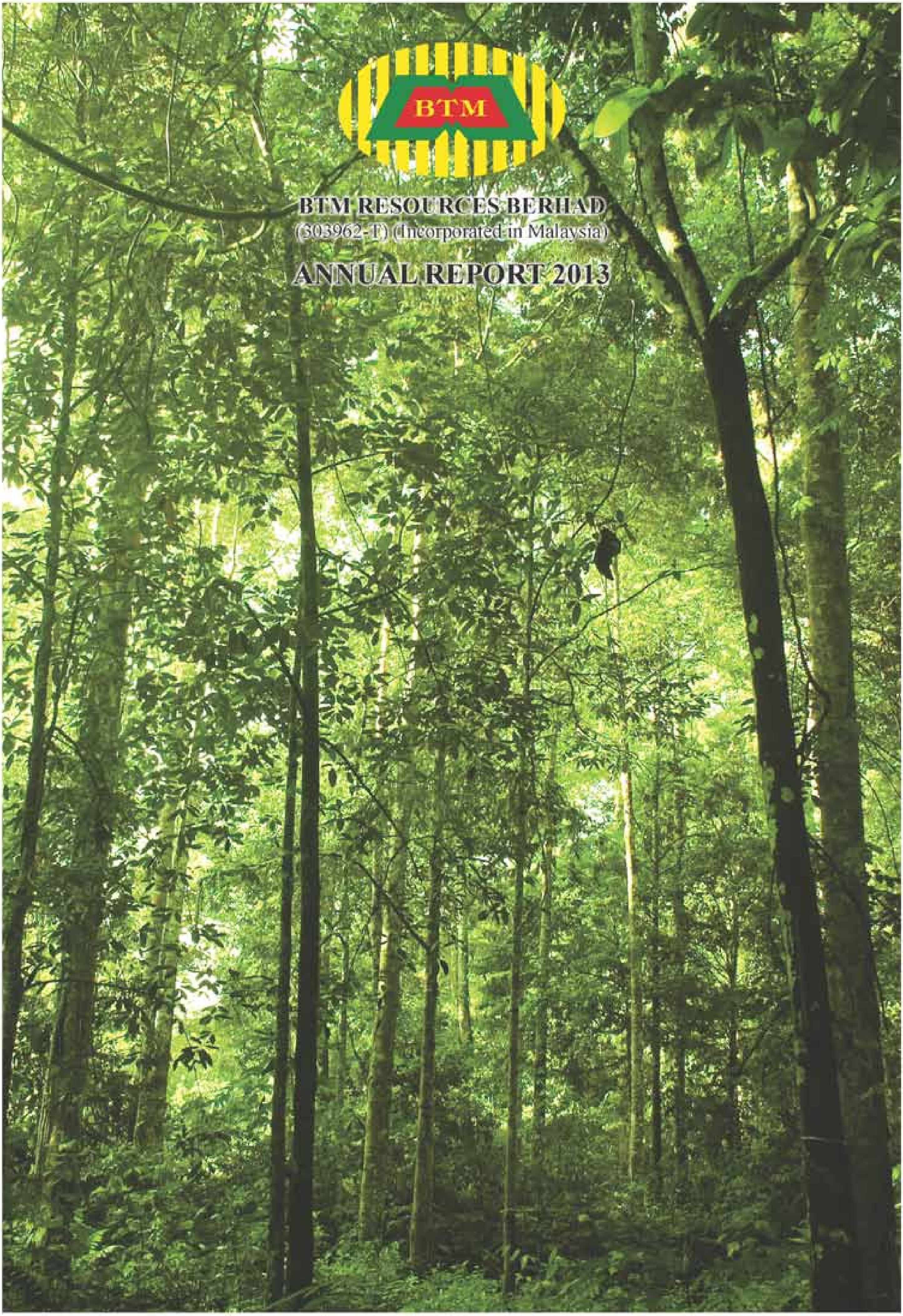
BTM RESOURCES BERHAD

(303962-T) (Incorporated in Malaysia)

ANNUAL REPORT 2013



content

NOTICE IS HEREBY GIVEN THAT the Twentieth Annual General Meeting of BTM Resources Berhad will be held at the Latitude 1.02, Level 1, Hotel Armada,Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26th June 2014 at 11.00 a.m. for the following purposes :-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31st December 2013 together with the Reports of the Directors and Auditors thereon. ***(Please refer to Note A)***

2. To approve the payment of Directors' fees for the financial year ended 31st December 2013. **Resolution 1**

3. To re-elect Mr. Yong Hin Siong who retires in accordance with Article 68 of the Company's Articles of Association. **Resolution 2**

4. To re-elect Mdm. Yong Emmy who retires in accordance with Article 64 of the Company's Articles of Association. **Resolution 3**

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 4**

6. To re-elect Messrs Folks DFK & Co. as Auditors and to authorise the Directors to fix their remuneration. **Resolution 5**

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 total issued and paid-up share capital of the Company for the time being and that the Directors be also empowered to obtain the approval for the listing of and quotation for 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 6**

8. Continuing in Office as Independent Non-Executive Director.
"**THA**T authority be and is hereby given to Mr. Choong Show Tong who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 7**

9. Continuing in Office as Independent Non-Executive Director.
"**THAT** subject to the passing of Ordinary Resolution No. 4, authority be and is hereby given to Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Non-Executive Director of the Company." **Resolution 8**

10 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 4th June 2014 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 9**

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

BY ORDER OF THE BOARD

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

KUALA LUMPUR
Date : 4th June 2014

Notes :

A Item 1 of the Agenda is meant for discussion only as under the provision of Section 169(1) of the Companies, Act 1965, the Audited Financial Statements do not require formal approval of the shareholders. Hence, this matter is not put forward for voting.

Proxy :

i) Only depositors whose name appear in the Record of Depositors as at 19th June 2014 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.

ii) A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same right as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll.

iii) A proxy may but need not be a member.

iv) Where the member of the Company appoints two or more proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

v) If the appointer is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.

vi) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

vii) The instrument appointing a proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City, 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

EXPLANATORY NOTES ON SPECIAL BUSINESS

a) The proposed Ordinary Resolution 6 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.

b) The Proposed Ordinary Resolution 7:-
The Nomination Committee has assessed the independence of Mr. Choong Show Tong, who has served as an Independent Non-Executive Director for a cumulative of eleven years and recommended him to continue to act as an Independent Non-Executive Director of the Company on the following justifications :-

(i) he continues to fulfil the criteria under the definition of Independent Director as stated in the Main Market Listing Requirement of Bursa Malaysia Securities Berhad;
(ii) his vast experience as public accountant enables him to provide view point on financial and accounting in enabling the Board to properly discharge its duties and responsibilities;
(iii) he has always actively participated in Board and Board Committees discussion and has continuous provided an independent view to the Board ; and
(iv) he has the calibre, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.

c) The Proposed Ordinary Resolution 8 :-
The Nomination Committee has assessed the independence of Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman who has served as an Independent Non-Executive Director for a cumulative of ten years and recommended him to continue to act as an Independent Non-Executive Director of the Company on the following justifications :-

(i) he fulfils the criteria under the definition of Independent Director as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
(ii) he has vast experience and his legal background enables him to provide an objective and independent view point in enabling the Board to properly discharge its duties and responsibilities;
(iii) he has always actively participated in Board and Board Committees discussion and has continuously provided an independent view to the Board ; and
(iv) he has the calibre, qualifications, experience and personal qualities to consistently challenge management in an effective and constructive manner.

d) The proposed Ordinary Resolution 9 is to renew the Shareholders' Mandate granted by the shareholders to the Company at the Nineteenth Annual General Meeting held on 25th June 2013. 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.

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

   A) Director retiring pursuant to Article 68 of the Company's Articles of Association:
   Mr Yong Hin Siong ***(Resolution 2)***

   B) Director retiring pursuant to Article 64 of the Company's Articles of Association
   Mdm Yong Emmy ***(Resolution 3)***

   C) Director retiring pursuant to Section 129 of the Companies Act, 1965
   Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman ***(Resolution 4)***

   The details of the abovenamed Directors who are standing for re-election/re-appointment are set out in the Directors' Profile at pages 8 to 12 of the Annual Report, while their securities holdings (where applicable) are set out in the Analysis of Shareholdings – Directors' Interest in the Company (pages 80 and 82 of the Annual Report)

2. **Attendance of Directors at Board Meetings for year 2013**

   A total of five (5) Board Meetings were held during the financial year ended 31 December 2013. Details of attendance of Directors are set out on pages 8 to 12 of this 2013 Annual Report

Name of Directors	Attendance
Tan Sri Dato' (Dr.) Abdul Aziz Bin Abdul Rahman	5 out of 5 meetings
Dato' Seri Yong Tu Sang	5 out of 5 meetings
Mr. Choong Show Tong	5 out of 5 meetings
Madam Yong Emmy	4 out of 5 meetings
Datuk Haji Mohamad Iqbal Bin M.M. Mohamed Ganey	4 out of 5 meetings
Mr Yong Hin Siong	Appointed on 2nd May 2014

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

Date	:	Thursday, 26 June 2014
Time	:	11.00 a.m.
Place	:	Latitude 1.02, Level 1, 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 8 to 12 herein.

BOARD OF DIRECTORS

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

Dato' Seri Yong Tu Sang
Managing Director

Mr. Yong Hin Siong
Executive Director

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

Mr. Choong Show Tong
Independent Non-Executive Director

Madam Yong Emmy
Non-Executive Director

Madam Yong Ellen
Alternate to Madam Yong Emmy

AUDIT COMMITTEE

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

Mr. Choong Show Tong
Member

Madam Yong Emmy
Member

REMUNERATION COMMITTEE

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

Mr. Choong Show Tong
Member

Dato' Seri Yong Tu Sang
Member

NOMINATION COMMITTEE

Mr. Choong Show Tong
Chairman

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

COMPANY SECRETARIES

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

Mr. Chong Seok Tian (MIA 2502)

Ms Wong Youn Kim (MAICSA 7018778)

REGISTRARS

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

AUDITORS

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

REGISTERED OFFICE

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

BANK

Alliance Bank Malaysia Berhad
Small Medium Enterprise Development Bank Malaysia Berhad
RHB Bank Berhad

STOCK EXCHANGE LISTING

Main Market
Bursa Malaysia Securities Berhad

Group Financial Highlights

(RM'000)	2013	2012	2011	2010	2009
Revenue	7,833	4,640	12,715	12,497	8,425
(Loss) / Profit Before Tax	(2,306)	(2,094)	(3,797)	(3,518)	(1,393)
(Loss) / Profit Attributable to Equity Owners of The Company	(716)	(2,094)	(1,943)	(3,395)	(1,302)
Financial Position (RM'000)					
Total Assets	33,911	24,159	25,514	24,596	31,558
Total Liabilities	15,152	12,528	12,072	12,595	15,815
Net Assets Attributable to Equity Owners of The Company (Shareholders Funds)	18,760	11,631	13,442	12,001	15,743
Number of Ordinary Shares as Issued and Fully Paid ('000 Shares)	40,734	40,734	40,734	40,734	40,734
Share Information (Sen)					
Basic (Loss) / Earnings Per Share (Sen)	(1.8)	(5.1)	(4.8)	(8.3)	(4.1)
Gross Dividend Per Share (Sen)	-	-	-	-	-
Net Assets Per Share Attributable to Equity Owners of The Company (Sen)	46	29	33	29	39

	DATO' SERI YONG TU SANG
Position	Executive Director/ Managing Director
Age	67 years
Nationality	Malaysian
Qualification Held	Timber Merchant / Businessman
Working Experience & Occupation	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. 42 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
Date of Appointment	27th December, 1995
Other Directorship of Public Listed Companies	NIL
Membership of Board Committees	Member of Remuneration Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad	Husband of To' Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad and father of Yong Emmy, an Executive Director and major shareholder of BTM Resources Berhad.
Conflict of Interest with BTM Resources Berhad, if any	Saved as disclosed, and in notes no. 31 in the accompanying financial statements.
Convictions for offences within the past 10 years other than traffic offences	NIL
No. of Board Meetings attended in the financial year	5/5

	TAN SRI DATO' (DR) ABDUL AZIZ BIN ABDUL RAHMAN
Position	Senior Independent Non-Executive Director
Age	81 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 Buckkingham UK, Advanced Management Programme (AMP) Harvard Business School Harvard University U.S.A.
Working Experience & Occupation	An advocate and solicitor and a partner in the law firm of Nik Saghir & Ismail, K.L. More than 35 years experience in managing public and private corporations. He started by serving the government for 15 years, the first 7 years as an administrative officer and for 8 years he was in judicial and legal service of the Federal Govt. He served as Magistrate, President Sessions Court, Federal Counsel and Asst. Parliamentary Draftsman. His last government appointment was a Federal Counsel and Legal Officer of the National Operation Council during the Emergency of 1969. He subsequently served Malaysian Airlines from its inception in 1971 as Company Secretary and Director of Legal Affairs. He retired in 1991 as the Managing Director and Chief Executive Officer, a position he held for 10 years
Date of Appointment	1st July, 2003
Other Directorship of Public Listed Companies	NIL
Membership of Board Committees	Chairman of Audit Committee Chairman of Remuneration Committee Member of Nomination Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad	NIL.
Conflict of Interest with BTM Resources Berhad, if any	NIL.
Convictions for offences within the past 10 years other than traffic offences	NIL.
No. of Board Meetings attended in the financial year	5/5

