,011,650 | - | - | - |
| Gain on disposal of property, plant and equipment | 66,199 | 35,327 | - | - |
| Management fees | | | | |
| - subsidiary companies | - | - | 240,000 | 240,000 |
| Employee information :- | | | | |
| Employee benefits expense | 4,834,221 | 4,542,384 | 845,178 | 812,597 |

Included in the employee benefits expense are contributions made to the Employees Provident Fund of directors and employees of the Group and of the Company amounting to RM304,935 and RM71,280 (2015 : RM310,623 and RM70,224) respectively.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

26. TAXATION

| | GROUP | | COMPANY | |
|---|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Current Malaysian taxation | 1,900 | 3,600 | - | - |
| Over provision in prior year | (1,675) | (1,745) | - | - |
| Transfer from deferred taxation (Note 21) | - | (2,434) | - | - |
| | 225 | (579) | - | - |

- a) The statutory income tax rate attributable to the Group and the Company is 24% (2015 : 25%).
- b) Reconciliations of tax expense/(income) applicable to profit/(loss) before taxation at the statutory tax rate to the tax expense/(income) at the effective tax rate of the Group and the Company are as follows:-

| | GROUP | | COMPANY | |
|---|------------|-------------|-------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Profit/(Loss) before taxation | 404,372 | (2,632,923) | (1,000,692) | (864,859) |
| Taxation at the rate of 24% (2015 : 25%) | 97,049 | (658,231) | (240,166) | (216,215) |
| Tax effects of expenses not deductible for tax purposes | 157,451 | 181,752 | 64,953 | 72,150 |
| Tax effects of income not subject to tax | (12,973) | (105,000) | - | - |
| Overprovision of taxation in prior year | (1,675) | (1,745) | - | - |
| Overprovision of deferred taxation in prior year | - | (2,434) | - | - |
| Deferred tax assets not recognised for the year | 351,394 | 617,000 | 175,213 | 144,065 |
| Realisation of deferred tax assets not recognised in prior year | (591,021) | (31,921) | - | - |
| | 225 | (579) | - | - |

- c) The following are estimated unutilised capital and reinvestment allowances and unabsorbed tax losses which subject to agreement with the Inland Revenue Board, are available for set-off against future taxable income :-

| | GROUP | | COMPANY | |
|------------------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Unutilised reinvestment allowances | 3,393,000 | 3,393,000 | - | - |
| Unutilised capital allowances | 1,998,066 | 4,870,748 | 53,147 | 46,498 |
| Unabsorbed tax losses | 39,146,035 | 37,535,818 | 3,711,660 | 3,102,308 |
| | 44,537,101 | 45,799,566 | 3,764,807 | 3,148,806 |

- d) The Group's tax savings arising from the utilisation of brought forward unabsorbed tax losses for set-off against the current year's taxable income amounted to approximately RM13,356 (2015 : Nil).

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

27. EARNINGS/(LOSS) PER SHARE

a) Basic

The basic earnings/(loss) per share attributable to owners of the Company is calculated based on the Group's profit for the year attributable to owners of the Company of RM405,547 (2015 : loss for the year RM2,632,344) divided by the weighted average number of ordinary shares in issue during the financial year of 125,302,588 (2015 : 123,517,109).

b) Diluted

For the purpose of calculating diluted earnings per share, the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the financial year have been adjusted for the dilutive effects of all potential ordinary shares arising from the assumed exercise of the Warrants 2014/2024.

| | GROUP | |
|---|-------------|------------|
| | 2016 RM | 2015 RM |
| Profit attributable to owners of the Company (profit used to determine diluted earnings per share) | 405,547 | N/A |
| Weighted average number of ordinary shares in issue | 125,302,588 | N/A |
| Effect of dilution from assumed exercise of Warrants 2014/2024 | 6,084,690 | N/A |
| Adjusted weighted average number of ordinary shares in issue | 131,387,278 | N/A |
| Diluted earnings per share (sen) | 0.31 | N/A |

Warrants 2009/2019 are not considered in the computation of diluted earnings per share for the current year as their exercise price exceeded the weighted average share price during the period and hence, have no dilutive effect on earnings per share.

The effect on the previous year's loss per share of the assumed exercise of the Warrants is anti-dilutive and hence, the diluted loss per share for the previous financial year has not been presented.

28. CASH AND CASH EQUIVALENTS AT END OF YEAR

| | GROUP | | COMPANY | |
|------------------------------------|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Cash and bank balances | 1,261,493 | 614,553 | 40,695 | 41,289 |
| Fixed deposits with licensed banks | 1,516,650 | 7,658,449 | 1,062,720 | 7,219,395 |
| | 2,778,143 | 8,273,002 | 1,103,415 | 7,260,684 |

As disclosed in Note 12, fixed deposits amounting to RM212,584 (2015 : RM205,775) in the name of a subsidiary company have been pledged to a licensed bank as securities for a term loan facility granted to the subsidiary company and hence, are not available for general use.

29. CAPITAL COMMITMENTS

| | GROUP | |
|----------------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Authorised and contracted for :- | | |
| Purchase of plant and machinery | 280,769 | 4,186,811 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

30. CONTINGENT LIABILITIES

| | GROUP | |
|--------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Bank guarantee - secured | 100,000 | 100,000 |

| | Company | | | |
|---|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | 2016 | | 2015 | |
| | Limit of facility RM | Outstanding amount RM | Limit of facility RM | Outstanding amount RM |
| Corporate guarantee given to a bank for a term loan facility granted to a subsidiary company | 5,881,682 | 4,973,586 | 5,881,682 | 5,881,682 |

31. 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.

