



**BTM RESOURCES
BERHAD**

(303962-T)

(Incorporated in Malaysia)



a n n u a l 2 0 0 2 r e p o r t

Notice of Annual General Meeting	2
Statement Accompanying Notice of Annual General Meeting	4
Corporate Information	5
Audit Committee	6
Profile of Directors	7
Chairman's Statement	10
Corporate Governance	11
Statement on Internal Control	14
Directors' Responsibility Statement	15

contents

Directors' Report	16
Balance Sheet	19
Income Statements	20
Statement of Changes in Equity	21
Cash Flow Statement	22
Notes to the Financial Statements	24
Statement by Directors	43
Statutory Declaration	43
Report of the Auditors	44
Analysis of Shareholdings	45
List of Properties	47
Form of Proxy	

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Ninth Annual General Meeting of BTM Resources Berhad will be held at the Cempaka Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 20 June 2003 at 11.00 a.m. for the following purposes:-

1. To receive and adopt the Audited Financial Statement of Accounts for the year ended 31 December 2002 together with the Reports of the director and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees for the year ended 31 December 2002. **Resolution 2**
3. To re-elect the following Directors who retire in accordance with the Company's Articles of Association, and who being eligible, offer themselves for re-election:-
 - i) Dato' Mohd Zamry Bin Yusof - **Article No. 64** **Resolution 3**
 - ii) Miss Yong Emmy - **Article No. 64** **Resolution 4**
 - iii) Mr. Choong Show Tong - **Article No. 68** **Resolution 5**
4. To re-elect Messrs Azman, Wong, Salleh & Co as Auditors and to authorise the Directors to fix their remuneration. **Resolution 6**

SPECIAL BUSINESS

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

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

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

Resolution 7

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

"THAT approval be and is hereby given to the Company and its subsidiaries to enter into the category of recurrent transactions of a revenue or trading nature with those related parties, as specified in Section 2.3 of the Circular to Shareholder dated 30 May 2003 subject further to the following:

- a) the transactions are, in the ordinary course of business, at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders;
- b) disclosure is made in the Annual Report of the breakdown of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year and proposed that such approval shall continue in force until:-
 - i) the conclusion of the next Annual General Meeting (AGM) of the company following the AGM at which the proposed renewal of the recurrent related parties transaction mandate

is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed; or

- ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Companies Act, 1965 (Act) but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
- iii) revoked or varied by resolution passed by the shareholders in General Meeting, whichever is the earlier.

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

Resolution 8

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

BY ORDER OF THE BOARD

Heng Ji Keng
Chong Seok Tian
Margaret Pelly
Joint Secretaries

Kuala Lumpur
Date: 30th May 2003

Note:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

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

The proposed Ordinary Resolution under item (8) is to renew the shareholders' mandate granted by the shareholders of the company at the Annual General Meeting held on 19 June 2002. The proposed renewal of the Shareholders' mandate will enable the company and its subsidiaries to enter into any of the recurrent transactions of a revenue of trading nature which are necessary for the Group's day to day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to that public and are not to the detriment of the minority shareholders of the company.

Statement Accompanying Notice of Annual General Meeting

1. Directors who are standing for re-election at the Ninth Annual General Meeting of the company:-

- i) Dato' Mohd Zamry Bin Yusof (Resolution 3)
- ii) Miss Yong Emmy (Resolution 4)
- iii) Mr. Choong Show Tong (Resolution 5)

2. Details of Attendance of Directors at Board Meetings.

Five (5) board meetings were held during the financial year ended 31 December 2002. Attendance of the Directors holding office in the financial year is shown as below:-

Name of Directors	Attendance
Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	5/5
Dato' Seri Yong Tu Sang	4/5
Dato' Lau Chen Nai	3/5
Dato' Mohd Zamry Bin Yusof	5/5
Miss Yong Emmy	4/5

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

Date : 20 June 2003

Time : 11.00 a.m.

Place : Cempaka Room
Hotel Equatorial
Jalan Sultan Ismail
50250 Kuala Lumpur

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

The information required in compliance with the Appendix 8A, Section (4) under the KLSE Listing Requirements has been included in pages 7 to 9 herein.

BOARD OF DIRECTORS

Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	- Executive Chairman
Dato' Seri Yong Tu Sang	- Managing Director
Dato' Lau Chen Nai	- Independent Non-Executive Director
Dato' Mohd Zamry Bin Dato' Yusof	- Non-Executive Director
How Wong Yuh <i>- (Resigned on 28th April 2003)</i>	- Independent Non-Executive Director
Miss Yong Emmy	- Non-Executive Director
Choong Show Tong <i>- (Appointed on 19th May 2003)</i>	- Independent Non-Executive Director

AUDIT COMMITTEE

How Wong Yuh - <i>(Resigned on 28th April 2003)</i>	- Chairman
Dato' Lau Chen Nai	- Member
Miss Yong Emmy	- Member
Choong Show Tong - <i>(Appointed on 19th May 2003)</i>	- Member

COMPANY SECRETARIES

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

AUDITORS

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

REGISTERED OFFICE

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

REGISTRARS

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

PRINCIPAL BANKERS

Bank Utama (M) Berhad
HSBC Bank (M) Berhad
Alliance Bank (M) Berhad
Standard Chartered Bank (M) Berhad

LAWYER

Nik Hussain & Partner
Tingkat 27, Menara Promet
Jalan Sultan Ismail
50250 Kuala Lumpur

STOCK EXCHANGE LISTING

Second Board of the
Kuala Lumpur Stock Exchange

Audit Committee

COMPOSITION OF MEMBERS

For the financial year ended 31 December 2002, the committee comprised the following members:-

Chairman

Mr. How Wong Yuh
(Non-Executive Independent Director)
Ceased as Chairman on 28-4-2003

Members

Dato' Lau Chen Nai
(Non-Executive Independent Director)
Miss Yong Emmy
(Non-Independent Director / Non-Executive Director)
Mr. Choong Show Tong
(Non-Executive Independent Director)
appointed on 19th May, 2003

Secretary

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

TERMS OF REFERENCE

The functions of the Audit Committee are:-

- a) To review:
- with the external auditors their audit plan, evaluation of internal control systems and audit report
 - the plan, scope and results of the internal audit procedures;
 - the report on the quarterly and annual financial statements before submission to the Board;

Meeting

The Audit Committee met four times in the financial year ended 31 December 2002 and the details of attendance are as follows:-

Name of Audit Committee Member	Number of Meetings	Number of Meetings Attended
Dato' Lau Chen Nai	4	4
Miss Yong Emmy	4	2
Mr. How Wong Yuh	4	4

- any related party transactions that may arise within the company or group;

- b) To consider the appointment of the external auditors, the audit fee and resignation or dismissal; and
c) Such other functions as may be agreed to by the Audit Committee and the Board of Directors

Summary of activities of the Audit Committee

During the financial year ended 31 December 2002, the Audit Committee has reviewed:-

- a) the external audit plan for financial year ended 31 December 2002 with the external auditors
b) the quarterly unaudited results before submission to the Board for approval for the purpose of announcement to KLSE
c) the audited annual financial statements for the financial year ended 31 December 2001 and audit findings with the external auditors
d) the company's status of compliance with the Listing Requirements of the KLSE and with the Malaysian code on Corporate Governance for the purpose of issuing a corporate statements pursuant to the requirements of paragraph 15.26 of the KLSE Revamped Listing Requirements
e) the related party transactions entered into by the Company and the Group
f) meet with the senior management executives to listen to their briefings on business operations

	DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD	DATO' SERI YONG TU SANG
Position	Executive Director / Chairman	Executive Director / Managing Director
Age	69 years	57 years
Nationality	Malaysian	Malaysian
Qualification Held	Businessman	Timber Merchant / Businessman
Working Experience & Occupation	<p>Since leaving government service in 1985, he was actively involved in a wide range of business mainly in the timber industry, oil palm plantation, civil engineering, building construction and property development.</p> <p>18 years experience in timber industry. Currently sits on the Board of several private limited including companies within the BTM Resources.</p>	<p>His involvement in business commenced in 1973 with the setting up of BTM Timber Industries Sdn Bhd, a company principally involved in logging and sawmilling operations. Since then, he has been actively involved in the setting up and management of companies in a diverse area of business ranging from timber, oil palm plantation, civil and building construction, property development and sea transportation.</p> <p>30 years of experience in trading of timber. Currently sits on the Boards of several private limited companies, in addition to companies within the BTM Resources Berhad.</p>
Date of Appointment	27.12.1995	27.12.1995
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	Father of Dato' Mohd Zamry a Non- Executive Director and major shareholder of BTM Resources and father of Puan Fatimah Zalina, a major shareholder of BTM Resources.	Husband of To' Puan Ng Ah Heng, a major shareholders of BTM Resources and father of Yong Emmy, an Executive Director and major shareholder of BTM Resources.
Conflict of Interest with BTM Resources, if any	Saved as disclosed, and in notes no. 25 and no. 27 in the accompanying financial statements.	Saved as disclosed, and in notes no. 25 and no. 27 in the accompanying financial statements.
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	5	4

	DATO' LAU CHEN NAI	DATO' MOHD ZAMRY BIN YUSOF
Position	Independent Non-Executive Director	Non-Executive Director
Age	54 years	40 years
Nationality	Malaysian	Malaysian
Qualification Held	Businessman / Timber Merchant	Associate Degree in Business Administration
Working Experience & Occupation	<p>Has over 18 years of experience in the wood-based industries particularly those that specialise in timber exporting and timber moulding. He was made the General Manager of Bormill Wood (Terengganu) Sdn Bhd, a manufacturer of moulding and furniture parts in 1978.</p> <p>He sits on the Board of several private limited companies involved in the timber and property developments industries.</p>	<p>Started his career in 1987 as an Administrative and Public Relations Manager with Ibai Bina Sdn Bhd, a class 'A' Bumiputra Contractor. In 1993 he was made the Managing Director of Bukit Jong Quarry Sdn Bhd, a quarry and premix company. In addition to being involved in the civil engineering, building construction and granite quarrying business, he has last 10 years accumulated vast and varied experience in logging, sawmilling and other related wood based industries.</p> <p>14 years of experience as an Administrator / Contractor in building construction. Currently sits on the of several private limited companies.</p>
Date of Appointment	10.06.1994	11.11.1999
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Audit Committee	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources	NIL	Son of Dato' Seri Yusof Bin Mohamad, Chairman of BTM Resources and brother of Puan Fatimah Zalina Binti Yusof, a major shareholder of BTM Resources.
Conflict of Interest with BTM Resources, if any	NIL	Saved as disclosed, and in notes no. 25 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	3	5

	CHOONG SHOW TONG	YONG EMMY
Position	Independent Non-Executive Director	Non-Executive Director
Age	46 years	28 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.
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 1984, he worked as a Office Manager in Christopher Chooi & Co. in Kuala Lumpur, a firm of Chartered Accountants. Since October 1984 till now he is the Sole Proprietor of Allan Choong & Co., a Chartered / Public Accountants firm in Kuala Lumpur.	Started 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. 5 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies.
Date of Appointment	19.05.2003	11.11.1999
Other Directorship of Public Listed Companies	Director of Kuantan Flour Mills Berhad (Second Board of KLSE)	NIL
Membership of Board Committees	Audit Committee	Audit Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources	NIL	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources and To' Puan Ng Ah Heng, a major shareholder of BTM Resources.
Conflict of Interest with BTM Resources, if any	NIL	Saved as disclosed, and in notes no. 24 and no. 27 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	NIL (appointed on 19.05.2003)	4

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of BTM Resources Berhad Group for financial year ended 31st December, 2002.

FINANCIAL PERFORMANCE

The group's registered turnover increased by 36.76% to RM26.267 million compared to that of the previous year's of RM19.205 million. For the year under review, the Group incurred a loss before taxation of RM8.146 million as compared to RM5.382 million in 2001.

The group's results continued to be effected by high cost of operating and difficult market conditions.

DIVIDEND

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

PROSPECTS

For the year 2003, the group will continue to concentrate on its existing core business of an integrated timber operation. The Group expects its operations to continue to be challenging with increased operations cost especially its log and timber costs due to higher premium on forest concession and competitive market conditions.

"...the Group will continue to concentrate on its existing core business of an integrated timber operation."

The Directors of the company expect the result for the coming year to be affected by the above factors. However, barring unforeseen circumstances, the Directors of the company expect the group's result to be better than that of financial year 2002.

APPRECIATION

On behalf of the Board of Directors, I would like to thank the management and staff for their continuous hard work and dedications. Finally, the Board would like to extend their sincere thanks to the relevant government authorities, customers, business associates and shareholders for the continuous support and confidence in the group in these difficult times.

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

1. THE CODE

In March 2002, the Finance Committee on Corporate Governance has issued the Malaysia Code on Corporate Governance (the "code"). The code sets out basic principles and best practices on structures and processes that companies may adopt in their operations towards enhancing the financial performance of the Group and corporate accountability towards the stakeholders.

In line with the Listing Requirements of the Kuala Lumpur Stock Exchange, steps are currently being taken to evaluate the status of the company's Corporate Governance procedures and its compliance with the code's best practices.

The manner in which the Corporate Governance framework applied is summarised as follows:-

2. DIRECTOR

The Board currently has five (6) members comprising four Non-Executive Directors (two of them are independent) and two Executive Directors.

The Board acknowledges the service and contribution of Mr. How Wong Yuh as an Independent Director and Chairman of Audit Committee who resigned from the board on 28th April, 2003. The board would like to record its appreciation to Mr. How Wong Yuh for his invaluable contribution to the Company.

The Board welcomes Mr. Choong Show Tong who is appointed as a Non-Executive Independent Director and Audit Committee member on 19th May, 2003.

All directors are continuously being informed and updated on the expectations of their role and will undergo training on a continuing basis as prescribed by KLSE, including the mandatory accreditation program. Together, the Directors possess a wide range of business expertise and commercial experience. This mix of skills and experiences is vital for the successful direction of the Group. A brief description on the background of each Director is presented separately in this Annual Report.

Board Meeting

Five (5) Board Meetings were held for the financial year ended 31 December 2002 and the attendance of the directors are as follows:-

Name of Directors	No. of Meetings Attended
1. Dato' Seri Yusof Bin Dato' Biji Sura @ Mohamad	5
2. Dato' Seri Yong Tu Sang	4
3. Dato' Lau Chen Nai	3
4. Dato' Mohd Zamry Bin Dato' Yusof	5
5. Mr. How Wong Yuh	5
6. Miss Yong Emmy	4

All directors are provided with an Agenda and a set of Board papers prior to attending Board Meeting. This is issued on sufficient time to enable the Directors to obtain further explanations, where applicable, for them to be well informed before the date of holding a meeting. During the meetings, the Board reports and tables, amongst others, the following:-

- Minutes of previous meeting
- Financial reports and review of Group's operations
- Review of related parties transactions
- The Group's latest business development and other matters arising

Supply Information

All directors can and do have the opportunity to seek external advice and to call for additional clarification and data to assist them in forming their own opinion and findings in the lead up to Board decisions. All directors have access to the advice and services of the Company Secretary.

Retirement and Re-election

In accordance with the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements, at least one-third of the Directors shall retire from office once in three years and shall be eligible for re-election at the Annual General Meeting. The Group Managing Director is appointed for a period of not exceeding three years and shall be subject to retirement by rotation.

The Articles of Association of BTM has been amended accordingly to comply with Chapter 7 of the KLSE Requirements and the amendments to the Articles of Association was tabled to and approved by the shareholders at the Extraordinary General Meeting of BTM held on 29 March 2002.

According to the amended Articles of Association, Dato' Mohd Zamry Bin Yusof and Yong Emmy retires accordingly to Articles No. 64 of the Articles of Association and have offered themselves up for re-election.