	DATUK HAJI MOHAMED IQBAL BIN M.M. MOHAMED GANEY
Position	Independent Non-Executive Director
Age	65 years
Nationality	Malaysian
Qualification Held	Diploma in Banking from the Institute of Bankers London. An Associate of the International Bankers, London.
Working Experience & Occupation	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. 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. 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. He has been involved in a number of social and religious bodies such as Persatuan Muslimin India Malaysia (PERMIM), Angkatan Kemajun Islam PJ and Selangor, Chairman of Building Committee.
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 Berhad	NIL
Conflict of Interest with BTM Resources Berhad, if any	NIL
Convictions for offences within the past 10 years other than traffic offences	NIL
No. of Board Meetings attended in the financial year	4/5

	CHOONG SHOW TONG	YONG EMMY
Position	Independent Non-Executive Director	Non-Executive Director
Age	58 years	39 years
Nationality	Malaysian	Malaysian
Qualification Held	Associate Member of the Institute of Chartered Accountants in England & Wales Admitted as a Member (Public Accountant) of MIA in May 1983.	Degree in Bachelor of Arts majoring in Japanese Studies and Economics, MBA (Finance) from Oklahoma City University.
Working Experience & Occupation	He started his career as an Article Clerk in April 1978 and later became an Office Manager in a Chartered Accountants firm in London. In September 1983, he worked as an Office Manager in Christopher Chooi & Co. a firm of Chartered Accountants in Kuala Lumpur. Since October 1984 till now he is the Sole Proprietor of Allan Choong & Co, a Chartered / Public Accountants firm in Kuala Lumpur.	Started her career in July 1997 as a Business Executive in Itochu Asia Pte Ltd, and Itochu Pulp & Paper Asia Pte Ltd Singapore, both companies dealing with paper and wood pulp. She has gained experience in marketing & trading. Appointed as Business Development Manager of Mizam Pte. Ltd. 17 years of experience in trading & marketing of wood-based products. Currently sits on the Board of several private limited companies.
Date of Appointment	19th May, 2003	11th November, 1999
Other Directorship of Public Listed Companies	NIL	NIL
Membership of Board Committees	Member of Audit Committee and Remuneration Committee, Chairman of Nomination Committee.	Audit Committee
Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad	NIL	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad.
Conflict of Interest with BTM Resources Berhad, if any	NIL	Saved as disclosed, and in note no. 31 in the accompanying financial statements.
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	5/5	4/5

	YONG ELLEN	YONG HIN SIONG
Position	Non-Executive Alternate Director to Mdm Yong Emmy	Executive Director
Age	36 years	34 years
Nationality	Malaysian	Malaysian
Qualification Held	Bachelor of Arts (Design), Postgraduate Diploma in Design and Master of Design from Curtin University of Technology.	Bachelor of Arts from Macquarie University in New South Wales, Australia.
Working Experience & Occupation	Started her career as a Management Trainee in the subsidiary company, BTM Marketing & Trading Sdn. Bhd. on 1st June 2002.	After graduated from Macquarie University in New South Wales, Australia in 2004, he joined a timber consortium company as a management trainee focusing on operation management. He was promoted to manager of sales and purchases department in charge of purchasing raw material and sales of finished products whereby he gained valuable experience sourcing for raw materials from various countries. Subsequently, he also gained working experience in manufacturing of plywood, managing a golf and country resort, oil palm plantation and logging operation in Malaysia and Papua New Guinea.
Date of Appointment	14th September, 2002	2nd May 2014.
Other Directorship of Public Listed Companies	NIL.	NIL.
Membership of Board Committees	NIL.	NIL.
Family Relationship with Director and/or Major Shareholder of BTM Resources Berhad	Daughter of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad and sister of Yong Emmy, Non-Executive Director and major shareholder of BTM Resources Berhad.	Son of Dato' Seri Yong Tu Sang, the Managing Director of BTM Resources Berhad and To'Puan Ng Ah Heng, a major shareholder of BTM Resources Berhad and brother of Yong Emmy and Yong Ellen, Non-Executive Director and alternate Director of BTM Resources Berhad.
Conflict of Interest with BTM Resources Berhad, if any	Saved as disclosed, and in note no. 31 in the accompanying financial statements.	Saved as disclosed, and in note no. 31 in the accompanying financial statements
Convictions for offences within the past 10 years other than traffic offences	NIL	NIL
No. of Board Meetings attended in the financial year	- as alternate to Madam Yong Emmy	Not Applicable

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, 2013.

Financial Performance

For the financial year under review, the Group's turnover of RM7.833 million has increased by 68.8% as compared to that of the previous year's of RM4.640 million. The Group suffered a higher loss before taxation of RM2.305 million compared to RM2.094 million in 2012.

Management Review And Analysis

The Group main activities for the year under review remain the same as previous year which are manufacturing of moulding, priming timber and sawntimber, logging and trading of sawntimber and plywood.

The Group's manufacturing of moulding and priming timber remained as main contribution of activities to the Group and demand for the products are better than previous year. The logging activity of the Group is carried out by Syarikat Maskayu Sawmill Sdn Bhd and the company is still pursuing for the issuance of logging licence from the relevant authority.

BTM Marketing & Trading Sdn Bhd, a marketing arm of the Group continued with trading of sawntimber and plywood, however the turnover has improved as compared with previous year.

The Log Supply Agreement and Outstanding Agreement entered by Besut Tsuda Wood Products Sdn Bhd with SPPT Development Sdn Bhd and Gimzan Plywood Sdn Bhd are yet to be implemented as SPPT Development Sdn Bhd is only able to obtain the issuance of logging licence in the year of 2014.

Dividend

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

Corporate Development

On 16 January 2013, the company announced a corporate proposal which encompassed the Proposed Par Value Reduction, Proposed Share Premium Reduction, Proposed MA Amendments, Proposed Rights Issue With Warrants and Proposed Exemption. However, the aforesaid proposal had been aborted by the Company on 12 July 2013.

On 30 October 2013, the Company announced the following proposals incorporating amendments to earlier proposal aborted :-

(i) Proposed Par Value Reduction ;

(ii) Proposed Share Premium Reduction ;

(iii) Proposed MA Amendments ;

(iv) Proposed Rights Issue With Warrants ; and

(v) Proposed Exemption

(collectively referred to as "the Proposals")

The Proposal are conditional upon approval being obtained from the following :-

(1) Bursa Malaysia Securities Berhad ("Bursa Securities"), which was obtained vide its letter 18 December 2013, for the following :-
   a) admission to the Official List of Bursa Securities and the listing and quotation of up to 47,493,830 new Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;
   b) the listing and quotation of up to 118,734,576 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;
   c) the listing and quotation of up to 1,352,740 Additional Warrants arising from the adjustment to the number of existing Outstanding Warrants pursuant to the Proposed Rights Issue with Warrants ; and
   d) the listing and quotation of up to 48,846,570 new Shares to be issued pursuant to the exercise of the Warrants and Additional Warrants on the Main Market.

2) the Securities Commission ("SC") for the Proposed Exemption. Under the Code, the SC's approval for the Proposed Exemption is to be sought only after non-interested shareholders' approval for the Proposed Exemption has been obtained at the Extraordinary General Meeting ("EGM") of the Company held on 29th April 2014.

3) the sanction of the High Court of Malaya for the Proposed Par Value Reduction and Proposed Share Premium Reduction and the utilisation of the excess credit (from the Proposed Par Value and Share Premium Reduction);

4) the shareholders of the Company at the EGM held on 29th April 2014; and

5) other relevant authorities / parties, if required.

The Proposed Par Value Reduction, Proposed Share Premium Reduction and the Proposed MA Amendments are inter-conditional upon each other. The Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional upon one another. The Proposed Rights Issue with Warrants is conditional upon the Proposed Par Value Reduction and the Proposed MA Amendments but not vice-versa. As at to-date, the Proposals are pending approval of shareholders of the Company for the Proposals, approval of SC for the Proposed Exemption and sanction of the High Court of Malaya for the Proposed Par Value and Share Premium Reduction. The Proposals are expected to be implemented in the second half of 2014.

Prospects

For the year 2014, the Group will continue to focus on its core business of wood based operation and will work towards the implementation of log supply and outsourcing agreements. However due to the gloomy world economy, the Group expects its effect on the demand of wood products will be effected. Barring unforeseen circumstances, the Directors of the company expects the Group's results to be very challenging even though fresh working capital is expected to be injected under the Corporate Exercise.

Appreciation

On behalf of the Board of Directors, I would like to record our sincere appreciation to all our management team and employees for their diligent and untiring efforts, professionalism and enthusiasm in working with the Board to achieve the Group's objectives.

Finally to our shareholders, we thank you for your support which we hope will continue throughout the years ahead.

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

The Board of Directors of BTM Resources Berhad ("BTM") recognizes the importance of practicing good corporate governance and is committed to ensuring the Group practices high standard of corporate governance in line with the Malaysian Code on Corporate Governance 2012 ("the Code") to achieve the Group's governing objective of enhancing shareholders' value.

The statement below set out the commitment of the Board and the manner in which the Company has applied the Principles of the Code and the extend to which it has complied with the Best Practices of the Code through out the financial year towards best practices of the code, and the extend to which it has applied and complied with the best practices of the code.

BOARD OF DIRECTORS

(1) **Board Responsibilities**

The Board shows its commitment to leading and controlling the Group's strategic direction, overseeing the business operations, identifying principal risks and ensuring the implementation of appropriate internal controls and mitigation measures. The Board holds meeting quarterly and when necessary for any matters which may arise between the meetings.

The Managing and Executive Directors are primarily responsible for day-to-day business operations of the Group and management decisions as well as implementation of the Group's policies while the Independent Non-Executive Directors provide inputs to key decisions including formulation of policies and strategies, performance evaluation and risk evaluation effecting the Group. The Independent Non-Executive Directors are involved in various board committee and they provide independent assessments and opinions and act objectively and constructively in exercising their duties.

(2) **Board Charter**

Currently, the Board charter is yet to be established by the Company. The Company will be establishing the Board charter defining the structure of the Board and its role as a whole and also clearly sets out the processes for Directors on the Board and Board Committees to carry out their duties.

(3) **Board Balance**

The BTM Board has a total of six (6) Directors comprising an Independent Non-Executive Chairman, a Managing Director, an Executive Director, a Non-Executive Director and two Independent Non-Executive Director. The Independent Non-Executive Chairman and two Independent Non-Executive Directors fulfill the criteria of independent as defined in the Bursa Securities Listing Requirements.

The Board is well balanced with wide range of business and financial experience. The profiles of the members of the Board are provided on pages 8 to 12 of this Annual Report.

Mr. Choong Show Tong and Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman have been the Independent Non-Executive Directors of the Company for more than eleven and ten years respectively. The Nomination Committee and Board of Directors have carried an evaluation and assessment and concluded that Mr. Choong Show Tong and Tan Sri stays independent and objective in board deliberations and decision making, and are able to act in the best interests of the Company. Mr. Choong and Tan Sri are not related to any Directors and substantial shareholders of the Company and are not under influence of other Directors and are self determine.

The Board meetings are scheduled in advance to maximize attendance by Directors. The Board met five times during the financial year 31 December 2013. The details of attendance of each Directors at the Board meeting held during the financial year at the Meeting Room of BTM Resources Berhad, No. 35-5, Jalan PJU 1/41, Dataran Prima, 47301 Petaling Jaya, Selangor Darul Ehsan are set out as follows :-

NAME OF DIRECTORS	NUMBER OF MEETINGS ATTENDED
1. Tan Sri Dato' Abdul Aziz Bin Abdul Rahman	5/5
2. Dato' Seri Yong Tu Sang	5/5
3. Mr. Choong Show Tong	5/5
4. Madam Yong Emmy	4/5
5. Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey	4/5
7. Datuk Khairuddin Bin Mohd Hussin (Resigned on 1st April 2014)	5/5
8. Mr. Yong Hin Siong (Appointed on 2nd May 2014)	N/A

(4) **Supply of Information**

To fulfill the responsibilities set out above, the Directors are provided with timely and appropriate reports and information in advance of each meeting regarding the business operations and financial affairs of the Group. The Directors have full access to all information within the Group to enable them to discharge their responsibilities. Further, the Directors have access to advice and services of the Company Secretary, and may seek external independent advice where required.

(5) **Appointment of Directors**

The Nomination Committee is responsible in recommending to the Board on the appointment of any additional Directors deemed necessary with due consideration given to the mix of expertise and experience required for an effective Board. Directors who are appointed by the Board are subject to elections by the Shareholders at the next Annual General Meeting held following their appointments.

(6) **Directors' Training**

All Director, except Mr. Yong Hin Siong, have attended the Mandatory Accreditation Programme as prescribed by the Listing Requirements of the Bursa Malaysia Securities Berhad. Mr Yong Hin Siong is required to attend the programme within four months of his appointment. During the financial year, Dato' Sri Yong Tu Sang, Yong Emmy and Yong Ellen attended PLC Directors' Training and Mr. Choong Show Tong have attended National Tax Conference 2013, National Tax Seminar 2013 and Seminar on Preparation of Group Accounts (Covering MFRS 3, Revised MFRS 127, 128 & 10 & 12)

Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman and Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey have not attended suitable programme due to suitable programmes coinciding with their respective official engagements. However, they kept abreast with the corporate and regulatory through dissemination of updates and notice from Bursa Malaysia and also by reading current affairs materials and professional journals.

(7) **Re-election / Re-appointment**

Pursuant to Articles of Association of the Company., one-third or the number nearest one-third of the Directors for the time being shall retire from office, and each Director shall retire from office once at least in every three (3) years. The Articles of Association of the Company further provide that any Director appointed by the Board during the year shall hold office only until the next following Annual General Meeting after his appointment. The Director(s) retired shall be eligible for re-election.

