

BTM RESOURCES BERHAD

(303962-T)
Incorporated in Malaysia

ANNUAL REPORT 2010





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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Seventeenth Annual General Meeting of BTM Resources Berhad will be held at the Arcadia 1, Level 3, Hotel Armada, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 29th June 2011 at 3.00 p.m. for the following purposes :-

AS ORDINARY BUSINESS

1. To receive and consider the Audited Financial Statements for the year ended 31st December 2010 together with the Reports of the Directors and Auditors thereon. **Resolution 1**
2. To approve the payment of Directors' fees for the year ended 31st December 2010 **Resolution 2**
3. To re-elect Mdm Yong Emmy who retires in accordance with Article 64 of the Company's Articles of Association. **Resolution 3**
4. To re-elect Mr. Choong Show Tong who retires in accordance with Article 64 of the Company's Articles of Association. **Resolution 4**
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 5
6. To appoint Messrs Folks DFK & Co. as Auditors of the Company and to authorise the Directors to fix their remuneration.

Notice of Nomination pursuant to Section 172(11) of the Companies Act, 1965, a copy of which is set out on page 95 and marked "Annexure A", has been received by the Company for the nomination of Messrs Folks DFK & Co., who have given their consent to act as Auditors of the Company subject to the passing of the resolution and of the intention to propose the following Ordinary Resolution:-

THAT Messrs Folks DFK & Co. be and are hereby appointed Auditors of the Company in place of the retiring Auditors, Messrs Azman, Wong, Salleh & Co., for the ensuing year end and that the Directors be authorised to fix their remuneration."

Resolution 6

AS SPECIAL BUSINESS

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

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

"THAT subject always to the Companies Act, 1965 and the approvals of the relevant government and/or regulatory authorities, the Directors be and are hereby empowered, pursuant to Section 132D of the Companies Act, 1965, to issue shares in the Company from time to time at such price, upon such terms and conditions, for such purposes and to such person or persons whomsoever as the Directors may deem fit provided that the aggregate number of shares issued in any one financial year of the Company pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be also empowered to obtain the approval for the listing and the quotation of the additional shares so issued on Bursa Malaysia Securities Berhad ("BMSB") and that such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company."

Resolution 7

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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 Shareholders dated 3rd June 2011 subject further to the following:-

- a) the transaction are, in the ordinary course of business at arm's length, on normal commercial terms and are on terms not more favourable to the related party than those generally available to the public and not to the detriment of the minority shareholders;
- b) disclosure is made in the Annual Report of the breakdown of the aggregate value of the transactions conducted pursuant to the shareholders' mandate during the financial year and propose that such approval shall continue in force until;
 - i) the conclusion of the next Annual General Meeting (AGM) of the Company following the AGM at which the proposed renewal of the recurrent related parties transaction mandate is approved, at which time it will lapse, unless by a resolution passed at the AGM, the mandate is renewed; or
 - ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 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 a 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 authorised by this Ordinary Resolution.”

Resolution 8

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 : 3rd June 2011

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes :

- i) A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same right as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll.
- ii) A proxy may but need not be a member.
- iii) Where the member of the Company appoints two or more proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.
- iv) If the appointer is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.
- v) The instrument appointing a proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, No.24-3, 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

- i) The proposed Ordinary Resolution 7 is a renewal of the mandate for the issuance of shares under Section 132D of the Act. If passed, it will give the Directors of the Company, from the date of the above AGM, authority to issue shares from the unissued capital of the Company of not exceeding 10% of the issued and paid up share capital of the Company.

As at the date of Notice of Meeting, no shares have been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

The renewal of the mandate is to provide flexibility to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. The purpose of this mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital and/or acquisitions

- ii) The proposed Ordinary Resolution 8 is to renew the Shareholders' mandate granted by the shareholders to the Company at the Sixteenth Annual General Meeting held on 29th June 2010 and Extraordinary General Meeting held on 15th April 2011. The proposed renewal of the Shareholders' Mandate will enable the Group to enter into the Recurrent Related Party Transactions of a Revenue or Trading Nature which are necessary for the Group's day-to-day operations, subject to the transactions being in the ordinary course of business and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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

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

- i) Mdm Yong Emmy **(Resolution 3)**
- ii) Mr Choong Show Tong **(Resolution 4)**

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

- i) Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman **(Resolution 5)**

The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 7 to 11 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (page 90 of the Annual Report)

2. Attendance of Directors at Board Meetings for year 2010

A total of six (6) Board Meetings were held during the financial year ended 31 December 2010. Details of attendance of Directors are set out on page 14 of this 2010 Annual Report.

Name of Directors	Attendance
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	6 out of 6 meetings
Dato' Seri Yong Tu Sang	6 out of 6 meetings
Mr. Choong Show Tong	6 out of 6 meetings
Madam Yong Emmy	6 out of 6 meetings
Datuk Haji Mohamad Iqbal Bin M.M. Mohamed Ganey	6 out of 6 meetings
En Khairuddin Bin Mohd Hussain	6 out of 6 meetings

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

Date : Wednesday, 29 June 2011

Time : 3.00 p.m.

Place : Acadia 1, Level 3,
Hotel Armada
Lorong Utara C, Section 52
46200 Petaling Jaya
Selangor Darul Ehsan

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

The information required in compliance with the Appendix 8A, Section (4) under the BMSB Listing Requirement has been included in pages 7 to 11 herein.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Chairman, Senior Independent Non-Executive Director

Dato' Seri Yong Tu Sang

Managing Director

En Khairuddin Bin Mohd Hussin

Executive Director

Datuk Haji Mohamed Iqbal Bin M. M. Mohamed Ganey

Independent Non-Executive Director

Mr. Choong Show Tong

Independent Non-Executive Director

Madam Yong Emmy

Non-Executive Director

Madam Yong Ellen

Alternate to 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 2274 6133

Fax No : 03 2274 1016

AUDITORS

Azman, Wong, Salleh & Co.,

Chartered Accountants

12th Floor, Wisma Tun Sambanthan

No. 2, Jalan Sultan Sulaiman

50764 Kuala Lumpur

Tel No : 03 2273 2688

Fax No : 03 2274 2688

REGISTERED OFFICE

No. 24-3, Jalan Tun Sambanthan 3

50470 Kuala Lumpur

Tel No : 03 2273 5260

Fax No : 03 2273 5320

BANK

Alliance Bank Malaysia Berhad

Bank Perusahaan Kecil & Sederhana Malaysia Berhad

RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market

Bursa Malaysia Securities Berhad

DIRECTORS' PROFILE

	DATO' SERI YONG TU SANG	CHOONG SHOW TONG
Position :	Executive Director/ Managing Director	Independent Non-Executive Director
Age :	64 years	55 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>40 years of experience in trading of timber. Currently sits on the Boards of several private limited companies in addition to companies within the BTM Resources Berhad</p>	<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. 31 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 :	6/6	6/6

DIRECTORS' PROFILE (Cont'd)

	YONG EMMY	YONG ELLEN
Position :	Non-Executive Director	Non-Executive Alternate Director to Mdm Yong Emmy
Age :	36 years	33 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 :	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. More than 10 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies	Started her career as a Management Trainee in the subsidiary company, BTM Marketing & Trading Sdn. Bhd. on 1.6.2002.
Date of Appointment :	11th November, 1999	14th September, 2002
Other Directorship of Public Listed Companies :	NIL	NIL.
Membership of Board Committees :	Audit Committee	NIL.
Family Relationship with Director and/or Major Shareholder of BTM Resources :	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad and sister of 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. 31 in the accompanying financial statements	Saved as disclosed, and in note no. 31 in the accompanying financial statements
Convictions for offences within the past 10 years other than traffic offences :	NIL	NIL
No. of Board Meetings attended in the financial year :	6/6	– as alternate to Miss Yong Emmy

DIRECTORS' PROFILE (Cont'd)

	TAN SRI DATO' (DR) ABDUL AZIZ BIN ABDUL RAHMAN
Position :	Senior Independent Non-Executive Director
Age :	78 years
Nationality :	Malaysian
Qualification Held :	Barrister-At-Law Lincoln's London. Hon. Doctor of Philosophy, University Utara Malaysia, Doctor of Business Administration h.c. International Management Centre Buckingham UK, Advanced Management Programme (AMP) Harvard Business School Harvard University U.S.A.
Working Experience & Occupation :	An advocate and solicitor and a partner in the law firm of Nik Saghir & Ismail, K.L. More than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in judicial and legal service of the Federal Govt. He served as Magistrate, President Sessions Court, Federal Counsel and Asst. Parliamentary Draftsman. His last government appointment was a Federal Counsel and Legal Officer of the National Operation Council during the Emergency of 1969. He subsequently served Malaysian Airlines from its inception in 1971 as Company Secretary and Director of Legal Affairs. He retired in 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years
Date of Appointment :	1st July, 2003
Other Directorship of Public Listed Companies :	Majuperak Holdings Berhad Nagamas International Berhad
Membership of Board Committees :	Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources :	NIL.
Conflict of Interest with BTM Resources, if any :	NIL.
Convictions for offences within the past 10 years other than traffic offences :	NIL.
No. of Board Meetings attended in the financial year :	6/6

DIRECTORS' PROFILE (Cont'd)

	DATUK HAJI MOHAMED IQBAL BIN M.M. MOHAMED GANEY
Position :	Independent Non-Executive Director
Age :	62 years
Nationality :	Malaysian
Qualification Held :	Diploma in Banking from the Institute of Bankers London. An Associate of the International Bankers, London.
Working Experience & Occupation :	<p>He has vast experience in banking having worked with foreign bank in various senior positions for 29 years. He had the opportunity to be exposed to various environment in the domestic as well as international markets whilst serving as the Head of Product Development, Trade Finance, Standard Chartered Bank Malaysia Berhad.</p> <p>He was also an active member of the Export Credit Refinancing (ECR) Committee chaired by Bank Negara Malaysia and currently by EXIM Bank, a committee member of APEC, for standardization of import and export documents chaired by EXIM Bank, a committee member of Cross Border Barter Trade chaired by Malaysian Banking Berhad, an examiner for the International Trade Finance (DP 06), paper of the Institute of Bankers Malaysia Diploma in Banking and Financial Services examination and a resident trainer for the Institute's International Trade. His immense contribution to the banking fraternity and to Bank Negara Malaysia has been well received and recognized.</p> <p>He is the Group Executive Director of SPM Holdings Sdn. Bhd. a major recycler in the country since 2000. He is also Chairman of Patchee Bakery Sdn. Bhd, a company involved in food production for more than 100 years. He is also the Chairman of MIG Resources Sdn. Bhd. an investment holding company with investment in properties, food production and restaurants.</p> <p>He has been involved in a number of social and religious bodies such as Persatuan Muslimin India Malaysia (PERMIM), Angkatan Kemajuan Islam PJ and Selangor, Chairman of Building Committee.</p>
Date of Appointment :	21st January, 2010
Other Directorship of Public Listed Companies :	Mithril Berhad
Membership of Board Committees :	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources :	NIL
Conflict of Interest with BTM Resources, if any :	NIL
Convictions for offences within the past 10 years other than traffic offences :	NIL
No. of Board Meetings Attended in the financial year :	6/6

DIRECTORS' PROFILE (Cont'd)

	KHAIRUDDIN BIN MOHD HUSSIN
Position :	Executive Director
Age :	33 years
Nationality :	Malaysian
Qualification Held :	Member of the Institute of Chartered Accountants in England and Wales (ICAEW/ACA), Member of the Malaysian Institute of Accountants (MIA) and BA (Hons) in Accounting and Finance from the University of Essex, United Kingdom,
Working Experience & Occupation :	<p>Multi-disciplinarian Investment Banker and Chartered Accountant with professional experiences in Malaysia and the United Kingdom, providing corporate finance, corporate strategy and investment, equity markets, auditing, business advisory, accounting and taxation services.</p> <p>Previously attached to the Corporate Finance Department of CIMB Investment Bank Berhad ("CIMB"). During his tenure in CIMB, he was involved in structuring, conceptualizing, managing multiple proposals and schemes and execution of equity-related capital market activities such as, amongst others, listing exercises and fund raisings via initial public offerings, secondary offerings, mergers and acquisitions, divestment of business and privatization exercise as well as managing submission of various corporate exercises to authorities such as the Securities Commission, Bursa Malaysia Securities Berhad, Bank Negara Malaysia, Foreign Investment Committee and the Ministry of International Trade and Industry.</p> <p>Prior to joining CIMB, he worked as a Chartered Accountant in London where he was technically exposed to the United Kingdom and International Accounting Standards and the UK Inland Revenue in providing financial services to clients from a wide range of industries such as pharmaceutical, insurance, manufacturing, retailing and construction, public and private companies.</p>
Date of Appointment :	6th January 2010
Other Directorship of Public Listed Companies :	NIL
Membership of Board Committees :	NIL
Family Relationship with Director and/or Major Shareholder of BTM Resources :	Son of Dato' Mohd Hussin Bin Abd. Hamid, a major shareholder of BTM Resources.
Conflict of Interest with BTM Resources, if any :	NIL
Convictions for offences within the past 10 years other than traffic offences :	NIL
No. of Board Meetings Attended in the financial year :	6/6

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, 2010.

FINANCIAL PERFORMANCE

For the financial year under review, the Group's turnover increased by 48.33% to RM12.496 million compared to that of the previous year's of RM8.424 million. The Group suffered higher loss before taxation of RM3.517 million compared to RM1.393 million in 2009.

DIVIDEND

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

CORPORATE DEVELOPMENTS

On 24 August 2009 the Securities Commission approved the following :-

- i) Renounceable rights issue up to 10,472,550 Rights Shares on the basis of one (1) Rights Share for every three (3) BTM shares, together with up to 20,946,100 Warrants on the basis of two (2) Warrants for every one (1) Rights share; and
- ii) Listing of and quotation for the Rights Shares and Warrants to be issued pursuant to the Proposed Rights Issue on the Main Market of Bursa Malaysia Securities Berhad.