3. DIRECTORS' REMUNERATION

The fees for Directors, including Non-Executive Directors, are determined by the Board with the approval from shareholders at the Annual General Meeting.

The aggregate Directors' remuneration paid or payable or otherwise made available to all Directors of the company served during the financial year are as follows:-

Category	Fee (RM)	Salaries, Allowance & Other Emoluments (RM)
Executive Directors	-	786,720
Non-Executive Directors	79,200	161,760

The number of Directors whose remuneration falls within the following bands: -

Remuneration Band	Executive Director	Non-Executive Director	Total
i) RM50,000 and below	-	3	3
ii) RM50,001 – RM100,000	-	-	-
iii) RM100,001 – RM150,000	-	1	1

iv) RM150,001 – RM200,000	-	-	-
v) RM200,001 – RM250,000	-	-	-
vi) RM250,001 – RM300,000	-	-	-
vii) RM300,001 – RM350,000	-	-	-
viii) RM350,001 – RM400,000	1	-	1
ix) RM400,001 – RM450,000	1	-	1
Total:	2	4	6

4. SHAREHOLDERS

Dialogue between the Company and Investors

The Group recognises the need to inform the shareholders of all significant development concerning the Group on a timely basis with strict adherence to the KLSE Listing Requirements.

Annual General Meeting

The Annual General Meeting is the principal forum for dialogue with shareholders. At the Annual General Meeting, the Board also provides opportunities for shareholders to raise questions pertaining to the business activities of the Group. The Chairman and where appropriate, the Group Managing Director will respond to shareholders' questions during the meeting.

For re-election of Directors, the Board will ensure that full information is disclosed through the notice of meeting regarding directors who are retiring and who are willing to serve if re-elected.

Each item of special business included in the notice of the meeting will be accompanied by an explanatory statement for the proposed resolution to facilitate full understanding and evaluation of issues involved.

5. ACCOUNTABILITY AND AUDIT

Audit Committee

The Audit Committee comprises three (3) Directors, two (2) of whom are independent non-executive directors.

Full details of the composition of the Committee are found in the Audit Committee Report.

Financial Reporting

For financial reporting through quarterly reports to KLSE and the annual report to shareholders, the Directors aim to present a fair assessment of the Group's position and prospects. The Audit Committee assists the Board in scrutinizing information for disclosure to ensure accuracy and adequacy. The statement of Directors pursuant to Section 169(15) of the Companies Act 1965 is set out on this Annual Report.

Internal Control

The Directors acknowledge their roles and responsibility for the Group's internal control systems covering not only financial control but also operational, risk management and compliance controls. The internal control system is designed to meet the Group's specific needs to manage the risks to which it is exposed. This system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

Internal Audit Function

The Internal Audit Function has not been set up yet. In cognisance with the best practices recommended by the code and the requirements of KLSE Listing Requirements, the Board intends to set up an Internal Audit Function which will be outsource to an accounting firm to be identified.

Relationship with the Auditors

The Board through the establishment of an Audit Committee maintains a formal and transparent arrangement with the company's auditors.

Statement on material contracts involving directors' or Major Shareholders' Interest.

There is no material contracts subsisting as at 31 December 2022 or entered into since the end of the previous financial year by the company or its subsidiaries, which involved the interests of the Directors or major shareholders other than those disclosed under notes to the account on Related Party Transaction of revenue in nature and significant proposals.

The company is seeking renewal of shareholders' mandate on Related Party Transaction of revenue in nature for transactions to be entered by the Company or its subsidiaries with Related Parties in the forthcoming Annual General Meeting. The details of Related Party Transaction of revenue in nature to be entered by the company or its subsidiaries with Related Parties are included in the circular.

6. OTHER INFORMATION

Utilisation of Proceeds

There were no utilisation of proceeds during the financial year.

Share Buy-Backs

During the financial year, there were no share buy-backs by the Company.

Options, Warrants or Convertible Securities Exercised

No options, warrants or convertible securities were issued by the Company during the financial year.

AMERICAN DEPOSITORY RECEIPT ("ADR") / GLOBAL DEPOSITORY RECEIPT ("GDR")

During the financial year, the Company did not sponsor any ADR or GDR programme.

Sanctions And/Or Penalties

There were no sanctions and/or penalties imposed on the Company and its subsidiaries, Directors or management by the relevant regulatory bodies.

Non-Audit Fees

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

Variation in Results

There is no significant variance between the results for the financial year and the unaudited results previously announced. The Company did not make any release on the profit estimate, forecast or projections for the financial year.

Profit Guarantee

During the year, there was no profit guarantee given by the Company.

Statement On Internal Control

The board has overall responsibility for the Group's system of internal control and reviewing its adequacy and integrity. However, it should be noted that the system of internal control is designed to manage rather than eliminate the risk of failure to achieve Group's business objectives. The systems can therefore only provide reasonable assurance and not absolute assurance against material misstatement or loss.

At present, the Group has not adopted a formal review of the system of internal controls and there is no documentation or on-going process to identify, evaluate and manage significant business risk. However, the managers of the respective companies in the group are responsible for monitoring and managing business operation, and providing monthly reports to the Executive Directors to allow reasonable assessment of the state of various companies.

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

- The Board reviews key financial and operating performances, legal and regulatory matters of the Group on a quarterly basis.
- There are clearly defined organisational structures and delegation of responsibilities including relevant authorization levels.
- The Executive Directors were actively involved in the daily operations and decision making of the Group.

The Board intends to set up an Internal Audit Function which will be outsource to an accounting firm with the objective of assisting the Audit Committee to discharge its duties and responsibilities more effectively.

In the opinion of the Board there were no material losses incurred during the current financial year as a result of limited controls.

This statement is made in accordance with a resolution of the Board of Directors.

The Board of Directors are required under Paragraph 15.27(a) of the revamped Kuala Lumpur Stock Exchange Listing Requirements to issue a statement explaining their responsibility for preparing the annual audited financial statements.

The Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the Group at the end of the financial year and of their results and cash flows for the financial year then ended.

In preparing those financial statements, the Directors are required to :

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable and prudent
- ensure that the applicable accounting standards have been followed
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the company and the Group and taking such steps that are reasonably open to them to safeguard the assets of the company and the Group and to prevent and detect fraud and other irregularities.

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2002.

1. PRINCIPAL ACTIVITIES

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

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

2. RESULTS

	<i>GROUP</i>	<i>COMPANY</i>
	<i>RM</i>	<i>RM</i>
Loss before taxation	(8,146,232)	(511,034)
Taxation	(47,934)	-
Loss after taxation	(8,194,166)	(511,034)
Minority interest	484	-
Retained profits brought forward	(8,193,682) 153,877	(511,034) 1,079,677
(Accumulated losses)/retained profits carried forward	(8,039,805)	568,643

3. DIVIDENDS

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

The directors do not recommend the payment of any dividend in respect of the year ended 31st December, 2002.

4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31st December, 2002.