Pursuant to Section 129(6) of the Companies Act 1965, Directors over the age of seventy (70) years are subject to re-appointment as Directors to hold office until the next Annual General Meeting.

(8) **Nomination Committee**

The Nomination Committee comprises of the following committee members :-

<u>Chairman</u>
Mr. Choong Show Tong
(Independent Non-Executive Director)

<u>Member</u>
Tan Sri Dato (Dr) Abdul Aziz Bin Abdul Rahman
(Independent Non-Executive Director)

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

(i) Making appropriate recommendations to the Board on matters of renewal, extension, retiring and appointment and re-appointment of directors.

(ii) to assess and recommended any candidate for directorship and ensure all appropriate plan for Board succession for the Group.

(iii) 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.

One Nomination Committee Meeting was held on 28 November 2013 and were attended by all committee members

(9) **Directors Remuneration**

The fees of Directors, including non-executive Directors, are endorsed by the Board for approval by the shareholders of the Group at the Annual General Meeting.

The aggregate remuneration of Directors of the Company for financial year ended 31 December 2013 are as follows:-

Company Level	Fee (RM)	Salaries & Other Emoluments (RM)	Total (RM)
Executive Directors	-	562,600	562,600
Non-Executive Directors	120,000	-	120,000
Subsidiary Level			
Executive Directors	-	165,140	165,140

The number of Directors whose remuneration fall into the following bands is as follows :-

Range of Remuneration (RM)	Executive	Non-Executive
Below 50,000	-	3
50,001 – 150,000	-	2
150,001 – 300,000	1	-
300,001 – 400,000	1	-

(10) **Remuneration Committee**

The Members of Remuneration Committee comprises majority of Independent Non-Executive Directors as follows :-

Chairman

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

Members

Mr Choong Show Tong
(Independent Non-Executive Director)

Dato' Seri Yong Tu Sang
(Managing Director)

The function of the committee includes recommendation to the Board, the remuneration packages of Managing Director, Executive Directors and Senior Management of the Company. The remuneration packages of Non-Executive Directors should be determined by the Boar d of Directors as a whole.

DIALOGUE WITH SHAREHOLDERS

The Directors encourage and seek to build up a mutual understanding of objectives between the Group and its shareholders. The Board seeks to encourage shareholders to attend the Annual General Meeting. Besides the disclosures and announcements to the Bursa Malaysia Securities Berhad, it uses the Annual General Meeting to communicate with private investment and encourage their participation.

ACCOUNTABILITY AND AUDIT

(1) **Risk Management and Internal Control**

The Board is committed to maintain a sound system of internal control and effective risk management system and it is the Board's responsibility to review its adequacy and integrity. The Group's system are designed to manage rather than eliminate risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognize the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board recognize that the risks cannot be completely eliminated. As such, the system, processes and procedures being put in place are aimed at minimizing and managing them. The Group has an ongoing process for identifying, evaluation and managing key risks in the context of its business objectives.

The statement on risk management and internal control is set out on page 22. It provides an overview of the state of risk management and internal control within the Group.

(2) **Audit Committee**

In addition to the duties and responsibilities set out under the terms of reference, Audit Committee acts as a forum for discussion of internal control issues and contributes to the Board's of the effectiveness of the Group's internal control and risk management system.

The minutes of the Audit Committee Meeting are tabled to the Board for noting and for action by the Board where necessary.

The activities of the Audit Committee during the year are set out under the Audit Committee Report on pages 20 to 21.

(3) **Relationship With External Auditors**

The role of the Audit Committee in relation to the external auditors is described in Audit Committee Report on pages 20 to 21.

(4) **Financial Reporting**

In presenting the annual financial statements and quarterly announcement of results to shareholders, the Directors take responsibility to present a balanced and understandable of the Group's position and prospects. The Audit Committee of the Board assists by scrutinizing the information to be disclosed, to ensure accuracy and adequacy.

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for keeping proper accounting records which disclose, with reasonableness at any time, the financial position of the Group and the Company and enable them to ensure that the accounts are in accordance with Malaysian Financial Reporting Standards, International Financial Reporting standards, the requirements of the Companies Act, 1965 and the Main Board Listing Requirements of Bursa Malaysia Securities Berhad in Malaysia. They are responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

RESPONSIBILITIES STATEMENT BY THE BOARD OF DIRTECTORS

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Company present a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of their results and their cash flows for the year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2013, the Group had used the appropriate and relevant accounting policies and applied them consistently and made judgements and estimates that are reasonable and fair.

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

The Director have also taken the necessary steps to ensure that the appropriate systems are in place for the assets of the Group to be properly safeguarded for prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable but not absolute assurance against material misstatement, loss and fraud.

OTHER INFORMATION

(1) **Share Buy-Back**

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

(2) **Options, Warrants or Convertible Securities**

A total of 18,633,092 Warrants were issued in 2009. No Warrants have been exercised during the financial year and the total number of Warrants remain unexercised are 18,633,092 units.

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

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

(4) **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.

(5) **Non-Audit Fees**

There are no non-audit fees for services rendered by external auditors to the Company for the financial year ended 31 December 2013.

(6) **Variation in Results**

There were no material variations between the audited results for the financial year ended 31 December 2013 and the unaudited results for the quarter year ended 31 December 2013 of the Group. Explanation and reconciliation are not required for variation of less than 10%

(7) **Profit Estimate, Forecast or Guarantee**

Not applicable

(8) **Revaluation Policy on Landed Properties**

The Group has not adopted a policy of regular revaluation on landed properties. However valuation on two tracts of properties were carried out in 2013.

(9) **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.

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 2013.

Attendance At The Meetings

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

	No. of Meetings	
Name	**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 of five (5) times.

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 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 information 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.
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 2013.

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.

INTRODUCTION

Paragraph 15.26(b) of the Listing Requirements of the Bursa Malaysia Securities Berhad requires the Board of Directors of a listed company to include in its annual report a “statement on risk management and internal control of the company as a Group”.

RESPONSIBILITY

The Board of BTM Resources Berhad is committed to maintain a sound system of internal control and effective risk management system within the Group and is responsible for reviewing its adequacy and integrity.

The Group’s system of internal controls are designed to manage rather than eliminate risk of failure to achieve business objectives. The Board continually reviews the system to ensure that this risk management and internal control system provides a reasonable and not absolute assurance against material misstatement, loss or fraud.

KEY PROCESSES

The Group has an ongoing process for identifying, evaluating and managing key risks in the context of its business objectives. These processes are embedded within the Group’s overall business operations and guided by policies and procedures. This process is regularly reviewed by the Board and is guided by the “Statement on Risk Management & Internal Control : Guidelines for Directors of Listed Issuers”.

The Managing Director and the Financial Controller regularly meet with senior management team which covers all departments. The Board has received assurance from the Managing Director and the Financial Controller that the Group’s risk management and internal control system is operating adequately and effectively.

The key processes that the Board has established in reviewing the adequacy and integrity of the Group’s risk management and system of internal control, are as follows :

- The Group has a clearly defined organisational structure together with lines of responsibilities and delegation of authority, including proper approval and authority limit for controlling and approving capital expenditure and expenses;
- The annual budgeting and target setting process for the Group’s key areas of business which is approved by the Board;
- The policies and procedures for the processes of the Group’s operation are documented in the Group accounting and control manuals, and are updated from time to time;
- The Audit Committee meets regularly during the financial year ended 31 December 2013 and hold discussion with the management on the action taken on internal control issues prepared by the internal auditors. The minutes of the Audit Committee meeting are tabled to the Board on a regular basis. Further details of the activities undertaken by the Audit Committee are set out in the Audit Committee report;
- The Group carries insurance cover in respect of insurable business risk, including property risk, to appropriate levels, which are determined upon consultation with insurance brokers;
- There are proper guidelines drawn-up by the Group for hiring and termination of staff and workers formal training programme for staff, annual performance appraisal and other relevant procedures in place to achieve the objective of ensuring the staff and workers are competent to carry out their responsibilities.

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 Directors on the recommendations of the Audit Committee. The review provides an independent assessment of the adequacy and integrity of the system of internal control and risk management in managing the significant risks. The Internal Audit function reports to the Audit Committee on issues and recommendation arising from each review.

CONCLUSIONS

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of approval of this statement for inclusion in the annual report is adequate and effective to safeguard the shareholders’ investment, the interests of employees and the Group’s assets.

financial statements

Page **Contents**

The directors submit herewith their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss before taxation	(2,305,654)	(982,452)
Taxation	1,589,988	245,894
Loss for the year attributable to owners of the Company	(715,666)	(736,558)

DIVIDENDS

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

RESERVES AND PROVISIONS

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

DIRECTORS

The names of the directors in office since the date of the last Directors' Report on 30 April 2013 are as follows :-

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

Dato' Seri Yong Tu Sang (Managing Director)

Yong Emmy

Choong Show Tong

Datuk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey

Yong Ellen (alternate director to Yong Emmy)

Datuk Khairuddin Bin Mohd Hussin (Resigned on 1 April 2014)

In accordance with Article 64 of the Company's Articles of Association, Yong Emmy retires from the Board at the forthcoming Annual General Meeting and being eligible, offers herself 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' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at	<---------- During the year ---------->		As at
	1.1.2013	Acquired	Disposed	31.12.2013
Dato' Seri Yong Tu Sang				
direct	4,113,027	-	-	4,113,027
indirect *	7,401,433	-	-	7,401,433
Yong Emmy				
direct	4,032,000	-	-	4,032,000
Yong Ellen				
direct	36,100	-	-	36,100

	Number of warrants 2009/2019			
	As at	<---------- During the year ---------->		As at
	1.1.2013	Acquired	Disposed	31.12.2013
Dato' Seri Yong Tu Sang				
indirect *	3,474,254	-	-	3,474,254
Yong Emmy				
direct	2,016,000	-	-	2,016,000
Yong Ellen				
direct	200	-	-	200

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

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

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

DIRECTORS' BENEFITS

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

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

OTHER STATUTORY INFORMATION

a) Before the financial statements of the Group and of the Company were made out, the directors took reasonable steps :-

i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts, and have satisfied themselves that all known bad debts had been written off and adequate provision had been made for doubtful debts; and

ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business have been written down to an amount which they might be expected so to realise.

b) As at the date of this report, the directors are not aware of any circumstances :-

i) which would render the amount written off for bad debts and provision made for doubtful debts in the Group and the Company inadequate to any substantial extent;

ii) which would render the values of current assets in the financial statements of the Group and of the Company misleading;

iii) which have arisen which render adherence to the existing method of valuation of assets and liabilities of the Group and of the Company misleading or inappropriate; and

iv) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

c) As at the date of this report, there does not exist :-

i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and

ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

d) In the opinion of the directors :-

i) no contingent or other liabilities have become enforceable or are likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations when they fall due;

ii) the results of the Group's and of the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

iii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made.

On behalf of the Board of Directors,

DATO' SERI YONG TU SANG

Director

YONG EMMY

Director

This report is made pursuant to the directors' resolution passed on 28 April 2014

Date : 28 April 2014

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 29 to 76 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2013 and of the results of operations and cash flows of the Group and of the Company for the financial year ended on that date.

The information set out in Note 38 to the financial statements on page 77 have been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

On behalf of the Board of Directors,

DATO' SERI YONG TU SANG
Director

YONG EMMY
Director

Date :28 April 2014

Statutory Declaration

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

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

And I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed CHEN KAR MUN at Petaling Jaya in Selangor this 28 April 2014

Before me,

PESURUHJAYA SUMPAH MALAYSIA
B299
K. CHERIAN ABRAHAM
3-1 Block E2, Jalan PJU 1/42A
Dataran Prima, 47301 Petaling Jaya
Selangor Darul Ehsan

Consolidated Statement of Financial Position

As at 31 December 2013

	Note	31.12.2013 RM	Restated 31.12.2012 RM	Restated 1.1.2012 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	5	20,862,548	15,854,831	17,045,123
Prepaid lease payments	6	516,726	555,199	593,672
Investment in club membership	8	-	-	40,000
		21,379,274	16,410,030	17,678,795
Current Assets				
Inventories	9	4,091,965	2,779,012	2,289,465
Trade receivables	10	3,016,465	3,096,843	4,744,702
Other receivables, deposits and prepayments	11	589,301	1,226,592	275,039
Fixed deposits with licensed banks	13	413,988	401,126	388,682
Cash and bank balances		306,563	245,746	137,408
		8,418,282	7,749,319	7,835,296
Non-current asset held for sale	14	4,113,747	-	-
		12,532,029	7,749,319	7,835,296
Total Assets		33,911,303	24,159,349	25,514,091
EQUITY AND LIABILITIES				
Equity Attributable To Owners Of The Company				
Share capital	15	40,734,196	40,734,196	40,734,196
Share premium	16	7,628,463	7,628,463	7,628,463
Revaluation reserves	17	16,377,545	8,132,088	8,132,088
Capital reserves	18	531,845	531,845	531,845
Accumulated losses		(46,512,441)	(45,395,618)	(43,418,056)
Total Equity		18,759,608	11,630,974	13,608,536
Liabilities				
Non-Current Liabilities				
Retirement benefit obligations	19	1,270,152	798,685	807,235
Bank borrowings (secured) - Term loans	20	765,579	2,040,180	3,020,459
Hire purchase creditors	21	94,378	118,107	149,673
Deferred taxation	22	167,434	2,434	2,434
		2,297,543	2,959,406	3,979,801
Current Liabilities				
Trade payables	23	592,004	571,613	624,372
Other payables and accruals		5,184,461	4,269,502	3,697,069
Bank borrowings (secured)	20			
- Term loans		4,727,264	3,452,663	2,472,384
- Bank overdraft		253,773	674,988	893,649
Amount due to directors	24	1,998,276	489,215	116,045
Hire purchase creditors	21	24,898	37,278	34,325
Taxation		73,476	73,710	87,910
		12,854,152	9,568,969	7,925,754
Total Liabilities		15,151,695	12,528,375	11,905,555
Total Equity and Liabilities		33,911,303	24,159,349	25,514,091

The notes on pages 37 to 76 form an integral part of these financial statements.