On 14 November 2009, an Extraordinary General Meeting was held and Shareholders approved the Ordinary Resolutions on the Proposed Rights Issue and Proposed Exemption.

On 1st December 2009, the company has received the approval of the application to uplift the trading suspension on the securities of the Company. The trading suspension on the securities of the Company has been uplifted on 2nd December 2009.

The company's additional 9,316,546 new ordinary shares of RM1.00 each issued pursuant to the Renounceable Rights Issue with 18,633,092 warrants had been granted listing and quotation on 29 December 2009.

After the listing and quotation of additional new issue of shares on 29 December 2009, the Company has been looking into various options available, however, there are no new concrete corporate developments being implemented.

CHAIRMAN'S STATEMENT (Cont'd)

PROSPECTS

For the year 2011, the Group continue to focus on its existing core business of wood based operation and with the execution of log supply agreement and outsourcing agreement by a subsidiary company, the Group expects its operation to be improved in view of the current high demand of wood based products. Barring unforeseen circumstances, the Directors of the Company expects the Group's results to be better than the financial year 2010.

APPRECIATION

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

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

STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors of **BTM Resources Berhad** is fully committed to apply the principles and best practices as set out in Part I and Part 2 of the Malaysian Code on Corporate Governance. The Board is pleased to report on how the Company and the Group have complied with the code throughout the financial year ended 31 December 2010

A) THE BOARD OF DIRECTORS

(1) Composition of the Board

The Board has full control of the Group and oversees the business affairs to ensure proper management. This includes adopting strategic plans, approving key business initiatives, major investments and funding decisions, reviewing financial performance, developing corporate objectives and reviewing the adequacy and integrity of the Group's internal control systems and management information systems.

The Board currently has six (6) members comprising two (2) executive members and four (4) non-executive members. Three of the non-executive members fulfil the criteria of independent as defined in the Bursa Securities Listing Requirements.

The roles of the Chairman and Managing Director are separated, thus reflecting a balance of power and authority.

The executive members of the Board are responsible for managing the business and operations, implementing policies and monitoring the Group's business and hence, resulting the financial performance.

The Independent Directors are independent of management and major shareholdings. They are persons of calibre and credibility and possess the necessary skills and experience to bring independent judgment with regards to various aspects of the Group's business strategies and performance so as to ensure that high standard of conduct and integrity are maintained by the Group.

In accordance with the requirements of the code, Tan Sri Dato'(Dr) Abdul Aziz Bin Abdul Rahman acts as the Senior Independent Non-Executive Director dealing with concerns regarding the Company where it could be inappropriate for these to be dealt with by the management.

(2) Re-election of Director

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.

Details of Directors seeking re-election are set out in the Notice of Annual General Meeting ("AGM") in this Annual Report.

(3) Board Meetings

The Board meetings are scheduled in advance to maximize attendance by Directors. During the financial year ended 31 December 2010, six (6) Board meetings were conducted and the attendances at the meeting are as follows:-

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
1. Dato' Seri Yong Tu Sang	6/6
2. Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	6/6
3. Yong Emmy	6/6
4. Choong Show Tong	6/6
5. Encik Khairuddin Bin Mohd Hussin	6/6
6. Datuk Haji Mohamed Iqbal Bin M.M Mohamed Ganey	6/6

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

(4) Supply of Information

Board meetings are conducted in accordance to the agenda. The agenda for each Board Meeting and papers relating to the agenda items are disseminated to all Directors before the Board meeting. This is to enable the Directors to review the Board papers and seek clarifications that may require from the Management or the Company Secretary.

Minutes of every Board meeting, which recorded deliberations, discussions and decisions on the issues discussed and resolved, are circulated to all Directors for their perusal prior to confirmation of the said minutes at the following Board meeting.

In between Board meetings, matters requiring the approval or sanction of the Board are sought by way of circular resolutions enclosing all relevant information to enable the Board to make informed decisions. All circular resolutions approved by the Board will be tabled for notation at the next Board meeting. The Board is also notified of any disclosures or announcements made to Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, where applicable.

All Directors have full access to the advice and services of the Company Secretary who ensures compliance with statutory and regulatory requirements. The Directors may also obtain external professional advice if so required by them at the Company's expense.

(5) Directors' 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. For all new directors, the Company will ensure that they attend the education programme that accord to the requirements in relation to the Mandatory Accreditation Programme.

Most of the Directors have attended the following programmes in 2010, save for Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman and Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey due to the relevant suitable programmes coinciding with their respective official engagements. However, Tan Sri Dato' (Dr) Abdul Aziz Bin Rahman kept abreast with the corporate and regulatory updates through dissemination of updates and notices from Bursa Malaysia and also by reading the following corporate affairs materials and professional journals:-

- a) 2010 PLC Directors' Training – The debt recovery process
- b) Investment Appraisals for Project Managers
- c) 2010 Budget Seminar
- d) National Tax Conference 2010
- e) Tax Audit Findings
- f) The 2011 Budget Seminar

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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 lies 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 comprises of the following members:-

- 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.

The Nomination Committee is made up of entirely independent Non-Executive Directors who meet as and when required, at least once a year,

(3) Remuneration Committee

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 deal with any other related matter as referred to by the Board.

The Remuneration Committee meets as and when required, at least once a year.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

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.

The Board as a whole determine the remuneration of Non-Executive Directors including the Non-Executive Chairman and each individual Director abstains from the Board decision on his own remuneration.

Aggregate remuneration of Directors, paid or payable, categorised into appropriate components for the financial year ended 31 December 2010 are as follows:

a) Aggregate Remuneration

	Executive Directors RM	Non-Executive Directors RM
Company Level		
Fee	-	117,500
Salaries	418,000	-
Benefits in kinds	-	-
Bonus, allowance & others	99,600	-
TOTAL:	517,600	117,500
Subsidiary Level		
Fee	-	-
Salaries	101,250	-
Benefits in kinds	-	-
Bonus, allowance & others	116,556	-
TOTAL:	217,806	-
GRAND TOTAL :	735,406	117,500

b) Band (RM)

Remuneration Band (RM)	Executive Director	Non-Executive Director	Total
0 - 50,000	-	3	3
50,001 - 150,000	-	2	2
150,000 - 300,000	1	-	1
300,001 - 400,000	1	-	1

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

D) RELATIONS WITH SHAREHOLDERS

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

Annual General Meeting

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

E) ACCOUNTABILITY AND AUDIT

Financial Reporting

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

Internal Control

The Statement of Internal Control which provides an overview of the state of internal control within the Group is disclosed on page 24 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

Other than those disclosed in the financial statements of the Group and the Company for the financial year ended 31 December 2010, there were no material contracts entered into or subsisting between the Company and/or its subsidiaries involving Directors and Major Shareholders' interest during the financial year.

F) DIRECTORS' RESPONSIBILITY STATEMENT

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

In preparing the financial statements for the financial year ended 31st December 2010 the Directors have used and applied on a consistent basis, the accounting policies and practices under the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965.

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

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

G) OTHER INFORMATION

1. Utilisation of Proceeds

The utilisation proceeds from Rights Issue exercise completed on 29 December 2009 up to the end of the current financial year are as follows:-

	As Approved RM'000	Utilisation RM'000	Balance Unutilised RM'000	Intended Timeframe for Utilisation	Remarks
Working Capital	8,117	8,344	(227)	12 Months	Note a
Repayment of Bank Borrowings	600	600	0	6 Months	Note b
Corporate Exercise Expenses	600	373	227	6 Months	Note a
	9,317	9,317	0		

Note a : The surplus in the fund allocated for the Corporate Exercise have been adjusted accordingly to the portion being earmarked for Working Capital requirements.

Note b : The portion earmarked for repayment of bank borrowings has been fully utilised

2. Share Buy-Back

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

3. Options, Warrants or Convertible Securities

A total of 18,633,092 Warrants were issued at the last financial year. No Warrants have been exercised during the financial year and the total number of Warrants remain unexercised are 18,633,092 units.

4. American Depository Receipt ('ADR') or Global Depository Receipt ("GDR") Programme

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

5. Imposition of Sanctions and /or Penalties

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

6. Non-Audit Fees

There are no non-audit fees for services rendered by the external auditors to the Company for the financial year ended 31 December 2010.

STATEMENT ON CORPORATE GOVERNANCE (Cont'd)

7. Variation in Results

There were no material variations between the audited results for the financial year ended 31 December 2010 and the unaudited results for the quarter year ended 31 December 2010 of the Group. Explanation and reconciliation are not required for variation of less than 10%

8. Profit Estimate, Forecast or Guarantee

Not applicable

9. Revaluation Policy on Landed Properties

The Company did not adopt any revaluation policy on landed properties during the financial year.

10. Related Party Transaction

A list of significant related party transaction is set out in Note 31 to the Financial Statements section of this Annual Report.

This Statement of Corporate Governance is made in accordance with the resolution of the Board of Directors on 27th May 2011.

AUDIT COMMITTEE REPORT

MEMBERS OF THE AUDIT COMMITTEE

Chairman

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

Members

Mr Choong Show Tong
(Independent Non-Executive Director)

Mdm Yong Emmy
(Non-Independent Non Executive Director)

The Audit Committee of BTM Resources Berhad is pleased to present the Audit Committee Report for the year ended 31 December 2010.

Attendance At The Meetings

The record of attendance of the members of the Audit Committee for meetings held during the year are as follows :-

Name	No. of Meetings	
	Held	Attended
Tan Sri Dato'(Dr.) Abdul Aziz Bin Abdul Rahman	5	5
Mr. Choong Show Tong	5	5
Madam Yong Emmy	5	3

TERM OF REFERENCE

Composition of Audit Committee

The Audit Committee comprises of three (3) directors of whom two (2) are independent directors. The Chairman of the Audit Committee is an independent director. In the matter of fulfilment of Bursa Listing Requirement Para 15.10 (c) Mr Choong Show Tong is a holder of a accounting qualification and is a member of the Malaysian Institute of Accountants. All other members are long standing board members who are well versed in and have a working familiarity with basic finance and accounting practices.

MEMBER AND ATTENDANCE

Audit Committee Meeting are scheduled to be held at least once in every quarter to enable it to review in particular the Quarterly Reports relating to the financial results before the Board clears the same for announcement to Bursa Malaysia.

Notices of Audit Committee meetings are circulated to members well before each meeting with sufficient time for them to prepare themselves for deliberation of issues and obtain clarification if any relating to the agenda of the meeting.

For the year under review, the Audit Committee meet a total Audit Committee a total of five (5) times.

AUDIT COMMITTEE REPORT (Cont'd)

OBJECTIVES AND AUTHORITY

Objectives

The Audit Committee was set-up as a Committee of the Board of Director to assist and support the Board in fulfilling its responsibility for ensuring quality, integrity and reliability of the practices and processes of the Group to a achieve its business objectives. For the year under review the Audit Committee upheld the following objectives in its functions :-

- To discuss with external auditors before the commencement of audit on the nature, scope and audit plan.
- To review the condensed financial statements before the quarterly announcement to Bursa Malaysia Securities Berhad.
- To review the internal audit plan to ensure adequate scope and comprehensive coverage of the activities of the Group
- To review the internal audit report, monitoring major findings and the management's response and action.
- To review the management letter and other audit issues with the external auditors upon the completion of the year-end audit.
- To review the related party transactions entered into by BTM Group.

AUTHORITY

The terms of reference provided by the Board to the Audit Committee provides the following authority :-

- To seek inform and explanation from employees and management as needed to carry out its functions. It also has the authority to investigate any matters that it deems necessary under its term of reference.
- It also has full and unrestricted access to any information and documents pertaining to the Group as well as to initiate direct communication with external and internal auditors and senior management of the Group
- The Committee is also authorised by the Board to obtain outside legal or other independent professional advice, as it deems necessary.
- The committee is also authorised to invite any member of the management to attend the Audit Committee Meeting to clarify or provide information on any matters under its terms of reference.

Duties and Responsibilities

The duties and responsibilities of the Audit Committee are as follows :-

- 1- To recommend the appointment of the external auditors.
- 2- To discuss and review with the external auditors before an audit commences, the nature, approach and the scope of the audit and to ensure coordination where there are more than one audit firms.
- 3- To review the quarterly and annual financial statements of the Group before submission to the Board of Directors and announcement to Bursa Malaysia Securities Berhad
- 4- To monitor and review related party transactions and consider conflict of interest situation that may arise within the Group including any transaction procedure or course of conduct that raises questions of management integrity.

AUDIT COMMITTEE REPORT (Cont'd)

- 5- To review internal and external audit reports to ensure that appropriate and adequate remedial actions are taken by managements on significant lapses in controls and procedures that are identified.
- 6- To review the external auditor's management letter and management response.
- 7- To consider such other matters as the committee considers appropriate or as authorised by the Board of Directors.

INTERNAL AUDIT FUNCTION

The Internal Audit Function of BTM Group has been outsourced to Baker Tilly Monteiro Heng Governance Sdn Bhd. The internal audits cover the review of the operational controls, compliance with established procedures, guidelines and statutory requirements and submit reports to the committee. The total cost incurred for internal audit function of the Group amounting to RM12,000.00 for 2010.

MINUTES AND REPORTING PROCEDURES

Minutes of the Audit Committee are prepared by the Company Secretary, who is also the secretary of the Audit Committee. All minutes are circulated to the members of the committee before the meetings.

STATEMENT ON INTERNAL CONTROL

The Board of Directors is pleased to present its Statement on Internal Control for the financial year ended 31 December 2010, which is made pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements and in accordance with the "Statement on Internal Control – Guidance for Directors of Public Listed Companies" issued by the Taskforce on Internal Control with the support and endorsement of the Exchange.