5. DIRECTORS OF THE COMPANY

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

Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad (Executive Chairman)

Dato' Seri Yong Tu Sang (Managing Director)

Dato' Lau Chen Nai

Dato' Mohd. Zamry bin Yusof

Yong Emmy

How Wong Yuh

5. DIRECTORS OF THE COMPANY (CONT'D)

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

	<i>Number of Shares of RM1 Each</i>			
	<i>As at 1.1.2002</i>	<i>Acquired</i>	<i>Sold</i>	<i>As at 31.12.2002</i>
Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000	-	-	1,552,000
Dato' Seri Yong Tu Sang	3,686,000	-	-	3,686,000
Dato' Lau Chen Nai	10,000	-	-	10,000
Dato' Mohd. Zamry bin Yusof	750,000	-	700	749,300
Yong Emmy	3,000,000	-	-	3,000,000

In accordance with Article 64 of the Company's Articles of Association, Dato' Mohd. Zamry bin Yusof and Yong Emmy retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Except for the disclosure in Note 25 to the financial statements, no director of the Company has, since the end of the last financial year, received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a subsidiary company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Except for the disclosure in Note 29 to the financial statements, neither during nor at the end of the financial year was the Company a party to any arrangements whose object was to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

6. OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and its subsidiary companies were made up, the directors took reasonable steps:-
- to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts; and
 - to ensure that any current assets which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records of the Company and its subsidiary companies have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report:-
- the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowances for doubtful debts, in the financial statements of the Company and of its subsidiary companies, inadequate to any substantial extent;

6. OTHER STATUTORY INFORMATION (CONT'D)

- (b) At the date of this report (cont'd):-
- (ii) the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company and of its subsidiary companies misleading;
 - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company and of its subsidiary companies misleading or inappropriate;
 - (iv) the directors are not aware of any circumstances that would render any amount stated in the respective financial statements misleading;
 - (v) there does not exist any charge on the assets of the Company or of its subsidiary companies that has arisen since 31st December, 2002 which secures the liabilities of any other person; and
 - (vi) there does not exist any contingent liability in respect of the Company or of its subsidiary companies that has arisen since 31st December, 2002.
- (c) No contingent liability or other liability of the Company or of its subsidiary companies has become enforceable, or is likely to become enforceable within the period of twelve months from 31st December, 2002 which, in the opinion of the directors, will or may affect the ability of the Company or of its subsidiary companies to meet their obligations as and when they fall due.
- (d) In the opinion of the directors:-
- (i) the results of the operations of the Company and of its subsidiary companies for the year ended 31st December, 2002 were not substantially affected by any item, transaction or event of a material and unusual nature; and
 - (ii) there has not arisen in the interval between 31st December, 2002 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Company and of its subsidiary companies for the financial year in which this report is made.

7. AUDITORS

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

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

DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD

DATO' SERI YONG TU SANG

Terengganu,

Date: 28th April, 2003

Balance Sheet as at 31st December, 2002

	Note	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	6	16,376,686	17,968,068	936,009	882,683
SUBSIDIARY COMPANIES	7	-	-	18,924,558	18,873,558
INVESTMENTS	8	110,196	21,196	40,000	-
CURRENT ASSETS					
Inventories	9	7,642,837	12,087,470	-	-
Trade receivables	10	9,934,123	8,667,855	-	-
Other receivables and deposits		2,280,148	1,610,882	479,156	872,350
Amounts due from subsidiary companies	11	-	-	7,016,345	7,163,084
Fixed deposits with a licensed bank	12	266,431	139,728	-	-
Cash and bank balances		551,385	73,170	7,241	14,261
		20,674,924	22,579,105	7,502,742	8,049,695
LESS: CURRENT LIABILITIES					
Trade payables		8,086,744	3,919,897	-	-
Other payables and accruals		1,231,092	667,287	284,738	188,891
Bank borrowings	13	7,725,497	8,293,022	-	-
Hire purchase payables	14	50,157	55,299	-	-
Amount due to directors		150,031	36,356	36,916	36,356
Taxation		709,513	726,579	-	-
		17,953,034	13,698,440	321,654	225,247
NET CURRENT ASSETS		2,721,890	8,880,665	7,181,088	7,824,448
		19,208,772	26,869,929	27,081,655	27,580,689
FINANCED BY:					
SHARE CAPITAL	15	19,999,000	19,999,000	19,999,000	19,999,000
SHARE PREMIUM	16	6,460,012	6,460,012	6,460,012	6,460,012
(ACCUMULATED LOSSES)/ RETAINED PROFITS		(8,039,805)	153,877	568,643	1,079,677
SHAREHOLDERS' EQUITY		18,419,207	26,612,889	27,027,655	27,538,689
MINORITY INTEREST		23,475	-	-	-
NON-CURRENT LIABILITIES					
Provision for retirement benefits		306,240	222,240	54,000	42,000
Bank borrowings	13	413,000	-	-	-
Hire purchase payables	14	46,850	34,800	-	-
		766,090	257,040	54,000	42,000
		19,208,772	26,869,929	27,081,655	27,580,689

The notes on pages 24 to 42 form part of these financial statements.

Income Statements for the year ended 31st December, 2002

	Note	GROUP		COMPANY	
		2002 RM	2001 RM	2002 RM	2001 RM
OPERATING REVENUE	18	26,267,649	19,205,962	1,200,000	1,200,000
COST OF SALES		(27,581,765)	(18,330,100)	-	-
GROSS (LOSS)/PROFIT		(1,314,116)	875,862	1,200,000	1,200,000
OTHER OPERATING INCOME		118,513	97,613	1,706	5,393
OTHER OPERATING EXPENSES		(14,740)	-	-	-
DISTRIBUTION EXPENSES		(1,487,741)	(1,610,571)	-	-
ADMINISTRATIVE EXPENSES		(4,748,567)	(3,965,014)	(1,712,575)	(1,261,809)
LOSS FROM OPERATIONS		(7,446,651)	(4,602,110)	(510,869)	(56,416)
FINANCE EXPENSES		(699,581)	(780,732)	(165)	(312)
LOSS BEFORE TAXATION	19	(8,146,232)	(5,382,842)	(511,034)	(56,728)
TAXATION	20	(47,934)	32,769	-	9,769
LOSS AFTER TAXATION		(8,194,166)	(5,350,073)	(511,034)	(46,959)
MINORITY INTEREST		484	-	-	-
NET LOSS FOR THE YEAR		(8,193,682)	(5,350,073)	(511,034)	(46,959)
DIVIDENDS PER SHARE		-	-	-	-
LOSS PER SHARE	21	(40.0 sen)	(26.8 sen)		

The notes on pages 24 to 42 form part of these financial statements.

Statement of Changes in Equity for the year ended 31st December, 2002

	<i>Share Capital</i> RM	<i>Share Premium</i> RM	<i>(Accumulated Losses)/ Retained Profits</i> RM	<i>Total</i> RM
GROUP				
As at 1st January, 2001	19,999,000	6,460,012	5,503,950	31,962,962
Net loss for the year	-	-	(5,350,073)	(5,350,073)
As at 31st December, 2001	19,999,000	6,460,012	153,877	26,612,889
Net loss for the year	-	-	(8,193,682)	(8,193,682)
As at 31st December, 2002	19,999,000	6,460,012	(8,039,805)	18,419,207
COMPANY				
As at 1st January, 2001	19,999,000	6,460,012	1,126,636	27,585,648
Net loss for the year	-	-	(46,959)	(46,959)
As at 31st December, 2001	19,999,000	6,460,012	1,079,677	27,538,689
Net loss for the year	-	-	(511,034)	(511,034)
As at 31st December, 2002	19,999,000	6,460,012	568,643	27,027,655

The notes on pages 24 to 42 form part of these financial statements.

Cash Flow Statement for the year ended 31st December, 2002

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(8,146,232)	(5,382,842)	(511,034)	(56,728)
Adjustments for:-				
Goodwill written off	26,063	-	-	-
Allowance for doubtful debts	31,924	-	-	-
Amortisation of leasehold land	33,928	36,983	-	-
Depreciation on property, plant and equipment	1,949,451	2,112,536	134,128	82,279
Provision for retirement benefits	84,000	95,700	12,000	12,000
(Gain)/loss on disposal of property, plant and equipment	(142)	(17,308)	(1,706)	1,965
Property, plant and equipment written off	3,433	-	-	-
Interest expense	589,346	743,856	-	-
Dividend income	-	(424)	-	-
Interest on fixed deposits	(5,740)	(4,797)	-	-
Operating (loss)/profit before working capital changes	(5,433,969)	(2,416,296)	(366,612)	39,516
Decrease in inventories	4,444,633	620,628	-	-
(Increase)/decrease in trade receivables	(1,289,984)	750,129	-	-
(Increase)/decrease in other receivables and deposits	(621,470)	1,106,915	393,194	(98,214)
Decrease in amount due from subsidiary companies	-	-	146,739	638,612
Increase/(decrease) in trade payables	4,106,929	(919,814)	-	-
Increase/(decrease) in other payables and accruals	575,143	(332,558)	95,847	(354,254)
Increase in amount due to directors	113,675	36,356	560	36,356
Cash generated from/(used in) operations	1,894,957	(1,154,640)	269,728	262,016
Tax (paid)/refund	(65,000)	(39,618)	-	162,050
Interest paid	(537,936)	(419,235)	-	-
Retirement benefits paid	-	(80,660)	-	-
Net cash generated from/(used in) operating activities	1,292,021	(1,694,153)	269,728	424,066
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment in unquoted shares	(89,000)	-	(40,000)	-
Investment in a subsidiary company	(10,386)	-	(51,000)	-
Purchase of property, plant and equipment	(396,554)	(864,479)	(188,048)	(433,240)
Proceeds from disposal of property, plant and equipment	17,300	34,000	2,300	6,000
Interest received	6,942	4,307	-	-
Dividend received	-	305	-	-
Net cash used in investing activities	(471,698)	(825,867)	(276,748)	(427,240)