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

Transactions between the Company and its subsidiary companies during the financial year are as follows :-

| | COMPANY | |
|---|------------|------------|
| | 2016 RM | 2015 RM |
| Management fees charged to subsidiary companies | 240,000 | 240,000 |

The year-end outstanding balances with the subsidiary companies are as disclosed in the statement of financial position of the Company and their terms and conditions are as disclosed in Note 11 to the financial statements.

b) **Transaction with a director, Dato' Seri Yong Tu Sang**

Transaction between the Company and its director, Dato' Seri Yong Tu Sang during the financial year is as follows :-

| | GROUP/COMPANY | |
|---|---------------|------------|
| | 2016 RM | 2015 RM |
| Rental of premises payable to Dato' Seri Yong Tu Sang | 48,960 | 48,960 |

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

i) Related party relationships exist between the Group and the undermentioned companies in which a director of the Company and certain family members of the director have substantial financial interest :-

- | | |
|---------------------------------------|--|
| (i) Gimzan Plywood Sdn. Bhd. | (vi) Oversea Timber Supplies Sdn. Bhd. |
| (ii) Seri Indah Enterprise Sdn. Bhd. | (vii) Syarikat Zamry Sawmill Sdn. Bhd. |
| (iii) BTM Timber Industries Sdn. Bhd. | (viii) Samas Limited |
| (iv) SPPT Development Sdn. Bhd. | (ix) Seri Indah Resort Sdn. Bhd. |
| (v) Sung Lee Timber Trading Sdn. Bhd. | |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

31. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)**c) Transactions and year-end outstanding balances with other related parties (cont'd)**

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

| | GROUP | |
|---|--------------|-------------|
| | 2016 | 2015 |
| | RM | RM |
| Income | | |
| Sales of logs, sawn and moulding timber | | |
| BTM Timber Industries Sdn. Bhd. | - | 8,709 |
| Oversea Timber Supplies Sdn. Bhd. | 1,584,840 | 261,162 |
| Seri Indah Resort Sdn. Bhd. | 364 | - |
| Sales of lamination and board timber | | |
| Oversea Timber Supplies Sdn. Bhd. | 4,948,723 | 2,933,657 |
| Services | | |
| BTM Timber Industries Sdn. Bhd. | 15,504 | 20,090 |
| Oversea Timber Supplies Sdn. Bhd. | 127,636 | 139,455 |
| Disposal of property, plant and equipment | | |
| BTM Timber Industries Sdn. Bhd. | - | 15,000 |
| Others | | |
| Gimzan Plywood Sdn. Bhd. | 1,807 | - |
| Expenditure | | |
| Purchases of logs and sawn timber | | |
| BTM Timber Industries Sdn. Bhd. | 2,099,510 | 1,315,801 |
| Oversea Timber Supplies Sdn. Bhd. | 711,958 | 646,201 |
| Purchases of veneer | | |
| Gimzan Plywood Sdn. Bhd. | 279,720 | - |
| Services | | |
| Seri Indah Enterprise Sdn. Bhd. | 120,538 | 142,569 |
| BTM Timber Industries Sdn. Bhd. | 44,643 | 109,144 |
| Others | | |
| Seri Indah Resort Sdn. Bhd. | 139 | 510 |
| BTM Timber Industries Sdn. Bhd. | - | 13,585 |

iii) Amounts due from/(to) other related parties at year end included in the statement of financial position are as follows :-

| | GROUP | |
|-----------------------------------|--------------|-------------|
| | 2016 | 2015 |
| | RM | RM |
| Included in trade receivables :- | | |
| Gimzan Plywood Sdn. Bhd. | 839,259 | 1,295,573 |
| Oversea Timber Supplies Sdn. Bhd. | 227,074 | 332,548 |
| Sung Lee Timber Trading Sdn. Bhd. | 3,815 | 3,815 |
| Included in other receivables :- | | |
| Gimzan Plywood Sdn. Bhd. | 87,265 | 18,997 |
| Included in trade payables :- | | |
| Sung Lee Timber Trading Sdn. Bhd. | 32,010 | 32,010 |
| BTM Timber Industries Sdn. Bhd. | 489,445 | 497,889 |
| Included in other payables :- | | |
| BTM Timber Industries Sdn. Bhd. | 8,665 | - |
| Gimzan Plywood Sdn. Bhd. | 61,152 | - |
| Seri Indah Enterprise Sdn. Bhd. | 5,988 | 18,102 |

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

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

31. RELATED PARTY TRANSACTIONS AND BALANCES (cont'd)

d) Key management personnel compensation

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

| | GROUP | | COMPANY | |
|--|------------|------------|------------|------------|
| | 2016 RM | 2015 RM | 2016 RM | 2015 RM |
| Short-term benefits | 888,200 | 870,950 | 720,600 | 706,850 |
| Post-employment benefits | | | | |
| - Contribution to Employees Provident Fund | 79,920 | 78,120 | 69,408 | 68,508 |
| | 968,120 | 949,070 | 790,008 | 775,358 |

32. SEGMENT INFORMATION

a) Operating Segment

The Group activities are conducted within a single industry segment comprising the logging, sawmilling, trading in sawn timbers, plywood and logs, timber moulding and manufacturing of finger-jointed timber and its operations are located wholly in Malaysia. As such, the operating revenue and results of this segment is reflected in the Group's statement of profit or loss and other comprehensive income. The segment assets and liabilities are as presented in the Group's statement of financial position.

b) Geographical Information

Revenue and non-current assets information in respect of the Group based on the geographical location of customers and non-current assets respectively are as follows:-

| | 2016 | | 2015 | |
|--------------|---------------|-----------------------------|---------------|-----------------------------|
| | Revenue RM | Non-current assets RM | Revenue RM | Non-current assets RM |
| Malaysia | 11,169,462 | 27,511,900 | 5,309,015 | 22,401,445 |
| Australia | 3,313,035 | - | 5,619,350 | - |
| Korea | 1,148,287 | - | 493,433 | - |
| South Africa | - | - | 67,872 | - |
| China | - | - | 62,820 | - |
| Philippines | 308,573 | - | - | - |
| | 15,939,357 | 27,511,900 | 11,552,490 | 22,401,445 |

c) Major Customers

Revenue from transactions with major customers who individually accounted for 10 percent or more of Group's revenue are summarised below :-

| | REVENUE | |
|------------|------------|------------|
| | 2016 RM | 2015 RM |
| Customer A | 6,273,923 | 3,042,354 |
| Customer B | - | 1,382,426 |
| Customer C | - | 2,493,623 |
| Customer D | 2,488,271 | 1,313,767 |
| Customer E | 2,103,244 | - |

33. FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

Financial assets of the Group include fixed deposits, cash and bank balances and trade and other receivables. In respect of the Company, financial assets include amount due from subsidiary companies.