The Board of Directors is committed to maintaining a sound system of internal controls within its operations. The Board acknowledges and reaffirms its responsibility for the Group's system of internal controls and for reviewing its adequacy and integrity. The system covers financial, budgetary operational and compliance controls.

It should be noted that the system of internal controls is designed to manage rather than eliminate risks. The process can only provide reasonable but not absolute assurance against material misstatement or loss, or fraud. The Executive Director and Management's role in this is to enable the implementation and compliance of those internal control procedures at the operational level.

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

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

The Group had out-sourced the Internal Audit function to a professional firm of consultants, which is independent of the activities it audits. The Internal Auditors review the audit areas based on the internal audit plan approved by the Board of Directors on the recommendations of the Audit Committee. The review provides an independent assessment of its adequacy and integrity in managing the significant risks. The Internal Audit function reports of issues and recommendations arising from each review.

The Board of Directors
BTM RESOURCES BERHAD



Financial Statements

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DIRECTORS' REPORT

The directors submit herewith their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2010.

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 for the financial year attributable to owners of the Company	(3,394,520)	(4,913,111)

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 31 December 2010.

4. RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the year ended 31 December 2010 other than those disclosed in the financial statements.

5. DIRECTORS

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

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

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

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

DIRECTORS' REPORT (Cont'd)

6. DIRECTORS' INTEREST

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

In the Company	Number of ordinary shares of RM1.00 each			As at 31.12.2010
	As at 1.1.2010	Acquired	Sold	
Direct:				
Dato' Seri Yong Tu Sang	5,581,694	–	–	5,581,694
Yong Emmy	4,032,000	–	–	4,032,000
Yong Ellen	36,100	–	–	36,100
Indirect:				
Dato' Seri Yong Tu Sang *	12,984,766	48,000	–	13,032,766
Yong Ellen **	2,500,000	48,000	–	2,548,000
Khairuddin Bin Mohd Hussin ***	928,500	5,297,600	–	6,226,100

In the Company	Number of warrants 2009/2019			As at 31.12.2010
	As at 1.1.2010	Allotted	Sold	
Direct:				
Dato' Seri Yong Tu Sang	2,791,388	–	–	2,791,388
Yong Emmy	2,016,000	–	–	2,016,000
Yong Ellen	200	–	–	200
Indirect:				
Dato' Seri Yong Tu Sang *	6,474,532	–	(2,791,666)	3,682,866
Yong Ellen **	1,250,000	–	(1,250,000)	–

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

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

*** Deemed interest via shares held by his parent and brothers.

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

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

DIRECTORS' REPORT (Cont'd)

7. DIRECTORS' BENEFITS

No director of the Company has, since the end of the last financial year, received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the financial statements or the fixed salary of a full-time employee of the Company or of a subsidiary company) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than by virtue of transactions entered into in the ordinary course of business and as disclosed in Note 31 to the financial statements.

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

8. OTHER STATUTORY INFORMATION

- (a) Before the statements of comprehensive income and statements of financial position of the Group and of the Company 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 allowance for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate allowance 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 have been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances:-
- (i) which would render the amount written off for bad debts, or the amount of the allowance for doubtful debts, in the financial statements of the Group and of the Company, inadequate to any substantial extent;
 - (ii) which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading;
 - (iii) which have arisen that would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate; and
 - (iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (c) As at the date of this Report, there does not exist:-
- (i) any charge on the assets of the Group and of the Company that has arisen since the end of the financial year which secures the liabilities of any other person; and
 - (ii) any contingent liability in respect of the Group and of the Company that has arisen since the end of the financial year.

DIRECTORS' REPORT (Cont'd)

8. OTHER STATUTORY INFORMATION (CONT'D)

(d) In the opinion of the directors:-

- (i) No contingent liability or other liability has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;
- (ii) the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (iii) there has not arisen in the interval between the end of the financial year 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 Group and of the Company for the financial year in which this report is made.

9. AUDITORS

The auditors, Messrs. Azman, Wong, Salleh & Co. retires and does not seek re-appointment.

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

DATO' SERI YONG TU SANG

YONG EMMY

Petaling Jaya,

Date: 26 April 2011

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010

	Note	GROUP		COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	7	13,615,615	14,674,403	5,541,242	5,609,479
Prepaid lease payments	8	632,144	670,618	–	–
Subsidiary companies	9	–	–	281,694	281,694
Investment	10	40,000	40,000	40,000	40,000
Total Non-Current Assets		14,287,759	15,385,021	5,862,936	5,931,173
Current Assets					
Inventories	11	3,407,713	1,971,525	–	–
Trade receivables	12	5,461,127	4,128,401	–	–
Other receivables and deposits	13	597,128	579,506	19,553	20,850
Amount due from subsidiary companies	14	–	–	10,182,764	6,469,776
Fixed deposits with a licensed bank	15	178,050	173,761	–	–
Cash and bank balances		664,335	9,319,648	5,520	9,189,749
Total Current Assets		10,308,353	16,172,841	10,207,837	15,680,375
TOTAL ASSETS		24,596,112	31,557,862	16,070,773	21,611,548
EQUITY AND LIABILITIES					
Equity Attributable To Equity Holders Of The Company					
Share capital	16	40,734,196	40,734,196	40,734,196	40,734,196
Share premium	17	7,628,463	7,628,463	7,628,463	7,628,463
Revaluation reserves	18	5,279,675	5,279,675	1,536,587	1,536,587
Accumulated losses		(41,641,355)	(37,899,140)	(34,730,487)	(29,817,376)
TOTAL EQUITY		12,000,979	15,743,194	15,168,759	20,081,870
Non-Current Liabilities					
Retirement benefits	19	1,235,984	1,135,655	293,436	258,234
Bank borrowings (secured)					
- Term loans	20	4,047,035	4,637,475	–	–
Hire purchase creditors	21	173,668	56,180	132,091	–
Deferred taxation	22	752,282	932,644	139,476	151,281
Total Non-Current Liabilities		6,208,969	6,761,954	565,003	409,515

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2010 (Cont'd)

	Note	GROUP		COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
Current Liabilities					
Trade payables	23	1,051,759	1,083,585	-	-
Other payables and accruals		2,508,959	3,701,535	282,805	956,226
Bank borrowings (secured)	20				
- Term loans		1,445,808	855,368	-	-
- Bank overdraft		1,122,432	1,753,929	-	-
Hire purchase creditors	21	32,823	14,589	18,234	-
Amount due to directors	24	38,197	1,178,587	35,972	163,937
Taxation		186,186	465,121	-	-
Total Current Liabilities		6,386,164	9,052,714	337,011	1,120,163
TOTAL LIABILITIES		12,595,133	15,814,668	902,014	1,529,678
TOTAL EQUITY AND LIABILITIES		24,596,112	31,557,862	16,070,773	21,611,548

The notes on pages 37 to 85 form part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Note	GROUP		COMPANY	
		2010 RM	2009 RM	2010 RM	2009 RM
REVENUE	25	12,496,755	8,424,960	1,148,688	1,226,063
COST OF SALES		(11,890,597)	(6,834,090)	–	–
GROSS PROFIT		606,158	1,590,870	1,148,688	1,226,063
OTHER INCOME		1,081,952	1,056,292	10,000	240
DISTRIBUTION EXPENSES		(748,488)	(471,927)	–	–
ADMINISTRATIVE EXPENSES		(3,736,272)	(2,866,658)	(6,077,224)	(2,639,106)
FINANCE EXPENSES		(721,294)	(702,023)	(3,634)	(138)
LOSS BEFORE TAXATION	26	(3,517,944)	(1,393,446)	(4,922,170)	(1,412,941)
TAXATION	27	123,424	91,311	9,059	11,805
LOSS FOR THE YEAR ATTRIBUTABLE TO OWNERS OF THE COMPANY		(3,394,520)	(1,302,135)	(4,913,111)	(1,401,136)
OTHER COMPREHENSIVE INCOME		–	–	–	–
TOTAL COMPREHENSIVE INCOME/(LOSS) FOR THE FINANCIAL YEAR		(3,394,520)	(1,302,135)	(4,913,111)	(1,401,136)
LOSS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Basic	28	(8.3 sen)	(4.1 sen)		
Diluted	28	N/A	N/A		

The notes on pages 37 to 85 form part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2010

	Attributable to Owners of The Company				Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserves RM	Non-distributable Accumulated Losses RM	
GROUP					
As at 1 January 2009	31,417,650	8,133,294	5,283,185	(36,600,515)	8,233,614
Issue of shares under Right Issue (Note 16)	9,316,546	-	-	-	9,316,546
Revaluation surplus of leasehold land transferred to accumulated losses on expiry of lease term (Note 18)	-	-	(3,510)	3,510	-
Share issue expenses (Note 17)	-	(504,831)	-	-	(504,831)
Total comprehensive income/(loss) for the financial year	-	-	-	(1,302,135)	(1,302,135)
As at 31 December 2009	40,734,196	7,628,463	5,279,675	(37,899,140)	15,743,194
As at 1 January 2010					
- as previously stated	40,734,196	7,628,463	5,279,675	(37,899,140)	15,743,194
- effect of adopting FRS 139 (Note 3.2)	-	-	-	(347,695)	(347,695)
- as restated	40,734,196	7,628,463	5,279,675	(38,246,835)	15,395,499
Total comprehensive income/(loss) for the financial year	-	-	-	(3,394,520)	(3,394,520)
As at 31 December 2010	40,734,196	7,628,463	5,279,675	(41,641,355)	12,000,979

STATEMENTS OF CHANGES IN EQUITY

for the year ended 31 December 2010 (Cont'd)

	Attributable to Owners of The Company				Total RM
	Share Capital RM	Share Premium RM	Revaluation Reserves RM	Non-distributable Accumulated Losses RM	
COMPANY					
As at 1 January 2009	31,417,650	8,133,294	1,536,587	(28,416,240)	12,671,291
Issue of shares under Right Issue (Note 16)	9,316,546	–	–	–	9,316,546
Share issue expenses (Note 17)	–	(504,831)	–	–	(504,831)
Total comprehensive income/(loss) for the financial year	–	–	–	(1,401,136)	(1,401,136)
As at 31 December 2009	40,734,196	7,628,463	1,536,587	(29,817,376)	20,081,870
Total comprehensive income/(loss) for the financial year	–	–	–	(4,913,111)	(4,913,111)
As at 31 December 2010	40,734,196	7,628,463	1,536,587	(34,730,487)	15,168,759

The notes on pages 37 to 85 form part of these financial statements.

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2010

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Loss before taxation	(3,517,944)	(1,393,446)	(4,922,170)	(1,412,941)
Adjustments for:-				
Amortisation of prepaid lease payments	38,474	38,472	-	-
Depreciation on property, plant and equipment	1,339,809	1,378,684	252,792	229,661
Allowance for impairment loss	174,445	18,910	4,244,603	1,369,131
Deposits written off	-	82,400	-	-
Defined benefit obligations	126,629	119,406	35,202	31,032
Reversal of retirement benefits	-	(72,735)	-	-
Gain on disposal of property, plant and equipment	(297,393)	(954,946)	-	-
Property, plant and equipment written off	10	160,101	10	-
Impairment in value of investment in subsidiary companies	-	-	-	33,191
Allowance for slow-moving inventories	-	26,172	-	-
Interest expense	718,482	701,885	3,506	-
Interest income	(194,867)	(6,254)	-	-
Operating profit/(loss) before working capital changes	(1,612,355)	98,649	(386,057)	250,074
Increase in inventories	(1,436,188)	(659,867)	-	-
Increase in trade receivables	(1,489,882)	(533,376)	-	-
(Increase)/Decrease in other receivables and deposits	(192,067)	(165,852)	1,297	(233)
Increase in amount due from subsidiary companies	-	-	(7,957,591)	(447,889)
(Decrease)/Increase in trade payables	(31,826)	234,255	-	-
(Decrease)/Increase in other payables and accruals	(1,778,972)	1,048,241	(673,421)	481,780
(Decrease)/Increase in amount due to directors	(1,140,390)	103,319	(127,965)	98,869
Cash (used in)/generated from operations	(7,681,680)	125,369	(9,143,737)	382,601
Interest paid	(132,086)	(178,803)	(3,506)	-
Tax paid	(335,873)	(246,290)	(2,746)	-
Retirements benefits paid	(26,300)	(19,996)	-	-
Net cash (used in)/generated from operating activities	(8,175,939)	(319,720)	(9,149,989)	382,601

STATEMENTS OF CASH FLOWS

for the year ended 31 December 2010 (Cont'd)

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment (Note 29)	(132,337)	(28,512)	(20,565)	(4,876)
Proceeds from disposal of property, plant and equipment	312,699	1,015,802	-	-
Interest received	4,328	6,254	-	-
Net cash generated from/(used in) investing activities	184,690	993,544	(20,565)	(4,876)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of shares (net of expenses)	-	8,811,715	-	8,811,715
Increase in short-term deposits pledged as security	(6,496)	(6,121)	-	-
Repayment of hire purchase creditors	(28,278)	(10,271)	(13,675)	-
Net cash (used in)/generated from financing activities	(34,774)	8,795,323	(13,675)	8,811,715
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	(8,026,023)	9,469,147	(9,184,229)	9,189,440
CASH AND CASH EQUIVALENTS AT 1 JANUARY	7,567,926	(1,901,221)	9,189,749	309
CASH AND CASH EQUIVALENTS AT 31 DECEMBER	(458,097)	7,567,926	5,520	9,189,749
CASH AND CASH EQUIVALENTS COMPRISE:-				
Fixed deposits with a licensed bank	178,050	173,761	-	-
Cash and bank balances	664,335	9,319,648	5,520	9,189,749
Bank overdrafts (Note 20)	(1,122,432)	(1,753,929)	-	-
	(280,047)	7,739,480	5,520	9,189,749
Less: Deposits pledged as securities	(178,050)	(171,554)	-	-
	(458,097)	7,567,926	5,520	9,189,749

The notes on pages 37 to 85 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010

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. GENERAL INFORMATION

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

The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is No. 24-3, Jalan Tun Sambanthan 3, Brickfields, 50470 Kuala Lumpur.