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
CASH FLOWS FROM FINANCING ACTIVITIES				
Drawdown of hire purchase facility	63,000	92,800	-	-
Drawdown of export credit refinancing	-	157,000	-	-
Bankers' acceptances discounted	396,000	1,738,000	-	-
Repayment of export credit refinancing	(157,000)	-	-	-
Repayment of bankers' acceptance	(209,000)	-	-	-
Repayment of term loan	(229,080)	(1,333,344)	-	-
Repayment of hire purchase	(56,092)	(37,506)	-	-
Interest paid	(67,788)	(330,697)	-	-
Net cash (used in)/generated from financing activities	(259,960)	286,253	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	560,363	(2,233,767)	(7,020)	(3,174)
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(4,698,044)	(2,464,277)	14,261	17,435
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	(4,137,681)	(4,698,044)	7,241	14,261
CASH AND CASH EQUIVALENTS COMPRISE:-				
Fixed deposits with a licensed bank	266,431	139,728	-	-
Cash and bank balances	551,385	73,170	7,241	14,261
Bank overdrafts (Note 13)	(4,955,497)	(4,910,942)	-	-
	(4,137,681)	(4,698,044)	7,241	14,261

The notes on pages 24 to 42 form part of these financial statements.

Notes to the Financial Statements

- 31st December, 2002

1. BASIS OF ACCOUNTING

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

2. GENERAL INFORMATION

The financial statements of the Group and the Company were authorised for issue on 28th April, 2003 by the Board of Directors.

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

The Company is listed on the Second Board of Kuala Lumpur Stock Exchange.

The Group and the Company have 265 (2001: 273) and 5 (2001: 5) employees respectively at the end of the financial year.

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Foreign Currency Exchange Risk

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

(b) Interest Rate Risk

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

(c) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to invest cash assets safely and profitably. It also 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.

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

(d) Financial Assets

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

(e) Financial Liabilities and Equity Instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to 31st December, 2002. Intercompany transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

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

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

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

(b) Property, Plant and Equipment

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

Other property, plant and equipment are stated at cost less accumulated depreciation.

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

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Impairment of Assets

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

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

(d) Investments

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

(e) Inventories

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

(f) Deferred Taxation

Deferred taxation is provided by the Group using the liability method in respect of all material timing differences between accounting income and taxable income except where it is reasonably expected that the tax effects of such timing differences will not reverse in the foreseeable future.

Deferred tax benefits are only recognised on realisation.

(g) Foreign Exchange

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

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

	<i>At 31.12.2002</i>	<i>At 31.12.2001</i>
Foreign currency		
1 US Dollar	RM3.80	RM3.80
1 Australian Dollar	RM2.15	RM1.94

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) Retirement Benefits

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

The quantum of benefits is calculated as follows:

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

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

(i) Revenue Recognition

Revenue is recognised upon delivery of goods and rendering of services.

(j) Cash and Cash Equivalents

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

5. MERGER ACCOUNTING

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

The details of the acquisitions are as follows:-

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

6. PROPERTY, PLANT AND EQUIPMENT

	Short Term Leasehold Land RM	Short Term Leasehold Building RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital Work in Progress RM	Total RM
Group - 2002							
Cost:							
Balance at 1st January	958,563	9,029,517	17,638,946	2,394,947	5,519,933	7,997,921	43,539,827
Acquisition of subsidiary	-	-	16,647	-	-	-	16,647
Additions	-	14,750	80,950	217,157	83,697	-	396,554
Transfers	-	-	(107,800)	-	-	107,800	-
Disposals	-	-	-	(660)	(55,214)	-	(55,874)
Write offs	-	(3,667)	(14,371)	(26,708)	-	-	(44,746)
Balance at 31st December	958,563	9,040,600	17,614,372	2,584,736	5,548,416	8,105,721	43,852,408
Accumulated Depreciation:							
Balance at 1st January	811,052	5,037,989	13,059,646	1,275,378	5,387,694	-	25,571,759
Acquisition of subsidiary	-	-	613	-	-	-	613
Charge of the year	33,928	377,705	1,292,967	226,592	52,187	-	1,983,379
Eliminated on disposal	-	-	-	(66)	(38,650)	-	(38,716)
Eliminated on write off	-	(1,956)	(13,560)	(25,797)	-	-	(41,313)
Balance at 31st December	844,980	5,413,738	14,339,666	1,476,107	5,401,231	-	27,475,722
Net Book Value at 31st December	113,583	3,626,862	3,274,706	1,108,629	147,185	8,105,721	16,376,686
Group - 2001							
Cost:							
Balance at 1st January	958,563	9,016,907	17,406,320	1,961,752	5,519,933	7,907,921	42,771,396
Additions	-	12,610	310,974	450,895	-	90,000	864,479
Disposals	-	-	(78,348)	(17,700)	-	-	(96,048)
Balance at 31st December	958,563	9,029,517	17,638,946	2,394,947	5,519,933	7,997,921	43,539,827
Accumulated Depreciation:							
Balance at 1st January	774,069	4,643,748	11,731,863	1,101,783	5,250,133	-	23,501,596
Charge for the year	36,983	394,241	1,397,404	183,330	137,561	-	2,149,519
Eliminated on disposal	-	-	(69,621)	(9,735)	-	-	(79,356)
Balance at 31st December	811,052	5,037,989	13,059,646	1,275,378	5,387,694	-	25,571,759
Net Book Value at 31st December	147,511	3,991,528	4,579,300	1,119,569	132,239	7,997,921	17,968,068

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

	<i>Office Equipment, Furniture and Fittings</i>	<i>Total</i>
	<i>RM</i>	<i>RM</i>
COMPANY - 2002		
Cost:		
Balance at 1st January	1,035,449	1,035,449
Additions	188,048	188,048
Disposals	(660)	(660)
Balance at 31st December	1,222,837	1,222,837
Accumulated Depreciation:		
Balance at 1st January	152,766	152,766
Charge for the year	134,128	134,128
Eliminated on disposal	(66)	(66)
Balance at 31st December	286,828	286,828
Net Book Value at 31st December	936,009	936,009
COMPANY - 2001		
Cost:		
Balance at 1st January	619,909	619,909
Additions	433,240	433,240
Disposals	(17,700)	(17,700)
Balance at 31st December	1,035,449	1,035,449
Accumulated Depreciation:		
Balance at 1st January	80,222	80,222
Charge for the year	82,279	82,279
Eliminated on disposal	(9,735)	(9,735)
Balance at 31st December	152,766	152,766
Net Book Value at 31st December	882,683	882,683

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

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

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Motor vehicles	83,700	-
Plant and machinery	116,000	116,000
	199,700	116,000

The property, plant and equipment of certain subsidiary companies are subject to fixed and floating charges for an amount of RM8,000,000 by way of debentures to secure banking facilities for the subsidiary companies. (Note 13).