Financial liabilities of the Group include trade and other payables and bank borrowings.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

33. FINANCIAL INSTRUMENTS (cont'd)**a) Categories of Financial Instruments**

The financial instruments of the Group and of the Company are categorised as follows :-

2016 Financial Assets as per Statements of Financial Position

| | GROUP | | COMPANY | |
|--------------------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | Carrying amount RM | Loans and receivables RM | Carrying amount RM | Loans and receivables RM |
| Trade receivables | 1,344,910 | 1,344,910 | - | - |
| Other receivables and deposits | 580,467 | 580,467 | 19,750 | 19,750 |
| Amount due from subsidiary companies | - | - | 20,816,781 | 20,816,781 |
| Fixed deposits with licensed banks | 1,516,650 | 1,516,650 | 1,062,720 | 1,062,720 |
| Cash and bank balances | 1,261,493 | 1,261,493 | 40,695 | 40,695 |
| | 4,703,520 | 4,703,520 | 21,939,946 | 21,939,946 |

2016 Financial Liabilities as per Statements of Financial Position

| | GROUP | | COMPANY | |
|-----------------------------|-----------------------|--|-----------------------|--|
| | Carrying amount RM | Other financial liabilities measured at amortised cost RM | Carrying amount RM | Other financial liabilities measured at amortised cost RM |
| Trade payables | 1,793,501 | 1,793,501 | - | - |
| Other payables and accruals | 1,704,274 | 1,704,274 | 194,806 | 194,806 |
| Amount due to directors | 3,098,125 | 3,098,125 | 1,748,125 | 1,748,125 |
| Term loan | 4,973,586 | 4,973,586 | - | - |
| Hire purchase creditors | 48,736 | 48,736 | 48,736 | 48,736 |
| | 11,618,222 | 11,618,222 | 1,991,667 | 1,991,667 |

2015 Financial Assets as per Statements of Financial Position

| | GROUP | | COMPANY | |
|--------------------------------------|-----------------------|-----------------------------|-----------------------|-----------------------------|
| | Carrying amount RM | Loans and receivables RM | Carrying amount RM | Loans and receivables RM |
| Trade receivables | 1,896,640 | 1,896,640 | - | - |
| Other receivables and deposits | 1,740,570 | 1,740,570 | 19,520 | 19,520 |
| Amount due from subsidiary companies | - | - | 14,712,711 | 14,712,711 |
| Fixed deposits with licensed banks | 7,658,449 | 7,658,449 | 7,219,395 | 7,219,395 |
| Cash and bank balances | 614,553 | 614,553 | 41,289 | 41,289 |
| | 11,910,212 | 11,910,212 | 21,992,915 | 21,992,915 |

2015 Financial Liabilities as per Statements of Financial Position

| | GROUP | | COMPANY | |
|-----------------------------|-----------------------|--|-----------------------|--|
| | Carrying amount RM | Other financial liabilities measured at amortised cost RM | Carrying amount RM | Other financial liabilities measured at amortised cost RM |
| Trade payables | 1,355,960 | 1,355,960 | - | - |
| Other payables and accruals | 2,854,849 | 2,854,849 | 167,847 | 167,847 |
| Amount due to directors | 1,496,104 | 1,496,104 | 986,104 | 986,104 |
| Term loan | 5,881,682 | 5,881,682 | - | - |
| Hire purchase creditors | 72,269 | 72,269 | 70,679 | 70,679 |
| | 11,660,864 | 11,660,864 | 1,224,630 | 1,224,630 |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

33. FINANCIAL INSTRUMENTS (cont'd)

b) Financial Risk Management

The Group's activities expose it to certain financial risks, including currency risk, interest rate risk, credit risk, market 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.

i) Credit Risk

Credit risk is the risk of financial loss attributable to default on obligations by parties contracting with the Group. The Group's main exposure to credit risk is in respect of its trade receivables.

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

Analysis of the ageing of the Group's trade receivables as at the end of the reporting period that are past due but not impaired are disclosed in Note 9(b).

The Group's maximum exposure to credit risk at the end of the reporting period is represented by the carrying amount of the financial assets recognised in the statement of financial position.

None of the Group's financial assets are secured by collateral or other credit enhancements.

The Group's management considers that all the financial assets of the Group that are neither past due nor impaired at the end of the reporting period are of good credit quality. The credit risk for deposits, cash and bank balances is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

ii) Currency 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.

The Group monitors the risk arising from foreign exchange exposure from time to time and will formulate appropriate strategies should the risk become material. The Group does not speculate in foreign currency derivatives.

The Group's foreign currency exposure profile of trade receivables has been disclosed under Note 9(a) to the financial statements.

Currency risk sensitivity analysis

A 10 percent strengthening or weakening of the foreign currencies against the RM at the end of the reporting period would have increased or decreased respectively the profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

| | GROUP | |
|----------------------|------------|------------|
| | 2016 RM | 2015 RM |
| United States Dollar | 13,454 | 7,964 |

iii) Interest Rate Risk

The Group has interest rate risk in respect of its deposits with licensed banks and bank borrowings.

The Group's term loan is subject to interest based on floating rate while its deposits with licensed banks and hire purchase financing are subject to interest based on fixed rates.

Market interest rates movements are monitored with a view to ensuring that the most competitive rates are secured and where appropriate interest bearing instruments and borrowings arrangements are restructured or reduced.

Interest rate risk sensitivity analysis

The Group's profit or loss and equity are sensitive to the change in the market interest rate as at the end of the reporting period due to its floating rate term loan. An increase in the market interest rate would have unfavourable effects on the profit or loss and equity of the Group. A reasonably possible increase of 50 basis points in the market interest rate as at the end of the reporting period would reduce the Group's profit or loss for the year then ended and equity of the Group as at that date by RM24,868 (2015 : RM29,408). This sensitivity analysis assumes that all other risk variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

33. FINANCIAL INSTRUMENTS (cont'd)**b) Financial Risk Management (cont'd)****iv) Market Risk**

Market risk is the risk that the value of the financial instruments will fluctuate due to changes in market prices.

