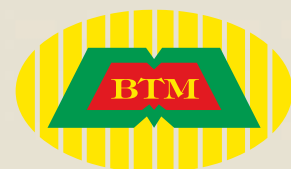




Annual Report 2006 In Pursuit of Continuous Excellence



BTM RESOURCES BERHAD

303962-T (Incorporated in Malaysia)

Contents

Notice of Annual General Meeting page2

Statement Accompanying Notice of Annual General Meeting page4

Corporate Information page5

Directors' Profile page6

Chairman's Statement page10

Corporate Governance Statement page12

Audit Committee Report page16

Statement on Internal Control page18

Statement of Directors' Responsibility page19

Financial Statements page20

Analysis of Shareholdings page57

List of Properties page59

Form of Proxy

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Thirteenth Annual General Meeting of BTM Resources Berhad will be held at the Embassy 3, 12th Floor, Crown Princess Hotel, City Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Wednesday, 27 June 2007 at 10.00 a.m. for the following purposes:-

1. To receive and adopt the Audited Financial Statements for the year ended 31 December 2006 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees for the year ended 31 December 2006. **Resolution 2**
3. To re-elect Dato' Seri Yong Tu Sang who retire in accordance with Article 64 of the Company's Articles of Association. **Resolution 3**
4. To re-elect the following Directors of the company who retire pursuant to Article 68 of the Company's Articles of Association:
 - (i) Dato' Mohd Salleh Bin Zakaria **Resolution 4**
 - (ii) Encik Mohd Badaruddin Bin Masodi **Resolution 5**
 - (iii) Encik Mohd Qari Bin Ahmad **Resolution 6**
5. To consider and, if thought fit, to pass the following Resolution:-

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

Resolution 7
6. To re-elect Messrs Azman, Wong, Salleh & Co as Auditors and to authorise the Directors to fix their remuneration. **Resolution 8**

SPECIAL BUSINESS

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

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

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

Resolution 9
8. 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 4th June 2007 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 that those generally available to the public and not to the detriment of the minority shareholders;
 - b) disclosure is made in the Annual Report of the breakdown of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year and proposed that such approval shall continue in force until;

Notice of Annual General Meeting (Continued)

- 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 10

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

BY ORDER OF THE BOARD

Heng Ji Keng
Chong Seok Tian
Mary Margaret Pelly
Joint Secretaries

KUALA LUMPUR
Date : 4 June 2007

Note:

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

EXPLANATORY NOTES ON SPECIAL BUSINESS**Resolution pursuant to Section 132D of the Companies Act, 1965**

The proposed Ordinary Resolution under item (7) if passed, will empower the Directors to issue shares in the Company up to an amount not exceeding in total 10% of the issued share capital of the Company for such purposes as the Directors consider would be in the interest of the Company. In order to avoid any costs involved in convening a general meeting, it is appropriate to seek shareholders' approval.

The proposed Ordinary Resolution under item (8) is to renew the shareholders' mandate granted by the shareholders of the Company at the Annual General Meeting held on 23rd June 2006. 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 operations, subject to the transactions being the ordinary course of business and on normal commercial terms are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

Statement Accompanying Notice of Annual General Meeting

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

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

i) Dato' Seri Yong Tu Sang **(Resolution 3)**

B) Director retiring pursuant to Article 68 of the Company's Articles of Association

i) Dato' Mohd Salleh Bin Zakaria **(Resolution 4)**

ii) Encik Mohd Badaruddin Bin Masodi **(Resolution 5)**

iii) Encik Mohd Qari Bin Ahmad **(Resolution 6)**

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

i) Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman **(Resolution 7)**

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 6 to 9 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (page 57 of the Annual Report)

2. Attendance of Directors at Board Meetings for year 2006

A total of five (5) Board Meetings were held during the financial year ended 31 December 2006. The attendance record of Directors during the financial year is as follows:-

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	4 out of 5 meetings
Madam Yong Emmy	5 out of 5 meetings
Dato' Mohd Salleh Bin Zakaria	1 out of 2 meetings
Encik Mohd Badaruddin Bin Zakaria	1 out of 2 meetings
Encik Mohd Qari Bin Ahmad	1 out of 3 meetings*

* Encik Mohd Qari Bin Ahmad has informed the Company that he was unable to attend an emergency meeting due to other engagement.

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

Date : Wednesday, 27 June 2007

Time : 10.00 a.m.

Place : Embassy 3, 12th Floor
Crown Princess Hotel
City Square Centre
Jalan Tun Razak
50400 Kuala Lumpur

4. Profile of Directors Who Are Standing For Re-election

The information required in compliance with the Appendix 8A, Section (4) under the BMSB Listing Requirement has been included in pages 6 to 9 herein.

Corporate Information

BOARD OF DIRECTORS

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

- Chairman, Senior Independent Non-Executive Director

Dato' Seri Yong Tu Sang

- Managing Director

Mr. Choong Show Tong

- Independent Non-Executive Director

Madam Yong Emmy

- Non-Executive Director

Dato' Mohd Salleh Bin Zakaria

- Executive Director

Encik Mohd Badaruddin Bin Masodi

- Non Independent Non-Executive Director

Encik Mohd Qari Bin Ahmad

- Independent Non-Executive Director

Madam Yong Ellen

- Alternate to Miss Yong Emmy

AUDIT COMMITTEE

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

Choong Show Tong
- *Member*

Yong Emmy
- *Member*

REMUNERATION COMMITTEE

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

Mr. Choong Show Tong
- *Member*

Dato' Seri Yong Tu Sang
- *Member*

NOMINATION COMMITTEE

Mr. Choong Show Tong
- *Chairman*

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

COMPANY SECRETARIES

Mr. Heng Ji Keng
(MIA 926)

Ms. Mary Margaret Pelly
(LS 04402)

Mr. Chong Seok Tian
(MIA 2502)

REGISTRARS

Sectrars Services Sdn Bhd
No. 28-1
Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel No : 03-22746133
Fax No : 03-22741016

AUDITORS

Azman, Wong, Salleh & Co.,
Public Accountants
12th Floor
Wisma Tun Sambanthan
No. 2, Jalan Sulatn Sulaiman
50764 Kuala Lumpur
Tel No : 03-22732688
Fax No : 03-22742688

REGISTERED OFFICE

No. 22-2
Jalan Tun Sambanthan 3
50470 Kuala Lumpur
Tel No : 03-22748988/
03-22748980
Fax No : 03-22721864

BANK

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

STOCK EXCHANGE LISTING

Second Board of the
Bursa Malaysia Securities Berhad

Directors' Profile

	DATO' SERI YONG TU SANG	CHOONG SHOW TONG
Position	Executive Director/Managing Director	Independent Non-Executive Director
Age	60 years	51 years
Nationality	Malaysian	Malaysian
Qualification Held	Timber Merchant/Businessman	Associate Member of the Institute of Chartered Accountants in England & Wales Admitted as a Member (Public Accountant) of MIA in May 1983
Working Experience & Occupation	<p>His involvement in business commenced in 1973 with the setting up of BTM Timber Industries Sdn Bhd, a company principally involved in logging and sawmilling operations. Since then, he has been actively involved in the setting up and management of companies in a diverse area of business ranging from timber, oil palm plantation, civil and building construction, property development and sea transportation.</p> <p>30 years of experience in trading of timber. Currently sits on the Boards of several private limited companies and one listed company in addition to companies within the BTM Resources Berhad</p>	<p>He started his career as an Article Clerk in April 1978 and later became an Office Manager in a Chartered Accountants firm in London. In September 1983, he worked as an Office Manager in Christopher Chooi & Co. a firm of Chartered Accountants in Kuala Lumpur. Since October 1984 till now he is the Sole Proprietor of Allan Choong & Co, a Chartered/Public Accountants firm in Kuala Lumpur</p>
Date of Appointment	27th December, 1995	19th May, 2003
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Member of Remuneration Committee	Member of Audit Committee and Remuneration Committee Chairman of Nomination Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources	Husband of To' Puan Ng Ah Heng, a major shareholder of BTM Resources and father of Yong Emmy, an Executive Director and major shareholder of BTM Resources	NIL
Conflict of Interest with BTM Resources, if any	Saved as disclosed, and in notes no. 27 in the accompanying financial statements	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	5/5	4/5

Directors' Profile (Continued)

	YONG EMMY	YONG ELLEN
Position	Non-Executive Director	Independent & Non-Executive Alternate Director to Mdm Yong Emmy
Age	32 years	29 years
Nationality	Malaysian	Malaysian
Qualification Held	Degree in Bachelor of Arts majoring in Japanese Studies and Economics, MBA (Finance) from Oklahoma City University.	Bachelor of Arts (Design), Postgraduate Diploma in Design and Master of Design from Curtin University of Technology
Working Experience & Occupation	<p>Started her career in July 1997 as a Business Executive in Itochu Asia Pte Ltd, and Itochu Pulp & Paper Asia Pte Ltd Singapore, both companies dealing with paper and wood pulp. She has gained experience in marketing & trading. Appointed as Business Development Manager of Mizam Pte Ltd.</p> <p>8 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies</p>	Started her career as a Management Trainee in the subsidiary company, BTM Marketing & Trading Sdn. Bhd. on 1.6.2002.
Date of Appointment	11th November, 1999	14th September, 2002
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Audit Committee	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources	Daughter of Datoí Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and ToiPuan Ng Ah Heng, a major shareholder of BTM Resources Berhad	Daughter of Datoí Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and ToiPuan 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
Conflict of Interest with BTM Resources, if any	Saved as disclosed, and in note no. 27 in the accompanying financial statements	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	5/5	ñ as alternate to Miss Yong Emmy