7. SUBSIDIARY COMPANIES

	<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Unquoted shares, at cost:		
Balance at 1st January	18,873,558	18,873,558
Acquisition during the year	51,000	-
Balance at 31st December	18,924,558	18,873,558

During the year, the Company acquired 51,000 ordinary shares of RM1 each, representing 51% equity interest in NTL Marine Park Sdn. Bhd., for a cash consideration of RM51,000.

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

<i>Name of Company</i>	<i>Equity Interest (%)</i>		<i>Principal Activities</i>
	<i>2002</i>	<i>2001</i>	
Besut Tsuda Industries Sendirian Berhad	100.00	100.00	Investment holding, logging, sawmilling and trading of sawn timber and logs.
Syarikat Maskayu Sawmill Sdn. Bhd.	99.99	99.99	Logging, sawmilling, and trading of sawn timber.
Besut Tsuda Wood Products Sdn. Bhd. (held indirectly through Besut Tsuda and Industries Sendirian Berhad)	100.00	100.00	Kiln-drying operations, timber moulding manufacturing of finger jointed timber and lamination boards.
* BTM Marketing & Trading Sdn. Bhd.	100.00	100.00	Trading of sawn timber.
* NTL Marine Park Sdn. Bhd.	51.00	-	Rearing of fresh water fish for sale and related activities.
* BTM Properties Sdn. Bhd.	100.00	100.00	Dormant
* BTM Construction Sdn. Bhd.	100.00	100.00	Dormant
* BTM Development Sdn. Bhd.	100.00	100.00	Dormant
* BTM Global Holdings Sdn. Bhd.	100.00	100.00	Dormant

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

8. INVESTMENTS

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Quoted investments:				
Shares quoted in Malaysia, at cost	21,196	21,196	-	-
Unquoted shares, at cost	89,000	-	40,000	-
	110,196	21,196	40,000	-
Market value of quoted shares	16,109	12,400	-	-

9. INVENTORIES

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
At cost:-		
Logs and sawn timber	5,066,453	9,437,720
Manufactured products	1,772,131	1,906,535
Consumable stores	761,730	587,968
Timber mouldings	14,928	155,247
Others	27,595	-
	7,642,837	12,087,470

10. TRADE RECEIVABLES

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Balances outstanding	9,966,047	8,667,855
Allowances for doubtful debts	(31,924)	-
	9,934,123	8,667,855

11. AMOUNTS DUE FROM SUBSIDIARY COMPANIES

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

12. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM133,000 in the names of certain subsidiary companies were placed under lien to secure a credit facility from the same financial institution to another subsidiary company.

Fixed deposits with a face value of RM122,750 in the name of another subsidiary company was pledged to a licensed bank to secure a bank guarantee facility.

13. BANK BORROWINGS (SECURED)

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Export credit refinancing	-	157,000
Bankers' acceptances	2,416,000	3,114,000
Term loans	767,000	111,080
Bank overdrafts	4,955,497	4,910,942
	8,138,497	8,293,022
Due within next 12 months	7,725,497	8,293,022
Due later than one year and not later than five years	413,000	-
	8,138,497	8,293,022

- (i) The Group's trade facilities and term loans are secured by:-
- a corporate guarantee of RM8,200,000 given by the Company to secure the trade and loan facilities for the purpose of financing the purchase of a unit woodwaste fired cogenerator system by a subsidiary company.
 - a negative pledge on the property, plant and equipment of a subsidiary company.
 - fixed deposits with a face value of RM133,000 in the names of certain subsidiaries placed under lien to secure a credit facility from the same financial institution to another subsidiary company.
 - a limited guarantee of RM2,000,000 by a director
 - a general security agreement relating to goods held.

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

(ii) The overdraft facility of a subsidiary company is secured by way of:-

- (a) A first legal charge over the subsidiary company's leasehold land and factory buildings for RM5,000,000.
- (b) A debenture creating a first fixed and floating charge over the subsidiary company's fixed and floating assets for RM5,000,000; and
- (c) A corporate guarantee by the Company.

(iii) Details of term loans are as follows:-

- (a) A term loan repayable over 35 monthly instalments of RM111,112 each and a final instalment of RM111,080 commencing on 1st February, 1999. This loan has been settled in full during the year.
- (b) During the year, the trade facilities granted by a licensed bank to a subsidiary company were terminated and the balance of RM885,000 was converted to a Reducing Balance Term Loan which is repayable over 30 monthly instalments of RM29,500 (excluding interest) each commencing from 26th September, 2002.

(iv) Indicative interest rates on the Group's borrowings are as follows:-

	2002 (%)	2001 (%)
Export credit refinancing	2.0 per annum	2.0 per annum
Bankers' acceptances	4.70 to 4.92 per annum	3.11 to 7.54 per annum
Term loan	8.65 per annum	8.65 to 9.05 per annum
Reducing Balance Term Loan	8.90 per annum (daily rest)	-
Bank overdrafts	8.90 per annum	8.90 to 9.30 per annum

14. HIRE PURCHASE PAYABLES

	GROUP	
	2002 RM	2001 RM
Balance outstanding	112,014	103,920
Interest not due	(15,007)	(13,821)
	97,007	90,099
Due within next 12 months	50,157	55,299
Due later than one year and not later than five years	46,850	34,800
	97,007	90,099

15. SHARE CAPITAL

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Ordinary shares of RM1 each:-				
Authorised	100,000,000	100,000,000	100,000,000	100,000,000
Issued and fully paid	19,999,000	19,999,000	19,999,000	19,999,000

16. SHARE PREMIUM - GROUP/COMPANY

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

17. DEFERRED TAXATION

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Balance at 1st January	-	307,000
Transfer to taxation account (Note 20)	-	(307,000)
Balance at 31st December	-	-
Timing differences between depreciation and corresponding capital allowances	(2,742,000)	49,000
Unabsorbed tax losses carried forward	(10,755,000)	(5,536,000)
Total debit timing differences not accounted for	(13,497,000)	(5,487,000)
Deferred tax benefits at 28% thereon (not accounted for)	(3,779,160)	1,536,360

18. OPERATING REVENUE

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

19. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2002 RM	2001 RM	2002 RM	2001 RM
(a) This is stated after charging/(crediting):-				
Non-executive directors' remuneration				
- fees	79,200	95,700	79,200	95,700
Executive directors' salaries, bonuses and other emoluments				
- company's directors	949,800	743,600	561,400	514,400
- other directors	161,760	31,360	-	-
Audit fees	42,000	32,500	5,000	5,000
Depreciation on property, plant and equipment	1,949,451	2,112,536	134,128	82,279
Amortisation of leasehold land	33,928	36,983	-	-
Allowances for doubtful debts	31,924	-	-	-
Goodwill written off	26,063	-	-	-
Property, plant and equipment written off	3,433	-	-	-
Interest expense - hire purchase	12,202	11,135	-	-
- bank overdraft	442,145	419,286	-	-
- bankers' acceptances	106,622	149,772	-	-
- trust receipt	-	62,855	-	-
- export bills	6,659	25,182	-	-
- term loan	18,638	75,217	-	-
- others	3,080	409	-	-
Royalties and cess	25,308	267,582	-	-
Rental of land and buildings				
- belonging to directors	61,344	30,672	61,344	30,672
- others	229,424	108,569	36,137	36,137
Rental of vehicles	87,600	87,600	-	-
Provision for retirement benefits	84,000	95,700	12,000	12,000
Rental of machinery	(34,275)	(14,346)	-	-
Interest on fixed deposits	(5,740)	(4,797)	-	-
(Gain)/loss on disposal of property, plant and equipment	(142)	(17,308)	(1,706)	1,965
Dividend income	-	(424)	-	-
Realised gain on foreign exchange	(30,883)	(19,408)	-	-
Management fees				
- subsidiary companies	-	-	(1,200,000)	(1,200,000)
Estimated cash value of benefits-in-kind of directors	-	-	-	-
(b) Employee information				
Staff costs	4,802,353	3,660,204	737,266	701,212

20. TAXATION

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Current year's tax charge	-	(284,000)	-	-
Transfer from deferred taxation account (Note 17)	-	307,000	-	-
	-	23,000	-	-
Over/(under)provision in respect of prior years	(47,934)	9,769	-	9,769
	(47,934)	32,769	-	9,769

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

Subject to agreement with the Inland Revenue Board, the Company has unabsorbed capital allowances and tax losses of approximately RM101,000 (2001: RM183,000) and RM100,000 (2001: RM54,000) respectively that are available for set-off against future taxable income.