The Group's main market risk exposure is in respect of currency and interest rates fluctuations and which are discussed under the respective risk headings.

v) Liquidity and Cash Flow Risk

Liquidity or funding risk is the risk of the inability to meet commitments associated with financial instruments while cash flow risk is the risk of uncertainty of future cash flow amount associated with a monetary financial instrument.

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.

Maturity analysis

The maturity profile of the Group's and the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments are as follows:-

| | <----- Maturity Profile -----> | | | | |
|-----------------------------|--------------------------------|---|-------------------------------|-------------|------------------------------------|
| | Less than one year RM | More than one year and less than five years RM | More than five years RM | Total RM | Effective interest rate % |
| Group 2016 | | | | | |
| Trade payables | 1,793,501 | - | - | 1,793,501 | - |
| Other payables and accruals | 1,704,274 | - | - | 1,704,274 | - |
| Term loan | 1,496,475 | 4,614,130 | - | 6,110,605 | 8.85 |
| Hire purchase creditors | 22,908 | 28,529 | - | 51,437 | 5.24 |
| Amount due to directors | 3,098,125 | - | - | 3,098,125 | - |
| Group 2015 | | | | | |
| Trade payables | 1,355,960 | - | - | 1,355,960 | - |
| Other payables and accruals | 2,854,849 | - | - | 2,854,849 | - |
| Term loan | 1,371,768 | 6,110,606 | - | 7,482,374 | 8.85 |
| Hire purchase creditors | 26,921 | 51,437 | - | 78,358 | 5.24 - 6.87 |
| Amount due to directors | 1,496,104 | - | - | 1,496,104 | - |
| Company 2016 | | | | | |
| Other payables and accruals | 194,806 | - | - | 194,806 | - |
| Hire purchase creditor | 22,908 | 28,529 | - | 51,437 | 5.24 |
| Amount due to directors | 1,748,125 | - | - | 1,748,125 | - |
| Company 2015 | | | | | |
| Other payables and accruals | 167,847 | - | - | 167,847 | - |
| Hire purchase creditor | 24,817 | 51,437 | - | 76,254 | 5.24 |
| Amount due to director | 986,104 | - | - | 986,104 | - |

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

33. FINANCIAL INSTRUMENTS (cont'd)

c) Fair Value of Financial Instruments

- i) The carrying amounts of fixed deposits, cash and bank balances, trade and other receivables and trade and other payables approximate their fair values due to the relatively short term nature of these financial instruments.
- ii) The carrying amount of balances with subsidiary companies approximate their fair values due to their repayable on demand settlement terms.
- iii) The fair value of long term loan approximate its carrying amount because it attracts a floating rate of interest.
- iv) The fair values of hire purchase creditors approximate their carrying amounts.

34. CAPITAL MANAGEMENT

The main objective in managing capital is to maintain an optimal capital structure and to safeguard the Group's ability to continue as a going concern so as to maintain market confidence and sustain future business development. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions.

The Group monitors capital using debt to equity ratio, which is total borrowings divided by total equity. The debt-to-equity ratios at 31 December 2016 and at 31 December 2015 were as follows:-

| | GROUP | |
|----------------------------|------------|------------|
| | 2016 RM | 2015 RM |
| Total borrowings (Note 19) | 4,973,586 | 5,881,682 |
| Total equity | 26,401,867 | 25,795,122 |
| Debt-to-equity ratio | 0.19 | 0.23 |

There were no changes in the Group's approach to capital management during the financial year.

Under the requirement of Bursa Malaysia Securities Berhad's Practice Note 17, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the 25% of the issued and paid-up capital (excluding treasury shares) if such shareholders' equity is less than RM40 million. The Group has complied with this requirement.

35. SIGNIFICANT EVENT DURING THE YEAR

On 22 April 2016, the Company announced that its wholly owned subsidiary company, BTM Marketing & Trading Sdn Bhd ("BTMMT") has entered into a Shares Sale Agreement ("SSA") with Rozana Binti Hussin ("the Vendor") for the acquisition of 60 ordinary shares of RM1.00 each representing 60% of the total issued and paid-up share capital of Zulikha Murni Sdn Bhd ("ZMSB") from the Vendor for a total cash consideration of RM800,000.00. ZMSB will be involved in telecommunication towers business through the project known as "Pembinaan Menara Pintar - Projek Monopoles SWIFT (Security Wifi Integrated Federal Tower Community Hub)" on at least 300 plots of land measuring 3,000 square feet on each plot by way of Temporary Occupation Licences ("TOL") within Daerah Petaling granted by the Selangor State Government for an initial term of at least 21 years. As at the reporting date, the SSA is not completed pending the issuance of the TOL land.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

36. SIGNIFICANT SUBSEQUENT EVENT

On 17 April 2017, the Company announced that it has on 14 April 2017 entered into a Memorandum of Understanding ("MOU") with China Western Power International Pte Ltd ("China Western Power") and Sichuan No. 2 Electric Power Construction Company ("Sichuan Power") which set out the parties' intentions to set up a Municipal Waste to Energy Plant ("WtE Plant") with a capacity of not less than 1,000 tons/day in the State of Malacca, Malaysia (hereinafter referred to as "the Power Generation Project"), subject to approval of the relevant authorities.

China Western Power is a company incorporated in Singapore while Sichuan Power is a company incorporated in Sichuan, The People's Republic of China.

Under the MOU, the parties shall jointly invest in securing the Power Generation Project via a Special Purpose Vehicle ("SPV") to be established by the parties or their respective related companies. The present estimated total investment for the Power Generation Project is RM435 million for a WtE Plant.

The Company's obligation is to secure a waste disposal concession of not less than 25 years from the Government of Malacca and suitable tipping fee and power purchase agreement. In addition, the Company is also required to identify, propose and procure a suitable site for the WtE Plant.

The obligations of China Western Power and Sichuan Power are to procure the entire funding cost for the engineering, procurement, construction and commissioning of the Power Generation Project and also all technology development cost related to the project.