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

The financial statements of the Group and the Company were authorised for issue on 26 April 2011 by the Board of Directors.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in this summary of significant accounting policies. The financial statements comply with Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia.

The Group has adopted the new and revised Financial Reporting Standards ("FRSs"), Issues Committee ("IC") Interpretations and amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB"), as set out in Note 3.2 below, which are effective from the beginning of the current financial year.

3.2 New and Revised FRSs, IC Interpretations and Amendments to FRSs Adopted by the Group

The accounting policies adopted by the Group are consistent with those applied in the previous financial year other than the adoption of the following new and revised FRSs, IC Interpretations and amendments to FRSs that are relevant to the Group's operations and effective from the beginning of the current financial year :-

FRS 7	Financial Instruments : Disclosures
FRS 8	Operating Segments
FRS 101	Presentation of Financial Statements (Revised)
FRS 123	Borrowing Costs (Revised)
FRS 139	Financial Instruments : Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards
Amendments to FRS 7	Financial Instruments : Disclosures
Amendments to FRS 127	Consolidated and Separate Financial Statements : Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
Amendments to FRS 132	Financial Instruments : Presentation - Puttable Financial Instruments and Obligations Arising on Liquidation - Component Part Classification for a Compound Financial Instrument
Amendments to FRS 139	Financial Instruments : Recognition and Measurement
Amendments to FRSs Classified as "Improvement to FRSs (2009)"	

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 New and Revised FRSs, IC Interpretations and Amendments to FRSs Adopted by the Group (Cont'd)

The adoption of the new and revised FRSs and IC Interpretations and amendments to FRSs did not result in any significant effect on the results and financial position of the Group and of the Company nor any significant changes in the presentation and disclosure of amounts in the financial statements other than those as described hereunder :-

(a) FRS 7, Financial Instruments : Disclosures

Prior to 1 January 2010, the disclosure of information about factors that affect the amount, timing and certainty of an entity's future cash flows relating to financial instruments was made in accordance with the requirements of FRS 132, Financial Instruments : Disclosure and Presentation. FRS 7 supersedes the disclosure requirements of FRS 132 and introduces enhanced disclosures on financial instruments. It requires disclosure of the significance of financial instruments for an entity's financial position and performance and the qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity and cash flow risks and market risk.

The Group has applied FRS 7 prospectively in accordance with the transitional provisions of the standard. Accordingly, certain comparative information for the new disclosures have not been presented. As the changes affect only the disclosures, there is no impact on the Group's results or financial position.

(b) FRS 8, Operating Segments

FRS 8 which replaces FRS 114²⁰⁰⁴, Segment Reporting, specifies how an entity should report information about its operating segments. The FRS requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segments and assess their performances. The FRS also requires the disclosures, based on available information, about the revenues derived by the entity from its products and services, the countries in which it earns revenues and holds assets and about the entity's major customers.

FRS 8 has been adopted retrospectively by the Group. The operating segments determined in accordance with FRS 8 are the same as the business segments previously identified under FRS 114²⁰⁰⁴. The management considers that the Group operates in a single segment comprising the logging, sawmilling, trading in sawn timbers, plywood and logs, timber moulding and manufacturing of finger-jointed timber as elaborated in Note 32.

(c) FRS 101, Presentation of Financial Statements (Revised)

The revised FRS 101 introduces changes to the overall requirements for the presentation of financial statements, guidelines for their structure and minimum requirements for their content.

The revised standard requires presentation of all owner changes in equity in the statement of changes in equity and all non-owners changes in equity to be presented separately in one statement of comprehensive income or in two linked statements. The Group has elected for the single statement presentation.

The revised standard also requires a statement of financial position as at the beginning of the earliest comparative period when there is a change in accounting policy retrospectively or when there is a retrospective restatement or reclassification of items in the financial statements.

In addition, the revised FRS 101 requires new disclosure of information that enables users of the financial statements to evaluate the Group's objectives, policies and processes for managing capital.

The Group has adopted the revised FRS 101 retrospectively and since FRS 101 requires only a change in presentation, the adoption of this standard has no impact on the Group's and Company's results or financial position reported for the current or prior period.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 New and Revised FRSs, IC Interpretations and Amendments to FRSs Adopted by the Group (Cont'd)

(d) Amendment to FRS 117, Leases (Amendments to FRSs Classified as "Improvement to FRSs (2009)")

Prior to the adoption of the Amendment to FRS 117, leasehold land that normally had an indefinite economic life and where title was not expected to pass to the lessee by the end of the lease term was treated as an operating lease. The payment made on entering into or acquiring a leasehold land was accounted for as prepaid lease payments that were amortised over the lease term in accordance with the pattern of benefits provided.

Upon the adoption of the Amendment to FRS 117, the Group had reassessed and determined that the leasehold land of the Group are in substance an operating lease and continues its classification under prepaid lease payments.

(e) FRS 139, Financial Instruments : Recognition and Measurement

FRS 139 establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group has adopted FRS 139 prospectively beginning from 1 January 2010 in accordance with transitional provisions of the standard.

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of the Group's financial instruments as described below :-

(i) Financial guarantee contracts

The Company provides various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. Prior to 1 January 2010, financial guarantee contracts were not recognised in the statement of financial position unless it becomes probable that the guarantee may be called upon. The guarantees were disclosed as contingent liabilities. Upon the adoption of FRS 139, the Company did not recognise the unexpired financial guarantees issued by the Company as financial liabilities as required by FRS 139, as the financial guarantee granted is the pre-condition for getting credit facilities by the subsidiary companies as opposed to securing a more favourable interest rate.

(ii) Inter-company loans and advances

The Company grants interest-free loans or advances to its subsidiaries. Prior to 1 January 2010, these loans and advances were recorded at cost in the Company's financial statements. With the adoption of FRS 139, the interest-free loans or advances are recorded initially at their fair values and subsequently measured at amortised cost. The Company had reassessed the carrying amounts of the debts due from subsidiaries as at 1 January 2010 and determined there were no significant differences from the amounts recognised previously.

(iii) Impairment of trade and other receivables

Prior to 1 January 2010, an allowance for impairment loss was made when a debt was considered to be doubtful of collection. Upon the adoption of FRS 139, an impairment loss is recognised when there is objective evidence that an impairment loss has been incurred. The amount of the loss is measured as the difference between the receivable's carrying amount and the present value of estimated future cash flows discounted at the receivable's original effective interest rate. As at 1 January 2010, the Group has reassessed the allowance for impairment loss as at that date in accordance with FRS 139 and the difference is recognised as an adjustment to the opening retained reserves as at 1 January 2010. The financial effects are shown below.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 New and Revised FRSs, IC Interpretations and Amendments to FRSs Adopted by the Group (Cont'd)

(e) FRS 139, Financial Instruments : Recognition and Measurement (Cont'd)

(iv) Bank borrowings

Prior to 1 January 2010, bank borrowings comprising bank overdrafts and term loans were recorded at cost. With the adoption of FRS 139, bank overdrafts and terms loans are initially recognised at fair value, net of transaction cost incurred, and subsequently measured at amortised costs using the effective interest method. As at 1 January 2010, the Group has remeasured the term loans as at that date in accordance with FRS 139 without any significant differences.

The effects arising from the adoption of FRS 139 on the financial statements of the Group are summarised as follows :-

Statements of Financial Position

	Increase/(Decrease)	
	As at 31.12.2010 RM	As at 1.1.2010 RM
Trade receivables	190,539	(347,695)
Accumulated losses	(190,539)	347,695

Statements of Comprehensive Income for the Year Ended 31 December 2010

	Increase/(Decrease) RM
Interest income	190,539
Loss for the financial year	(190,539)

Since FRS 139 is applied prospectively, the adoption does not affect the Group's results for the previous financial year nor its financial positions as at the end of the previous reporting period. There is no impact on the Company's financial statements.

The other new and revised FRSs and IC Interpretations issued by the MASB that are effective from the beginning of the current financial year but which are not applicable to the Group's operations are as follows :-

FRS 4	Insurance Contracts
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction
Amendments to FRS 2	Share-based Payment - Vesting Conditions and Cancellations

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 New and Revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted

The Group has not early adopted the following new and revised FRSs and IC Interpretations and amendments to FRSs and IC Interpretations which have been issued but are not yet effective :-

		Effective for financial period beginning on or after
FRS 1	First-time Adoption of Financial Reporting Standards (Revised)	1 July 2010
FRS 3	Business Combinations (Revised)	1 July 2010
FRS 124	Related Party Disclosures	1 January 2012
FRS 127	Consolidated and Separate Financial Statements (Revised)	1 July 2010
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 15	Agreements for the Construction of Real Estate	1 January 2012
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distribution of Non-cash Assets to Owners	1 July 2010
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to FRS 1	First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters - Additional Exemptions for First-time Adopters	1 January 2011 1 January 2011
Amendments to FRS 2	Share-based Payment - Scope of FRS 2 and revised FRS 3 - Group Cash-settled Share-based Payment Transactions	1 July 2010 1 January 2011
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations - Plan to sell the controlling interest in a subsidiary	1 July 2010
Amendments to FRS 7	Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments	1 January 2011
Amendments to FRS 132	Financial Instruments : Presentation - Classification of Rights Issues	1 March 2010
Amendments to FRS 138	Intangible Assets - Additional consequential amendments arising from revised FRS 3	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives - Scope of IC Interpretation 9 and revised FRS 3	1 July 2010
Amendments to IC Interpretation 14	Prepayments of a Minimum Funding Requirement	1 July 2011
Amendments to FRSs Classified as "Improvement to FRSs (2010)"		

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.3 New and Revised FRSs, IC Interpretations and Amendments to FRSs and IC Interpretations That Are Not Yet Effective and Have Not Been Early Adopted (Cont'd)

The Group plans to apply the above FRSs and Interpretations once they become effective. The adoption of these FRSs and Interpretations is not expected to have any material impact on the financial statements of the Group and of the Company other than as discussed below :-

(a) FRS 3, Business Combinations (Revised)

The revised FRS 3 will result in a change in the accounting for business combinations occurring on or after 1 July 2010. The principal changes are as follows :-

- The definitions of a "business" and a "business combination" have been amended and additional guidance was added for identifying when a group of assets constitutes a business.
- Minority interest (which will be known as non-controlling interest) must be measured either at fair value or at its proportionate share of the acquiree's net identifiable assets.
- The recognition of contingencies acquired in a business combination that do not meet the definition of a liability is no longer permitted.
- Costs incurred in connection with a business combination must be accounted for separately from the business combination, which usually means that they are recognised as an expense rather than included in goodwill.
- Contingent consideration will be measured and recognised at fair value at the acquisition date and subsequent changes in fair value of contingent considerations classified as liabilities are recognised in accordance with FRS 139, FRS 137 or other FRSs as appropriate, rather than by adjusting goodwill.

The Group will apply the revised FRS 3 prospectively in accordance with the transitional provisions of the revised Standard to business combinations for which the acquisition date is on or after 1 July 2010.

(b) FRS 127, Consolidated and Separate Financial Statements (Revised)

The main amendments made to FRS 127 are as follows :-

- The term "minority interest" will be replaced by the term "non-controlling interest".
- The total comprehensive income shall be attributed to the owners of the parent and to the non-controlling interest even if this results in the non-controlling interest having a deficit balance. Currently, excess losses are allocated to the owners of the parent, except to the extent that the non-controlling interest has a binding obligation and is able to make an additional investment to cover the losses.
- Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control shall be accounted for as equity transactions. There are no requirements for such transactions in the current FRS.

The revised FRS 127 is not expected to have any financial impact on the Group upon its initial application.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiary companies made up to 31 December 2010.

Subsidiary companies are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date that control ceases. Subsidiary companies are consolidated using the purchase method of accounting except for those subsidiary companies acquired prior to 1st January, 2006 by way of issue of shares in a manner that satisfy the requirements relating to a merger, which are consolidated using the merger method of accounting (Note 6).

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

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

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interest that are not held by the Group. Minority interest is measured at the minority's share of the fair value of the identifiable assets and liabilities of the subsidiary at the acquisition date and the minority's share of changes in the subsidiary's equity since then.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess and any further losses applicable to the minority are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profit until the minority's share of losses previously absorbed by the Group has been recovered.

All significant intercompany transactions and balances are eliminated on consolidation.

3.5 Share Capital

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.6 Property, Plant and Equipment

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

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

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

Buildings	5% to 14%
Plant and machinery	10% to 15%
Office equipment, furniture and fittings	20% to 33 1/3%
Motor vehicles	20%

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

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

3.7 Impairment of Non-Financial Assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 Impairment of Non-Financial Assets (Cont'd)

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

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

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

3.8 Hire Purchase and Finance Lease Arrangements and Operating Leases

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

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

(a) Assets Acquired under Hire Purchase and Finance Lease Arrangements

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

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

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 3.6 above.

(b) Operating Lease

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 Investment in Subsidiary Companies

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

3.10 Inventories

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

3.11 Provisions

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

3.12 Income Taxes

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.13 Foreign Currencies

(a) Functional and Presentation Currency

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

(b) Foreign Currency Transactions and Balances

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

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

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

3.14 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.

(ii) Defined Contribution Plan

As required by law, the Group makes contributions to the Employees Provident Fund.