Consolidated Statement of Profit or Loss and other Comprehensive Income

As at 31 December 2013

	Note	31.12. 2013 RM	Restated 2012 RM
Revenue	25	7,833,429	4,640,452
Cost of sales		(6,781,243)	(5,728,340)
Gross profit/(loss)		1,052,186	(1,087,888)
Other income		505,552	3,175,625
Distribution expenses		(235,299)	(136,793)
Administrative expenses		(2,885,987)	(3,016,880)
Other operating expenses		-	(40,000)
Finance costs		(742,106)	(988,311)
Loss before taxation	26	(2,305,654)	(2,094,247)
Taxation	27	1,589,988	-
Loss for the year		(715,666)	(2,094,247)
Other comprehensive income :			
Items that will not be subsequently reclassified to profit or loss			
- Revaluation of land and buildings		10,024,286	-
- Attributable deferred tax		(1,778,829)	-
		8,245,457	-
- Actuarial (loss)/gain on defined benefit obligations		(401,157)	116,685
Total other comprehensive income for the year, net of tax		7,844,300	116,685
Total comprehensive income/(loss) for the year		7,128,634	(1,977,562)
Loss per share attributable to owners of the Company			
Basic	28	(1.8 sen)	(5.1 sen)
Diluted	28	N/A	N/A

The notes on pages 37 to 76 form an integral part of these financial statements.

Consolidated Statement of Changes in Equity

For the Year Ended 31 December 2013

	<--------- Non-distributable		---------->			
	Share capital RM	**Share premium RM**	**Revaluation reserves RM**	**Capital reserves RM**	**Accumulated losses RM**	**Total RM**
Balance as at 1 January 2012						
- As previously stated	40,734,196	7,628,463	8,132,088	531,845	(43,584,235)	13,442,357
- Effects of adopting revised MFRS 119 (Note 36)	-	-	-	-	166,179	166,179
Balance as at 1 January 2012, as restated	40,734,196	7,628,463	8,132,088	531,845	(43,418,056)	13,608,536
Loss for the year (Note 36)	-	-	-	-	(2,094,247)	(2,094,247)
Other comprehensive income :						
- Actuarial gain on defined benefit obligations (Note 36)	-	-	-	-	116,685	116,685
Total comprehensive loss for the year	-	-	-	-	(1,977,562)	(1,977,562)
Balance as at 31 December 2012, as restated	40,734,196	7,628,463	8,132,088	531,845	(45,395,618)	11,630,974
Balance as at 1 January 2013						
- As previously stated	40,734,196	7,628,463	8,132,088	531,845	(45,670,808)	11,355,784
- Effects of adopting revised MFRS 119 (Note 36)	-	-	-	-	275,190	275,190
Balance as at 1 January 2013, as restated	40,734,196	7,628,463	8,132,088	531,845	(45,395,618)	11,630,974
Loss for the year	-	-	-	-	(715,666)	(715,666)
Other comprehensive income :						
- Revaluation of land and building, net of attributable deferred tax	-	-	8,245,457	-	-	8,245,457
- Actuarial loss on defined benefit obligations	-	-	-	-	(401,157)	(401,157)
Total other comprehensive income	-	-	8,245,457	-	(401,157)	7,844,300
Total comprehensive income for the year	-	-	8,245,457	-	(1,116,823)	7,128,634
Balance as at 31 December 2013	40,734,196	7,628,463	16,377,545	531,845	(46,512,441)	18,759,608

Consolidated Statement of Cash Flows

For the Year Ended 31 December 2013

	2013 RM	Restated 2012 RM
Cash Flows From Operating Activities		
Loss before taxation	(2,305,654)	(2,094,247)
Adjustments for :-		
Amortisation of prepaid lease payments	38,473	38,473
Depreciation	1,153,869	1,191,752
Defined benefit obligations	92,885	122,135
Allowance for impairment loss on investment	-	40,000
Write back of accrued liabilities no longer required	(484)	-
Gain on disposal of property, plant and equipment	(192,098)	(2,496,957)
Property, plant and equipment written off	-	2
Interest expense	741,995	988,255
Interest income	(52,237)	(118,938)
Operating loss before working capital changes	(523,251)	(2,329,525)
Increase in inventories	(1,312,953)	(489,547)
Decrease in trade receivables	117,236	1,629,236
Decrease/(Increase) in other receivables, deposits and prepayments	637,291	(966,113)
Increase/(Decrease) in trade payables	20,391	(52,759)
Increase/(Decrease) in other payables and accruals	240,472	(189,329)
Increase in amount due to directors	1,509,061	373,170
Cash generated from/(used in) operations	688,247	(2,024,867)
Taxation paid	(24,075)	(14,200)
Interest received	13,238	18,914
Interest paid	(55,600)	(83,139)
Retirement benefits paid	(22,575)	(14,000)
Net cash from/(used in) operating activities	599,235	(2,117,292)
Cash Flows From Investing Activities		
Proceeds from disposal of property, plant and equipment	192,100	2,497,000
Purchase of property, plant and equipment	(251,049)	(1,505)
Net cash (used in)/from investing activities	(58,949)	2,495,495
Cash Flows From Financing Activities		
Payment of hire purchase liabilities	(36,109)	(28,613)
Hire purchase interest paid	(9,283)	(10,147)
Net cash used in financing activities	(45,392)	(38,760)
Net Increase In Cash And Cash Equivalents	494,894	339,443
Cash and cash equivalents at beginning of year	(28,116)	(367,559)
Cash And Cash Equivalents At End Of Year (Note 29)	466,778	(28,116)

Statement of Financial Position

As at 31 December 2013

	Note	31.12.2013 RM	Restated 31.12.2012 RM	Restated 1.1.2012 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	5	8,063,604	5,198,382	5,348,515
Subsidiary companies	7	281,694	281,694	281,694
Investment in club membership	8	-	-	40,000
		8,345,298	5,480,076	5,670,209
Current Assets				
Other receivables and deposits	11	457,195	20,823	20,183
Amount due from subsidiary companies	12	9,867,381	9,454,527	9,924,258
Cash and bank balances		5,584	528	2,338
		10,330,160	9,475,878	9,946,779
Total Assets		18,675,458	14,955,954	15,616,988
EQUITY AND LIABILITIES				
Equity Attributable to Owners of The Company				
Share capital	15	40,734,196	40,734,196	40,734,196
Share premium	16	7,628,463	7,628,463	7,628,463
Revaluation reserves	17	4,198,896	1,550,296	1,550,296
Accumulated losses		(37,196,157)	(36,486,493)	(35,401,328)
Total Equity		15,365,398	13,426,462	14,511,627
Liabilities				
Non-Current Liabilities				
Retirement benefit obligations	19	317,667	308,230	269,798
Hire purchase creditors	21	87,776	105,753	122,701
Deferred taxation	22	95,000	-	-
		500,443	413,983	392,499
Current Liabilities				
Other payables and accruals		791,455	671,111	622,639
Hire purchase creditors	21	19,886	20,766	19,736
Amount due to directors	24	1,998,276	423,632	70,487
		2,809,617	1,115,509	712,862
Total Liabilities		3,310,060	1,529,492	1,105,361
Total Equity and Liabilities		18,675,458	14,955,954	15,616,988

The notes on pages 37 to 76 form an integral part of these financial statements.

Statement of Profit or Loss and Other Comprehensive Income

For the Year Ended 31 December 2013

	Note	2013 RM	Restated 2012 RM
Revenue	25	637,195	556,995
Other income		1,647	19,055
Administrative expenses		(1,615,223)	(1,617,303)
Other operating expense		-	(40,000)
Finance costs		(6,071)	(7,046)
Loss before taxation	26	(982,452)	(1,088,299)
Taxation	27	245,894	-
Loss for the year		(736,558)	(1,088,299)
Other comprehensive income :			
Items that will not be subsequently reclassified to profit or loss			
- Revaluation of land and buildings		3,010,000	-
- Attributable deferred tax		(361,400)	-
		2,648,600	-
- Actuarial gain on defined benefit obligations		26,894	3,134
Total other comprehensive income for the year, net of tax		2,675,494	3,134
Total comprehensive income/(loss) for the year		1,938,936	(1,085,165)

Statement of Changes in Equity

For the Year Ended 31 December 2013

	<------ Non-distributable ------->				
	Share capital RM	Share premium RM	Revaluation reserves RM	Accumulated losses RM	Total RM
Balance as at 1 January 2012					
- As previously stated	40,734,196	7,628,463	1,550,296	(35,460,520)	14,452,435
- Effects of adopting revised MFRS 119 (Note 36)	-	-	-	59,192	59,192
Balance as at 1 January 2012, as restated	40,734,196	7,628,463	1,550,296	(35,401,328)	14,511,627
Loss for the year (Note 36)	-	-	-	(1,088,299)	(1,088,299)
Other comprehensive income :					
- Actuarial gain on defined benefit obligations (Note 36)	-	-	-	3,134	3,134
Total comprehensive loss for the year	-	-	-	(1,085,165)	(1,085,165)
Balance as at 31 December 2012, as restated	40,734,196	7,628,463	1,550,296	(36,486,493)	13,426,462
Balance as at 1 January 2013					
- As previously stated	40,734,196	7,628,463	1,550,296	(36,546,788)	13,366,167
- Effects of adopting revised MFRS 119 (Note 36)	-	-	-	60,295	60,295
Balance as at 1 January 2013, as restated	40,734,196	7,628,463	1,550,296	(36,486,493)	13,426,462
Loss for the year	-	-	-	(736,558)	(736,558)
Other comprehensive income :					
- Revaluation of land and building, net of attributable deferred tax	-	-	2,648,600	-	2,648,600
- Actuarial gain on defined benefit obligations	-	-	-	26,894	26,894
Total other comprehensive income	-	-	2,648,600	26,894	2,675,494
Total comprehensive income for the year	-	-	2,648,600	(709,664)	1,938,936
Balance as at 31 December 2013	40,734,196	7,628,463	4,198,896	(37,196,157)	15,365,398

The notes on pages 37 to 76 form an integral part of these financial statements.

Statement of Cash Flows

For the Year Ended 31 December 2013

	2013 RM	Restated 2012 RM
Cash Flows From Operating Activities		
Loss before taxation	(982,452)	(1,088,299)
Adjustments for :-		
Depreciation	145,778	150,133
Defined benefit obligations	58,906	55,566
Interest expense	5,960	6,990
Allowance for impairment loss on investment	-	40,000
Operating loss before working capital changes	(771,808)	(835,610)
Increase in other receivables and deposits	(436,372)	(640)
(Increase)/Decrease in amount due from subsidiary companies	(412,854)	469,731
Increase in other payables and accruals	120,344	48,472
Increase in amount due to directors	1,574,644	353,145
Cash generated from operations	73,954	35,098
Retirement benefit paid	(22,575)	(14,000)
Tax paid	(20,506)	-
Net cash from operating activities	30,873	21,098
Cash Flows From Investing Activity		
Purchase of property, plant and equipment	(1,000)	-
Cash Flows From Financing Activities		
Payment of hire purchase liabilities	(18,857)	(15,918)
Hire purchase interest paid	(5,960)	(6,990)
Net cash used in financing activities	(24,817)	(22,908)
Net Increase/(Decrease) In Cash And Cash Equivalents	5,056	(1,810)
Cash and cash equivalents at beginning of year	528	2,338
Cash And Cash Equivalents At End Of Year (Note 29)	5,584	528

The notes on pages 37 to 76 form an integral part of these financial statements.

1. GENERAL INFORMATION

BTM Resources Berhad is a public limited liability company incorporated and domiciled in Malaysia.

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

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

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

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

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

The financial statements were approved and authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2014.

2. FUNDAMENTAL ACCOUNTING CONCEPT

The Group and the Company has incurred net loss of RM715,666 (2012 : RM2,094,247) and RM736,558 (2012 : RM1,088,299) respectively for the year ended 31 December 2013 and as at that date, the accumulated losses of the Group and the Company amounted to RM46,512,441 (2012 : RM45,395,618) and RM37,196,157 (2012 : RM36,486,493) respectively. In addition, the current liabilities of the Group had exceeded its current assets by RM322,123 (2012 : RM1,819,650) as at 31 December 2013. As at 31 December 2013, the Group has outstanding term loans together with interest totaling RM8,852,954 (2012 : RM8,177,983) of which RM6,812,774 (2012 : RM5,186,424) has not been settled pending a restructuring of the loans with the lending bank. The financial conditions and circumstances as aforesaid indicate the existence of uncertainties which may cast doubt on the ability of the Group and the Company to continue as a going concern.