	TAN SRI DATO' (DR) ABDUL AZIZ BIN ABDUL RAHMAN	DATO' MOHD SALLEH BIN ZAKARIA
Position	Senior Independent Non-Executive Director	Executive Director
Age	74 years	59 years
Nationality	Malaysian	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.	Bachelor of Arts in Mass Communication from University Sains Malaysia, Advanced Diploma in Development from University of Birmingham, UK. Master in Development Administration majoring in Economics, University of Birmingham, United Kingdom.
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	Since 1975 he had been in the Government Ministries in various key positions which included the Ministry of Youth, Culture and Sports and Ministry of Information as Asst. Secretary in-charge of Development. He was Deputy Director with the Ministry of Health for 2 years. Had served with the State Government of Penang for 8 years - as Asst. District Officer of Bukit Mertajam, Deputy Director in-charge of Economic Development in Housing Sector, Industrial Sector, Agriculture Sector and Manpower Sector in the State Economic Planning Unit. At Penang Regional Development Authority (PERDA) he had served as Finance Manager. From 1989-1995 he was with MITI's Industry Division as Principal Assistant Director. Presently he is the Executive Chairman of Ace Group and Deputy Chairman of Salwan Corporation Berhad
Date of Appointment	1st July, 2003	10th March, 2006
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources	NIL	NIL
Conflict of Interest with BTM Resources, if any	NIL	NIL
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	1/2

Directors' Profile (Continued)

	MOHD QARI BIN AHMAD	MOHD BADARUDDIN BIN MASODI
Position	Independent Non-Executive Director	Non Independent & Non Executive Director
Age	53 years	43 years
Nationality	Malaysian	Malaysian
Qualification Held	MBA from University of Aston in Birmingham, UK and is a Fellow of Institute of Chartered Secretaries and Administrators.	Advanced Diploma in Accountancy from UiTM and a member of the Malaysian Institute of Accounts. Certificate in General Insurance from Malaysian Insurance Institute.
Working Experience & Occupation	<p>Encik Mohd Qari Ahmad started his career in the company secretary profession for 40 years, he acted as a company secretary for a number of private companies. Later he joined Perwira Affin Merchant Bank (now Affin Investment Bank) as an Executive and subsequently rose to become General Manager of its Corporate Finance and Advisory Division. He left the merchant bank in 1996.</p> <p>He is an Executive Director on the Board of Lii Hen Industries Berhad. He previously sat on the boards of several public companies namely Amtek Holdings Berhad, Damansara Realty Berhad, The Store Corporation Berhad and Long Huat Group Berhad and several private companies namely Spark Manshop Holdings Sdn Bhd Group and Crocodile Sdn Bhd Group of Companies.</p> <p>He presently sits as a member to the Investigating Tribunal and Disciplinary Committee Panel of the Advocates and Solicitors Disciplinary Board of Bar Council, Malaysia. He is also a committee member of Corporate Law Reform-Task Force C of MAICSA.</p>	<p>From 1985 to 1994 he served Sime Bank Berhad in various positions. In 1994 he joined the Maybank Group as a Manager until 2001 when was appointed to the Board of Wijaya Baru Global Berhad, a public listed company. Currently he sits as a Director of private companies namely Aneka Mewah Tetap Sdn. Bhd., Zirbad Indah Sdn. Bhd. and Salwan Corporation Berhad.</p>
Date of Appointment	15th August, 2006	29th August, 2006
Other Directorship of Public Listed Companies	Lii Hen Industries Berhad	Wijaya Baru Global Berhad
Membership of Board Committees	NIL	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources	NIL	NIL
Conflict of Interest with BTM Resources, if any	NIL	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	1/3	1/2

Chairman's Statement

“ 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, 2006. ”

FINANCIAL PERFORMANCE

For the financial year under review, the Group's turnover decreased by 22.58% to RM16.155 million compared to that of the previous year's of RM20.869 million. The Group incurred a lower loss before taxation of RM1.689 million as compared to RM5.423 million in 2005. The Group's financial performance was hampered by high operating cost of raw material and competitive market condition.

DIVIDEND

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

CORPORATE DEVELOPMENTS

- a) On 17 June 2004, the Company announced that a proposal to undertake a rights issue of up to 27,155,150 Rights Shares in the Company at an issue price of RM1.00 each payable in two-calls upon application, on a renounceable basis of one (1) Rights Share for every one (1) existing Company Share held on a date to be determined later together with up to 27,155,150 new free detachable Warrants on the basis of one (1) Warrant for every one (1) Rights Share subscribed ("Original Proposal")
- b) On 10 August 2004, the Company announced a revision to the number from Rights Shares of the Original Proposal pursuant to the implementation of the Company's employees' share option scheme, increasing the proposed rights issue to up to 29,485,650 Rights Shares and up to 29,485,650 new free detachable Warrants.
- c) On 31 March 2005, the Company announced that the Securities Commission ("SC") vide its letter dated 25 March 2005, approved the Proposed Two-Call Rights Issue pursuant to Section 32(5) of the SC Act 1993 subject to certain terms and conditions as set out in the announcement.
- d) On 21 September 2005, the company announced that the Securities Commission ("SC") vide its letter dated 20 September 2005, approved the extension of time to six months from 25 September 2005 to 24 March 2006 for the Company to complete the Two-Call Rights Issue.
- e) On 10 March 2006, the Company announced that the Securities Commission ("SC") vide its letter dated 9 March 2006, approved the revision to the Two-Call Rights Issue and the 2nd extension of time of three months from 25 March 2006 to 24 June 2006 subject to certain terms and conditions as set in the announcement.
- f) On 9 June 2006, the Company announced that it has submitted an application to the Securities Commission on even date for an extension of time of six (6) months from 25 June 2006 to 24 December 2006 for the Company to complete the Two-Call Rights Issue.
- g) On 22 June 2006, the Company announced that the Securities Commission ("SC") vide its letter dated 21 June 2006 rejected the company's application for a further extension of time of six (6) months from 25 June 2006 to 24 December 2006 for the company to complete the implementation of Two-Call Rights Issue.

Chairman's Statement (Continued)

- h) On 20 October 2006, the Company announced its intention to implement the following:-
- (i) Proposed Private Placement of up to 10% of the issued and paid-up share capital of the company to investors to be identified ; and
 - (ii) Proposed Rights Issue of up to 10,480,550 new ordinary shares of RM1.00 each in the company at an issue price of RM1.00 each on the basis of one (1) rights share for every three (3) existing ordinary shares of RM1.00 each held on a date to be determined later together with up to 10,480,550 new free detachable warrants of RM1.00 each on the basis of one (1) warrant for every one (1) rights share subscribed.
- i) On 24 November 2006, the Company announced that the company has submitted application to the Securities Commission and Foreign Investment Committee on the Proposed Private Placement on 20 November 2006. In the applications, the company also indicated that upon completion of the proposed private placement, the company proposes to undertake the Proposed Rights Issue is expected to be submitted only after the completion of the Proposed Private Placement. The Proposed Rights Issue will form part of the Company's submission of a comprehensive plan to regularize the financially distressed condition of the Group.
- j) On 7 November 2006, the Company announced that the Securities Commission ("SC") had, vide its letter dated 6 December 2006, approved the Proposed Private Placement and Listing and quotation for placement shares on the Second Board of Bursa Malaysia Securities Berhad.
- k) On 12 April 2007, the company announced that the issue price for the Placement Shares has been fixed at RM1.00 per placement share for the first tranche of the Placement Shares, comprising 590,940 placement shares. The Issue Price represents the par value of the company's share. Subsequently the company's additional 590,940 new ordinary shares of RM1.00 each being the first tranche of the aforesaid private placement was granted listing and quotation on 24 April 2007.
- l) The company has tried to identify placees for the balance of the private placement shares, however due to the current market price of BTM shares, it is difficult to attract potential placees to take up the shares.

PROSPECTS

For the year 2007, the Group will continue to concentrate on its existing core business of a wood based operation. The Group expects its operations to continue to be challenging with increased operation cost due to the increase in price of logs and timber and other raw materials. In addition the market condition will continue to be competitive.

The Directors of the Company expect the result for the coming year to be affected by the above factors. However, the raw material supply has improved and the price of timber products has improved. Barring unforeseen circumstances, the Directors of the Company expect the Group's result to be better than that of financial year 2006.

APPRECIATION

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

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

Chairman

Corporate Governance Statement

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

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

A) THE BOARD

(1) Composition of the Board

The Board currently has seven (7) members, of which three (3) are Independent Non-Executive Directors. The Board membership meets the requirement with half being Independent Non-Executive Director.

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

(2) Re-election of Directors

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

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

(3) Board Meetings

The Board met five (5) times in the financial year ended 31 December 2006 and additional matters were resolved by way of circular resolutions as and when necessary. The attendance record of each Director is set out below:

Name of Directors	Number of Meetings Held	Number of Meetings Attended
1. Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	5	5/5
2. Dato' Seri Yong Tu Sang	5	5/5
3. Yong Emmy	5	5/5
4. Choong Show Tong	5	4/5
5. Dato' Mohd Salleh Bin Zakaria	2	1/2
6. Mohd Badaruddin Bin Masodi	2	1/2
7. Mohd Qari Bin Ahmad	3	1/3

(4) Supply of Information

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

(5) Director's Training

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

Corporate Governance Statement (Continued)

B) BOARD COMMITTEES

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

(1) Audit Committee

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

(2) Nomination Committee

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

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

The term of reference of the Nomination Committee are as follows:-

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

During the financial year ended 31 December 2006, two meetings were held.