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

The Group's contributions to defined contribution plans are recognised as an expense in the period in which they relate.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 Employee Benefits

(iii) Defined Benefit Plan

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

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

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

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

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

(iv) Termination Benefits

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

3.15 Revenue Recognition

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

3.16 Borrowing Costs

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

3.17 Cash and Cash Equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with policy Note 3.18 (c).

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Financial Assets

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

Classification and measurement

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

Financial assets are classified into the following specified categories depending on the nature and purpose of the financial assets and are determined at the time of initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when the financial assets are either held for trading or designated as such upon initial recognition.

A financial asset is classified as held for trading if :-

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a designated and effective hedging instrument.

After initial recognition, financial assets at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair values recognised in profit or loss. The net gains or losses do not include any exchange differences, dividend or interest earned on the financial asset. Exchange differences, dividend and interest earned on financial assets at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative that are linked to and must be settled by delivery of unquoted equity instruments whose fair value cannot be reliably measured is measured at cost.

(b) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest rate method. A gain or loss is recognised in profit or loss when the held-to-maturity investment is derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Financial Assets (Cont'd)

(c) Loans and receivables

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

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

(d) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or at fair value through profit or loss. Available-for-sale financial assets include quoted and unquoted equity and debt instruments that are not held-for-trading.

Subsequent to initial recognition, quoted equity and debt instruments are measured at fair value and investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost. A gain or loss from changes in fair value is recognised in other comprehensive income, except that impairment losses, foreign exchange gains or losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Dividends on an equity instrument are recognised in profit or loss when the Group's right to receive payment is established.

Regular way purchase or sale of financial assets

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

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

Impairment of financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 Financial Assets (Cont'd)

Impairment of financial assets (Cont'd)

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

When an available-for-sale financial asset is impaired, the cumulative loss that had been recognised in other comprehensive income is reclassified from equity and recognised in profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. The amount of cumulative loss that is reclassified is the difference between the acquisition cost (less any principal repayment and amortisation) and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an investment in an equity instrument classified as available-for-sale is not reversed through profit or loss. Increase in fair value, if any, subsequent to the impairment loss, is recognised in other comprehensive income.

If the fair value of a debt instrument classified as available-for-sale, increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed with the amount of the reversal is recognised in profit or loss.

An amount of impairment loss in respect of financial assets carried at cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

Derecognition of a financial asset

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Financial Liabilities

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

Classification and measurement

Financial liabilities are initially measured at fair value plus in the case of other financial liabilities, directly attributable transaction costs.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

(a) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss upon initial recognition.

A financial liability is classified as held for trading if :-

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not a financial guarantee contract or a designated and effective hedging instrument.

After initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with any gains or losses arising from changes in fair value recognised in profit or loss. The net gains or losses recognised in profit or loss do not include any exchange differences or interest paid on the financial liability. Exchange differences and interest expense on financial liabilities at fair value through profit or loss are recognised separately in profit or loss as part of other income or other expenses.

Derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument whose fair value cannot be reliably measured is measured at cost.

(b) Other financial liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 Financial Liabilities (Cont'd)

Derecognition of a financial liability

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

3.20 Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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

3.21 Derivatives Financial Instruments

Derivatives are initially recognised at fair value at the date the derivative contract is entered and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately.

A derivative with a positive fair value is recognised as a financial asset and derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

The Group has not designated any derivatives as hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

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

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

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

In the process of applying the Group's accounting policies, which are described in Note 3, the management are of the opinion that any instances of application of judgement are not expected to have a significant effect on the amounts recognised in the financial statements, apart from those involving estimations which are dealt with below.

(b) Key sources of estimation uncertainty

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

(i) Impairment of non financial assets

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

(ii) Impairment losses of trade receivables

The Group evaluates the allowance for impairment losses based on an assessment of the recoverability of receivables. Allowances are applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. In assessing the extent of irrecoverable debts, the management has given due consideration to all pertinent information relating to the ability of the debtors to settle debts. Where the expectation is different from the original estimate, such difference will impact the carrying value of the receivables. At reporting date, there is no objective evidence to indicate that a loss event had occurred.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

(b) Key sources of estimation uncertainty (Cont'd)

(iii) Deferred tax assets

No deferred tax asset has been recognised in respect of unabsorbed tax losses and other deductible temporary differences as the probability that taxable profits will be available against which the losses and deductible temporary differences can be utilised is uncertain. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based upon the likely timing and level of future taxable profits together with future tax planning strategies. The unrecognised unabsorbed tax losses and other deductible temporary differences disclosed under Note 22 and the unrecognised deferred tax assets as at the balance sheet date in connection thereto amounted to approximately RM9,171,184 (2009: RM8,934,808).

(iv) Retirement benefits

The Group's retirement benefits for eligible employees were measured by an actuarial valuation using the Projected Unit Credit Actuarial Cost Method. According to this method, several statistical information and assumptions are used to determine the expense and liability. Statistical information is principally related to demographic assumptions such as mortality, employee turnover and early retirement. The assumptions are mainly discount rate and future salary increase rate. In determining the appropriate discount rate, the Group considers the interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related retirement benefits. All these assumptions are disclosed in Note 19.

5. 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.

6. 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 at the relevant date were as follows:-

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

7. PROPERTY, PLANT AND EQUIPMENT

	Freehold Land RM	Freehold Building RM	Building on Leasehold Land RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital Work In Progress RM	Total RM
GROUP - 2010								
Cost/Valuation:								
Balance at 1 January:								
- Cost	-	-	-	15,752,715	2,508,273	2,984,389	8,227,492	29,472,869
- Valuation	4,070,000	9,090,000	157,939	-	-	-	-	13,317,939
	4,070,000	9,090,000	157,939	15,752,715	2,508,273	2,984,389	8,227,492	42,790,808
Additions	-	49,430	-	21,100	36,394	189,413	-	296,337
Disposals/write-offs Represented by:-	-	-	-	(726,589)	(23,660)	(4,000)	-	(754,249)
At cost	-	-	-	15,047,226	2,521,007	3,169,802	8,227,492	28,965,527
At valuation	4,070,000	9,139,430	157,939	-	-	-	-	13,367,369
Balance at 31 December	4,070,000	9,139,430	157,939	15,047,226	2,521,007	3,169,802	8,227,492	42,332,896
Accumulated Depreciation:								
Balance at 1 January	-	3,427,459	157,938	15,391,818	2,089,089	2,905,639	-	23,971,943
Charge for the year	-	1,045,632	-	103,413	147,815	42,949	-	1,339,809
Eliminated on disposal/write-off	-	-	-	(712,152)	(23,650)	(3,131)	-	(738,933)
Balance at 31 December	-	4,473,091	157,938	14,783,079	2,213,254	2,945,457	-	24,572,819
Accumulated Impairment Loss:								
Balance at 1 January/31 December	-	-	-	30,717	-	-	4,113,745	4,144,462
Net Book Value:								
At cost	-	-	-	233,430	307,753	224,345	4,113,747	4,879,275
At valuation	4,070,000	4,666,339	1	-	-	-	-	8,736,340
Balance at 31 December	4,070,000	4,666,339	1	233,430	307,753	224,345	4,113,747	13,615,615

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

	Freehold Land RM	Freehold Building RM	Building on Leasehold Land RM	Plant and Machinery RM	Office Equipment, Furniture and Fittings RM	Motor Vehicles RM	Capital Work In Progress RM	Total RM
GROUP - 2009								
Cost/Valuation:								
Balance at 1 January:								
- Cost	-	-	-	17,136,643	2,495,359	3,586,459	8,227,492	31,445,953
- Valuation	4,070,000	9,090,000	337,939	-	-	-	-	13,497,939
Additions	4,070,000	9,090,000	337,939	17,136,643	2,495,359	3,586,459	8,227,492	44,943,892
Disposals/write-offs Represented by:-	-	-	(180,000)	(1,383,928)	19,114	90,437	-	109,551
	-	-	-	(6,200)	(6,200)	(692,507)	-	(2,262,635)
At cost	-	-	-	15,752,715	2,508,273	2,984,389	8,227,492	29,472,869
At valuation	4,070,000	9,090,000	157,939	-	-	-	-	13,317,939
Balance at 31 December	4,070,000	9,090,000	157,939	15,752,715	2,508,273	2,984,389	8,227,492	42,790,808
Accumulated Depreciation:								
Balance at 1 January	-	2,388,887	177,837	16,590,488	1,947,639	3,530,087	-	24,634,938
Charge for the year	-	1,038,572	-	159,538	144,498	36,076	-	1,378,684
Eliminated on disposal/write-off	-	-	(19,899)	(1,358,208)	(3,048)	(660,524)	-	(2,041,679)
Balance at 31 December	-	3,427,459	157,938	15,391,818	2,089,089	2,905,639	-	23,971,943
Accumulated Impairment Loss:								
Balance at 1 January/31 December	-	-	-	30,717	-	-	4,113,745	4,144,462
Net Book Value:								
At cost	-	-	-	330,180	419,184	78,750	4,113,747	4,941,861
At valuation	4,070,000	5,662,541	1	-	-	-	-	9,732,542
Balance at 31st December	4,070,000	5,662,541	1	330,180	419,184	78,750	4,113,747	14,674,403

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY - 2010				
Balance at 1 January:				
- Cost	-	-	1,232,667	1,232,667
- Valuation	3,100,000	2,800,000	-	5,900,000
	3,100,000	2,800,000	1,232,667	7,132,667
Additions	-	-	184,565	184,565
Disposal	-	-	(15,014)	(15,014)
Represented by:-				
At cost	-	-	1,402,218	1,402,218
At valuation	3,100,000	2,800,000	-	5,900,000
Balance at 31 December	3,100,000	2,800,000	1,402,218	7,302,218
Accumulated Depreciation:				
Balance at 1 January	-	438,278	1,084,910	1,523,188
Charge for the year	-	140,000	112,792	252,792
Disposal	-	-	(15,004)	(15,004)
Balance at 31 December	-	578,278	1,182,698	1,760,976
Net Book Value				
Represented by:-				
At cost	-	-	219,520	219,520
At valuation	3,100,000	2,221,722	-	5,321,722
Balance at 31 December	3,100,000	2,221,722	219,520	5,541,242

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

	Freehold Land RM	Freehold Building RM	Office Equipment, Furniture and Fittings RM	Total RM
COMPANY - 2009				
Balance at 1 January:				
- Cost	-	-	1,227,791	1,227,791
- Valuation	3,100,000	2,800,000	-	5,900,000
	3,100,000	2,800,000	1,227,791	7,127,791
Additions Represented by:-	-	-	4,876	4,876
At cost	-	-	1,232,667	1,232,667
At valuation	3,100,000	2,800,000	-	5,900,000
Balance at 31 December	3,100,000	2,800,000	1,232,667	7,132,667
Accumulated Depreciation:				
Balance at 1 January	-	298,278	995,249	1,293,527
Charge for the year	-	140,000	89,661	229,661
Balance at 31 December	-	438,278	1,084,910	1,523,188
Net Book Value Represented by:-				
At cost	-	-	147,757	147,757
At valuation	3,100,000	2,361,722	-	5,461,722
Balance at 31 December	3,100,000	2,361,722	147,757	5,609,479

(i) The property, plant and equipment of certain subsidiary companies with a net carrying amount of RM8,186,079 as at 31 December 2010 (2009: RM9,190,236) are subject to fixed and floating charges to secure banking facilities amounting to RM14,675,000 for the subsidiary companies.

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

Had the freehold land and buildings of the Group been carried under the cost model, the carrying amount as at 31 December 2010, would have been RM2,920,000 (2009: RM2,920,000) and RM2,483,451 (2009: RM2,914,309) respectively.

Had the land and building of the Company been carried under the cost model, the carrying amount as at 31 December 2010, would have been RM2,120,000 (2009: RM2,120,000) and RM1,580,717 (2009: RM1,699,717) respectively.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

- (iii) The titles to certain parcels of freehold land of the Company and a subsidiary company with a total net carrying amount as at 31 December 2010 of RM4,070,000 (2009: RM4,070,000) have yet to be registered in the name of the Company and the subsidiary company respectively as at balance sheet date.
- (iv) Property, plant and equipment of the Group and of the Company include the following asset acquired under hire purchase arrangements:-

	Cost RM	Accumulated depreciation RM	Net book value RM	Current depreciation RM
Group				
2010				
Motor vehicle	265,050	56,857	208,193	41,369
2009				
Motor vehicle	90,437	15,487	74,950	15,487
Company				
2010				
Motor vehicle	174,613	23,282	151,331	23,282

- (v) The capital work in progress comprised mainly of a Woodwaste Fired Cogeneration System which was acquired by a subsidiary company and has not been installed yet at the reporting date, as the production has not reached the optimal level to activate the asset. The Group has assessed the carrying amount and impaired the asset based on the valuation performed by an independent professional valuer in 2010.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

8. PREPAID LEASE PAYMENTS

	Group Short term leasehold land	
	2010 RM	2009 RM
Valuation		
Balance as at 1 January/ 31 December	795,000	795,000
Accumulated amortisation		
Balance as at 1 January	124,382	85,910
Amortisation for the year	38,474	38,472
Balance as at 31 December	162,856	124,382
Net carrying amount as at 31 December	632,144	670,618

- (i) Prepaid lease payments have been reclassified from property, plant and equipment as a result of the adoption of FRS 117 Leases in 2007. In accordance with the transitional provisions of FRS 117, the unamortised revalued amount of leasehold land has been retained as the surrogate carrying amount of prepaid lease payments.
- (ii) The leasehold land are amortised on a straight line basis over the period of their respective lease term ranging from 12 to 27 years. These leasehold land have been pledged as security for banking facilities granted to the subsidiary company.
- (iii) All leasehold land were revalued in 2006 by an independent professional valuer. Fair value was determined by reference to the then current market value on an existing use basis.