Notwithstanding, the financial statements of the Group and of the Company continue to be prepared on a going concern basis that is principally premised on the following assumptions :-

a) The Group is able to continue to carry out its business operations with the expected constant supply of logs from the log supply agreements executed with related parties, outsourced plywood processing agreement with a related party and from the successful logging from the forest concession obtained by a subsidiary company, highlighted as follows: -

   i) Log supply agreement dated 14 March 2011 between Besut Tsuda Wood Products Sdn Bhd ("BTW"), a wholly-owned subsidiary company of the Company with SPPT Development Sdn Bhd ("SPPT"), a related party for the supply by SPPT of a minimum of 36,000 metric tonnes of logs annually for five years commencing from 1 April 2011. These logs shall be processed by Gimzan Plywood Sdn Bhd ("Gimzan"), a related party, into plywoods for sales by BTW pursuant to an outsourced agreement dated 14 March 2011 entered into by BTW with Gimzan. Pursuant to the outsourced agreement, Gimzan shall allocate a minimum 3,000 cubic metres of output capacity per month for the processing of logs supplied by BTW.

      The commencement of supply of logs from SPPT is pending the issuance of logging licence from the relevant authority as at 31 December 2013 and which has been obtained in January 2014. The aforesaid supply of logs and plywoods is expected to commence in 2014.

   ii) Concession agreement dated 3 July 2011 between Syarikat Maskayu Sawmill Sdn Bhd ("SMS"), a subsidiary company of the Company with the State Government of Terengganu granting SMS the right to extract logs from a forest concession in Hutan Simpan Cerul, District of Kemaman, Terengganu with an area of about 404.70 hectares for a period of three years effective from 3 July 2011 to 2 July 2014. SMS is currently conducting the boundary survey and marking of trees to enable it to apply for the licence from the relevant authority to extract logs from the concession. In view that the period of the forest concession is to expire on 2 July 2014, SMS has on 13 January 2014 applied to the State Government of Terengganu for an extension of the concession period. The directors anticipate that SMS will be able to commence the logs extraction in 2014.

   iii) Log supply agreement dated 15 January 2013 between BTW and Gimzan for the supply of 3,400 cubic metres of logs to BTW. The supply of logs shall be over the period of two years with effect from 1 January 2013. The price of the logs supplied shall be at a discount of ten percent from the prevailing market price applicable for species and size of the respective logs at the time of delivery, inclusive of any applicable taxes.

2. FUNDAMENTAL ACCOUNTING CONCEPT (Cont'd)

iv) Log supply agreement dated 15 January 2013 between Besut Tsuda Industries Sdn Bhd ("BTI"), a wholly-owned subsidiary company of the Company and Sung Lee Timber Trading Sdn Bhd ("SLTT"), a related party for the supply of 9,000 cubic metres of logs to BTI. The supply of logs shall be over the period of two years with effect from 1 January 2013. The price for the logs supplied shall be at a discount of ten percent from the prevailing market price applicable for species and size of the respective logs at the time of delivery, inclusive of any applicable taxes.

The supply of logs from Gimzan and SLTT to the Group pursuant to the log supply agreements as detailed in Notes 2(a)(iii) and 2(a)(iv) above has commenced in the current financial year. In order to facilitate the logs supply in the most expedient and cost efficient manner, arrangement has been made for the logs to be supplied to another related party, BTM Timber Industries Sdn Bhd ("BTMTI") for conversion into sawn timbers. BTMTI subsequently supplied the sawn timbers to the Group at discounted prices that took cognizance of the discount agreed on the price of the logs as stated in the abovementioned log supply agreements.

b) The Group is able to achieve future profitability and generate sufficient net cash inflows from its business operations so as to be able to meet its obligations as and when they fall due.

c) The Group's acceptance of the terms of the loans restructuring with the lending bank as disclosed in Note 20(i) will be formalised and implemented.

d) The proposed disposal of the plant and machinery by BTW as disclosed in Note 14 which has been approved by the shareholders of the Company will receive the consent of the banker and be completed so as to generate further working capital for the Group.

e) The proposed corporate exercise as further detailed in Note 35(b) which includes rights issue of shares will receive the requisite approvals from the bankers, relevant authorities and shareholders of the Company, and be successfully implemented.

The directors are of the opinion that the Group and the Company will be able to achieve profitable results and generate positive cash flows from its operations, and obtain support of the bankers and major shareholders to enable the Group and the Company to continue as a going concern.

Should the Group be unable to do so, the going concern basis on which the financial statements of the Group and the Company have been prepared may not be appropriate and adjustments relating to the recoverability and classification of recorded asset amounts or to amounts and classification of liabilities that may be neccessary would have to be made to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act, 1965 in Malaysia.

The financial statements of the Group and of the Company are prepared under the historical cost convention unless otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group and the Company are consistent with those applied in the previous financial year other than the application of the new and revised MFRSs and amendments to MFRSs as disclosed in Note 3.2 below.

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

3.2 New and Revised MFRSs and Amendments to MFRSs Adopted by the Group

The Group has adopted the following new and revised MFRSs and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are relevant to the Group's operations and effective from the beginning of the current financial year :-

MFRS 10	Consolidated Financial Statements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119 (Revised)	Employee Benefits
MFRS 127 (Revised)	Separate Financial Statements
Amendments to MFRS 7	Financial Instruments : Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 101	Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income
Amendments to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities : Transition Guidance
Amendments to MFRS 1, MFRS 101, MFRS 116, MFRS 132 and MFRS 134 (classified under Annual Improvements 2009 - 2011 Cycle)	

The adoption of the above new and revised MFRSs and amendments to MFRSs 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) **MFRS 119 (Revised), Employee Benefits**

In the current financial year, the Group has applied the revised MFRS 119 for the first time which has resulted in a change of the Group's accounting policy with respect to the basis for determining the income and expense relating to defined benefit plans.

The revised MFRS 119 changes the accounting for defined benefit plans and termination benefits. The Standard requires the recognition of changes in defined benefit obligations and changes in the fair value of plan assets immediately when they occur, and hence eliminates the 'corridor approach' permitted under the previous MFRS 119 and accelerates the recognition of past service costs. All actuarial gains and losses are recognised immediately through other comprehensive income in order for the net defined benefit liability or asset recognised in the statement of financial position to reflect the full value of the plan deficit or surplus.

In addition, the 'interest cost' and 'expected return on plan assets' used in the previous MFRS 119 are replaced with a 'net interest' amount under the revised MFRS 119. The net interest amount is calculated by multiplying the net defined benefit liability or asset by the discount rate, both as determined at the start of annual reporting period, taking into account of any changes in the net defined benefit liability or asset during the period as a result of contribution and benefit payments. The revised MFRS 119 also introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

The Group has applied the revised MFRS 119 retrospectively in accordance with the transitional provisions of the Standard. The effects of the initial application on the financial statements of the Group and of the Company are set out in Note 36 to the financial statements.

(b) **MFRS 12, Disclosure of Interests in Other Entities and Amendments to MFRS 12, Transition Guidanc**e

MFRS 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. The amendments on transitional guidance clarify that an entity is not required to provide disclosures for unconsolidated structured entities in periods prior to the first annual period for which MFRS 12 is applied. In general, the application of MFRS 12 has resulted in more extensive disclosures in the consolidated financial statements.

The application of this MFRS and its amendments does not have any material financial impact on the financial statements.

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

3.2 New and Revised MFRSs and Amendments to MFRSs Adopted by the Group (cont'd)

c) **MFRS 13, Fair Value Measurement**

MFRS 13 establishes the definition of fair value and a single framework for measuring fair value and requirements for disclosures about fair value measurements. This MFRS applies when another MFRS requires or permits fair value measurements or disclosures about fair value measurements. As a result, MFRS 13 remedies the inconsistencies in the requirements for measuring fair value and disclosures about fair value measurements across the MFRSs.

The Group has applied MFRS 13 prospectively from 1 January 2013 in accordance with the transitional provisions of the Standard. Other than additional disclosures, the application of MFRS 13 does not have any financial impact on the financial statements of the Group and of the Company for the current financial year.

d) **Amendments to MFRS 101, Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income**

The main change resulting from the amendments is a requirement to group items presented in other comprehensive income ("OCI") on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments). The amendments did not address which items are presented in OCI.

The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes.

The application of these amendments does not have any financial impact on the financial statements other than the change in the presentation of OCI.

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

The Group has not early adopted the following new MFRSs, Interpretation Committee ("IC") Interpretations and amendments to MFRSs issued by the MASB that are relevant to its operations but are not yet effective :-

		Effective for financial period beginning on or after
Amendments to MFRS 10, MFRS 12 and MFRS 127	Investment Entities	1 January 2014
Amendments to MFRS 132	Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities	1 January 2014
Amendments to MFRS 136	Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets	1 January 2014
Amendments to MFRS 139	Financial Instruments : Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting	1 January 2014
IC Interpretation 21	Levies	1 January 2014
Amendments to MFRS 119	Employee Benefits - Defined Benefit Plans : Employee Contributions	1 July 2014
Amendments to MFRS 13, MFRS 116 and MFRS 124 (classified under Annual Improvements 2010-2012 Cycle)		1 July 2014
Amendments to MFRS 13 (classified under Annual Improvements 2011-2013 Cycle)		1 July 2014
MFRS 9	Financial Instruments (IFRS 9 issued by International Accounting Standards Board ("IASB") in November 2009)	Yet to be confirmed
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in October 2010)	Yet to be confirmed
MFRS 9	Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139) (IFRS 9 as amended in November 2013)	Yet to be confirmed

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

3.3 New MFRSs, IC Interpretations and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Early Adopted (cond't)

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

a) Amendments to MFRS 10, MFRS 12 and MFRS 127 - Investment Entities

Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both. The amendments require investment entities to measure particular subsidiaries at fair value through profit or loss instead of consolidating them. The amendments also introduce new disclosure requirements for investment entities in MFRS 12, Disclosure of Interests in Other Entities and MFRS 127, Separate Financial Statements.

b) Amendments to MFRS 132, Financial Instruments : Presentation - Offsetting Financial Assets and Financial Liabilities

The amendments clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

c) Amendments to MFRS 136, Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets

The amendments require the disclosure of information about the recoverable amount of impaired assets, if that amount is based on fair value less costs of disposal. The amendments also require the disclosure of additional information about that fair value measurement. In addition, if the recoverable amount of impaired assets based on fair value less costs of disposal was measured using a present value technique, the amendments also require the disclosure of the discount rate that have been used in the current and previous measurements.

d) IC Interpretation 21, Levies

IC Interpretation 21 is an interpretation of MFRS 137, Provisions, Contingent Liabilities and Contingent Assets on the accounting for levies imposed by governments. MFRS 137 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event which is known as an obligating event. The Interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

e) MFRS 9, Financial Instruments (IFRS 9 issued in November 2009 and IFRS 9 issued in October 2010)

MFRS 9 (IFRS 9 issued in November 2009) introduced new requirements for the classification and measurement of financial assets. MFRS 9 (IFRS 9 issued in October 2010) was issued to include the requirements for classification and measurement of financial liabilities. MFRS 9 is intended to replace MFRS 139 in its entirety.

Under MFRS 9, all recognised financial assets are required to be subsequently measured at either amortised cost or at fair value on the basis of both an entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. These requirements improve and simplify the approach for classification and measurement of financial assets as the numerous categories of financial assets in MFRS 139 had been replaced. Most of the requirements in MFRS 139 for classification and measurement of financial liabilities were carried forward unchanged to MFRS 9. The guidance in MFRS 139 on impairment of financial assets continues to apply.

f) MFRS 9, Financial Instruments (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139) (IFRS 9as amended in November 2013)

The amendments incorporate a new hedge accounting model that aligns the hedge accounting more closely with an entity's risk management activities. The new hedge accounting model has also expanded the scope of eligibility of hedged items and hedging instruments respectively.

The amendments to MFRS 9 have also removed the mandatory effective date on 1 January 2015 to a new date which will be set once the IFRS 9 project is closer to completion.

g) Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans : Employee Contribution

The amendments clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

If the amount of the contributions is independent of the number of years of service, an entity is permitted to recognise such contributions as a reduction of the service cost in the period in which the related service is rendered.

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

3.3 New MFRSs, IC Interpretations and Amendments to MFRSs That Are Not Yet Effective and Have Not Been Early Adopted (cond't)

g) Amendments to MFRS 119, Employee Benefits - Defined Benefit Plans : Employee Contribution (cont'd)

If the amount of contributions from employees or third parties is dependent on the number of years of service, an entity shall attribute those contributions to periods of service using the same attribution method required by MFRS 119 for the gross benefit i.e. either based on the plan's contribution formula or on a straight-line basis.

The initial application of MFRS 9 in the future is not expected to have any significant financial impact on the financial statements of the Group and of the Company based on current assessment. The initial application of the other MFRSs, IC Interpretation and amendments is also not expected to have any significant impact on the financial statements of the Group and of the Company.

3.4 Basis of Consolidation

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

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

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

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

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

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

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

3.5 Business Combinations

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

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

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

3.5 Business Combinations (cont'd)

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

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

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

3.6 Goodwill on Consolidation

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

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

3.7 Share Capital

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

3.8 Property, Plant and Equipment

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

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

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

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

3.8 Property, Plant and Equipment (cont'd)

Freehold land and capital work-in-progress are not depreciated. All other property, plant and equipment are depreciated on the straight-line basis so as to write off the cost or valuation of the assets to their residual values over their estimated useful lives. Depreciation on capital work-in-progress commences when the assets are ready for their intended use. Assets held under finance leases are depreciated over the shorter of the lease terms and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease terms. The annual depreciation rates used are as follows :-

Buildings	5% to 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 non-financial assets as disclosed in Note 3.9.

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

3.9 Impairment of Non-Financial Assets

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

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

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

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

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.