NOTES TO THE FINANCIAL STATEMENTS

(cont'd)

At 31 December 2016

37. SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD'S LISTING REQUIREMENTS

Realised and Unrealised Profits/(Loss)

The breakdown of accumulated losses of the Group and of the Company as at the end of the reporting period, into realised and unrealised loss, pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

| | 2016 RM | 2015 RM |
|---|--------------|--------------|
| Group | | |
| Total accumulated losses of BTM Resources Berhad and its subsidiaries : | | |
| - Realised | (58,624,207) | (59,230,952) |
| - Unrealised | (1,685,601) | (1,685,601) |
| | (60,309,808) | (60,916,553) |
| Add: Consolidation adjustments | 40,277,302 | 40,277,302 |
| Accumulated losses as per financial statements | (20,032,506) | (20,639,251) |
| Company | | |
| Total accumulated losses of BTM Resources Berhad | | |
| - Realised | (3,733,125) | (2,752,958) |
| - Unrealised | (1,685,601) | (1,685,601) |
| Accumulated losses as per financial statements | (5,418,726) | (4,438,559) |

The determination of realised and unrealised profits/(losses) is based on the Guidance of Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BTM RESOURCES BERHAD (Incorporated in Malaysia)

Report on The Audit of The Financial Statements

We have audited the financial statements of BTM RESOURCES BERHAD, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 34 to 76.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

1. Valuation of inventories

Refer to Notes 2.13 and 8 to the financial statements.

The Group held significant balance of inventories with carrying value of RM7,555,564 as at 31 December 2016. The inventories are valued at the lower of cost and net realisable value. The risk of a decline in the net realisable value of the inventories below cost due to obsolescence or declining market demand and any significant error in application of the costing methodology for the inventories may have a material impact on the carrying value of inventories, which will affect the financial results of the Group.

Our audit approach to address the key audit matters

Our audit approach included the following:

- Attended inventory counts performed by the management to determine the existence of inventories and assessed their completeness through tests for proper cut-off.
- Reviewed the management's costing methodology and performed re-computation of the costing of selected sample of inventories to determine the accuracy of the valuation of inventories.
- Reviewed the listing of inventories and made appropriate inquiries of the management to identify any obsolete or slow moving inventories which required evaluation for write-down to their net realisable values.
- Assessed the management's basis in analysing and determining inventory obsolescence and conclude on the adequacy of the amount of write-down of inventories recognised in the financial statements.
- Assessed the net realisable values of major categories of inventories by checking selected samples to sales made subsequent to year end.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BTM RESOURCES BERHAD (Incorporated in Malaysia) (cont'd)

Key audit matters

2. Impairment of trade receivables

Refer to Notes 3(b)(ii), 9, 31(c)(iii) and 33(b)(i) to the financial statements.

The carrying amount of trade receivables of the Group, net of allowance for impairment loss, amounted to RM1,344,910 as at 31 December 2016. A significant portion of approximately 79% of the gross amount of trade receivables comprised balances due from related parties. Balance of trade receivables that were past due but not impaired amounted to RM876,224. Significant judgement by management based on pertinent information regarding customers' creditworthiness and ability to settle debts is required in estimating the impairment loss on trade receivables.

Our audit approach to address the key audit matters

Our audit approach included the following:

- Assessed the recoverability of past due debts, in particular those of related parties, which were not impaired taking cognizance of the age of debts, payment trends and any past occurrence of bad debts from the customers.
- Performed inquiries of the management regarding actions taken to recover overdue debts and mitigate exposure to bad debts.
- Verified the balances by requesting and receiving confirmations on a sample basis including for related parties and those with past due debts, and checked subsequent receipts for these balances to the latest practicable date.

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BTM RESOURCES BERHAD (Incorporated in Malaysia) (cont'd)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also :-

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF BTM RESOURCES BERHAD (Incorporated in Malaysia) (cont'd)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following :-

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- b) We are satisfied that the financial statements of the subsidiaries 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 financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 37 on page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

FOLKS DFK & CO.

FIRM NO. : AF 0502

CHARTERED ACCOUNTANTS

NG ENG KIAT

NO : 01064/03/2019J

CHARTERED ACCOUNTANT

Kuala Lumpur

Date : 20 April 2017

ANALYSIS OF SHAREHOLDINGSAs at 31ST MARCH 2017

| | |
|-------------------------------|-------------------------------|
| Class of Share | : Ordinary share |
| Paid-up capital | : RM 25,060,517 |
| Total number of issued shares | : 125,302,588 ordinary shares |
| Voting Rights | : One vote per share |
| Number of Shareholders | : 1,268 |

ANALYSIS OF SHAREHOLDERS

| Range of Shareholdings | No. of Holders | % Over Total Shareholders | No. of Shares | % |
|-------------------------|----------------|---------------------------|--------------------|---------------|
| 1 - 99 | 11 | 0.87 | 296 | - |
| 100 - 1000 | 393 | 30.99 | 275,914 | 0.22 |
| 1,001 - 10,000 | 422 | 33.28 | 2,226,777 | 1.78 |
| 10,001 - 100,000 | 363 | 28.63 | 13,711,363 | 10.94 |
| 100,001 - 6,265,129 | 75 | 5.91 | 67,033,158 | 53.50 |
| 6,265,130 and above (*) | 4 | 0.32 | 42,055,080 | 33.56 |
| TOTAL | 1,268 | 100.00 | 125,302,588 | 100.00 |

Note:

* 5% of issued and paid-up Share Capital

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 31 MARCH 2017

| DIRECTORS | Direct | | Indirect | |
|--|---------------|------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Dato' Seri Yong Tu Sang | 12,339,081 | 9.85 | ⁽¹⁾ 27,814,399 | 22.20 |
| Yong Emmy | 12,096,000 | 9.65 | ⁽²⁾ 28,057,480 | 22.39 |
| Ng Ah Heng | 9,999,999 | 7.98 | ⁽³⁾ 30,153,481 | 24.06 |
| Tan Sri Datuk Seri Mohd Hussin Bin Abd Hamid | 7,620,000 | 6.08 | ⁽⁴⁾ 1,000,000 | 0.80 |