9. SUBSIDIARY COMPANIES

	COMPANY	
	2010 RM	2009 RM
Unquoted shares, at cost	18,873,558	18,873,558
Accumulated impairment losses:		
Balance at 1 January	18,591,864	18,558,673
Impairment for the year	-	33,191
Balance at 31 December	18,591,864	18,591,864
	281,694	281,694

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

9. SUBSIDIARY COMPANIES (CONT'D)

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

Name of Company	Equity Interest (%)		Principal Activities
	2010	2009	
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. INVESTMENT

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Investment in golf club membership, at cost	40,000	40,000	40,000	40,000

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

11. INVENTORIES

	GROUP	
	2010 RM	2009 RM
Logs and sawn timber	811,695	1,272,416
Manufactured products	2,289,555	397,986
Consumable stores	321,211	316,257
Others	11,424	11,038
	3,433,885	1,997,697
Less: Allowance for slow-moving inventories	(26,172)	(26,172)
	3,407,713	1,971,525
Analysed as:		
Cost	3,023,167	1,783,518
Net realisable value	384,546	188,007
	3,407,713	1,971,525

The above inventories have been pledged as securities to licensed banks for banking facilities granted to certain subsidiary companies.

12. TRADE RECEIVABLES

	GROUP	
	2010 RM	2009 RM
Trade receivables as at 31 December	5,461,127	4,128,401

The normal credit period for trade receivables is 30 days (2009: 30 days).

(a) Ageing analysis

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

	GROUP	
	2010 RM	2009 RM
Neither past due not impaired	945,703	300,409
Past due but not impaired :-		
0-30 days	330,193	239,217
31-120 days	1,565,555	654,903
more than 120 days	2,619,676	2,933,872
	5,461,127	4,128,401

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

12. TRADE RECEIVABLES (CONT'D)

- (a) Ageing analysis (Cont'd)

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are past due but not impaired

The Group has trade receivables amounting to RM4,515,424 (2009:RM3,827,992) that are past due at reporting date but not impaired. Trade receivables of the Group that are past due but not impaired are unsecured in nature. On 14 March 2011, Besut Tsuda Wood Products Sdn Bhd ("BTW"), a wholly owned subsidiary of the Company has executed a Log Supply Agreement with a related party as stated in Note 35 below. The related party will utilise part of the proceeds from the sale of logs to BTW to settle the amount outstanding from related parties to the Group.

Trade receivables that are past due and impaired

The Group has no trade receivables that are past due and impaired at reporting date.

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

	GROUP	
	2010 RM	2009 RM
Ringgit Malaysia	5,155,221	4,033,442
United States Dollar	131,036	94,959
Australian Dollar	174,870	-
	5,461,127	4,128,401

- (c) As at the balance sheet date, the Group has significant concentrations of credit risk arising from the exposure to the amounts owing by the related parties as disclosed in Note 31(c)(ii) to the financial statements. The total amount owing by related parties represents approximately 94% (2009: 98%) of the total trade receivables. The amounts due and repayments from these related parties are closely monitored to ensure credit limits and terms are complied with.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

13. OTHER RECEIVABLES AND DEPOSITS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Other receivables and deposits as at 31 December	898,083	788,416	131,403	132,700
Allowance for impairment loss	(300,955)	(208,910)	(111,850)	(111,850)
	597,128	579,506	19,553	20,850

Impairment loss of the Group and of the Company ascertained for the current financial year amounted to RM174,445 and RM Nil (2009: RM101,310 and RM4,250). Bad debts of the Group amounting to RM82,400 was written off against allowance for impairment loss during the year.

14. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies are interest-free, unsecured and are repayable on demand. The amount is stated net of impairment loss of RM13,939,309 (2009: RM9,694,706). Impairment loss ascertained for the current financial year amounted to RM4,244,603 (2009: RM1,364,881)

15. FIXED DEPOSITS WITH A LICENSED BANK

Fixed deposits with a face value of RM178,050 (2009: RM171,554) in the name of subsidiary companies were pledged to licensed banks to secure bank guarantee facilities. The weighted average interest rate and average maturity period of deposits that were effective during the year was 2.5% (2009: 2% to 3.7%) and 12 months (2009: 12 months) respectively.

16. SHARE CAPITAL

	GROUP/COMPANY	
	2010 RM	2009 RM
Ordinary shares of RM1 each:- Authorised	100,000,000	100,000,000
Issued and fully paid:		
Balance as at 1 January	40,734,196	31,417,650
Issue of shares under Rights Issue	-	9,316,546
Balance as at 31 December	40,734,196	40,734,196

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

16. SHARE CAPITAL (CONT'D)

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

In the previous financial year, the Company carried out the following corporate exercise to increase the issued and fully paid-up share capital of the Company:-

Renounceable rights issue of up to 10,472,550 new ordinary shares of RM1.00 each ("Rights Shares") together with up to 20,945,100 free detachable warrants ("Warrants") on the basis of one (1) Rights Share together with two (2) Warrants for every three (3) existing ordinary shares of RM1.00 each held at an issue price of RM1.00 per Rights Share payable in full upon acceptance ("Rights Issue").

9,316,546 Rights Shares of RM1.00 each together with 18,633,092 Warrants were issued at the completion of the corporate exercise, and as a result the issued and fully paid-up share capital of the Company was increased from RM31,417,650 to RM40,734,196.

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

Warrants 2009/2019

The Warrants issued during the previous year carry the entitlement, at any time from the issue date on 21 December 2009 up to the close of business at 5.00 p.m. in Malaysia on the maturity date of 20 December 2019 ("Exercise Period"), to subscribe for one (1) new ordinary share of RM1.00 each in the Company at the exercise price of RM1.00 which shall be satisfied in cash. Any Warrant not exercised during the Exercise Period will lapse and thereafter cease to be valid for any purpose.

The total number of Warrants that remain unexercised are as follows:-

	GROUP/COMPANY	
	2010	2009
	Unit	Unit
At 1 January	18,633,092	-
Warrants issued during the year	-	18,633,092
Exercised of Warrants	-	-
At 31 December	18,633,092	18,633,092

17. SHARE PREMIUM

	GROUP/COMPANY	
	2010	2009
	RM	RM
Balance as at 1 January	7,628,463	8,133,294
Share issue expenses	-	(504,831)
Balance as at 31 December	7,628,463	7,628,463

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.

Included in share issue expenses in 2009 is an amount of auditors' remuneration of RM30,000.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

18. REVALUATION RESERVES

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
At 1 January	5,279,675	5,283,185	1,536,587	1,536,587
Transfer to accumulated losses: - due to expiry of leasehold revalued assets	-	(3,510)	-	-
At 31 December	5,279,675	5,279,675	1,536,587	1,536,587

19. RETIREMENT BENEFITS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Present value of unfunded defined benefit obligations	852,067	1,112,308	234,358	250,011
Unrecognised actuarial gain	383,917	23,347	59,078	8,223
	1,235,984	1,135,655	293,436	258,234

- (a) Provision for employees' retirement benefits is determined by an independent actuarial valuation using the Projected Unit Credit Actuarial Cost Method and is made to cover estimated obligations for payment of retirement benefits to employees. The valuation was performed in March 2011. These benefits are payable upon reaching the age of retirement, on retirement due to medical grounds or upon death in respect of employees who have served continuously for a period of ten (10) or more years.

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
As at 1 January	1,135,655	1,108,980	258,234	227,202
Recognised in income statement				
- provision	126,629	119,406	35,202	31,032
- reversal	-	(72,735)	-	-
Benefits paid	(26,300)	(19,996)	-	-
As at 31 December	1,235,984	1,135,655	293,436	258,234

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

19. RETIREMENT BENEFITS (CONT'D)

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Current service cost	66,175	66,657	21,451	19,134
Interest on obligations	60,454	52,749	13,751	11,898
	126,629	119,406	35,202	31,032

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

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

	GROUP/COMPANY	
	2010 %	2009 %
Discount rate	6.5	5.5
Rate of compensation increase	4.5	4.5

- (e) The present value of the defined benefit obligations for the current and the previous four financial years and the experience adjustments arising thereon are as follows:

	2010 RM	2009 RM	2008 RM	2007 RM	2006 RM
Group					
Present value of defined obligations	852,067	1,112,308	1,085,633	977,227	1,016,269
Experience adjustments arising on plan liabilities	(304,556)	-	-	-	-
Company					
Present value of defined obligations	234,358	250,011	218,979	190,299	171,080
Experience adjustments arising on plan liabilities	(36,889)	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

20. BANK BORROWINGS (SECURED)

	GROUP	
	2010 RM	2009 RM
Term loans:-		
Term loan 1	1,685,096	1,685,096
Term loan 2	3,807,747	3,807,747
Bank overdrafts	5,492,843	5,492,843
	1,122,432	1,753,929
	6,615,275	7,246,772
Due in the next 12 months:-		
Term loans	1,445,808	855,368
Bank overdraft	1,122,432	1,753,929
Due later than one year and not later than five years	2,568,240	2,609,297
Term loans	4,047,035	4,637,475
	6,615,275	7,246,772

- (i) The term loans were granted by Bank Perusahaan Kecil & Sederhana Malaysia Berhad and are repayable by ninety six (96) monthly instalments commencing from November 2007. The repayment of the term loans is suspended pending re-documentation.
- (ii) The Group's term loans are secured by:-
- Debentures creating First Fixed and Floating charges on all present and future assets of the subsidiary company for RM9,675,000;
 - Negative pledge on property, plant and equipment of the subsidiary company;
 - Unconditional and irrevocable corporate guarantee from the Company;
 - Unconditional and irrevocable joint and several guarantee from a director and past directors of the subsidiary company; and
 - A Sinking Fund Account in which an amount equivalent to five per cent is to be collected from each export proceeds received.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

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

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

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

	2010	2009
Term loan 1	8.60% to 9.35% per annum	8.60% to 9.50% per annum
Term loan 2	8.60% to 9.35% per annum	8.60% to 9.50% per annum
Bank overdrafts	8.80% to 9.80% per annum	8.00% to 9.00% per annum

21. HIRE PURCHASE CREDITORS

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Future minimum payments :-				
Payable within one year	40,668	17,760	22,908	-
Payable between two to five years	217,135	68,918	165,977	-
	257,803	86,678	188,885	-
Future finance charges	(51,312)	(15,909)	(38,560)	-
Present value	206,491	70,769	150,325	-
Payable :-				
Payable within one year (included under current liabilities)	32,823	14,589	18,234	-
Payable more than one year (included under non-current liabilities)	173,668	56,180	132,091	-
	206,491	70,769	150,325	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

22. DEFERRED TAXATION

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Deferred tax liabilities arising from revaluation surplus:				
Balance as at 1 January	932,644	1,156,882	151,281	163,086
Recognised in income statement (Note 27)	(180,362)	(224,238)	(11,805)	(11,805)
Balance as at 31 December	752,282	932,644	139,476	151,281

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	
	2010 RM	2009 RM	2010 RM	2009 RM
Deductible temporary differences	6,736,787	6,540,970	255,959	224,229
Unabsorbed tax losses	29,947,948	29,198,262	227,537	613,262
Unutilised reinvestment allowance	3,393,000	3,393,000	-	-

23. TRADE PAYABLES

The normal credit periods for trade payables range from 30 days to 90 days (2009: 30 days to 90 days). Trade payables are denominated entirely in Ringgit Malaysia.

24. AMOUNT DUE TO DIRECTORS

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

25. REVENUE

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

26. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
This is stated after charging/(crediting):-				
Directors' fees	117,500	90,000	117,500	90,000
Executive directors' salaries, bonuses and other emoluments - company's directors	735,406	485,630	517,600	281,280
Auditors' remuneration:-				
- statutory audit	54,300	54,000	20,000	15,000
- underprovision	-	1,000	5,000	-
Allowance for impairment loss - amount due from subsidiary companies	-	-	4,244,603	1,364,881
- other receivables	174,445	101,310	-	4,250
Deposits written off	-	82,400	-	-
Amortisation of prepaid lease payments	38,474	38,472	-	-
Depreciation on property, plant and equipment	1,339,809	1,378,684	252,792	229,661
Property, plant and equipment written off	10	160,101	10	-
Impairment in value of:-				
- investment in subsidiary companies	-	-	-	33,191
Interest expense:-				
- hire purchase	6,662	2,572	3,506	-
- bank overdraft	124,503	172,115	-	-
- term loans	586,396	523,082	-	-
- others	921	4,116	-	-
Rental of land and buildings - belonging to directors	48,960	48,960	48,960	48,960
Defined benefit obligations	126,629	46,671	35,202	31,032
Rental of machinery	-	-	-	-
Rental income	(224,688)	(242,063)	(224,688)	(242,063)
Interest income	(194,867)	(6,254)	-	-
Gain on disposal of property, plant and equipment	(297,393)	(954,946)	-	-
Management fees - subsidiary companies	-	-	(924,000)	(984,000)
Allowance for slow - moving inventories	-	26,172	-	-
Employee benefits expense	2,425,464	1,935,027	443,952	313,085

Included in employee benefits expense are contributions made to the Employees Provident Fund of directors and employees of the Group and of the Company amounting to RM214,655 and RM94,286 respectively (2009: RM165,347 and RM58,272).

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

27. TAXATION

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Current year's tax charge	15,700	133,400	-	-
Under/(Over) provision in previous year	41,238	(473)	2,746	-
Deferred tax income resulting from origination and reversal of temporary differences (Note 22)	(180,362)	(224,238)	(11,805)	(11,805)
	(123,424)	(91,311)	(9,059)	(11,805)

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

	GROUP		COMPANY	
	2010 %	2009 %	2010 %	2009 %
Applicable tax rate	(25)	(25)	(25)	(25)
Tax effects of:				
Expenses not deductible for tax purposes	11	21	24	29
Income not subject to tax	(2)	-	-	-
Tax saving arising from utilisation of previously unrecognised deferred tax assets	-	(18)	-	(6)
Deferred tax assets not recognised	14	14	1	1
(Under)/Over provision in prior year	(1)	1	(1)	-
Effective tax rate	(3)	(7)	(1)	(1)

- (b) The Company has an estimated tax credit balance under Section 108 of the Income Tax Act, 1967 of RM854,200 (2009: RM854,200) which, subject to agreement with the tax authorities, is available to frank dividends out of future distributable reserves.