(3) Remuneration Committee

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

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

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

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

During the financial year ended 31 December 2006, one meeting was held.

C) LEVEL AND COMPOSITION OF REMUNERATION PACKAGE

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

Aggregate remuneration of Directors, paid or payable, categorised into appropriate components for the financial year ended 31 December 2006 are as follows:

a) Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
<i>Company Level</i>		
Fee	-	90,000
Salaries	216,000	-
Benefits in kinds	-	-
Bonus, allowance & others	61,920	-
Total:	277,920	90,000
<i>Subsidiary Level</i>		
Fee	-	-
Salaries	59,660	-
Benefits in kinds	-	-
Bonus, allowance & others	134,860	-
Total:	194,520	-
Grand Total:	472,440	90,000

b) Band (RM)

Remuneration Band (RM)	Executive Director	Non-Executive Director	Total
0 – 50,000	-	5*	5
50,001 – 100,000	-	2	2
300,001 – 400,000	1	-	1

* There were three Directors who were appointed towards the end of year who did not receive any remuneration during the year under review.

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

D) RELATIONS WITH SHAREHOLDERS

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

Corporate Governance Statement (Continued)

Annual General Meeting

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

E) ACCOUNTABILITY AND AUDIT**Financial Reporting**

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

Internal Control

The Statement of Internal Control which provides an overview of the state of internal control within the Group is disclosed on page 18 of this Annual Report.

Relationship with External Auditors

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

Statement on Material Contracts Involving Directors' or Major Shareholder Interest

There is no material contracts subsisting as at 31 December 2006 or entered into since the end of the previous financial year by the Company or its subsidiaries, which involved the interests of the Directors or Major Shareholders other than those disclosed under notes to the account on Related Party Transaction of revenue in nature and significant proposals.

F) OTHER INFORMATION**Non-Audit Fee**

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

During the Financial Year

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

Audit Committee Report

1. COMPOSITION OF MEMBERS

For the financial year ended 31 December 2006 the committee comprised the following members:-

MEMBERS

Chairman	Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman (Senior Non-Executive Independent Director)
Member	Mr. Choong Show Tong (Non-Executive Independent Director)
Member	Miss Yong Emmy (Non-Independent/Non-Executive Director)
Secretary	The Secretary to the committee is Mr. Chong Seok Tian who is the Company Secretary

2. TERMS OF REFERENCE

The functions of the Audit Committee are:

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

3. SUMMARY OF ACTIVITIES OF AUDIT COMMITTEE

The Audit Committee has during the financial year ended 31 December 2006 undertaken the following activities in accordance with its terms of reference.

- a) Reviewed with the External Auditors, the results of the audit, the audit report, the evaluation of the system of internal control, the management letter;
- b) Reviewed quarterly results and year end financial statements prior to submission to the Board of Directors for approval;
- c) Reviewed with the internal auditors, their audit reports, audit program, scope and audit approach.
- d) Reviewed and verified the allocation of options pursuant to Employee Share Option Scheme ("ESOS") as being in compliance with the criteria of the ESOS, at the end of each financial year.

Audit Committee Report (Continued)

4. INTERNAL AUDIT FUNCTION

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

5. MEETING AND MINUTES

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

During the financial year ended 31 December 2006, four Committee Meetings were held. The details of attendance are as follows:-

Name of Audit Committee Member	Number of Meetings	Number of Meetings Attended
Tan Sri Dato'(Dr.) Abdul Aziz Bin Abdul Rahman	4	4/4
Madam Yong Emmy	4	4/4
Mr. Choong Show Tong	4	4/4

6. STATEMENT VERIFYING ALLOCATION OF OPTIONS

The Committee has reviewed and verified that the allocation of share options pursuant to the Employee Share Option Scheme "ESOS" for the financial year ended 31 December 2006 was made in accordance with the criteria as set out in the bye-laws of the Company's ESOS.

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

Exercise Price	Date Granted	Options Over Number of Shares of RM1.00 Each				Balance as at 31.12.2006
		Balance as at 1.1.2006	Offered and Accepted	Exercised	Forfeited	
RM1.00	1.6.2004	1,530,500	-	1,413,500	82,000	35,000

Statement on Internal Control

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

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

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

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

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

Statement of Directors' Responsibility

In Relation to the Audited Financial Statements

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

The Directors are to ensure that the annual financial statements of the Group and the Company give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2006 and of the results of their operations and cash flows for the year ended on that date.

In preparing the financial statements, the Directors have:

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

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

This statement is made in accordance with the resolution of the Board of Directors dated 27 April 2007.

Financial Statements

Director's Report page21

Balance Sheets page26

Income Statements page28

Statements of Changes in Equity page29

Cash Flow Statements page30

Notes to the Financial Statements page32

Statement by Directors page55

Statutory Declaration page55

Report of the Auditors page56

Director's Report

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31st December, 2006.

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 9 to the financial statements.

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

2. RESULTS

	GROUP RM	COMPANY RM
Loss after taxation	(1,689,893)	(5,428,795)

3. DIVIDENDS

Since the end of the last financial year, no dividends have been declared or paid by the Company. The directors do not recommend the payment of any dividend in respect of the year ended 31st December, 2006.

4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31st December, 2006.

5. DIRECTORS OF THE COMPANY

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

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman (Chairman)
 Dato' Seri Yong Tu Sang (Managing Director)
 Mohd Qari Bin Ahmad (appointed on 15th August, 2006)
 Dato' Mohd Salleh Bin Zakaria (appointed on 29th August, 2006)
 Mohd Badaruddin Bin Masodi (appointed 29th August, 2006)
 Yong Emmy
 Choong Show Tong
 Yong Ellen (alternate to Yong Emmy)

5. DIRECTORS OF THE COMPANY (CONT'D)

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

In the Company	Number of Shares of RM1 Each			As at 31.12.2006
	As at 1.1.2006	Acquired	Sold	
Direct:				
Dato' Seri Yong Tu Sang	3,936,000	250,000	-	4,186,000
Mohd Qari Bin Ahmad	-	300,000	-	300,000
Dato' Mohd Salleh Bin Zakaria	-	6,380,100	-	6,380,100
Mohd Badaruddin Bin Masodi	-	1,978,300	-	1,978,300
Yong Emmy	3,000,000	200,000	(176,000)	3,024,000
Yong Ellen	-	200,000	(146,000)	54,000
Indirect:				
Dato' Seri Yong Tu Sang *	4,687,500	-	(500,000)	4,187,500

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

In the Company	No. of Options Over Ordinary Shares of RM1 Each			As at 31.12.2006
	As at 1.1.2006	Granted	Exercised	
Dato' Seri Yong Tu Sang	250,000	-	(250,000)	-
Yong Emmy	200,000	-	(200,000)	-
Yong Ellen	200,000	-	(200,000)	-

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

In accordance with Article 64 of the Company's Articles of Association, Dato' Seri Yong Tu Sang retires from the Board at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 68 of the Company's Articles of Association, Mohd Qari Bin Ahmad, Dato' Mohd Salleh Bin Zakaria and Mohd Badaruddin Bin Masodi retire from the Board at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

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

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

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

6. OTHER STATUTORY INFORMATION

- (a) Before the income statements and balance sheets of the Company and its subsidiary companies were made up, the directors took reasonable steps:-
- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowances for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowances had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise, in the ordinary course of business, their values as stated in the accounting records of the Company and its subsidiary companies have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report:-
- (i) the directors are not aware of any circumstances which would render the amount written off for bad debts, or the amount of the allowances for doubtful debts, in the financial statements of the Company and of its subsidiary companies, inadequate to any substantial extent;
 - (ii) the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Company and of its subsidiary companies misleading;
 - (iii) the directors are not aware of any circumstances which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Company and of its subsidiary companies misleading or inappropriate;
 - (iv) the directors are not aware of any circumstances that would render any amount stated in the respective financial statements misleading;
 - (v) there does not exist any charge on the assets of the Company or of its subsidiary companies that has arisen since 31st December, 2006 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, 2006.
- (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, 2006 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, 2006 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, 2006 and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the Company and of its subsidiary companies for the financial year in which this report is made.

7. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

The salient features of the scheme are as follows:-

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

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

Exercise Price	Date Granted	Options over number of shares of RM1.00 each				Balance as at 31.12.2006
		Balance as at 1.1.2006	Offered and accepted	Exercised	Forfeited	
RM1.00	1.6.2004	1,530,500	-	1,413,500	82,000	35,000

8. STATUS OF CORPORATE PROPOSALS

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

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

8. STATUS OF CORPORATE PROPOSALS (CONT'D)

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

On 16th April, 2007, the Company issued the first tranche of the Placement Shares, comprising of 590,940 new ordinary shares of RM1.00 each, which was listed on Bursa Securities on 24th April, 2007.

9. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to balance sheet date, the issued and fully paid-up share capital of the Company was increased from RM28,568,650 to RM29,194,590 as a result of the following:-

- (i) issue of 35,000 ordinary shares of RM1.00 each under the Company's Employees' Share Option Scheme; and
- (ii) issue of 590,940 ordinary shares of RM1.00 each under the Private Placement exercise.