DIRECTORS AND THEIR SHAREHOLDINGS AS AT 31 MARCH 2017

| DIRECTORS | Direct | | Indirect | |
|---|---------------|------|---------------------------|-------|
| | No. of Shares | % | No. of Shares | % |
| Dato' Seri Yong Tu Sang | 12,339,081 | 9.85 | ⁽¹⁾ 27,814,399 | 22.20 |
| Yong Emmy | 12,096,000 | 9.65 | ⁽²⁾ 28,057,480 | 22.39 |
| Yong Ellen (Alternate to Yong Emmy) | 108,300 | 0.09 | ⁽⁵⁾ 40,045,180 | 31.96 |
| Yong Hin Siong | - | - | ⁽⁶⁾ 40,153,480 | 32.05 |
| Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman | - | - | - | - |
| Choong Show Tong | - | - | - | - |
| Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey | - | - | - | - |

Note :

- (1) Deemed interest by virtue of shares held by his spouse, children and son-in-law.
- (2) Deemed interest by virtue of share held by her parents, sister and brother-in-law.
- (3) Deemed interest by virtue of share held by her spouse, children and son-in-law.
- (4) Deemed interest by virtue of shares held by his child.
- (5) Deemed interest by virtue of shares held by her parents, sister and spouse.
- (6) Deemed interest by virtue of shares held by his parents, sisters and brother-in-law.

ANALYSIS OF SHAREHOLDINGS

(cont'd)
As at 31ST MARCH 2017

LIST OF THIRTY LARGEST SHAREHOLDERS:

| No | Name of Shareholders | No. of Shares Held | Percentage |
|-------|--|--------------------|------------|
| 1. | Dato' Seri Yong Tu Sang | 12,339,081 | 9.85 |
| 2. | Yong Emmy | 12,096,000 | 9.65 |
| 3. | Ng Ah Heng | 9,999,999 | 7.98 |
| 4. | RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Datuk Seri Mohd Hussin Bin Abd Hamid | 7,620,000 | 6.08 |
| 5. | Modern Mode Sdn Bhd | 6,220,957 | 4.96 |
| 6. | Confirmed Uptrend Sdn Bhd | 6,210,000 | 4.96 |
| 7. | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tham Kaam Siong | 6,020,400 | 4.80 |
| 8. | Tan Kha Luong | 5,610,100 | 4.48 |
| 9. | Saham Terbilang Sdn Bhd | 5,354,701 | 4.27 |
| 10. | Tambah Mulia Holdings Sdn Bhd | 5,009,000 | 4.00 |
| 11. | Yeo Keng Choong | 4,455,800 | 3.56 |
| 12. | Paling Masyhur Sdn Bhd | 4,348,000 | 3.47 |
| 13. | Lee Ying Ying | 3,471,100 | 2.77 |
| 14. | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Leng Kok Fun | 1,870,500 | 1.49 |
| 15. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tham Quek Ngok | 1,400,000 | 1.12 |
| 16. | Yeo Chai Poh | 1,227,400 | 0.98 |
| 17. | RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abdul Malik Bin Mohd Hussin | 1,000,000 | 0.80 |
| 18. | Lu Chin Poh | 810,000 | 0.65 |
| 19. | Leong Jit Kuan | 690,500 | 0.55 |
| 20. | Leong Tuck Wei | 681,600 | 0.54 |
| 21. | Chee Chin Seng | 500,000 | 0.40 |
| 22. | Tan Bee May | 476,100 | 0.38 |
| 23. | Tham Quek Ngok | 450,000 | 0.36 |
| 24. | Woo Chiew Loong | 450,000 | 0.36 |
| 25. | Zainul Abideen Bin Fazle Abbas | 440,000 | 0.35 |
| 26. | Wong Wai Hoe | 415,000 | 0.33 |
| 27. | TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Dato' Sri Yap Ngan Choy | 400,000 | 0.32 |
| 28. | Yau Suei Fong | 400,000 | 0.32 |
| 29. | Halim Bin Mohammad | 350,000 | 0.28 |
| 30. | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chua Koon Meng | 310,000 | 0.25 |
| Total | | 100,626,238 | 80.31 |

ANALYSIS OF WARRANT A HOLDINGSAs at 31ST MARCH 2017

Warrant A 2009/2019

No. of Warrants A 2009/2019 : 19,985,593

Class of Securities : Warrants A 2009/2019

ANALYSIS OF WARRANT A HOLDERS

| Size of Warrantholdings | No. of Warrant Holders | Percentage % | No. of Warrants | Percentage % |
|-------------------------|------------------------|--------------|-----------------|--------------|
| Less than 100 | 44 | 9.03 | 1,954 | 0.01 |
| 100 - 1,000 | 118 | 24.23 | 33,655 | 0.17 |
| 1,001 - 10,000 | 111 | 22.79 | 533,818 | 2.67 |
| 10,001 - 100,000 | 166 | 34.09 | 7,230,277 | 36.18 |
| 100,001 and below 5% | 47 | 9.65 | 11,185,889 | 55.97 |
| 5% and above | 1 | 0.21 | 1,000,000 | 5.00 |
| TOTAL | 487 | 100.00 | 19,985,593 | 100.00 |

DIRECTORS' WARRANT A HOLDINGS AS AT 31 MARCH 2017

| Name of Directors | Direct | | Indirect | |
|-------------------------|------------------|------|------------------------|------|
| | No. of Warrant A | % | No. of Warrant A | % |
| Yong Emmy | 146,359 | 0.73 | ⁽¹⁾ 106,280 | 0.53 |
| Yong Ellen | 214 | - | ⁽²⁾ 252,425 | 1.26 |
| Dato' Seri Yong Tu Sang | - | - | ⁽³⁾ 252,639 | 1.26 |
| Yong Hin Siong | - | - | ⁽⁴⁾ 252,639 | 1.26 |

*(1) Deemed interest by virtue of warrant held by her parents, sister and brother-in-law.**(2) Deemed interest by virtue of warrant held by her parents, sister, and spouse.**(3) Deemed interest by virtue of warrant held by his spouse, children and son-in-law**(4) Deemed interest by virtue of warrant held by his parents, sisters and brother-in-law***SUBSTANTIAL WARRANT A HOLDERS AS AT 31 MARCH 2017**

| Name of Warrant A Holders | Direct | | Indirect | |
|---------------------------|------------------|------|------------------|---|
| | No. of Warrant A | % | No. of Warrant A | % |
| Gan Ee Chorng | 1,000,000 | 5.00 | - | - |