The Finance Act 2007 introduced a single tier company income tax system with effect from the year of assessment 2008. Under the single tier tax system, tax on a company's profit is a final tax and dividends distributed to shareholders will be exempted from tax. Notwithstanding, the Section 108 tax credit balance above will be available to the Company until such time the credit is fully utilised or upon expiry of the six years transitional period on 31 December 2013, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

27. TAXATION (CONT'D)

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Unutilised reinvestment allowances	3,393,000	3,393,000	-	-
Unutilised capital allowances	6,322,145	6,906,201	24,821	24,389
Unabsorbed tax losses	29,947,948	29,198,262	227,537	613,262

28. LOSS PER SHARE

	GROUP	
	2010 RM	2009 RM

Loss per share is calculated as follow :-

Basic

Loss for the year (RM)	(3,394,520)	(1,302,135)
Weighted average number of ordinary shares (No.)	40,734,196	31,698,423
Basic loss per share (sen)	(8.3)	(4.1)

Diluted

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

29. NOTE TO CASH FLOW STATEMENT

Purchase of property, plant and equipment

Property, plant and equipment of the Company were acquired by the following means :-

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Cash payment	132,337	28,512	20,565	4,876
Hire purchase financing	164,000	81,039	164,000	-
Aggregate cost	296,337	109,551	184,565	4,876

The principal amounts of instalments paid in respect of property, plant and equipment acquired by hire purchase financing are reflected as cash flows from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

30. CONTINGENT LIABILITIES

	GROUP	
	2010 RM	2009 RM
Bank guarantees and performance bond (secured)	102,000	102,000

	COMPANY			
	Limit of Facilities RM	2010 Outstanding Amount RM	Limit of Facilities RM	2009 Outstanding Amount RM
Corporate guarantees given to banks for credit facilities granted to subsidiary companies (unsecured)	14,675,000	6,615,275	14,675,000	7,246,772

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

The details of the subsidiary companies are disclosed in Note 9.

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

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

	COMPANY	
	2010 RM	2009 RM
Amount due from subsidiary companies:-		
Besut Tsuda Industries Sendirian Berhad	8,469,834	6,138,919
Besut Tsuda Wood Products Sdn. Bhd.	10,655,357	6,936,460
Syarikat Maskayu Sawmill Sdn. Bhd.	1,609,817	1,587,133
BTM Marketing & Trading Sdn. Bhd.	2,037,069	162,194
BTM Properties Sdn. Bhd.	16,909	14,956
BTM Construction Sdn. Bhd.	16,938	14,985
BTM Development Sdn. Bhd.	59,148	57,195
BTM Global Holdings Sdn. Bhd.	1,257,001	1,252,640
	24,122,073	16,164,482
Less: Allowance for impairment loss	(13,939,309)	(9,694,706)
	10,182,764	6,469,776

The amounts due from subsidiary companies are interest free, unsecured and repayable on demand. Repayment is expected to be in cash.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

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

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

Expenses recognised by the Company during the year in respect of doubtful debts due from subsidiary companies amounted to RM4,244,603 (2009: RM1,364,881) comprising:-

	COMPANY	
	2010 RM	2009 RM
Besut Tsuda Industries Sendirian Berhad	1,766,410	1,156,955
Besut Tsuda Wood Products Sdn. Bhd.	2,472,334	206,463
BTM Properties Sdn. Bhd.	1,953	320
BTM Construction Sdn. Bhd.	1,953	320
BTM Development Sdn. Bhd.	1,953	823
	4,244,603	1,364,881

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

	COMPANY	
	2010 RM	2009 RM
Income		
Management fees		
Besut Tsuda Industries Sendirian Berhad	12,000	12,000
Besut Tsuda Wood Products Sdn. Bhd.	12,000	12,000
BTM Marketing & Trading Sdn. Bhd.	900,000	960,000

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Expenses				
Rental expenses paid/payable to Dato' Seri Yong Tu Sang	48,960	48,960	48,960	48,960

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

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

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

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

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
<u>Included in trade payables</u>				
Sung Lee Timber Trading Sdn. Bhd.	-	(258,460)	-	-
BTM Timber Industries Sdn. Bhd.	(18,041)	(370,727)	-	-
Gimzan Plywood Sdn. Bhd.	-	(29,044)	-	-
<u>Included in trade receivables</u>				
Gimzan Plywood Sdn. Bhd.	2,616,591	1,174,734	-	-
BTM Timber Industries Sdn. Bhd.	1,461,655	1,758,382	-	-
SPPT Development Sdn. Bhd.	1,023,353	1,096,067	-	-
Sung Lee Timber Trading Sdn. Bhd.	33,959	684	-	-
<u>Included in other payables</u>				
Seri Indah Enterprise Sdn. Bhd.	(38,989)	(120,292)	-	-
Gimzan Plywood Sdn. Bhd.	(156,838)	-	-	-

The trade balances of related parties are subject to the normal credit terms given to or by customers and suppliers, where applicable, as disclosed in these financial statements. The non-trade balances are repayable on demand. All the outstanding amounts are unsecured, interest free and repayment is expected to be in cash.

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

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

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

	2010 RM	GROUP 2009 RM
Income		
Sales of logs, sawn timber and plywood		
BTM Timber Industries Sdn. Bhd.	-	9,586
Gimzan Plywood Sdn. Bhd.	346,472	93,288
Sung Lee Timber Trading Sdn. Bhd.	-	96,493
Oversea Timber Supplies Sdn Bhd	515,763	-
Services		
BTM Timber Industries Sdn. Bhd.	34,837	-
Gimzan Plywood Sdn. Bhd.	14,352	-
Oversea Timber Supplies Sdn Bhd	106,187	-
Others		
Gimzan Plywood Sdn. Bhd.	34,248	5,910
Sung Lee Timber Trading Sdn. Bhd.	-	217
BTM Timber Industries Sdn. Bhd.	-	43,329
Expenditure		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	5,502,288	1,165,223
BTM Timber Industries Sdn. Bhd.	248,065	238,205
Sung Lee Timber Trading Sdn. Bhd.	-	211,690
Oversea Timber Supplies Sdn Bhd	696,969	-
Purchase of diesel and spare parts		
BTM Timber Industries Sdn. Bhd.	26,011	37,101
Services		
BTM Timber Industries Sdn. Bhd.	10,954	174,785
Gimzan Plywood Sdn. Bhd.	-	250
Seri Indah Enterprise Sdn. Bhd.	18,794	82,686
Others		
BTM Timber Industries Sdn. Bhd.	104,836	39,225
Oversea Timber Supplies Sdn Bhd	28,436	-

(d) Other transaction

Proposed transactions with certain related parties requiring mandate from the shareholders are disclosed in Note 35.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

(e) Key management personnel compensation

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

	GROUP		COMPANY	
	2010 RM	2009 RM	2010 RM	2009 RM
Short-term benefits	907,100	672,225	702,350	479,275
Post-employment benefits - Employees Provident Fund	95,100	66,912	82,044	55,212
Total	1,002,200	739,137	784,394	534,487

32. SEGMENT INFORMATION

(a) Operating Segment

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

(b) Geographical Information

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

	2010		2009	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	7,485,261	14,287,759	4,854,869	15,385,021
Australia	4,011,583	-	3,103,966	-
Belgium	967,151	-	466,125	-
Korea	32,760	-	-	-
	12,496,755	14,287,759	8,424,960	15,385,021

The non-current assets do not include financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

32. SEGMENT INFORMATION (CONT'D)

(c) Major Customers

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

	Revenue	
	2010 RM	2009 RM
Customer A	2,103,733	-
Customer B	-	1,481,995
	2,103,733	1,481,995

33. FINANCIAL INSTRUMENTS

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

Certain comparative figures have not been presented by virtue of the exemption given in paragraph 44AA of FRS 7.

(a) Categories of financial instruments

	GROUP 2010 RM	COMPANY 2010 RM
Financial assets per statement of financial position		
Loans and receivables:		
- Trade receivables	5,461,127	-
- Other receivables and deposits	597,128	19,553
- Amount due from subsidiary companies	-	10,182,764
- Fixed deposits with a licensed bank	178,050	-
- Cash and bank balances	664,335	5,520
Financial liabilities per statement of financial position		
Amortised cost:		
- Trade payables	1,051,759	-
- Other payables and accruals	2,508,959	282,805
- Term loans	5,492,843	-
- Bank overdraft	1,122,432	-
- Hire purchase creditors	206,491	150,325
- Amount due to directors	38,197	35,972

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(i) Foreign Currency Exchange Risk

The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency. A large portion of the Group's foreign currency transactions are denominated in United States Dollars and Australian Dollars. The Group reviews its foreign currency exposure periodically to ensure that its net exposure is managed at an acceptable level. The Group does not speculate in foreign currency derivatives.

The Group's foreign currency exposure profile of trade receivables has been disclosed under Note 12(b) to the financial statements.

Foreign currency exchange risk sensitivity analysis

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

	Group 2010 Profit or loss RM
USD	13,104
AUD	17,487

(ii) 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.

Interest rate risk sensitivity analysis

A change of 100 basis point (bp) in interest rates at the end of the reporting period would have immaterial impact on the Group post-tax profit or loss. This analysis assumes that all other variables remained constant.

(iii) Credit Risk

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

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(iv) Market Risk

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

The Group's main market risk exposure are currency and interest rate fluctuations and which are discussed under the respective risk headings.

(v) Liquidity and Cash Flow Risks

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

Maturity analysis

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

	Less than 1 year RM	Maturity Profile More than 1 year and less than 5 years RM	More than 5 years RM	Total RM	Effective interest rate %
Group					
Financial liabilities					
2010					
Trade payables	1,051,759	-	-	1,051,759	-
Other payables and accruals	2,508,959	-	-	2,508,959	-
Term loans	1,445,808	4,047,035	-	5,492,843	8.60 - 9.35
Bank overdraft	1,122,432	-	-	1,122,432	8.80 - 9.80
Hire purchase creditors	32,823	112,867	60,801	206,491	5.24 - 7.21
Amount due to directors	38,197	-	-	38,197	-
2009					
Trade payables	1,083,585	-	-	1,083,585	-
Other payables and accruals	3,701,535	-	-	3,701,535	-
Term loans	855,368	4,637,475	-	5,492,843	8.60 - 9.50
Bank overdraft	1,753,929	-	-	1,753,929	8.00 - 9.00
Hire purchase creditors	14,589	49,520	6,660	70,769	6.87 - 7.21
Amount due to directors	1,178,587	-	-	1,178,587	-

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

33. FINANCIAL INSTRUMENTS (CONT'D)

(b) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

(v) Liquidity and Cash Flow Risks (Cont'd)

Maturity analysis (Cont'd)

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

	Less than 1 year RM	Maturity Profile More than 1 year and less than 5 years RM	More than 5 years RM	Total RM	Effective interest rate %
Company					
Financial liabilities					
2010					
Other payables and accruals	282,805	-	-	282,805	-
Hire purchase creditors	18,234	72,936	59,155	150,325	5.24
Amount due to directors	35,972	-	-	35,972	-
2009					
Other payables and accruals	956,226	-	-	956,226	-
Amount due to directors	163,937	-	-	163,937	-

(vi) Financial Assets

The Group's principal financial assets are fixed deposits, cash and bank balances, trade and other receivables. In respect of the Company, financial assets include amount owing by subsidiary companies.

(vii) 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, hire purchase creditors and amount due to directors.

(c) Fair values

- (i) The fair values of long term bank borrowings approximate their carrying amounts because they attract a floating rate of interest.
- (ii) The fair value of hire purchase payables approximates its carrying amount.
- (iii) The fair values of other current financial assets and liabilities at the balance sheet date approximate to their carrying amounts in the balance sheet due to the short term nature of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

34. CAPITAL MANAGEMENT

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

The Group monitors capital using debt to equity ratio, which is total borrowings divided by total equity. The debt-to-equity ratios at 31 December 2010 and at 31 December 2009 were as follows:-

	2010 RM	GROUP 2009 RM
Total borrowings (Note 20)	6,615,275	7,246,772
Total equity	12,000,979	15,743,194
Debt-to-equity ratio	0.55	0.46

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

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

35. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

On 14 March 2011, Besut Tsuda Wood Products Sdn Bhd ("BTW"), a wholly owned subsidiary of the Company had executed the following agreements with the related parties of the Group:-

- (i) Log Supply Agreement between BTW and SPPT Development Sdn Bhd ("SPPT")
- (ii) Outsourcing Agreement between BTW and Gimzan Plywood Sdn Bhd ("Gimzan")

The above log supply agreement and outsourcing agreement are recurrent related party transactions. The total value of consideration for log supply agreement and outsourcing agreement from 1 April 2011 to 31 March 2012 amounting to RM18.72 million and RM10.74 million respectively. Approval from shareholders had been obtained on 15 April 2011 to transact with the said related parties.