3.10 Non-Current Assets Classified as Held for Sale

Non-current assets are classified as assets held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when sale is highly probable and the asset is available for immediate sale in its present condition subject only to terms that are usual and customary.

On initial classification as held for sale, non-current assets are measured at the lower of the carrying amount and fair value less costs to sell. Any differences are included in profit or loss.

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

3.11 Hire Purchase and Finance Lease Arrangements and Operating Leases

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

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

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

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

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

The depreciation policy of property, plant and equipment acquired under hire purchase and finance lease arrangements are consistent with the Group's depreciation policy as set out in Note 3.8 above.

b) **Operating Lease**

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

3.12 Investment in Subsidiary Companies

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

3.13 Investment in Club Membership

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

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

3.14 Inventories

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

3.15 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.

3.16 Taxation

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

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

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

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

3.16 Taxation (cont'd)

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.

3.17 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.

3.18 Employee Benefits

(i) **Short-Term Benefits**

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

(ii) **Defined Contribution Plans**

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

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

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

(iii) **Defined Benefit Plans**

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

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

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

3.18 Employee Benefits (cont'd)

(iii) **Defined Benefit Plans (cont'd)**

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

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

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

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

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

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

(iv) **Termination Benefits**

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

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

3.19 Revenue Recognition

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

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

3.20 Borrowings Costs

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

3.21 Cash and Cash Equivalents

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

Cash and cash equivalents (other than bank overdrafts) are categorised and measured as loans and receivables in accordance with the policy set out in Note 3.22(a).

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

3.22 Financial Assets

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

Classification and measurement

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

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

a) **Loans and receivables**

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

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

Regular way purchase or sale of financial assets

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

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

Impairment of financial assets

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

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

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

Derecognition of a financial asset

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

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

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

3.23 Financial Liabilities

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

Classification and measurement

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

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

a) **Other financial liabilities**

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

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

Derecognition of a financial liability

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

3.24 Financial Guarantee Contracts

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

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

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

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

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

In the process of applying the Group's accounting policies, which are described in Note 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.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) **Key sources of estimation uncertainty**

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

(i) **Impairment of non-financial assets**

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

(ii) **Impairment losses of receivables**

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

(iii) **Deferred tax assets**

Deferred tax assets are recognised for unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences to the extent that it is probable that taxable profit will be available against which the losses, capital allowances and other deductible temporary differences can be utilised. Management's judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment on the probability of the availability of future taxable profits. The total carrying amount of deferred tax assets recognised on unabsorbed tax losses, unutilised capital allowances and other deductible temporary differences of the Group and the Company at the end of the reporting period are RM2,850,995 (2012 : RM1,489,492) and RM428,840 (2012 : RM166,670) respectively.

The unrecognised unabsorbed tax losses, unutilised allowances and other deductible temporary differences are disclosed under Note 22(b) and the unrecognised deferred tax assets in connection thereto at the end of the reporting period are estimated at RM8,403,486 (2012 : RM9,912,388) and RM116,757 (2012 : RM227,671) for the Group and the Company respectively.

(iv) **Retirement benefit obligations**

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

5. PROPERTY, PLANT AND EQUIPMENT

	<------- At valuation ------>		<------------------------------- At cost			------------------------------>	
	Freehold land RM	Freehold building RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Group 2013							
Cost/Valuation							
At beginning of year	4,100,000	8,100,000	11,365,361	2,194,271	2,334,327	8,227,492	36,321,451
Additions	-	-	230,734	20,315	-	-	251,049
Revaluation	3,300,000	4,800,000	-	-	-	-	8,100,000
Disposals	-	-	(31,000)	-	(252,000)	-	(283,000)
Transfer to non-current asset held for sale	-	-	-	-	-	(8,227,492)	(8,227,492)
At end of year	7,400,000	12,900,000	11,565,095	2,214,586	2,082,327	-	36,162,008
Accumulated depreciation							
At beginning of year	-	962,143	11,120,658	2,038,431	2,223,143	-	16,344,375
Charge for the year	-	962,143	73,451	61,957	56,318	-	1,153,869
Revaluation	-	(1,924,286)	-	-	-	-	(1,924,286)
Disposals	-	-	(30,998)	-	(252,000)	-	(282,998)
At end of year	-	-	11,163,111	2,100,388	2,027,461	-	15,290,960
Accumulated impairment loss							
At beginning of year	-	-	8,500	-	-	4,113,745	4,122,245
Transfer to non-current asset held for sale	-	-	-	-	-	(4,113,745)	(4,113,745)
At end of year	-	-	8,500	-	-	-	8,500
Net book value	7,400,000	12,900,000	393,484	114,198	54,866	-	20,862,548

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

	<------- At valuation ------>		<------------------------------- At cost	------------------------------>			
	Freehold land RM	Freehold building RM	Plant and machinery RM	Office equipment, furniture and fittings RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Group 2012							
Cost/Valuation							
At beginning of year	4,100,000	8,100,000	13,714,911	2,192,766	2,793,327	8,227,492	39,128,496
Additions	-	-	-	1,505	-	-	1,505
Disposals/Written off	-	-	(2,349,550)	-	(459,000)	-	(2,808,550)
At end of year	4,100,000	8,100,000	11,365,361	2,194,271	2,334,327	8,227,492	36,321,451
Accumulated depreciation							
At beginning of year	-	-	13,343,437	1,969,910	2,625,564	-	17,938,911
Charge for the year	-	962,143	104,519	68,521	56,569	-	1,191,752
Disposals/Written off	-	-	(2,327,298)	-	(458,990)	-	(2,786,288)
At end of year	-	962,143	11,120,658	2,038,431	2,223,143	-	16,344,375
Accumulated impairment loss							
At beginning of year	-	-	30,717	-	-	4,113,745	4,144,462
Disposals	-	-	(22,217)	-	-	-	(22,217)
At end of year	-	-	8,500	-	-	4,113,745	4,122,245
Net book value	4,100,000	7,137,857	236,203	155,840	111,184	4,113,747	15,854,831

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

	<------------At valuation -----------	------>	<------ At cost ------>	
	Freehold land RM	Freehold building RM	Office equipment, motor vehicle, furniture and fittings RM	Total RM
Company 2013				
Cost/Valuation				
At beginning of year	3,100,000	2,100,000	1,419,336	6,619,336
Additions	-	-	1,000	1,000
Revaluation	1,900,000	900,000	-	2,800,000
At end of year	5,000,000	3,000,000	1,420,336	9,420,336
Accumulated depreciation				
At beginning of year	-	105,000	1,315,954	1,420,954
Charge for the year	-	105,000	40,778	145,778
Revaluation	-	(210,000)	-	(210,000)
At end of year	-	-	1,356,732	1,356,732
Net book value	5,000,000	3,000,000	63,604	8,063,604
Company 2012				
Cost/Valuation				
At beginning/end of year	3,100,000	2,100,000	1,419,336	6,619,336
Accumulated depreciation				
At beginning of year	-	-	1,270,821	1,270,821
Charge for the year	-	105,000	45,133	150,133
At end of year	-	105,000	1,315,954	1,420,954
Net book value	3,100,000	1,995,000	103,382	5,198,382

i) The property, plant and equipment of certain subsidiary companies with a net carrying amount of RM12,779,177 (2012 : RM10,647,495) as at 31 December 2013 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 buildings of the Group and of the Company have been revalued by the directors on 31 December 2013 based on their open market values as ascertained through an independent valuation carried out by professional valuers on that date. As at 31 December 2012, the freehold land and buildings of the Group and of the Company are stated at valuation by the directors based on their open market values as ascertained by professional valuers in 2011.

The fair values of the freehold land and buildings of the Group and of the Company as at 31 December 2013 are RM20,300,000 and RM8,000,000 respectively. In the assessment of the fair values, the sales prices of comparable properties in the locality are adjusted for factors which affect values such as the size of the properties. The most significant input into this valuation is price per square foot.

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

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

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

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

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

The fair values of the freehold land and buildings disclosed as at the end of the reporting period in accordance with the fair value hierarchy are as follows :-

	Total RM	Level 1 RM	Level 2 RM	Level 3 RM
Group 2013				
Freehold land and buildings	20,300,000	-	20,300,000	-
Company 2013				
Freehold land and building	8,000,000	-	8,000,000	-

iii) Had the freehold land and buildings of the Group been carried under the cost model, the carrying amount as at 31 December 2013, would have been RM2,920,000 (2012 : RM2,920,000) and RM1,512,581 (2012 : RM1,713,076) respectively.

Had the freehold land and building of the Company been carried under the cost model, the carrying amount as at 31 December 2013, would have been RM2,120,000 (2012 : RM2,120,000) and RM1,223,717 (2012 : RM1,342,717) respectively.

iv) 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 2013 of RM7,400,000 (2012 : RM4,100,000) have yet to be registered in the name of the Company and the subsidiary company respectively as at the end of the reporting period.

v) Property, plant and equipment of the Group and of the Company include the following assets acquired under hire purchase arrangements :-

	Cost RM	Accumulated depreciation RM	Net book value RM	Current year depreciation RM
Group 2013				
Motor vehicles	213,611	164,448	49,163	42,723
Group 2012				
Motor vehicles	265,050	162,876	102,174	53,009
Company 2013				
Motor vehicle	174,613	128,050	46,563	34,923
Company 2012				
Motor vehicle	174,613	93,127	81,486	34,922

6. PREPAID LEASE PAYMENTS

	GROUP Short term leasehold land	
	2013 RM	**2012 RM**
Cost		
At beginning/end of year	795,000	795,000
Accumulated Amortisation		
At beginning of year	239,801	201,328
Charge for the year	38,473	38,473
At end of year	278,274	239,801
Net carrying amount at end of year	516,726	555,199

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 lands have 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.

iii) Leasehold land of certain subsidiary companies with a net carrying amount of RM81,248 (2012 : RM97,498) have been pledged as securities for banking facilities granted to subsidiary companies.

7. SUBSIDIARY COMPANIES

	COMPANY	
	2013 RM	2012 RM
Unquoted shares, at cost	18,873,552	18,873,552
Accumulated impairment losses	(18,591,858)	(18,591,858)
	281,694	281,694

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

Name of Company	Equity Interest (%) 2013	2012	Principal Activities
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 Global Holdings Sdn. Bhd.	100.00	100.00	Letting of plant and machinery

* Companies not audited by Folks DFK & Co.

8. INVESTMENT IN CLUB MEMBERSHIP

	GROUP/COMPANY	
	2013 RM	2012 RM
Golf club membership, at cost	40,000	40,000
Less : Allownance for impairment loss	(40,000)	(40,000)
	-	-

9. INVENTORIES

	GROUP	
At Cost	2013 RM	2012 RM
Logs and sawn timber	613,769	653,025
Manufactured products	3,169,487	1,792,786
Consumables stores	305,122	329,456
Others	3,587	3,745
	4,091,965	2,779,012

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

10. TRADE RECEIVABLES

	GROUP	
	2013 RM	2012 RM
Trade receivables	3,026,493	3,106,871
Less : Allowance for impairment loss	(10,028)	(10,028)
	3,016,465	3,096,843

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

	GROUP	
	2013 RM	2012 RM
Ringgit Malaysia	2,751,177	3,106,871
United States Dollar	275,316	-
	3,026,493	3,106,871

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

	GROUP	
	2013 RM	2012 RM
Past due 0 - 30 days	29,377	138,575
Past due 31 - 120 days	59,093	-
Past due more than 120 days	2,215,381	2,957,232
Balance past due but not impaired	2,303,851	3,095,807
Balance past due more than 120 days and impaired	10,028	10,028
Balance neither past due nor impaired	712,614	1,036
Total trade receivables	3,026,493	3,106,8710

The normal credit term of trade receivables is 30 days (2012 : 30 days).

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

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

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

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

c) As at the end of the reporting period, the Group has significant concentration of credit risk arising from the exposure to the amounts owing by the related parties as disclosed in Note 31(c)(iii) to the financial statements. The total amount owing by related parties represents approximately 82% (2012 : 95%) 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.

Besut Tsuda Wood Products Sdn Bhd ("BTW"), a wholly-owned subsidiary company of the Company has an existing Log Supply Agreement with a related party, SPPT Development Sdn Bhd ("SPPT") for supply of logs as disclosed in Note 2(a)(i) to the financial statements. SPPT has agreed to utilise part of the proceeds from the sale of logs to BTW to settle the amount outstanding from other related parties to the Group in the event that the other related parties are unable to settle their debts. The viability of the aforesaid settlement arrangement has been reaffirmed by the Board as at the date of this report.

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

	GROUP	
	2013 RM	2012 RM
At beginning/end of year	10,028	10,028

11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Other receivables and deposits	399,602	1,472,038	131,300	132,673
Less : Allowance for impairment losses	(309,559)	(309,559)	(111,850)	(111,850)
	90,043	1,162,479	19,450	20,823
Prepayments	499,258	64,113	437,745	-
	589,301	1,226,592	457,195	20,823

There is no movement in allowance for impairment losses account for the financial year.

Included under the prepayment of the Group and of the Company in the current financial year is an amount of RM436,330 which represents costs incurred for the services of professionals in connection with the Company's pending corporate exercise as disclosed in Note 35(b). The amount represents costs which are directly attributable to equity transactions and shall be accounted for in equity as a reduction against the share premium account upon the completion of the aforesaid corporate exercise in the next financial year.

12. AMOUNT DUE FROM SUBSIDIARY COMPANIES

The amount due from subsidiary companies are interest-free, unsecured and are repayable on demand. The amount is stated net of impairment loss of RM13,846,313 (2012 : RM13,846,313).