10. AUDITORS

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

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

DATO' SERI YONG TU SANG

YONG EMMY

Kuala Lumpur,
Date: 27 April, 2007

Balance Sheets

As At 31st December, 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	8	21,127,380	16,063,473	6,312,903	4,842,784
Subsidiary companies	9	-	-	785,152	785,152
Investments	10	61,196	61,196	40,000	40,000
Total Non-Current Assets		21,188,576	16,124,669	7,138,055	5,667,936
Current Assets					
Inventories	11	1,677,645	2,407,329	-	-
Trade receivables	12	3,804,095	4,392,567	-	-
Other receivables and deposits		1,016,593	1,272,520	199,177	417,284
Amounts due from subsidiary companies	13	-	-	8,702,144	12,367,949
Fixed deposits with a licensed bank	14	173,898	168,050	-	-
Cash and bank balances		32,664	33,150	5,940	7,477
Total Current Assets		6,704,895	8,273,616	8,907,261	12,792,710
TOTAL ASSETS		27,893,471	24,398,285	16,045,316	18,460,646
EQUITY AND LIABILITIES					
Equity Attributable To Equity Holders Of The Company					
Share capital	15	28,568,650	27,155,150	28,568,650	27,155,150
Share premium	16	8,206,963	8,206,963	8,206,963	8,206,963
Revaluation reserves	18	5,499,863	-	1,473,597	-
Accumulated losses		(29,392,924)	(27,703,031)	(23,350,637)	(17,921,842)
TOTAL EQUITY		12,882,552	7,659,082	14,898,573	17,440,271
Non-Current Liabilities					
Provision for retirement benefits	19	438,532	378,532	102,000	90,000
Bank borrowings (secured)	20	-	975,029	-	-
Hire purchase payables	21	-	7,438	-	-
Deferred taxation	22	1,690,054	2,434	249,686	-
Total Non-Current Liabilities		2,128,586	1,363,433	351,686	90,000

Balance Sheets As At 31st December, 2006 (Cont'd)

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
Current Liabilities					
Trade payables	23	1,460,012	3,977,345	-	-
Other payables and accruals		2,493,744	2,123,494	622,407	605,660
Amount due to a subsidiary company	13	-	-	-	168,332
Bank borrowings (secured)	20	8,096,722	8,455,664	-	-
Hire purchase payables	21	11,260	15,326	-	-
Amount due to directors		172,650	156,383	172,650	156,383
Taxation		647,945	647,558	-	-
Total Current Liabilities		12,882,333	15,375,770	795,057	930,375
TOTAL LIABILITIES		15,010,919	16,739,203	1,146,743	1,020,375
TOTAL LIABILITIES AND EQUITY		27,893,471	24,398,285	16,045,316	18,460,646

The notes on pages 32 to 54 form part of these financial statements.

Income Statements

For The Year Ended 31st December, 2006

	Note	GROUP		COMPANY	
		2006 RM	2005 RM	2006 RM	2005 RM
REVENUE	24	16,155,125	20,869,179	906,960	858,828
COST OF SALES		(14,748,865)	(21,691,989)	-	-
GROSS PROFIT/(LOSS)		1,406,260	(822,810)	906,960	858,828
OTHER OPERATING INCOME		1,385,063	267,324	-	-
DISTRIBUTION EXPENSES		(341,385)	(828,980)	-	-
ADMINISTRATIVE EXPENSES		(3,400,333)	(3,220,363)	(6,335,273)	(1,128,019)
FINANCE EXPENSES		(739,111)	(818,437)	(482)	(260)
LOSS BEFORE TAXATION	25	(1,689,506)	(5,423,266)	(5,428,795)	(269,451)
TAXATION	26	(387)	(2,434)	-	-
LOSS AFTER TAXATION		(1,689,893)	(5,425,700)	(5,428,795)	(269,451)
MINORITY INTEREST		-	-	-	-
NET LOSS FOR THE YEAR		(1,689,893)	(5,425,700)	(5,428,795)	(269,451)
LOSS PER SHARE					
Basic	27	(6.1 sen)	(20.0 sen)		

The notes on pages 32 to 54 form part of these financial statements.

Statements of Changes in Equity

For The Year Ended 31st December, 2006

	Attributable to Equity Holders of The Company				Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserves RM	Accumulated Losses RM	
GROUP					
As at 1st January, 2005	27,155,150	8,206,963	-	(22,277,331)	13,084,782
Net loss for the year	-	-	-	(5,425,700)	(5,425,700)
As at 31st December, 2005	27,155,150	8,206,963	-	(27,703,031)	7,659,082
Issue of shares under Employees' Share Option Scheme	1,413,500	-	-	-	1,413,500
Surplus on revaluation of land and building, net of tax	-	-	5,499,863	-	5,499,863
Net loss for the year	-	-	-	(1,689,893)	(1,689,893)
As at 31st December, 2006	28,568,650	8,206,963	5,499,863	(29,392,924)	12,882,552
COMPANY					
As at 1st January, 2005	27,155,150	8,206,963	-	(17,652,391)	17,709,722
Net loss for the year	-	-	-	(269,451)	(269,451)
As at 31st December, 2005	27,155,150	8,206,963	-	(17,921,842)	17,440,271
Issue of shares under Employees' Share Option Scheme	1,413,500	-	-	-	1,413,500
Surplus on revaluation of land and building, net of tax	-	-	1,473,597	-	1,473,597
Net loss for the year	-	-	-	(5,428,795)	(5,428,795)
As at 31st December, 2006	28,568,650	8,206,963	1,473,597	(23,350,637)	14,898,573

The notes on pages 32 to 54 form part of these financial statements.

Cash Flow Statements

For The Year Ended 31st December, 2006

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(1,689,506)	(5,423,266)	(5,428,795)	(269,451)
Adjustments for:-				
Amortisation of leasehold land	28,725	7,378	-	-
Depreciation on property, plant and equipment	1,912,694	1,791,348	254,764	249,450
Allowance for doubtful debts	106,000	-	4,853,703	-
Provision for retirement benefits	60,000	60,000	12,000	12,000
Gain on disposal of property, plant and equipment	(1,210,915)	(42,439)	-	-
Property, plant and equipment written off	1	180	-	-
Interest expense	727,759	805,908	-	-
Dividend income	(7,631)	-	-	-
Interest on fixed deposits	(5,848)	(6,580)	-	-
Operating loss before working capital changes	(78,721)	(2,807,471)	(308,328)	(8,001)
Decrease in inventories	729,684	1,885,740	-	-
Decrease in trade receivables	482,472	2,802,109	-	-
Decrease/(increase) in other receivables and deposits	255,927	(146,354)	218,107	(134,761)
Increase in amount due from subsidiary companies	-	-	(1,187,898)	(75,468)
(Decrease)/increase in trade payables	(2,517,333)	764,205	-	-
Increase/(decrease) in other payables and accruals	70,232	(214,365)	16,747	(20,402)
(Decrease)/increase in amount due to a subsidiary company	-	-	(168,332)	141,761
Increase in amount due to directors	16,267	97,347	16,267	97,347
Cash (used in)/generated from operations	(1,041,472)	2,381,211	(1,413,437)	476
Retirement benefits paid	-	(155,708)	-	-
Net cash (used in)/generated from operating activities	(1,041,472)	2,225,503	(1,413,437)	476

Cash Flow Statements As At 31st December, 2006 (Cont'd)

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Issuance of shares (net of expenses)	1,413,500	-	1,413,500	-
Purchase of property, plant and equipment	(37,304)	(428,312)	(1,600)	-
Proceeds from disposal of property, plant and equipment	1,418,871	220,244	-	-
Dividend received	7,631	-	-	-
Interest received	5,848	6,580	-	-
Net cash generated from/(used in) investing activities	2,808,546	(201,488)	1,411,900	-
CASH FLOWS FROM FINANCING ACTIVITIES				
Revolving loan raised	-	2,040,500	-	-
Increase in short-term deposits pledged as security	(5,478)	(5,283)	-	-
Repayment of bankers' acceptances	(119,981)	(1,058,019)	-	-
Repayment of term loan	-	(132,418)	-	-
Repayment of revolving loan	-	(1,898,023)	-	-
Repayment of supplier credit facilities	(713,422)	-	-	-
Interest paid	(427,741)	(725,086)	-	-
Net cash used in financing activities	(1,266,622)	(1,778,329)	-	-
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	500,452	245,686	(1,537)	476
CASH AND CASH EQUIVALENTS AT 1ST JANUARY	(4,011,197)	(4,256,883)	7,477	7,001
CASH AND CASH EQUIVALENTS AT 31ST DECEMBER	(3,510,745)	(4,011,197)	5,940	7,477
CASH AND CASH EQUIVALENTS COMPRISE:-				
Fixed deposits with a licensed bank	173,898	168,050	-	-
Cash and bank balances	32,664	33,150	5,940	7,477
Bank overdrafts (Note 20)	(3,563,779)	(4,064,347)	-	-
	(3,357,217)	(3,863,147)	5,940	7,477
Less: Deposits pledged as securities	(153,528)	(148,050)	-	-
	(3,510,745)	(4,011,197)	5,940	7,477

The notes on pages 32 to 54 form part of these financial statements.

Notes to the Financial Statements

31st December, 2006

1. BASIS OF ACCOUNTING

The financial statements of the Group and the Company are prepared under the historical cost convention and comply with MASB Approved Accounting Standards for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

In this set of financial statements, the Group and the Company has adopted all the new and revised Financial Reporting Standards ("FRS") issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to the Company's operations effective from the financial periods beginning on or after 1st January 2006 as follow:

FRS 2	Share-based Payment
FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events After the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings Per Share
FRS 136	Impairment of Assets

The adoption of these new and revised FRSs does not have any significant impact on the financial statements of the Group and of the Company.