The estimated tax exempt income available of the Company for distribution as tax exempt dividends is RM396,000 (2001: RM396,000).

The Company and certain of its subsidiary companies have adequate tax credits under Section 108 of the Income Tax Act, 1967 to frank the payment of net dividends out of their respective retained profits as at 31st December, 2002.

21. LOSS PER SHARE

The loss per ordinary share has been calculated based on the Group's loss after taxation of RM8,193,682 (2001: RM5,350,073) and on the number of ordinary shares in issue during the year of 19,999,000 (2001: 19,999,000).

22. CONTINGENT LIABILITIES

	<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	16,200,000	16,200,000

23. SUMMARY OF EFFECT OF ACQUISITION OF A SUBSIDIARY COMPANY

During the financial year, the Group acquired 51% equity interest in NTL Marine Park Sdn. Bhd. for a cash consideration of RM51,000.

(a) The effect of this acquisition on the financial position at the period end is as follows:-

	<i>2002</i>
	<i>RM</i>
Property, plant and equipment	72,445
Investment	49,000
Inventories	27,595
Trade and other receivables	420,342
Cash and bank balances	1,944
Trade and other payables	(54,765)
Amount due to related companies	(363,819)
Amount due to directors	(104,834)
	47,908
Minority interest	(23,475)
Group's share of net assets	24,433

(b) Details of net assets, goodwill and cash flow arising from the acquisition are as follows:-

	<i>At date of acquisition</i>
	<i>RM</i>
Assets/(Liabilities) acquired:	
Property, plant and equipment	16,034
Trade and other receivables	57,206
Cash and bank balances	40,614
Trade and other payables	(64,958)
Net assets	48,896
Less: Minority interest	(23,959)
Share of net assets acquired	24,937
Add: Goodwill	26,063
Purchase consideration	51,000
Less: Cash and cash equivalents of the subsidiary acquired	(40,614)
Cash outflow on acquisition	10,386

24. INTERCOMPANY TRANSACTIONS

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

	<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Amount due from subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	672,382	1,906,666
Besut Tsuda Wood Products Sdn. Bhd.	5,316,721	4,107,750
Syarikat Maskayu Sawmill Sdn. Bhd.	950,080	1,068,081
BTM Properties Sdn. Bhd.	9,157	8,500
BTM Construction Sdn. Bhd.	9,192	8,535
BTM Development Sdn. Bhd.	50,894	50,238
BTM Marketing & Trading Sdn. Bhd.	-	6,054
BTM Global Holdings Sdn. Bhd.	7,917	7,260

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

	<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Income		
Management fees		
Besut Tsuda Industries Sendirian Berhad	480,000	360,000
Besut Tsuda Wood Products Sdn. Bhd.	480,000	360,000
Syarikat Maskayu Sawmill Sdn. Bhd.	240,000	180,000

25. RELATED PARTY TRANSACTIONS

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

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

25. RELATED PARTY TRANSACTIONS (CONT'D)

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

	<i>GROUP</i>		<i>COMPANY</i>	
	<i>2002</i>	<i>2001</i>	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>	<i>RM</i>	<i>RM</i>
Trade payables				
Seri Indah Enterprise Sdn. Bhd.	-	(5,424)	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	(764)	-	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	(7,712)	(30,651)	-	-
Sung Lee Timber Trading Sdn. Bhd.	(818,042)	(728,831)	-	-
BTM Timber Industries Sdn. Bhd.	(505,743)	(388,415)	-	-
SPPT Development Sdn. Bhd.	(3,427)	(6,025)	-	-
Gimzan Plywood Sdn. Bhd.	(5,731)	-	-	-
Trade receivables				
Gimzan Plywood Sdn. Bhd.	1,157,648	1,532,286	-	-
BTM Timber Industries Sdn. Bhd.	960,750	2,505,933	-	-
SPPT Development Sdn. Bhd.	1,491,027	1,491,027	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	-	3,883	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	500	-	-
Other payables				
Seri Indah Enterprise Sdn. Bhd.	(229,097)	(206,442)	-	-
Sung Lee Timber Trading Sdn. Bhd.	(140,000)	(136,989)	(140,000)	(136,989)
Other receivables				
Gimzan Plywood Sdn. Bhd.	-	109,697	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	17,372	-	-
BTM Timber Industries Sdn. Bhd.	-	79,697	-	79,697
Syarikat Rimba Timor Sdn. Bhd.	-	5,500	-	5,500
Sung Lee Timber Trading Sdn. Bhd.	3,011	-	-	-

25. RELATED PARTY TRANSACTIONS (CONT'D)

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

	<i>GROUP</i>	
	<u>2002</u>	<u>2001</u>
	<i>RM</i>	<i>RM</i>
Income		
Sales of logs and sawn timber		
BTM Timber Industries Sdn. Bhd.	102,242	2,668,234
Sung Lee Timber Trading Sdn. Bhd.	115,418	4,807
Syarikat Zamry Sawmill Sdn. Bhd.	15,543	-
Services		
BTM Timber Industries Sdn. Bhd.	87,446	102,124
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	14,632	1,013
Syarikat Zamry Sawmill Sdn. Bhd.	4,125	473
Sung Lee Timber Trading Sdn. Bhd.	555	26,020
Gimzan Plywood Sdn. Bhd.	44,875	-
Others		
BTM Timber Industries Sdn. Bhd.	5,210	8,749
Syarikat Zamry Sawmill Sdn. Bhd.	-	59
Gimzan Plywood Sdn. Bhd.	15,000	-
Expenditure		
Purchases of logs and sawn timber		
Gimzan Plywood Sdn. Bhd.	-	100,000
BTM Timber Industries Sdn. Bhd.	3,240,326	4,054,661
Syarikat Zamry Sawmill Sdn. Bhd.	167,258	42,248
Sung Lee Timber Trading Sdn. Bhd.	-	150,305
Services		
BTM Timber Industries Sdn. Bhd.	371,882	926,644
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	28,178	18,611
Syarikat Zamry Sdn. Bhd.	-	100
Sung Lee Timber Trading Sdn. Bhd.	10,517	25,110
Rental		
BTM Timber Industries Sdn. Bhd.	100,800	79,800
Sung Lee Timber Trading Sdn. Bhd.	-	36,137
Others		
BTM Timber Industries Sdn. Bhd.	(87,108)	206,076
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	(110)	-

26. CAPITAL COMMITMENTS

	<i>GROUP</i>	
	<i>2002</i>	<i>2001</i>
	<i>RM</i>	<i>RM</i>
Authorised and contracted for	2,180,000	2,180,000

27. SEGMENT INFORMATION

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

28. FINANCIAL INSTRUMENTS

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

29. SIGNIFICANT PROPOSALS

In the previous year, the Company submitted certain business proposals to the Securities Commission ("SC"). The proposals which were finally approved by the SC are as follows:-

(a) Proposed Acquisition of Properties

- (i) A sale and purchase agreement, via its wholly-owned subsidiary company, BTM Global Holdings Sdn. Bhd., with BTM Timber Industries Sdn. Bhd. for the proposed acquisition of land, and plant and machineries for a total purchase consideration of RM3,000,000 to be satisfied via the issuance of 1,875,000 new ordinary shares of RM1.00 each in the Company at an issue price of RM1.60 per share; and
- (ii) A sale and purchase agreement with Sung Lee Timber Trading Sdn. Bhd. for the proposed acquisition of a 5½ storey office known as "Wisma Kam Choon" for a purchase of RM1.00 each in the Company at an issue price of RM1.60 per share.

(b) Proposed Private Placement

A proposed private placement of up to 4,000,000 new ordinary shares of RM1.00 each in the Company is to be implemented.