ANALYSIS OF WARRANT A HOLDINGS

(cont'd)
As at 31ST MARCH 2017

LIST OF THIRTY LARGEST WARRANT A HOLDERS:

| No. | Name of Warrant A holders | No. of Warrant A Held | Percentage |
|-----|--|-----------------------|--------------|
| 1. | Gan Ee Chornng | 1,000,000 | 5.00 |
| 2. | Ho Kah Heng | 840,000 | 4.20 |
| 3. | Yeo Keng Choong | 635,651 | 3.18 |
| 4. | Ng Choo Hin | 534,600 | 2.67 |
| 5. | Mohd Dzulkarnine Bin Ismail | 483,400 | 2.42 |
| 6. | Mohd Faizal Bin Hamdan @ Jamaludin | 425,000 | 2.13 |
| 7. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin How | 420,000 | 2.10 |
| 8. | Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohamad Rafie Bin Baharudin | 403,800 | 2.02 |
| 9. | Siti Hafsha Binti Lokman | 350,000 | 1.75 |
| 10. | Nazeri Bin Baharoon | 334,000 | 1.67 |
| 11. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Kee Gwo | 300,000 | 1.50 |
| 12. | Koh Yan Yie | 300,000 | 1.50 |
| 13. | Ooi Poh Nam | 300,000 | 1.50 |
| 14. | Sambasivam A/L Petchimuthu | 258,629 | 1.29 |
| 15. | New Kim Lian | 250,000 | 1.25 |
| 16. | Roslinah Binti Omar | 244,700 | 1.22 |
| 17. | Nik Muhammad Bin Nik Abdul Kadir | 236,700 | 1.18 |
| 18. | Muhammad Kholkillah Bin Suhaimi | 230,300 | 1.15 |
| 19. | Wan Soo Teck | 225,000 | 1.13 |
| 20. | RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kwan Yun Ping | 200,000 | 1.00 |
| 21. | Wan Mohd Azam Bin W. Ismail | 200,000 | 1.00 |
| 22. | Muzri Bin Muhammad | 196,000 | 0.98 |
| 23. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abu Mawan Bin Daiman | 194,100 | 0.97 |
| 24. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Saiful Bin Baharom | 191,900 | 0.96 |
| 25. | Yap Kin Thai | 184,300 | 0.92 |
| 26. | Loh Siew Ming | 183,400 | 0.92 |
| 27. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Karen Chua Siew Joo @ Chua Siew Zoo | 182,341 | 0.91 |
| 28. | Low Tian Heng | 171,451 | 0.86 |
| 29. | Mohamad Fuad Bin Abdullah Bada | 170,000 | 0.85 |
| 30. | Sanrika A/P Ravindran | 160,000 | 0.80 |
| | Total | 9,805,272 | 49.06 |

ANALYSIS OF WARRANT B HOLDINGSAs at 31ST MARCH 2017

Warrant B 2014 / 2024

No. of Warrants B 2014 / 2024 : 29,487,346

Class of Securities : Warrants B 2014 / 2024

ANALYSIS OF WARRANT B HOLDERS

| Size of Warrantholdings | No. of Warrant Holders | Percentage % | No. of Warrants | Percentage % |
|-------------------------|------------------------|--------------|-----------------|--------------|
| Less than 100 | 33 | 12.36 | 1,764 | 0.01 |
| 100 - 1,000 | 45 | 16.85 | 27,842 | 0.09 |
| 1,001 - 10,000 | 82 | 30.71 | 318,439 | 1.08 |
| 10,001 - 100,000 | 78 | 29.21 | 3,146,732 | 10.67 |
| 100,001 and below 5% | 23 | 8.62 | 13,252,099 | 44.94 |
| 5% and above | 6 | 2.25 | 12,740,470 | 43.21 |
| TOTAL | 267 | 100.00 | 29,487,346 | 100.00 |

DIRECTORS' WARRANT B HOLDINGS AS AT 31 MARCH 2017

| Name of Directors | Direct | | Indirect | |
|-------------------------|------------------|------|--------------------------|-------|
| | No. of Warrant B | % | No. of Warrant B | % |
| Dato' Seri Yong Tu Sang | 2,290,421 | 7.77 | ⁽¹⁾ 3,561,146 | 12.08 |
| Yong Emmy | 1,225,600 | 4.16 | ⁽²⁾ 4,625,967 | 15.69 |
| Yong Ellen | 228,880 | 0.78 | ⁽³⁾ 5,622,687 | 19.07 |
| Yong Hin Siong | - | - | ⁽⁴⁾ 5,851,567 | 19.84 |

SUBSTANTIAL WARRANT B HOLDERS AS AT 31 MARCH 2017

| Name of Warrant B Holders | Direct | | Indirect | |
|--|------------------|------|--------------------------|-------|
| | No. of Warrant B | % | No. of Warrant B | % |
| Confirmed Uptrend Sdn. Bhd. | 2,795,700 | 9.48 | - | - |
| Modern Mode Sdn. Bhd. | 2,560,349 | 8.68 | - | - |
| Dato' Seri Yong Tu Sang | 2,290,421 | 7.77 | ⁽¹⁾ 3,561,146 | 12.08 |
| Tan Sri Datuk Seri Mohd Hussin Bin Abd Hamid | 2,032,000 | 6.89 | ⁽⁵⁾ 261,200 | 0.89 |
| Chok Chew Lan | 1,547,300 | 5.25 | - | - |
| Yeo Keng Choong | 1,514,500 | 5.14 | - | - |

(1) Deemed interest by virtue of Warrant B held by his spouse, children and son-in-law.

(2) Deemed interest by virtue of Warrant B held by her parents, sister and brother-in-law.

(3) Deemed interest by virtue of Warrant B held by her parents, spouse and sister.

(4) Deemed interest by virtue of Warrant B held by his parents, sisters, and brother-in-law.

(5) Deemed interest by virtue of Warrant B held by his child.