2. GENERAL INFORMATION

The financial statements of the Group and the Company were authorised for issue on 27th April, 2007 by the Board of Directors.

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

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

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

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

3. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Foreign Currency Exchange Risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. A large portion of the Group's foreign currency transactions are denominated in US Dollars. The Group reviews its foreign currency exposure periodically to ensure that its net exposure is managed at an acceptable level.

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

(b) Interest Rate Risk

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

(c) Credit Risk

Credit risk arises when sales are made on deferred credit terms. The Group seeks to control credit risk by setting counterparty limits and ensuring that sales of products are made to customers with an appropriate credit history.

(d) Liquidity and Cash Flow Risk

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

(e) Financial Assets

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

(f) Financial Liabilities and Equity Instruments

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to 31st December, 2006. Intercompany transactions are eliminated on consolidation and the consolidated financial statements reflect external transactions only.

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

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

Details of the subsidiary companies are listed in Note 9 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 7). The difference between the cost of acquisition over the nominal value of the shares of these subsidiary companies has been adjusted against group retained profits.

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Property, Plant and Equipment

Freehold land is stated at cost or valuation and is not amortised.

Three parcels of leasehold land are amortised over their remaining lease periods of 3 months to 27 years.

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 3 months to 27 years.

Previously, the land and buildings of the Group were carried at their respective costs less accumulated amortisation and impairment losses, if any.

Effective from 1st January, 2006, the Group and the Company changed their basis of recognising land and buildings from the Cost Model to the Fair Value Model. The change was made as the Group believes that the Fair Value Model will provide a fairer presentation of the value of the land and buildings in the financial statements of the Group and the Company.

Consequently, the Group carried out a revaluation exercise on their land and buildings. The revaluation exercise determined from market-based evidence by appraisal that is undertaken by an independent qualified valuer.

Revaluation are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from that which would be determined using fair values at the balance sheet date. Any revaluation surplus is credited to revaluation reserves included within equity, except to the extent that it reverses a revaluation decreases for the same asset previously recognised as an expense, in which case the increase is credited to the income statement to the extent of the decrease previously charged.

A revaluation deficit is first set offset against an increase in the earlier valuation in respect of the same asset and is thereafter recognised as an expense. Upon the disposal of revalued assets, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained profits.

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

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

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

(c) Impairment of Assets

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

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

Note to the Financial Statements - 31st December, 2006 (Cont'd)

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Investments

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

(e) Inventories

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

(f) Receivables

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

(g) Income Taxes

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

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

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

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

(h) Foreign Exchange

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

(i) Employee Benefits

(i) Short Term Benefits

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

4. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee Benefits (Cont d)

(ii) Defined Contributions Plan

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

(iii) Defined Benefits Plan

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

The quantum of benefits is calculated as follows:

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

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

(iv) Share-based Payment

The adoption of FRS 2, Share-based Payment has resulted in a change in accounting policy for staff costs of the Group arising from share options granted by the Company to employees (including executives directors) of the Group.

Prior to 1st January, 2006, no compensation expense was recognised in the financial statement for share options granted to employees of the Group. Upon the adoption of FRS 2, where the Group pays for services of its employees using share options, the fair value of the transaction is recognised as an expense in the income statement over the vesting periods of the grants, with a corresponding increase in equity. The total amount to be recognised as compensation expense is determined by reference to the fair value of the share option at the date of the grant and the number of share options that are expected to be vested by the vesting date. At balance sheet date, the Group revises its estimate of the number of share options that are expected to vest by the vesting date. Any revision of this estimate is included in the income statement and a corresponding adjustment to equity over the remaining vesting period.

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

(j) Revenue Recognition

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

(k) Borrowing Costs

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

(l) Cash and Cash Equivalents

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

Note to the Financial Statements - 31st December, 2006 (Cont'd)

5. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosure made. They are assessed on an on-going basis and are based on experience and other relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

6. FUNCTIONAL AND PRESENTATION CURRENCY

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

7. MERGER ACCOUNTING

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

The details of the acquisitions are as follows:-

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

8. PROPERTY, PLANT AND EQUIPMENT

GROUP - 2006

	Freehold Land RM	Freehold Building RM	Short term Leasehold Land RM	Short term Leasehold Building RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital Work In Progress RM	Total RM
Cost/Valuation:									
Balance at 1st January	2,920,000	8,599,645	958,563	2,848,455	18,455,341	3,037,904	6,760,295	8,105,721	51,685,924
Additions	-	17,500	-	-	1,030	3,270	4,000	-	25,800
Disposals/write-offs	-	-	(697,244)	(203,684)	(377,242)	-	(1,361,015)	-	(2,639,185)
Revaluation of surplus	1,150,000	4,883,120	905,115	249,248	-	-	-	-	7,187,483
Elimination of accumulated depreciation on revaluation	-	(4,410,265)	(176,434)	(2,416,080)	-	-	-	-	(7,002,779)
Represented by:-									
At cost	-	-	-	-	18,079,129	3,041,174	5,403,280	8,105,721	34,629,304
At valuation	4,070,000	9,090,000	990,000	477,939	-	-	-	-	14,627,939
Balance at 31st December	4,070,000	9,090,000	990,000	477,939	18,079,129	3,041,174	5,403,280	8,105,721	49,257,243
Accumulated Depreciation:									
Balance at 1st January	-	3,979,626	867,114	2,662,683	16,556,824	2,006,635	5,496,709	-	31,569,591
Charge for the year	-	742,383	28,725	20,342	630,595	181,152	338,222	-	1,941,419
Eliminated on disposal/write-off	-	-	(697,243)	(107,108)	(354,160)	-	(1,272,717)	-	(2,431,228)
Elimination of accumulated depreciation on revaluation	-	(4,410,265)	(176,434)	(2,416,080)	-	-	-	-	(7,002,779)
Balance at 31st December	-	311,744	22,162	159,837	16,833,259	2,187,787	4,562,214	-	24,077,003
Accumulated Impairment Loss:									
Balance at 1st January/31st December	-	-	-	-	-	-	-	4,052,860	4,052,860
Net Book Value:									
At cost	-	-	-	-	1,245,870	853,387	841,066	4,052,861	6,993,184
At valuation	4,070,000	8,778,256	967,838	318,102	-	-	-	-	14,134,196
Balance at 31st December	4,070,000	8,778,256	967,838	318,102	1,245,870	853,387	841,066	4,052,861	21,127,380

Note to the Financial Statements - 31st December, 2006 (Cont'd)

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

	Freehold Land		Freehold Building		Short term Leasehold Land		Short term Leasehold Building		Plant and Machinery		Office Equipment, Furniture and Fittings		Motor Vehicles		Capital Work In Progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
GROUP - 2005																	
Cost:																	
Balance at 1st January	2,920,000	-	2,380,000	958,563	9,058,100	18,602,751	2,676,492	7,259,642	8,105,721	51,961,269							
Additions	-	-	-	-	10,000	-	396,230	-	-	406,230							
Disposals/write-offs	-	-	-	-	-	(147,410)	(34,818)	(499,347)	-	(681,575)							
Reclassification	-	-	6,219,645	-	(6,219,645)	-	-	-	-	-							
Balance at 31st December	2,920,000	-	8,599,645	958,563	2,848,455	18,455,341	3,037,904	6,760,295	8,105,721	51,685,924							
Accumulated Depreciation:																	
Balance at 1st January	-	-	85,283	859,736	6,105,581	15,965,197	1,847,725	5,410,933	-	30,274,455							
Charge for the year	-	-	119,000	7,378	332,445	738,987	193,548	407,368	-	1,798,726							
Eliminated on disposal/write-off	-	-	-	-	-	(147,360)	(34,638)	(321,592)	-	(503,590)							
Reclassification	-	-	3,775,343	-	(3,775,343)	-	-	-	-	-							
Balance at 31st December	-	-	3,979,626	867,114	2,662,683	16,556,824	2,006,635	5,496,709	-	31,569,591							
Accumulated Impairment Loss:																	
Balance at 1st January/31st December	-	-	-	-	-	-	-	-	4,052,860	4,052,860							
Net Book Value at 31st December	2,920,000	-	4,620,019	91,449	185,772	1,898,517	1,031,269	1,263,586	4,052,861	16,063,473							

8. PROPERTY, PLANT AND EQUIPMENT (CONTD)

	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY - 2006				
Balance at 1st January	2,120,000	2,380,000	1,237,047	5,737,047
Additions	-	-	1,600	1,600
Revaluation surplus	980,000	743,283	-	1,723,283
Elimination of accumulated depreciation on revaluation	-	(323,283)	-	(323,283)
Represented by:-				
At cost	-	-	1,238,647	1,238,647
At valuation	3,100,000	2,800,000	-	5,900,000
Balance at 31st December	3,100,000	2,800,000	1,238,647	7,138,647
Accumulated Depreciation:				
Balance at 1st January	-	204,283	689,980	894,263
Charge for the year	-	137,278	117,486	254,764
Elimination of accumulated depreciation on revaluation	-	(323,283)	-	(323,283)
Balance at 31st December	-	18,278	807,466	825,744
Net Book Value				
Represented by:-				
At cost	-	-	431,181	431,181
At valuation	3,100,000	2,781,722	-	5,881,722
Balance as at 31st December	3,100,000	2,781,722	431,181	6,312,903
COMPANY - 2005				
Cost:				
Balance at 1st January/31st December	2,120,000	2,380,000	1,237,047	5,737,047
Accumulated Depreciation:				
Balance at 1st January	-	85,283	559,530	644,813
Charge for the year	-	119,000	130,450	249,450
Balance at 31st December	-	204,283	689,980	894,263
Net Book Value at 31st December	2,120,000	2,175,717	547,067	4,842,784

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

Note to the Financial Statements - 31st December, 2006 (Cont'd)

8. PROPERTY, PLANT AND EQUIPMENT (CONTD)

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

Had the land and buildings of the Group been carried under the cost model, the carrying amount as at 31st December, 2006, would have been RM3,004,885 and RM4,277,632 respectively.