13. FIXED DEPOSITS WITH LICENSED BANKS

Fixed deposits amounting to RM413,988 (2012 : RM401,126) in the name of subsidiary companies were pledged to licensed banks as securities for banking facilities granted to the subsidiary companies.

14. NON-CURRENT ASSET HELD FOR SALE

The non-current asset classified as held for sale under current assets is a plant and machinery of a subsidiary company which has yet to be installed and classified as capital work-in-progress under property, plant and equipment as at 31 December 2012.

On 29 April 2013, the subsidiary company entered into an assets sale agreement to dispose of the plant and machinery with a net book value of RM4,113,747 on an "as-is-where-is" basis and free from encumbrances to a third party corporation for a total cash consideration of RM4,200,000. The completion of this disposal transaction is pending consent from the relevant financial institution which has created a legal charge over the fixed and floating assets of the subsidiary company by way of a debenture.

15. SHARE CAPITAL

	GROUP/COMPANY	
	2013 RM	2012 RM
Authorised :-		
100,000,000 ordinary shares of RM1.00 each at beginning/end of year	100,000,000	100,000,000
Issued and fully paid :-		
40,734,196 ordinary shares of RM1.00 each at beginning/end of year	40,734,196	40,734,196

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.

Warrant 2009/2019

The Warrants which were issued as free detachable warrants together with a rights issue of ordinary shares in 2009 carry the entitlement, at any time from the issue date on 21 December 2009 up to the close of business at 5.00 p.m. in Malaysia on the maturity date of 20 December 2019 ("Exercise Period"), to subscribe for one (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.

15. SHARE CAPITAL (cont'd)

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

	GROUP/COMPANY	
	2013 RM	2012 RM
At beginning/end of year	18,633,092	18,633,092

16. SHARE PREMIUM

	GROUP/COMPANY	
	2013 RM	2012 RM
At beginning/end of year	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.

17. REVALUATION RESERVES

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
At beginning of year	8,132,088	8,132,088	1,550,296	1,550,296
Revaluation surplus during the year	10,024,286	-	3,010,000	-
Transferred to deferred taxation (Note 22)	(1,778,829)	-	(361,400)	-
At end of year	16,377,545	8,132,088	4,198,896	1,550,296

18. CAPITAL RESERVES

	GROUP	
	2013 RM	2012 RM
At beginning/end of year	531,845	531,845

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

19. RETIREMENT BENEFIT OBLIGATIONS

	GROUP		COMPANY	
		Restated		Restated
	2013 RM	2012 RM	2013 RM	2012 RM
Present value of unfunded defined benefit obligations	1,270,152	798,685	317,667	308,230

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

a) Provision for employees' retirement benefit obligations was determined by an independent actuarial valuation using the Projected Unit Credit Actuarial Cost Method and was made to cover estimated obligations for payment of retirement benefits to employees. The valuation was performed as at 31 December 2013. These benefits are payable upon reaching the age of retirement, on retirement due to medical grounds or upon death in respect of employees who have served continuously for a period of ten (10) or more years.

The movements in the present value of unfunded defined benefit obligations during the year are as follows :-

	GROUP		COMPANY	
		Restated		Restated
	2013 RM	2012 RM	2013 RM	2012 RM
At beginning of year	798,685	807,235	308,230	269,798
Defined benefit cost recognised in profit or loss [Note 19(b)]	92,885	122,135	58,906	55,566
Benefit paid	(22,575)	(14,000)	(22,575)	(14,000)
Actuarial loss/(gain) arising from remeasurements due to :-				
- Changes in demographic assumptions	(7,819)	-	(240)	-
- Changes in financial assumptions	120,629	-	18,836	-
- Experience adjustments	288,347	(116,685)	(45,490)	(3,134)
Defined benefit cost recognised in other comprehensive income	401,157	(116,685)	(26,894)	(3,134)
At end of year	1,270,152	798,685	317,667	308,230

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

	GROUP		COMPANY	
		Restated		Restated
	2013 RM	2012 RM	2013 RM	2012 RM
Current service cost	82,295	73,457	48,043	38,131
Past service cost *	(39,159)	-	(9,048)	-
Interest cost	49,749	48,678	19,911	17,435
	92,885	122,135	58,906	55,566

* negative past service cost is due to the change in retirement age from 55 years to 60 years with effect from 1 July 2013

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

	GROUP		COMPANY	
	2013 %	2012 %	2013 %	2012 %
Discount rate	5.25	6.50	5.25	6.50
Salary increment rate	4.50	4.50	4.50	4.50

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

19. RETIREMENT BENEFIT OBLIGATIONS (cont'd)

d) A sensitivity analysis of the effects of changes to the significant actuarial assumptions [as disclosed in Note 19(c)] on the defined benefit obligations as at the end of the year, with all other assumptions remain constant is as follows :-

	GROUP 2013 RM	COMPANY 2013 RM
A 1% increase/decrease in discount rate will decrease/increase the defined benefit obligation by	127,116	16,877
A 1% increase/decrease in salary increment rate will increase/decrease the defined benefit obligation by	146,938	18,035

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

20. BANK BORROWINGS (SECURED)

	GROUP	
	2013 RM	2012 RM
Term loans :-		
Term loan 1	1,685,096	1,685,096
Term loan 2	3,807,747	3,807,747
	5,492,843	5,492,843
Bank overdraft	253,773	674,988
	5,746,616	6,167,831
Due within one year (included under current liabilities)		
Term loans	4,727,264	3,452,663
Bank overdraft	253,773	674,988
	4,981,037	4,127,651
Due more than one year (included under non-current liabilities)		
Term loans	765,579	2,040,180
	5,746,616	6,167,831

i) The term loans attributable to a subsidiary company were granted by Small Medium Enterprise Development Bank Malaysia Berhad (formerly known as 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 further negotiation on a proposal for restructuring of the term loans. On 19 December 2013, the subsidiary company has accepted the bank's proposed debts settlement plan which encompasses the following :-

a) Waiver of normal interest and penalty interest amounted to RM1,274,725 and RM1,235,570 respectively.

b) Upfront payment of RM500,000 upon acceptance of the proposed debts settlement plan. The upfront payment of RM500,000 has been made by the subsidiary company on 29 January 2014.

c) Capitalisation of outstanding balance of principal and interest sum of RM5,881,682 and rescheduling of the repayment terms for the new principal over a five-year term with interest charged at two percent above bank's prevailing rate.

d) No change to the existing securities and guarantors.

The formalisation of the proposed restructuring of the term loans is pending the signing of a New Supplementary Agreement/Deed of Settlement with the lending bank as at the date of this report.

As at the end of the reporting period, outstanding interest accrued on the term loans and included in other payables amounted to RM3,360,111 (2012 : RM2,685,140). The settlement of this balance is also suspended pending the resolution of the restructuring of the loans as aforesaid. A portion of this outstanding interest shall be waived in accordance with the terms of the bank's proposed debts settlement plan as detailed above.

20. BANK BORROWINGS (SECURED) (cont'd)

ii) The bank overdraft facility has been limited by the bank to its current amount of usage and the outstanding balance is being repaid by monthly instalments pursuant to a repayment programme agreed with the lending bank. The outstanding amount which was to have been settled in full by 31 December 2012 had previously been extended to 31 December 2013. The full settlement of the remaining balance at 31 December 2013 has now been further extended to 31 May 2014 by the bank.

iii) The Group's term loans are secured by :-

a) First fixed charge over land and buildings of a subsidiary company;

b) Debentures creating First Fixed and Floating charges on all present and future assets of the subsidiary company for RM9,675,000;

c) Unconditional and irrevocable corporate guarantee from the Company;

d) Unconditional and irrevocable joint and several guarantee from a director and past directors of the subsidiary company; and

e) A Sinking Fund Account in which an amount equivalent to five per cent is to be collected from each export proceeds received.

iv) The bank overdraft facility of a subsidiary company is secured by way of :-

a) A first legal charge over a subsidary 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

v) Interest rates on the Group's borrowings are as follows:-

	2013	2012
Term loan 1	9.60% to 11.60% per annum	9.60% to 11.60% per annum
Term loan 2	9.60% to 11.60% per annum	9.60% to 11.60% per annum
Bank overdraft	9.10% to 10.10% per annum	9.10% to 10.10% per annum

21. HIRE PURCHASE CREDITORS

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Future minimum payments :-				
Payable within one year	31,129	46,394	24,817	26,726
Payable more than one year	105,670	135,797	97,253	120,161
	136,799	182,191	122,070	146,887
Future finance charges	(17,523)	(26,806)	(14,408)	(20,368)
Present value	119,276	155,385	107,662	126,519
Payable within one year (included under current liabilities)	(24,898)	(37,278)	(19,886)	(20,766)
Payable more than one year (included under non-current liabilities)	94,378	118,107	87,776	105,753

22. DEFERRED TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
At beginning of year	2,434	2,434	-	-
Recognised in profit or loss (Note 27)	(1,613,829)	-	(266,400)	-
Charged to equity (Note 17)	1,778,829	-	361,400	-
At end of year	167,434	2,434	95,000	-

22. DEFERRED TAXATION (cont'd)

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

	At beginning of year RM	Deferred tax adjustment RM	Recognised in profit or loss RM	Transfer (to)/ from profit or loss RM	Charged to equity RM	At end of year RM
Group 2013						
Deferred tax liabilities :-						
Revaluation of land and buildings	1,484,128	(59,365)	(191,140)	(250,505)	1,778,829	3,012,452
Accelerated capital allowances	7,798	(312)	(1,509)	(1,821)	-	5,977
	1,491,926	(59,677)	(192,649)	(252,326)	1,778,829	3,018,429
Deferred tax assets :-						
Excess of depreciation over capital allowances	(477,984)	19,119	23,506	42,625	-	(435,359)
Unutilised capital allowances	(727,530)	29,102	(594,496)	(565,394)	-	(1,292,924)
Unabsorbed tax losses	(283,978)	11,359	(850,093)	(838,734)	-	(1,122,712)
	(1,489,492)	59,580	(1,421,083)	(1,361,503)	-	(2,850,995)
	2,434	(97)	(1,613,732)	(1,613,829)	1,778,829	167,434

	At beginning of year RM	Recognised in profit or loss RM	At end of Year RM
Group 2012			
Deferred tax liabilities :-			
Revaluation of land and buildings	1,638,505	(154,377)	1,484,128
Accelerated capital allowances	9,690	(1,892)	7,798
	1,648,195	(156,269)	1,491,926
Deferred tax assets :-			
Excess of depreciation over capital allowances	(441,864)	(36,120)	(477,984)
Unutilised capital allowances	(1,046,883)	319,353	(727,530)
Unabsorbed tax losses	(148,364)	(135,614)	(283,978)
Other deductible temporary differences	(8,650)	8,650	-
	(1,645,761)	156,269	(1,489,492)
	2,434	-	2,434

22. DEFERRED TAXATION (cont'd)

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

	At beginning of year RM	Deferred tax adjustment RM	Recognised in profit or loss RM	Transfer (to)/ from profit or loss RM	Charged to equity RM	At end of year RM
Company 2013						
Deferred tax liabilities :-						
Revaluation of land and buildings	163,071	(6,523)	3,360	(3,163)	361,400	521,308
Accelerated capital allowances	3,599	(144)	(923)	(1,067)	-	2,532
	166,670	(6,667)	2,437	(4,230)	361,400	523,840
Deferred tax assets :-						
Unutilised capital allowances	(11,663)	467	178	645	-	(11,018)
Unabsorbed tax losses	(155,007)	6,200	(269,015)	(262,815)	-	(417,822)
	(166,670)	6,667	(268,837)	(262,170)	-	(428,840)
	-	-	(266,400)	(266,400)	361,400	95,000
Company 2012						
Deferred tax liabilities :-						
Revaluation of land and buildings	159,572	-	3,499	3,499	-	163,071
Accelerated capital allowances	4,835	-	(1,236)	(1,236)	-	3,599
	164,407	-	2,263	2,263	-	166,670
Deferred tax assets :-						
Unutilised capital allowances	(8,143)	-	(3,520)	(3,520)	-	(11,663)
Unabsorbed tax losses	(147,614)	-	(7,393)	(7,393)	-	(155,007)
Other deductible temporary differences	(8,650)	-	8,650	8,650	-	-
	(164,407)	-	(2,263)	(2,263)	-	(166,670)
	-	-	-	-	-	-

The deferred tax adjustments on opening deferred tax liabilities and assets are attributable to the change in the rate of tax applied for the current financial year from 25% to 24%.

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

	GROUP		COMPANY	
	2013 RM	Restated 2012 RM	2013 RM	Restated 2012 RM
Other deductible temporary differences	1,270,152	798,685	317,667	308,230
Unutilised capital allowances	61,184	2,233,798	-	-
Unabsorbed tax losses	30,290,188	33,224,069	168,820	602,452
Unutilised reinvestment allowances	3,393,000	3,393,000	-	-
	35,014,524	39,649,552	486,487	910,682

23. TRADE PAYABLES

The normal credit terms for trade payables range from 30 days to 90 days (2012 : 30 days to 90 days). Trade payables are denominated in Ringgit Malaysia.

24. AMOUNT DUE TO DIRECTORS

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

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.