ANALYSIS OF WARRANT B HOLDINGS

(cont'd)
As at 31ST MARCH 2017

LIST OF THIRTY LARGEST WARRANT B HOLDERS:

| No. | Name of Warrant B holders | No. of Warrant B Held | Percentage |
|-----|--|-----------------------|--------------|
| 1. | Confirmed Uptrend Sdn Bhd | 2,795,900 | 9.48 |
| 2. | Modern Mode Sdn Bhd | 2,560,349 | 8.68 |
| 3. | Dato' Seri Yong Tu Sang | 2,290,421 | 7.77 |
| 4. | RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Datuk Seri Mohd Hussin Bin Abd Hamid | 2,032,000 | 6.89 |
| 5. | Alliancegroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chok Chew Lan | 1,547,300 | 5.25 |
| 6. | Yeo Keng Choong | 1,514,500 | 5.14 |
| 7. | Tan Kha Luong | 1,440,000 | 4.88 |
| 8. | Saham Terbilang Sdn Bhd | 1,374,933 | 4.66 |
| 9. | RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tham Kaam Siong | 1,374,320 | 4.66 |
| 10. | Tambah Mulia Holdings Sdn Bhd | 1,358,400 | 4.61 |
| 11. | Yong Emmy | 1,225,600 | 4.16 |
| 12. | Lim Siew Lee | 1,100,000 | 3.73 |
| 13. | Ng Ah Heng | 666,666 | 2.26 |
| 14. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin How | 641,000 | 2.17 |
| 15. | Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Sabaruddin Bin Kamaruddin | 617,700 | 2.09 |
| 16. | Maybank Nominees (Tempatan) Sdn Bhd Tay Soo Cheng | 375,000 | 1.27 |
| 17. | Teoh See Cheng | 350,000 | 1.19 |
| 18. | Cho Han Woon | 306,000 | 1.04 |
| 19. | Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kiew Tik Wei | 270,000 | 0.92 |
| 20. | RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abdul Malik Bin Mohd Hussin | 261,200 | 0.89 |
| 21. | Chin Nguk Moi | 255,000 | 0.86 |
| 22. | Kenneth Lam Man Chung | 230,000 | 0.78 |
| 23. | Yong Ellen | 228,880 | 0.78 |
| 24. | Lo Mun Tat | 227,000 | 0.77 |
| 25. | Kong Chee Seng | 200,000 | 0.68 |
| 26. | Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Heng Poh Suan | 200,000 | 0.68 |
| 27. | Cheah Keng Toh | 198,300 | 0.67 |
| 28. | Ku Kok Kit | 180,000 | 0.61 |
| 29. | Ang Chen Hong | 172,100 | 0.58 |
| 30. | Cheah Seng Lai | 100,000 | 0.34 |
| | Total | 26,092,569 | 88.49 |

LIST OF PROPERTIES

| Location | Tenure | Description | Land Area | Approx. Age of Building | Net Book Value as at 31.12.2016 |
|---|---|--|------------------|-------------------------|---------------------------------|
| <u>BTM Resources Berhad</u> | | | | | |
| No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman | Freehold | 5 ½ Storey Office Building | 385 sq.m | 18 years | 7,550,000 |
| <u>Besut Tsuda Industries Sdn Bhd</u> | | | | | |
| 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 | - | 32,498 |
| <u>Syarikat Maskayu Sawmill Sdn Bhd</u> | | | | | |
| Lot No :- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman | 60 year's leasehold expiring on 29-11-2033 | Vacant Industrial Land | 0.998 Hectare | - | 368,810 |
| <u>Besut Tsuda Wood Products Sdn Bhd</u> | | | | | |
| 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 | 23 years | 9,791,729 |



BTM RESOURCES BERHAD
(303962-T)
(Incorporated in Malaysia)
PROXY FORM

I/We _____
(Block Letters)

of _____

being a Member / Members of **BTM Resources Berhad** hereby appoint _____

_____ (NRIC No.) _____

of _____

or failing him/her _____

_____ (NRIC No.) _____

of _____

as my/our proxy to vote for me/us and on my/our behalf at the Twenty- Third Annual General Meeting of BTM Resources Berhad to be held at the Arcadia 1, Level 3, Hotel Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 30th May 2017 at 11.30 a.m. and any adjournment thereon for/against the resolution(s) to be proposed thereat.

| No. | AGENDA | | | |
|-----|--|--------------|-----|---------|
| 1. | Receive Accounts and Report | | | |
| No. | RESOLUTION | | FOR | AGAINST |
| 2. | Approval of Directors' Fees | Resolution 1 | | |
| 3. | Re-election and Re-appointment of Directors :- Mdm Yong Emmy | Resolution 2 | | |
| 4. | Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey | Resolution 3 | | |
| 5. | Re-appointment of Auditors :- Messrs Folks DFK & Co., | Resolution 4 | | |
| 6. | Re-appointment of Director Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman | Resolution 5 | | |
| 7. | Continuing in Office for Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman as an Independent Non-Executive Director | Resolution 6 | | |
| 8. | Continuing in Office for Mr. Choong Show Tong as an Independent Non-Executive Director | Resolution 7 | | |
| 9. | Approval of Directors to allot and issue shares pursuant to section 75 and 76 of the Companies Act, 2016 | Resolution 8 | | |
| 10. | Proposed Shareholders Mandate | Resolution 9 | | |

Please indicate with an "X" in the appropriate boxes on how you wish your vote to be cast on the Resolutions specified in the Notice of Meeting. Unless voting instructions are indicated in the space above, the proxy will vote as he/she thinks fit.

| | |
|-------------------------|--|
| Number of shares | |
|-------------------------|--|

| | |
|--------------------|--|
| CDS A/C No. | |
|--------------------|--|

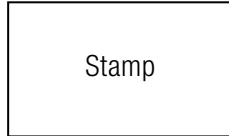
Date

Signature

Notes :-

- i) Only depositors whose name appear in the Record of Depositors as at 24th May 2017 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.
- ii) 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.
- iii) A proxy may but need not be a member.
- iv) 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.
- v) 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.
- vi) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- vii) The instrument appointing a proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 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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BTM RESOURCES BERHAD (303962-T)
Level 2, Tower 1, Avenue 5, Bangsar South City
59200 Kuala Lumpur

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(303962-T)

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