Had the land and buildings of the Company been carried under the cost model, the carrying amount as at 31st December, 2006, would have been RM2,120,000 and RM2,056,717 respectively.

9. SUBSIDIARY COMPANIES

	COMPANY	
	2006 RM	2005 RM
Unquoted shares, at cost	18,873,558	18,873,558
Allowance for diminution in value	(18,088,406)	(18,088,406)
	785,152	785,152

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

Name of Company	Equity Interest (%)		Principal Activities
	2006	2005	
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.
Besut Tsuda Wood Products Sdn. Bhd. (held indirectly through Besut Tsuda Industries Sendirian Berhad)	100.00	100.00	Kiln-drying operations, timber moulding and manufacturing of finger jointed timber and lamination boards.
BTM Marketing & Trading Sdn. Bhd.	100.00	100.00	Trading of sawn timber and plywood.
* BTM Properties Sdn. Bhd.	100.00	100.00	Dormant
* BTM Construction Sdn. Bhd.	100.00	100.00	Dormant
* BTM Development Sdn. Bhd.	100.00	100.00	Dormant
* BTM Global Holdings Sdn. Bhd.	100.00	100.00	Letting of plant and machinery.

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

10. INVESTMENTS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Shares quoted in Malaysia, at cost	21,196	21,196	-	-
Unquoted shares, at cost	40,000	40,000	40,000	40,000
	61,196	61,196	40,000	40,000
Market value of quoted shares	32,642	20,030	-	-

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

11. INVENTORIES

	GROUP	
	2006 RM	2005 RM
At cost:-		
Logs and sawn timber	707,700	1,032,951
Manufactured products	565,756	918,034
Consumable stores	389,509	417,391
Timber mouldings	-	552
Others	14,680	38,401
	1,677,645	2,407,329

12. TRADE RECEIVABLES

	GROUP	
	2006 RM	2005 RM
Trade receivables	3,910,095	4,392,567
Allowance for doubtful debts	(106,000)	-
Balance as at 31st December	3,804,095	4,392,567

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

	GROUP	
	2006 RM	2005 RM
- Ringgit Malaysia	3,761,290	3,478,835
- US Dollar	42,805	760,585
- Australian Dollar	-	153,147
	3,804,095	4,392,567

Credit term for trade receivables is 30 days (2005: 30 days).

Note to the Financial Statements - 31st December, 2006 (Cont'd)

13. AMOUNTS DUE FROM/(TO) SUBSIDIARY COMPANIES

These represent interest-free trade related balances with no fixed terms of repayment. The amount includes allowance for doubtful debts of RM4,853,703 (2005: Nil).

14. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM153,528 (2005: RM148,050) in the name of a subsidiary company were pledged to a licensed bank to secure a bank guarantee facility. The weighted average interest rate and average maturity period of deposits that were effective during the year were 3.7% (2005: 3.2%) and 12 months (2005: 1 month).

15. SHARE CAPITAL

	GROUP/COMPANY	
	2006 RM	2005 RM
Ordinary shares of RM1 each:-		
Authorised	100,000,000	100,000,000
Issued and fully paid:		
Balance as at 1st January	27,155,150	27,155,150
Issue of shares under Employees' Share Option Scheme	1,413,500	-
Balance as at 31st December	28,568,650	27,155,150

16. SHARE PREMIUM

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. EMPLOYEES' SHARE OPTION SCHEME (ESOS)

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

The salient features of the scheme are as follows:-

- eligible employees are those employed by and is on the payroll of a company within the Group;
- the options granted may be exercised in respect of such lesser number of new shares provided that the number shall be in multiples of and not less than 1,000 new shares;
- the ESOS shall be in force for a duration of five years and may be renewed for another five years (Option Period);
- the option is personal and is non-assignable;

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

- (e) the option price shall be at a discount of not more than 10% of the weighted average market price of the Company's ordinary shares as shown in the Daily Official List issued by the Bursa Malaysia for the five trading days preceding the respective dates of the offer in writing to the grantee or at the par value of the ordinary shares of the Company, whichever is higher; and
- (f) the persons to whom the options have been granted have no right to participate by virtue of the options in any share issue of any other company within the Group.

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

Exercise Price	Date Granted	Options over number of shares of RM1.00 each				Balance as at 31.12.2006
		Balance as at 1.1.2006	Offered and accepted	Exercised	Forfeited	
RM1.00	1.6.2004	1,530,500	-	1,413,500	82,000	35,000

18. REVALUATION RESERVES

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
At 1st January	-	-	-	-
Revaluation surplus during the year	7,187,483	-	1,723,283	-
Transferred to deferred taxation (Note 22)	(1,687,620)	-	(249,686)	-
At 31st December	5,499,863	-	1,473,597	-

19. PROVISION FOR RETIREMENT BENEFITS

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance at 1st January	378,532	474,240	90,000	78,000
Add: Provision made for the year	60,000	60,000	12,000	12,000
	438,532	534,240	102,000	90,000
Less: Payments during the year	-	(155,708)	-	-
Balance at 31st December	438,532	378,532	102,000	90,000

Note to the Financial Statements - 31st December, 2006 (Cont'd)

20. BANK BORROWINGS (SECURED)

	GROUP	
	2006 RM	2005 RM
Bankers' acceptances	-	119,981
Term loan	1,376,045	1,376,045
Supplier credit facilities	169,077	882,499
Revolving loans	2,987,821	2,987,821
Bank overdrafts	3,563,779	4,064,347
	8,096,722	9,430,693
Due in the next 12 months	8,096,722	8,455,664
Due later than one year and not later than five years	-	975,029
	8,096,722	9,430,693

(i) The Group's trade facilities and term loans are secured by:-

- (a) Two debentures by way of a First and Second Fixed and Floating charges on all present and future assets of the subsidiary companies for RM12,675,000;
- (b) Negative pledge on property, plant and equipment of the subsidiary companies;
- (c) Unconditional and irrevocable corporate guarantee from BTM Resources Berhad;
- (d) Unconditional and irrevocable guarantee from directors of the subsidiary companies and a related company's director; and
- (e) A Sinking Fund Account in which an amount equivalent to five per cent is to be collected from each export proceeds received.

(ii) The overdraft facilities of subsidiary companies are secured by way of:-

- (a) A first legal charge over a subsidiary company's leasehold land and factory buildings for RM5,000,000.
- (b) Two debentures creating a first fixed and floating charge over two subsidiary companies' fixed and floating assets for RM8,000,000 and
- (c) A corporate guarantee by the Company.

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

	2006 (%)	2005 (%)
Bankers' acceptances	3.05 to 3.10 per annum	3.05 to 3.10 per annum
Term loan	8.50 to 8.75 per annum	7.25 to 7.35 per annum
Bank overdrafts	9.25 to 10.25 per annum	8.00 to 9.50 per annum
Revolving loans	8.50 to 8.75 per annum	6.00 to 7.35 per annum

21. HIRE PURCHASE PAYABLES

	GROUP	
	2006 RM	2005 RM
Instalments payable:-		
Not later than 1 year	11,414	16,562
Later than 1 year	-	7,592
	11,414	24,154
Finance charges allocated to future periods	(154)	(1,390)
	11,260	22,764
Due in the next 12 months	11,260	15,326
Due later than one year and not later than five years	-	7,438
	11,260	22,764

Interest rate applicable is 4.25% to 5.25% (2005: 4.25% to 5.25%) per annum.

22. DEFERRED TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Balance as at 1st January	2,434	-	-	-
Charged to income statement (Note 26)				
- property, plant and equipment	-	2,434	-	-
Transferred from revaluation reserve account (Note 18)	1,687,620	-	249,686	-
Balance as at 31st December	1,690,054	2,434	249,686	-
Deferred tax liabilities				
- property, plant and equipment	1,690,054	2,434	249,686	-
		-		-

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Deductible temporary differences	6,631,000	7,071,000	-	-
Unabsorbed tax losses	23,821,000	23,831,000	-	-

Note to the Financial Statements - 31st December, 2006 (Cont'd)

23. TRADE PAYABLES

Credit term for trade payables is 30 days (2005: 30 days).