29. SIGNIFICANT PROPOSALS (CONT'D)

(c) Proposed Employees Share Option Scheme (ESOS)

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

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

(d) Proposed Restricted Offer for Sale of Rights

The proposed restricted offer for sale of 7,876,000 new ordinary shares of RM1.00 each to the existing shareholders of the Company, other than Dato' Seri Yong Tu Sang, Yong Emmy, To' Puan Ng Ah Heng, Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad, Dato' Mohd Zamry bin Yusof and Fatimah Zalina binti Yusof was revised to a number not exceeding 4,687,500 new ordinary shares of RM1.00 each.

Todate, the Company has yet to formalise and implement the above proposals.

Statement by Directors

We, DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD and DATO' SERI YONG TU SANG, being two of the directors of BTM RESOURCES BERHAD, state that in the opinion of the directors, the financial statements set out on pages 19 to 42 are drawn up in accordance with the applicable approved Malaysian accounting standards and the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2002 and of their results and cash flows for the year ended on that date.

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

DATO' SERI YUSOF BIN DATO' BIJI SURA @ MOHAMAD

DATO' SERI YONG TU SANG

Terengganu,

Date: 28th April, 2003

Statutory Declaration

I, CHONG SEOK TIAN, the person primarily responsible for the financial management of BTM RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 19 to 42 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed CHONG SEOK TIAN at)
Kuala Terengganu in the State of)
Terengganu Darul Iman 28th April, 2003) CHONG SEOK TIAN

Before me,

Report of the Auditors to the members of btm resources Berhad

We have audited the financial statements set out on pages 19 to 42. These financial statements are the responsibility of the directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with the applicable approved Malaysian accounting standards and the provisions of the Companies Act, 1965 so as to give a true and fair view of:-
 - (i) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
 - (ii) the state of affairs of the Group and of the Company as at 31st December, 2002 and of their results and cash flows for the year then ended;

and

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

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

We are satisfied that the financial statements of the subsidiary companies that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' reports on the financial statements of the subsidiary companies were not subject to any qualification or comments made under subsection (3) of Section 174 of the Act.

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

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

Kuala Lumpur,
Date: 28th April, 2003

Analysis of Shareholdings as at 6th may 2003

SHARE CAPITAL - ORDINARY SHARE OF RM 1.00 EACH

Authorised	-	100,000,000
Issued & Fully Paid Up	-	19,999,000
Voting Right	-	One voting right for one ordinary share

DISTRIBUTION OF SHAREHOLDINGS

<i>Range of Shareholdings</i>	<i>No. of Holders</i>	<i>No. of Shares</i>	<i>%</i>
1 - 999	1	600	0.00
1,000 - 10,000	1,264	2,832,400	14.16
10,001 - 100,000	71	1,779,000	8.89
100,001 - 1,000,000	11	4,649,000	23.25
Above 1,000,000	4	10,738,000	53.70
Total	1,364	19,999,000	100.00

SUBSTANTIAL SHAREHOLDERS

<i>Name of Shareholders</i>	<i>Shares Held</i>	<i>%</i>
1. Dato' Seri Yong Tu Sang	3,686,000	18.43
2. Miss Yong Emmy	3,000,000	15.00
3. Ng Ah Heng	2,500,000	12.50
4. Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000	7.76
5. Permodalan Nasional Berhad	1,000,000	5.00
	11,738,000	58.69

DIRECTORS' SHAREHOLDINGS AS AT 6TH MAY 2003

<i>Names</i>	<i>No. of Shares Held</i>
1. Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000
2. Dato' Seri Yong Tu Sang	3,686,000
3. Dato' Lau Chen Nai	10,000
4. Dato' Mohd Zamry bin Yusof	749,300
5. Miss Yong Emmy	3,000,000

LIST OF THIRTY LARGEST SHAREHOLDINGS

<i>Name of Shareholders</i>	<i>Shares Held</i>	<i>%</i>
1. Dato' Seri Yong Tu Sang	3,686,000	18.43
2. Yong Emmy	3,000,000	15.00
3. Ng Ah Heng	2,500,000	12.50
4. Dato' Seri Yusof bin Dato' Biji Sura @ Mohamad	1,552,000	7.76
5. Permodalan Nasional Berhad	1,000,000	5.00
6. Dato' Mohd Zamry Bin Dato' Seri Yusof	749,300	3.74
7. Fatimah Zalina Binti Yusof	635,700	3.17
8. Halim Bin Mohamad	429,000	2.14
9. Bumiputra-Commerce Trustee Berhad - <i>Amanah Saham Darul Iman</i>	399,000	1.99
10. HLG Nominee (Tempatan) Sdn Bhd - <i>for Mah Mun Fai</i>	365,000	1.82
11. Mah Mun Fai	335,000	1.67
12. Ong Har Hong	265,000	1.32
13. Poo Choo @ Ong Poo Choi	204,000	1.02
14. HSBC Nominees (Tempatan) Sdn Bhd - <i>for Dato' Lau Yin Pin</i>	155,000	0.77
15. Liew Kok Ming	112,000	0.56
16. Mercsec Nominees (Tempatan) Sdn Bhd - <i>for Chew Beow Soon</i>	85,000	0.42
17. Ng Kin Li	76,000	0.38
18. Toh Seng Tat	56,000	0.28
19. Chia Joo Khing	54,000	0.27
20. Global Adjusters Sdn Bhd	50,000	0.25
21. HDM Nominees (Tempatan) Sdn Bhd - <i>for Bek Kuang Joo</i>	50,000	0.25
22. Philip Cho Wing Ying	50,000	0.25
23. Yap Leong Seng	49,000	0.24
24. Mercsec Nominees (Tempatan) Sdn Bhd	49,000	0.24
25. Nor Hayati Binti Abd Malik	46,000	0.23
26. Tan Poh Tee @ Tan Choon Chiong	44,000	0.22
27. Yap Kau @ Yap Yeow Ho	43,000	0.21
28. RHB Capital Nominees (Tempatan) Sdn Bhd	35,000	0.17
29. Mayban Nominees (Tempatan) Sdn Bhd - <i>for Yap Pict Lin</i>	34,000	0.17
30. Yew Tan Guan	33,000	0.16
	16,141,000	80.63

List of Properties

<i>Location</i>	<i>Tenure</i>	<i>Description</i>	<i>Land Area Hectare</i>	<i>Approx. Age of the Building</i>	<i>Net Book Value (RM)</i>
<i>Besut Tsuda Industries Sdn Bhd</i>					
Lot No:- 003067 Mukim of Pengkalan Nangka District of Besut Terengganu Darul Iman	30 year's leasehold expiring on 30/03/2007	Industrial land with sawmill building, timber sheds and office erected thereon.	12.06	26 years	85,207
Lot No:- 002995 Mukim of Pengkalan Nangka District of Besut Terengganu Darul Iman	30 year's leasehold expiring on 26/10/2018	Vacant industrial land	9.014	-	55,991
<i>Syarikat Maskayu Sawmill Sdn Bhd</i>					
Lot No:- 11341 Mukim Of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	30 year's leasehold expiring on 31/12/2004	Sawmill building, timber sheds and office erected thereon.	2.837	27 years	197,408
Lot No:- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year's leasehold expiring on 29/11/2033	Log yard	0.998	-	54,432
<i>Besut Tsuda Wood Products Sdn Bhd</i>					
Lot No: - 1654 Mukim of Tanggol District of Hulu Terengganu Terengganu Darul Iman	30 year's leasehold expiring on 31/03/2024	Factory buildings kiln-dried chambers, office erected thereon.	4.005	9 years	3,347,406

Form of Proxy

I / We _____

of _____

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

of _____

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Ninth Annual General Meeting of the Company to be held at Cempaka Room, Hotel Equatorial, Jalan Sultan Ismail, 50250 Kuala Lumpur on Friday, 20th June, 2003 at any adjournment thereof.

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

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

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

Signature of Shareholder(s)

Signed this _____ day of _____ 2003.

Note:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS

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

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