NOTES TO THE FINANCIAL STATEMENTS

- 31 December 2010 (Cont'd)

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

Realised and Unrealised Profits/(Loss)

The breakdown of accumulated losses of the Group and the Company as at 31 December 2010, into realised and unrealised profits/(losses), pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

	GROUP RM	2010 COMPANY RM
Total accumulated losses of BTM Resources Berhad and its subsidiaries :		
- Realised	(81,321,357)	(34,591,011)
- Unrealised	(752,282)	(139,476)
	(82,073,639)	(34,730,487)
Add : Consolidation adjustments	40,432,284	-
Accumulated losses as per financial statements	(41,641,355)	(34,730,487)

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

STATEMENT BY DIRECTORS

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

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 30 to 85 are drawn up in accordance with the Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2010 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

Petaling Jaya,
Date: 26 April 2011

STATUTORY DECLARATION

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

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 30 to 85 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)
Petaling Jaya in Selangor on 26 April 2011)

CHEN KAR MUN

Before me,

K. CHERIAN ABRAHAM
Commissioner For Oaths
No.: B299

INDEPENDENT AUDITORS' REPORT

to the members of BTM Resources Berhad (Company No. 303962-T)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of **BTM RESOURCES BERHAD**, which comprise the statements of financial position as at 31 December 2010 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 30 to 84.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of Company as at 31 December 2010 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

- a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- b) We have considered the financial statements and the auditors' report of the subsidiaries of which we have not acted as auditors, which are indicated in Note 9 to the financial statements.
- c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

to the members of BTM Resources Berhad (Company No. 303962-T)(Cont'd)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 36 on page 85 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

AZMAN, WONG, SALLEH & CO.

AF: 0012

Chartered Accountants

Kuala Lumpur,

Date: 26 April 2011

KHOO PEK LING

900/03/12(J/PH)

Chartered Accountant

ANALYSIS OF SHAREHOLDINGS

as at 16 May 2011

Class of Share	:	Ordinary Share of RM1.00 each
Authorised	:	100,000,000
Issued and Fully Paid-up Capital	:	40,734,196
Voting Rights	:	One vote per share
Number of Shareholders	:	1,111

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 99	6	164	–
100 - 1,000	484	382,028	0.94
1,001 - 10,000	438	1,947,981	4.78
10,001 - 100,000	155	4,566,264	11.21
100,001 - 2,036,710	22	11,286,065	27.71
2,036,711 and above (*)	6	22,551,694	55.36
TOTAL	1,111	40,734,196	100.00

Notes:

* 5% of issued and paid-up Share Capital

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

	No. of Shares		No. of Shares	
	Direct	%	Indirect	%
Dato' Seri Yong Tu Sang	5,581,694	13.70	@ 13,032,766	31.99
a) Shares held under name are 4,515,028 units				
b) Shares held under Citigroup Nominees (Tempatan) Sdn Bhd are 1,066,666 units				
Dato' Mohd Husin Bin Abdul Hamid	5,040,000	12.37	# 1,186,100	2.91
Shares held under RHB Capital Nominees (Tempatan) Sdn Bhd are 5,040,000 units				
Yong Emmy	4,032,000	9.90	** 14,582,460	35.80
Ng Ah Heng	3,333,333	8.18	* 15,281,127	37.51
Sung Lee Timber Trading Sdn. Bhd.	3,083,333	7.57	–	–
BTM Timber Industries Sdn. Bhd.	2,548,000	6.25	–	–

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

* -- Deemed interest by virtue of her substantial shareholdings in Sung Lee Timber Trading Sdn. Bhd and her spouse and children.

-- Deemed interest by virtue of shares held by his children

** -- Deemed interest by virtue of shares held by her parents and sister

ANALYSIS OF SHAREHOLDINGS

as at 16 May 2011 (Cont'd)

DIRECTORS AND THEIR SHAREHOLDINGS

DIRECTORS	DIRECT	NO. OF SHARES		
		%	INDIRECT	%
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	-	-	-	-
Dato' Seri Yong Tu Sang	5,581,694	13.70	@ 13,032,766	31.99
Yong Emmy	4,032,000	9.90	* 14,582,460	35.80
Choong Show Tong	-	-	-	-
Dauk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey	-	-	-	-
Khairuddin Bin Mohd Hussin	-	-	# 6,226,100	15.28
Yong Ellen (Alternate to Yong Emmy)	36,100	0.09	** 18,578,360	45.61

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

* -- Deemed interest by virtue of share held by her parents and sister

-- Deemed interest by virtue of share held by his parents and brother

** -- Deemed interest by virtue of shares held by her parents and sister

LIST OF THIRTY LARGEST SHARE HOLDERS:

No	Name of Shareholders	No. of Shares Held	Percentage
1.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Mohd Hussin Bin Abd Hamid</i>	5,040,000	12.37
2.	Dato' Seri Yong Tu Sang	4,515,028	11.08
3.	Yong Emmy	4,032,000	9.90
4.	Ng Ah Heng	3,333,333	8.18
5.	Sung Lee Timber Trading Sdn Bhd	3,083,333	7.57
6.	BTM Timber Industries Sdn Bhd	2,548,000	6.26
7.	Shafizul Bin Mohd Salleh	1,661,900	4.08
8.	Thong Kuan Yuen	1,500,000	3.68
9.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Abdul Malik Bin Mohd Hussin</i>	1,186,100	2.91
10.	RHB Capital Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tham Kaam Siong</i>	1,104,200	2.71
11.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Tu Sang</i>	1,066,666	2.62
12.	Tan Yu Wei	769,100	1.89
13.	Yeo Kim Team	605,700	1.49
14.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Kok Thye</i>	597,600	1.47
15.	Halim Bin Mohamad	350,000	0.86
16.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wong Kian Boon</i>	338,000	0.83
17.	Teey Lee Sing @ Tey Swee Eng	310,600	0.76
18.	Farah Hanani Binti Kasim	303,100	0.74
19.	TA Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teh See Yong</i>	238,600	0.59
20.	Philip A/L K.O Kunjappy	227,700	0.56

ANALYSIS OF SHAREHOLDINGS

as at 16 May 2011 (Cont'd)

LIST OF THIRTY LARGEST SHARE HOLDERS: (CONT'D)

No	Name of Shareholders	No. of Shares Held	Percentage
21.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Roslan Bin Fadzil</i>	175,000	0.43
22.	Kuljit Singh A/L Dogar Singh	150,000	0.37
23.	Lee Nyek	143,333	0.35
24.	ECML Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yap Chin Yu</i>	133,066	0.33
25.	Su An Lee	117,000	0.29
26.	Lo Ngen Loi	105,000	0.26
27.	Lim Poh Fong	102,400	0.25
28.	Wong Kok Sin	101,000	0.25
29.	Muhammad Adam @ Edward Bin Abdullah	100,000	0.25
30.	Tay Ah Hock @ Tee Tiam Hock	97,000	0.24
		34,034,759	83.55

ANALYSIS OF WARRANTHOLDINGS

as at 16 May 2011

Warrant 2009/2019

No. of Warrants 2009/2019	:	18,633,092
No. of Warrants 2009/2019 outstanding	:	18,633,092
Class of Securities	:	Warrants 2009/2019

ANALYSIS OF SIZE OF WARRANTHOLDINGS

Size of Warrantholdings	No. of Warrant Holders	Percentage %	No. of Warrants	Percentage %
Less than 100	2	0.45	67	-
100 - 1,000	116	26.01	33,559	0.18
1,001 - 10,000	134	31.61	672,616	3.61
10,001 - 100,000	166	36.32	6,036,930	32.40
100,001 and below 5%	22	4.71	4,554,998	24.44
5% and above	4	0.90	7,334,922	39.37
TOTAL :	444	100.00	18,633,092	100.00

STATEMENT OF DIRECTORS' WARRANTHOLDINGS AS PER DIRECTORS' WARRANTSHOLDING AS AT 16 MAY 2011

Name of Directors	No. of Warrant Directs	%	No. of Warrants Indirect	%
Dato' Seri Yong Tu Sang	2,791,388	14.98	@ 3,682,866	19.77
Yong Emmy	2,016,000	10.82	* 4,458,254	23.93
Yong Ellen	200	0.01	** 6,474,054	34.74

SUBSTANTIAL WARRANTHOLDERS AS PER REGISTER OF MEMBER AS AT 16 MAY 2011

Name of Shareholder	No. of Warrant Directs	%	No. of Warrants Indirect	%
Dato' Seri Yong Tu Sang	2,791,388	14.98	@ 3,682,866	19.77
Yong Emmy	2,016,000	10.82	* 4,458,254	23.93
Ng Ah Heng	1,666,666	8.94	# 4,807,588	25.80
Ku Lian Sin	1,394,200	7.48	-	-

@ -- Deemed interest by virtue of warrants held by his spouse and children

* -- Deemed interest by virtue of warrants held by her parents and sister.

** -- Deemed interest by virtue of warrants held by her parents and sister

-- Deemed interest by virtue of warrants held by her spouse and children

ANALYSIS OF WARRANTHOLDINGS

as at 18 May 2010 (Cont'd)

LIST OF THIRTY LARGEST WARRANTHOLDERS:

No	Name of Shareholders	No. of Shares Held	Percentage
1.	Yong Tu Sang	2,258,056	12.12
2.	Yong Emmy	2,016,000	10.82
3.	Ng Ah Heng	1,666,666	8.94
4.	Ku Lian Sin	1,394,200	7.48
5.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Yong Tu Sang</i>	533,332	2.86
6.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Pek Kiam Kek</i>	400,000	2.15
7.	Pek Kiam Kek	391,000	2.10
8.	Tan Bee Yook	250,400	1.34
9.	CIMSEC Nominees (Tempatan) Sdn Bhd <i>CIMB Bank for Len Book Learn</i>	232,000	1.25
10.	PM Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tham Ah Lan</i>	220,200	1.19
11.	AMSEC Nominees (Tempatan) Sdn Bhd <i>PT Amcapital Indonesia for Tan Jiun Leng</i>	219,600	1.18
12.	Chin Yew Lee	212,000	1.14
13.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Jeik Boon @ Ong Teik Boon</i>	203,000	1.09
14.	Tan Boon Siew	200,000	1.04
15.	Lai Thiam Poh	184,000	0.99
16.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Ong Kok Thye</i>	174,000	0.93
17.	Mayban Nominees (Tempatan) Sdn Bhd <i>Teo Ah Seng</i>	173,500	0.93
18.	Kong Kok Choy	170,000	0.91
19.	Mayban Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Karen Chua Siew Joo @ Chua Siew Zoo</i>	170,000	0.91
20.	Ong Yak Heng	152,000	0.82
21.	ECML Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Bee Yook</i>	120,000	0.64
22.	Ong Kok Thye	116,000	0.62
23.	AIBB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Goh Kim Choon</i>	110,000	0.59
24.	SJ Sec Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Liew Pak Chin</i>	110,000	0.59
25.	Lee Nyek	108,966	0.58
26.	Vasanti A/P Muthukumaroo	105,000	0.56
27.	Foo Kin Fatt	100,000	0.54
28.	Kenanga Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Lim Hun Kwang</i>	100,000	0.54
29.	Khoo Kim Gaik	100,000	0.54
30.	Lee Eng	100,000	0.54
		12,289,920	65.96

LIST OF PROPERTIES

LOCATION	Tenure	Description	Land Area	Approx. Age of the Building	Net Book Value as at 31.12.2010
<i>BTM Resources Berhad</i>					
No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman	Freehold	5 ½ Storey Office Building	385 sq.m	12 years	5,321,772
<i>Besut Tsuda Industries Sdn Bhd</i>					
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	–	129,998
<i>Syarikat Maskayu Sawmill Sdn Bhd</i>					
Lot No : - 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year's leasehold expiring on 29-11-2033	Vacant Industrial Land	0.998 Hectare	–	502,146
<i>Besut Tsuda Wood Products Sdn Bhd</i>					
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	17 years	3,414,616

NOTICE OF NOMINATION OF AUDITORS as "Annexure A"

"Annexure A"

Dato' Seri Yong Tu Sang
No.2 Jalan SS2/76
473000 Petaling Jaya
Selangor D.E.

Date : 18th May 2011

The Board of Directors
BTM Resources Berhad
No. 24-3, Jalan Tun Sambanthan 3
50470 Kuala Lumpur

Dear Sirs,

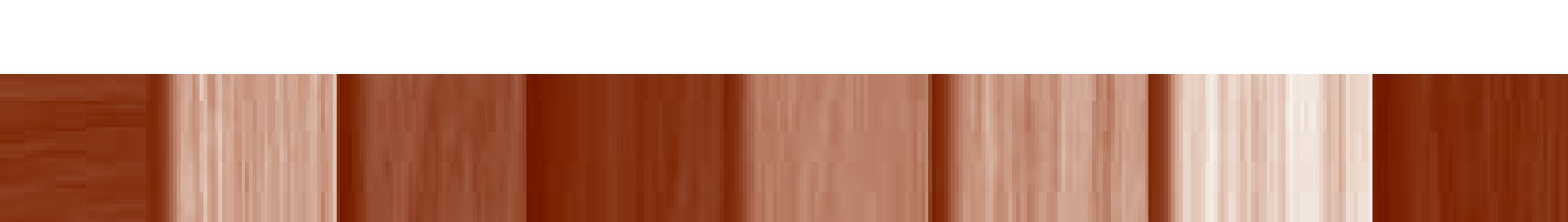
NOMINATION FOR APPOINTMENT OF MESSRS FOLKS DFK & CO. AS THE AUDITORS OF BTM RESOURCES BERHAD ("THE COMPANY")

Pursuant to Section 172 (11) of the Companies Act, 1965, I, being a shareholder of the Company hereby give notice of my intention to nominate Messrs Folks DFK & Co. for appointment as auditors of the Company and to propose the following as an ordinary resolution to be tabled at the forthcoming Annual General Meeting of the Company to replace the retiring auditors, Messrs Azman, Wong, Salleh & Co. :-

"That Messrs Folks DFK & Co. be and are hereby appointed auditors of the Company in place of the retiring auditors, Messrs Azman, Wong, Salleh & Co. for the ensuing year end and that the Directors be authorized to fix their remuneration."

Yours faithfully,

Name : **DATO' SERI YONG TU SANG**
NRIC No. 461125-10-5829
CDS No. 008895229



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BTM RESOURCES BERHAD

(303962-T)

No. 24-3, Jalan Tun Sambanthan 3
50470 Kuala Lumpur

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