24. REVENUE

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

25. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
This is stated after charging/(crediting):-				
Non-executive directors' remuneration				
- fees	90,000	60,000	90,000	60,000
Executive directors' salaries, bonuses and other emoluments				
- company's directors	472,440	420,328	277,920	277,920
- other directors	-	54,760	-	-
Audit fees	44,550	44,400	10,000	10,000
Allowance for doubtful debts				
- amount due from subsidiary companies	-	-	4,853,703	-
- others	106,000	-	-	-
Depreciation on property, plant and equipment	1,912,694	1,791,348	254,764	249,450
Amortisation of leasehold land	28,725	7,378	-	-
Property, plant and equipment written off	1	180	-	-
Interest expense				
- hire purchase	1,236	6,377	-	-
- bank overdraft	363,823	374,533	-	-
- bankers' acceptances	2,830	74,006	-	-
- term loan	78,011	100,834	-	-
- revolving loan	220,771	248,087	-	-
- others	61,088	2,071	-	-
Rental of land and buildings				
- belonging to directors	61,344	61,344	61,344	61,344
- others	-	500	-	-
Rental of vehicles	-	32,390	-	-
Provision for retirement benefits	60,000	60,000	12,000	12,000
Rental of machinery	(15,812)	(64,462)	-	-
Interest on fixed deposits	(5,848)	(6,580)	-	-
Gain on disposal of property, plant and equipment	(1,210,915)	(42,439)	-	-
Realised loss/(gain) on foreign exchange	74	2,533	-	-
Management fees- subsidiary companies	-	-	(720,000)	(660,000)
Employee benefits expense	2,168,987	2,928,695	546,492	544,730

Included in employee benefits expense of the Group and the Company are contributions made to the Employees Provident Fund amounting to RM151,635 and RM28,678 respectively (2005: RM186,251 and RM28,452).

26. TAXATION

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Current year's tax charge	113,000	-	-	-
Overprovision in prior years	(112,613)	-	-	-
Transfer to deferred taxation account (Note 22)	-	2,434	-	-
	387	2,434	-	-

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

	GROUP		COMPANY	
	2006 %	2005 %	2006 %	2005 %
Applicable tax rate	(28)	(28)	(28)	(28)
Tax effects of:				
Expenses not deductible for tax purposes	27	7	27	26
Previously unabsorbed capital allowance	(8)	(2)	-	-
Unabsorbed business losses not recognised	20	23	1	2
Overprovision in prior year	2	-	-	-
Utilisation of previous tax losses	(13)	-	-	-
Effective tax rate	-	-	-	-

27. LOSS PER SHARE

	GROUP	
	2006	2005
Loss per share is calculated as follow :-		
Basic		
Net loss for the year	(1,689,893)	(5,425,700)
Weighted average number of ordinary shares	27,447,643	27,155,150
Basic loss per share	(6.1sen)	(20.0sen)
Diluted		

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

Note to the Financial Statements - 31st December, 2006 (Cont'd)

28. CONTINGENT LIABILITIES

	COMPANY			
	2006		2005	
	Carrying Value RM	Fair Value RM	Carrying Value RM	Fair Value RM
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	20,675,000	8,096,722	20,675,000	9,430,693

29. INTERCOMPANY BALANCES AND TRANSACTIONS

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

	COMPANY	
	2006 RM	2005 RM
Amount due from/(to) subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	1,666,446	2,666,016
Besut Tsuda Wood Products Sdn. Bhd.	3,187,257	5,996,078
Syarikat Maskayu Sawmill Sdn. Bhd.	1,499,518	1,486,188
BTM Properties Sdn. Bhd.	12,856	12,686
BTM Construction Sdn. Bhd.	12,885	12,715
BTM Development Sdn. Bhd.	54,592	54,422
BTM Marketing & Trading Sdn. Bhd.	1,018,577	(168,332)
BTM Global Holdings Sdn. Bhd.	1,250,014	2,139,844

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

	COMPANY	
	2006 RM	2005 RM
Income		
Management fees		
Besut Tsuda Industries Sendirian Berhad	120,000	300,000
Besut Tsuda Wood Products Sdn. Bhd.	120,000	300,000
BTM Marketing & Trading Sdn. Bhd.	480,000	-
Syarikat Maskayu Sawmill Sdn. Bhd.	-	60,000

30. RELATED PARTY BALANCES AND TRANSACTIONS

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

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

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

	GROUP		COMPANY	
	2006 RM	2005 RM	2006 RM	2005 RM
Trade payables				
Syarikat Zamry Sawmill Sdn. Bhd.	(2,837)	(2,967)	-	-
Sung Lee Timber Trading Sdn. Bhd.	(85,041)	(587,238)	-	-
BTM Timber Industries Sdn. Bhd.	(169,736)	(41,623)	-	-
Gimzan Plywood Sdn. Bhd.	-	(1,159,240)	-	-
SPPT Development Sdn. Bhd.	(75,682)	-	-	-
Trade receivables				
Gimzan Plywood Sdn. Bhd.	348,223	-	-	-
BTM Timber Industries Sdn. Bhd.	1,835,797	1,507,832	-	-
SPPT Development Sdn. Bhd.	1,388,024	1,584,579	-	-
Syarikat Zamry Sawmill Sdn. Bhd.	946	8,393	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	199,653	-	-
NLS Sdn. Bhd.	-	1,356	-	-
Sung Lee Timber Trading Sdn. Bhd.	35,364	-	-	-
Other payables				
Seri Indah Enterprise Sdn. Bhd.	(208,378)	(271,474)	-	(5,606)
NLS Sdn. Bhd.	-	(19,784)	-	-
BTM Timber Industries Sdn. Bhd.	-	(3,245)	-	(3,033)
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	(8,725)	-	-	-
Other receivables				
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	53,597	-	-
Sung Lee Timber Trading Sdn. Bhd.	2,609	40,753	-	40,053
NLS Sdn. Bhd.	-	390	-	390
BTM Timber Industries Sdn. Bhd.	140,077	-	-	-

Note to the Financial Statements - 31st December, 2006 (Cont'd)

30. RELATED PARTY BALANCES TRANSACTIONS (CONT'D)

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

	GROUP	
	2006	2005
	RM	RM
Income		
Sales of logs and sawn timber		
BTM Timber Industries Sdn. Bhd.	3,128,885	169,513
Sung Lee Timber Trading Sdn. Bhd.	-	1,244
Gimzan Plywood Sdn. Bhd.	952,588	1,037,874
NLS Sdn. Bhd.	-	791
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	80,654
Syarikat Zamry Sawmill Sdn. Bhd.	7,201	-
Services		
BTM Timber Industries Sdn. Bhd.	45,938	533,857
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	13,800	13,800
Sung Lee Timber Trading Sdn. Bhd.	28,115	79,294
Gimzan Plywood Sdn. Bhd.	233,973	47,437
Sales of motor vehicles		
Sung Lee Timber Trading Sdn. Bhd.	183,000	-
Contract fees		
SPPT Development Sdn. Bhd.	2,598,096	-
Others		
Gimzan Plywood Sdn. Bhd.	1,840	2,000
NLS Sdn. Bhd.	948	33,750
BTM Timber Industries Sdn. Bhd.	267,788	77,026
Sung Lee Timber Trading Sdn. Bhd.	-	168
Expenditure		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	5,945,709	10,372,192
BTM Timber Industries Sdn. Bhd.	323,299	343,153
Sung Lee Timber Trading Sdn. Bhd.	-	663,136
SPPT Development Sdn. Bhd.	2,894,219	43,582
Syarikat Zamry Sawmill Sdn. Bhd.	14,838	-
Purchase of diesel and spare parts		
BTM Timber Industries Sdn. Bhd.	49,080	77,141
Sung Lee Timber Trading Sdn. Bhd.	73,721	102,761
Services		
BTM Timber Industries Sdn. Bhd.	202,181	450,254
SPPT Development Sdn. Bhd.	-	-
Syarikat Rimba Jaya Industries (1972) Sdn. Bhd.	-	24,178
Sung Lee Timber Trading Sdn. Bhd.	1,144	21,088
Gimzan Plywood Sdn. Bhd.	-	33,727
Seri Indah Enterprise Sdn. Bhd.	75,585	164,126

30. RELATED PARTY BALANCES TRANSACTIONS (CONT'D)

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

	GROUP	
	2006 RM	2005 RM
Expenditure (Cont'd)		
Tanalised charges		
BTM Timber Industries Sdn. Bhd.	-	74,709
Contract fees		
BTM Timber Industries Sdn. Bhd.	1,581,777	-
Sung Lee Timber Trading Sdn. Bhd.	60,000	-
Others		
BTM Timber Industries Sdn. Bhd.	26,521	88,552
Gimzan Plywood Sdn. Bhd.	-	11,970
NLS Sdn. Bhd.	612	-

31. CAPITAL COMMITMENTS

	GROUP	
	2006 RM	2005 RM
Authorised and contracted for	2,180,000	2,180,000

32. SEGMENT INFORMATION

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

33. FINANCIAL INSTRUMENTS

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

	GROUP			
	2006		2005	
	Carrying Amount RM	Fair Value RM	Carrying Amount RM	Fair Value RM
Financial assets				
Trade and other receivables	4,820,688	4,820,688	5,665,087	5,665,087
Fixed deposits	173,898	173,898	168,050	168,050
Quoted investments	21,196	32,642	21,196	20,030
Cash and bank balances	32,664	32,664	33,150	33,150

Note to the Financial Statements - 31st December, 2006 (Cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

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

	GROUP			
	2006	Fair	2005	Fair
	Carrying	Value	Carrying	Value
	Amount	RM	Amount	RM
	RM	RM	RM	RM
Financial liabilities				
Trade, other payables and accruals	3,953,756	3,953,756	6,100,839	6,100,839
Amount due to directors	172,650	172,650	156,383	156,383
Bank borrowings	8,096,722	8,096,722	8,455,664	8,455,664
Hire purchase payables	11,260	11,260	22,764	22,764
Long term borrowings	-	-	975,029	975,029
COMPANY				
	2006	Fair	2005	Fair
	Carrying	Value	Carrying	Value
	Amount	RM	Amount	RM
	RM	RM	RM	RM
Financial assets				
Other receivables	199,177	199,177	417,284	417,284
Amount due from subsidiary companies	8,702,144	8,702,144	12,367,949	12,367,949
Cash and bank balances	5,940	5,940	7,477	7,477
Financial liabilities				
Other payables and accruals	622,407	622,407	605,660	605,660
Amount due to subsidiary companies	-	-	168,332	168,332
Amount due to directors	172,650	172,650	156,383	156,383

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

(a) Trade and other receivables and payables

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

(b) Quoted investments

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

(c) Fixed deposits, cash and bank balances

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

33. FINANCIAL INSTRUMENTS (CONT'D)

- (d) Amount due to directors

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

- (e) Bank borrowings

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

- (f) Long term borrowings

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

34. STATUS OF CORPORATE PROPOSALS

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

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

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

On 16th April, 2007, the Company issued the first tranche of the Placement Shares, comprising of 590,940 new ordinary shares of RM1.00 each, which was listed on Bursa Securities on 24th April, 2007.

35. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to balance sheet date, the issued and fully paid-up share capital of the Company was increased from RM28,568,650 to RM29,194,590 as a result of the following:-

- (i) issue of 35,000 ordinary shares of RM1.00 each under the Company's Employees' Share Option Scheme; and
- (ii) issue of 590,940 ordinary shares of RM1.00 each under the Private Placement exercise.

Statement by Directors

We, DATO' SERI YONG TU SANG and YONG EMMY, being two of the directors of BTM RESOURCES BERHAD, state that in the opinion of the directors, the financial statements set out on pages 26 to 54 are drawn up in accordance with MASB Approved Accounting Standards for Entities Other than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31st December, 2006 and of their results and cash flows for the year ended on that date.

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

DATO' SERI YONG TU SANG

YONG EMMY

Kuala Lumpur,
Date: 27 April, 2007

Statutory Declaration

I, CHEN KAR MUN, the person primarily responsible for the financial management of BTM RESOURCES BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 26 to 54 are in my opinion correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)	
the abovenamed CHEN KAR MUN at)	
Kuala Lumpur in the Federal Territory)	
on 27 April, 2007)	CHEN KAR MUN

Before me,

KOK POO HIM
Commissioner for Oaths
No. W386

REPORT OF THE AUDITORS

To the Members of BTM RESOURCES BERHAD (Company No: 303962-T)

We have audited the financial statements set out on pages 26 to 54. These financial statements are the responsibility of the directors.

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

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

In our opinion:-

- (a) the financial statements are properly drawn up in accordance with MASB Approved Accounting Standards for Entities Other than Private Entities 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, 2006 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 9 to the financial statements.

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

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

AZMAN, WONG, SALLEH & CO.

AF: 0012

Chartered Accountants

NG ENG KIAT

1064/03/09(J/PH)

Partner of the Firm

Kuala Lumpur,

Date: 27 April, 2007

Analysis of Shareholdings

As At 9th May 2007

Class of Share	: Ordinary Share of RM1.00 each
Authorised	: 100,000,000
Issued and Fully Paid-up Capital	: 29,194,590
Voting Rights	: One vote per share
Number of Shareholders	: 1,009

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 99	4	160	-
100 - 1,000	490	471,790	1.62
1,001 - 10,000	406	1,689,800	5.79
10,001 - 100,000	91	2,687,400	9.21
100,001 - 1,459,730	12	6,747,940	23.11
1,459,731 and above (*)	6	17,597,500	60.27
TOTAL	1,009	29,194,590	100.00

Notes: * 5% of issued and paid-up Share Capital

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

	Direct No. of Shares	%	Indirect No. of Shares	%
Dato' Mohd Salleh Bin Zakaria <i>Shares held under Mayban Securities Nominees (Tempatan) Sdn Bhd are 4,500,000 units and Kenanga Nominees (Tempatan) Sdn Bhd 884,000 units</i>	5,384,000	18.44	-	-
Dato' Seri Yong Tu Sang a) Shares held under name are 3,386,000 units b) Shares held under Citigroup Nominees (Tempatan) Sdn Bhd are 500,000 units and HLB Nominees (Tempatan) Sdn Bhd are 300,000 units	4,186,000	14.34	@4,187,500	14.34
Yong Emmy	3,024,000	10.35	-	-
Ng Ah Heng	2,500,000	8.56	#2,312,500	7.92
Sung Lee Timber Trading Sdn. Bhd.	2,312,500	7.92	-	-
BTM Timber Industries Sdn. Bhd.	1,875,000	6.42	-	-

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

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

DIRECTORS AND THEIR SHAREHOLDINGS

	Direct	%	Indirect	%
Tan Sri Dato (Dr) Abdul Aziz Bin Abdul Rahman	-	-	-	-
Dato Seri Yong Tu Sang	4,186,000	14.34	@4,187,500	14.34
Dato Mohd Salleh Bin Zakaria	5,384,000	18.44	-	-
Yong Emmy	3,024,000	10.35	-	-
Choong Show Tong	-	-	-	-
Mohd Badaruddin Bin Masodi	1,344,900	4.61	-	-
Mohd Qari Bin Ahmad	-	-	-	-
Yong Ellen (Alternate to Yong Emmy)	36,000	0.12	*1,875,000	6.42

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

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

LIST OF THIRTY LARGEST SHARE HOLDERS

No	Name of Shareholders	No. of Shares Held	Percentage
1.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Salleh Bin Zakaria (REM 817-Margin)</i>	4,500,000	15.41
2.	Dato Seri Yong Tu Sang	3,386,000	11.59
3.	Yong Emmy	3,024,000	10.35
4.	Ng Ah Heng	2,500,000	8.56
5.	Sung Lee Timber Trading Sdn Bhd	2,312,500	7.92
6.	BTM Timber Industries Sdn Bhd	1,875,000	6.42
7.	Mayban Securities Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Badaruddin Bin Masodi (REM 817-Margin)</i>	1,342,900	4.59
8.	Tham Kaam Siong	1,018,100	3.48
9.	Permodalan Nasional Berhad	1,000,000	3.42
10.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Salleh Bin Zakaria)</i>	884,000	3.02
11.	Wong Kian Boon	590,940	2.02
12.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Tu Sang (473593)</i>	500,000	1.71
13.	Halim Bin Mohamad	429,000	1.46
14.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Tu Sang</i>	300,000	1.02
15.	DB (Malaysia) Nominee (Tempatan) Sdn Bhd Exempt an for Deutsche Bank AG Singapore (PWN Tempatan)	249,000	0.85
16.	OSK Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yow Nyok Leng</i>	200,000	0.68
17.	PM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Chin Yu (G)</i>	123,000	0.42
18.	RHB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh Lee Cheng (CST)</i>	111,000	0.38
19.	Tong Soon Ming	90,000	0.30
20.	HDM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Cheng Chon (M09)</i>	89,200	0.30
21.	Yew Yeong Chang	78,000	0.26
22.	Ng Kin Li	76,000	0.26
23.	Muhammad Adam @ Edward Bin Abdullah	75,000	0.25
24.	Loh Sai Eng	74,500	0.25
25.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Low Wan Choon</i>	69,000	0.23
26.	Lee Nyek	68,500	0.23
27.	Toh Seng Tat	56,000	0.19
28.	HLB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Kanokpharm Charasvirojna</i>	55,000	0.18
29.	Mohamad Nazer Bin Idris	55,000	0.18
30.	HDM Nominees (Tempatan) Sdn Bhd <i>Phillip Securities Pte Ltd for Bek Kuang Joo</i>	50,000	0.17
		25,181,640	86.10

List of Properties

LOCATION	Tenure	Description	Land Area	Approx. Age of the Building	Net Book Value as at 31.12.2006
BTM Resources Berhad					
No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman	Freehold	5 ¹ / ₂ Storey Office Building	385 sq.m	8 years	5,881,772
Besut Tsuda Industries Sdn Bhd					
Lot No:- 003067 Mukim of Pengkalan Nangka District of Besut Terengganu Darul Iman	30 year s leasehold expiring on 30/03/2007	Industrial Land with sawmill building timber sheds and office erected thereon	12.06 Hectare	30 years	359,903
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	-	195,000
Syarikat Maskayu Sawmill Sdn Bhd					
Lot No :- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year s leasehold expiring on 29-11-2033	Sawmill building, timber sheds and office erected thereon	0.998 Hectare	30 years	731,036
Besut Tsuda Wood Products Sdn Bhd					
Lot No :- 1654 Mukim of Tanggol District of Hulu Terengganu Terengganu Darul Iman	Freehold	Factory Buildings Kiln-dried chambers, office erected thereon	4.005 Hectare	13 years	6,966,534

Notes

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 Eleventh Annual General Meeting of the Company to be held at Embassy 3, 12th Floor, Crown Princess Hotel, City Square Centre, Jalan Tun Razak, 50400 Kuala Lumpur on Wednesday, 27 June 2007 and at any adjournment thereof.

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

RESOLUTION	FOR	AGAINST
Resolution 1		
Resolution 2		
Resolution 3		
Resolution 4		
Resolution 5		
Resolution 6		
Resolution 7		
Resolution 8		
Resolution 9		
Resolution 10		

Number of Shares Held

Signature of Shareholder(s)

Signed this _____ day of _____ 2007.

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

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AFFIX
STAMP

BTM RESOURCES BERHAD

(303962-T)

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

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