26. LOSS BEFORE TAXATION

	GROUP		COMPANY	
	2013 RM	Restated 2012 RM	2013 RM	Restated 2012 RM
This is stated after charging :-				
Auditors' remuneration				
- current year	54,200	63,200	20,000	26,000
- overprovision in prior year	(6,000)	-	(3,000)	-
Allowance for impairment loss on investment	-	40,000	-	40,000
Amortisation of prepaid lease payments	38,473	38,473	-	-
Interest expense :-				
- hire purchase	9,283	10,147	5,960	6,990
- bank overdraft	53,785	81,339	-	-
- term loans	674,971	761,762	-	-
- others	3,956	135,007	-	-
Depreciation	1,153,869	1,191,752	145,778	150,133
Staff termination benefits	-	1,649	-	-
Defined benefit obligations	92,885	122,135	58,906	55,566
Directors' fees	120,000	120,000	120,000	120,000
Executive directors' salaries, bonuses and other emoluments				
- directors of the Company	727,740	762,340	562,600	527,800
Property, plant and equipment written off	-	2	-	-
Rental of premises				
- belonging to a director	48,960	48,960	48,960	48,960
And crediting :-				
Rental income	309,695	616,995	187,195	196,995
Interest income	52,237	118,938	-	-
Gain on disposal of property, plant and equipment	192,098	2,496,957	-	-
Management fees			-	-
- subsidiary companies	-	-	450,000	360,000
Write back of accrued liabilities no longer required	484	-	-	-
Employee information :-				
Employee benefits expense	3,208,197	2,928,644	950,832	921,434

Included in the employee benefits expense are contributions made to the Employees Provident Fund of directors and employees of the Group and of the Company amounting to RM236,402 and RM82,722 (2012 : RM184,910 and RM83,872) respectively.

27. TAXATION

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Current Malaysian taxation	1,700	-	-	-
Underprovision in prior year	22,141	-	20,506	-
Transfer from deferred taxation (Note 22)	(1,613,829)	-	(266,400)	-
	(1,589,988)	-	(245,894)	-

a) The statutory income tax rate attributable to the Group and the Company is 25% (2012 : 25%). The statutory tax rate will be reduced to 24% with effect from year of assessment 2016 as announced by the Malaysian government. The computation of the deferred taxation as at 31 December 2013 has reflected this change.

b) Reconciliations of tax income applicable to loss before taxation at the statutory tax rate to the tax income at the effective tax rate of the Group and the Company are as follows:-

	GROUP		COMPANY	
	2013 RM	Restated 2012 RM	2013 RM	Restated 2012 RM
Loss before taxation	(2,305,654)	(2,094,247)	(982,452)	(1,088,299)
Taxation at the rate of 25% (2012 : 25%)	(576,414)	(523,562)	(245,613)	(272,075)
Tax effects of expenses not deductible for tax purposes	87,639	159,270	74,162	88,253
Tax effects of income not subject to tax	(26,275)	(82,161)	-	-
Underprovision of taxation in prior year	22,141	-	20,506	-
Deferred tax assets not recognised for the year	6,803	1,003,660	-	183,822
Realisation of deferred tax assets not recognised in prior year	(1,103,882)	(557,207)	(94,949)	-
	(1,589,988)	-	(245,894)	-

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

	GROUP		COMPANY	
	2013 RM	Restated 2012 RM	2013 RM	Restated 2012 RM
Unutilised reinvestment allowances	3,393,000	3,393,000	-	-
Unutilised capital allowances	5,448,291	5,131,311	45,907	35,099
Unabsorbed tax losses	34,968,164	34,371,514	1,909,747	1,234,097
	43,809,455	42,895,825	1,955,654	1,269,196

d) The Group's tax savings arising from the utilisation of brought forward unabsorbed tax losses for set-off against the current year's taxable income amounted to approximately RM47,475 (2012 : RM217,063).

28. LOSS PER SHARE

The basic loss per share attributable to owners of the Company is calculated based on the Group's loss for the year attributable to owners of the Company of RM715,666 (2012 : RM2,094,247) divided by the number of ordinary shares in issue during the financial year of 40,734,196 (2012 : 40,734,196).

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. CASH AND CASH EQUIVALENTS AT END OF YEAR

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Bank overdraft	(253,773)	(674,988)	-	-
Cash and bank balances	306,563	245,746	5,584	528
Fixed deposits with licensed banks	413,988	401,126	-	-
	466,778	(28,116)	5,584	528

As disclosed in Note 13, the fixed deposits with licensed banks have been pledged to bank as securities for banking facilities granted to subsidiary companies and hence, are not available for general use. In addition, the bank overdraft facility has been limited to its current amount of usage as disclosed in Note 20(ii).

30. CONTINGENT LIABILITIES

	GROUP	
	2013 RM	2012 RM
Bank guarantee - secured	100,000	100,000

	Company			
	2013		2012	
	Limit of facilities RM	Outstanding amount RM	Limit of facilities RM	Outstanding amount RM
Corporate gurantees given to banks for credit facilities granted to subsidiary companies	14,675,000	5,746,616	14,675,000	6,167,831

31. RELATED PARTY TRANSACTIONS AND BALANCES

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

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

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

	COMPANY	
	2013 RM	2012 RM
Management fees charged to subsidiary companies	450,000	360,000

The year-end outstanding balances with the subsidiary companies are as disclosed in the statement of financial position of the Company and their terms and conditions are as disclosed in Note 12 to the financial statements.

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

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

	GROUP/COMPANY	
	2013 RM	2012 RM
Rental of premises payable to Dato' Seri Yong Tu Sang	48,960	48,960

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

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

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

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

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

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

	GROUP	
	2013	**2012**
	RM	**RM**
Income		
Sales of logs, sawn timber and plywood		
BTM Timber Industries Sdn. Bhd.	-	2,358
Oversea Timber Supplies Sdn. Bhd.	998,800	1,786,419
Seri Indah Resort Sdn. Bhd.	756	1,871
Sales of lamination and board timber		
Oversea Timber Supplies Sdn. Bhd.	2,285,190	-
Services		
BTM Timber Industries Sdn. Bhd.	52,651	43,106
Oversea Timber Supplies Sdn. Bhd.	126,050	108,853
Disposal of property, plant and equipment		
Sung Lee Timber Trading Sdn. Bhd.	-	195,000
BTM Timber Industries Sdn. Bhd.	97,100	-
Others		
BTM Timber Industries Sdn. Bhd.	-	440
Gimzan Plywood Sdn. Bhd.	-	2,847
Seri Indah Resort Sdn. Bhd.	2,878	-
Expenditure		
Purchases of logs, sawn timber and plywood		
Gimzan Plywood Sdn. Bhd.	-	124,800
BTM Timber Industries Sdn. Bhd.	1,699,272	486,167
Oversea Timber Supplies Sdn. Bhd.	454,855	672,103
Services		
Seri Indah Enterprise Sdn. Bhd.	113,468	126,654
Others		
Seri Indah Resort Sdn. Bhd.	971	427
BTM Timber Industries Sdn. Bhd.	77,117	127,670
Oversea Timber Supplies Sdn. Bhd.	946	2,982
Gimzan Plywood Sdn. Bhd.	19,000	-

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

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

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

	GROUP	
	2013 RM	2012 RM
Included in trade receivables :-		
BTM Timber Industries Sdn. Bhd.	81,790	562,576
Gimzan Plywood Sdn. Bhd.	2,214,530	2,235,671
Seri Indah Resort Sdn. Bhd.	1,527	-
Oversea Timber Supplies Sdn. Bhd.	179,804	-
SPPT Development Sdn. Bhd.	-	158,229
Sung Lee Timber Trading Sdn. Bhd.	911	486
Included in other receivables :-		
Seri Indah Enterprise Sdn. Bhd.	-	3,262
BTM Timber Industries Sdn. Bhd.	-	399,008
Gimzan Plywood Sdn. Bhd.	2,202	7,343
Included in trade payables :-		
Sung Lee Timber Trading Sdn. Bhd.	(1,794)	(1,794)
Oversea Timber Supplies Sdn. Bhd.	-	(77,188)
Included in other payables :-		
Seri Indah Enterprise Sdn. Bhd.	(24,493)	(28,361)
Seri Indah Resort Sdn. Bhd.	-	(298)

Except as disclosed elsewhere in these financial statements, the trade balances with the other related parties are subject to the normal trade credit terms given to or by customers and suppliers where applicable.

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

d) **Key management personnel compensation**

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

	GROUP		COMPANY	
	2013 RM	2012 RM	2013 RM	2012 RM
Short-term benefits	929,650	959,150	773,150	737,150
Post-employment benefits				
- Contribution to Employees Provident Fund	87,408	92,220	78,768	79,680
	1,017,058	1,051,370	851,918	816,830

32. SEGMENT INFORMATION

a) **Operating Segment**

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

32. SEGMENT INFORMATION (cont'd)

b) **Geographical Information**

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

	2013		2012	
	Revenue RM	Non-current assets RM	Revenue RM	Non-current assets RM
Malaysia	6,388,572	21,379,274	3,892,391	16,410,030
Australia	1,335,767	-	709,915	-
Korea	109,090	-	38,146	-
	7,833,429	21,379,274	4,640,452	16,410,030

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	
	2013 RM	2012 RM
Customer A	3,410,040	1,786,419

33. FINANCIAL INSTRUMENTS

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

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

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

a) **Categories of Financial Instruments**

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

2013
Financial Assets as per Statements of Financial Position

	GROUP		COMPANY	
	Carrying amount RM	Loans and receivables RM	Carrying amount RM	Loans and receivables RM
Trade receivables	3,016,465	3,016,465	-	-
Other receivables and deposits	90,043	90,043	19,450	19,450
Amount due from subsidiary companies	-	-	9,867,381	9,867,381
Fixed deposits with licensed banks	413,988	413,988	-	-
Cash and bank balances	306,563	306,563	5,584	5,584
	3,827,059	3,827,059	9,892,415	9,892,415

33. FINANCIAL INSTRUMENTS

a) **Categories of Financial Instruments (cont'd)**

2013
Financial Liabilities as per Statements of Financial Position

	GROUP		COMPANY	
	Carrying amount RM	Other financial liabilities measured at amortised cost RM	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Trade payables	592,004	592,004	-	-
Other payables and accruals	5,184,461	5,184,461	791,455	791,455
Amount due to directors	1,998,276	1,998,276	1,998,276	1,998,276
Bank ovedraft	253,773	253,773	-	-
Term loans	5,492,843	5,492,843	-	-
Hire purchase creditors	119,276	119,276	107,662	107,662
	13,640,633	13,640,633	2,897,393	2,897,393

2012
Financial Assets as per Statements of Financial Position

	GROUP		COMPANY	
	Carrying amount RM	Loans and receivables RM	Carrying amount RM	Loans and receivables RM
Trade receivables	3,096,843	3,096,843	-	-
Other receivables and deposits	1,162,479	1,162,479	20,823	20,823
Amount due from subsidiary companies	-	-	9,454,527	9,454,527
Fixed deposits with licensed banks	401,126	401,126	-	-
Cash and bank balances	245,746	245,746	528	528
	4,906,194	4,906,194	9,475,878	9,475,878

2012
Financial Liabilities as per Statements of Financial Position

	GROUP		COMPANY	
	Carrying amount RM	Other financial liabilities measured at amortised cost RM	Carrying amount RM	Other financial liabilities measured at amortised cost RM
Trade payables	571,613	571,613	-	-
Other payables and accruals	4,269,502	4,269,502	671,111	671,111
Amount due to directors	489,215	489,215	423,632	423,632
Bank ovedraft	674,988	674,988	-	-
Term loans	5,492,843	5,492,843	-	-
Hire purchase creditors	155,385	155,385	126,519	126,519
	11,653,546	11,653,546	1,221,262	1,221,262

b) **Financial Risk Management**

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

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

33. FINANCIAL INSTRUMENTS (cont'd)

b) **Financial Risk Management (cont'd)**

i) **Credit Risk**

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

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

Analysis of the ageing of the Group's trade receivables as at the end of the reporting period that are past due but not impaired are disclosed in Note 10(b).

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

None of the Group's financial assets are secured by collateral or other credit enhancements other than as disclosed in Note 10(c) to the financial statements.

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

ii) **Currency Risk**

The Group is exposed to currency risk as a result of the foreign currency transactions entered into in currencies other than its functional currency.

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

The Group's foreign currency exposure profile of trade receivables has been disclosed under Note 10(a) to the financial statements.

<u>Currency risk sensitivity analysis</u>

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

	GROUP	
	2013 RM	**2012 RM**
United States Dollar	27,532	-

iii) Interest Rate Risk

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

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

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

<u>Interest rate risk sensitivity analysis</u>

The Group's profit or loss and equity are sensitive to the change in the market interest rate as at the end of the reporting period due to its floating rate term loans and bank overdraft. An increase in the market interest rate would have unfavourable effects on the profit or loss and equity of the Group. A reasonably possible increase of 50 basis points in the market interest rate as at the end of the reporting period would have immaterial impact on the Group's profit or loss for the year then ended and equity of the Group as at that date. This sensitivity analysis assumes that all other risk variables remain constant.

33. FINANCIAL INSTRUMENTS (cont'd)

b) **Financial Risk Management (cont'd)**

iv) **Market Risk**

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

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

v) **Liquidity and Cash Flow Risk**

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

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

Maturity analysis

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

	<-------------- Maturity Profile	------------->			
	Less than one year RM	**More than one year and less than five years RM**	**More than five years RM**	**Total RM**	**Effective interest rate %**
Group					
2013					
Trade payables	592,004	-	-	592,004	-
Other payables and accruals	5,184,461	-	-	5,184,461	-
Term loans	4,902,663	815,589	-	5,718,252	9.60 - 11.60
Bank overdraft	253,773	-	-	253,773	9.10 -10.10
Hire purchase creditors	31,129	100,049	5,621	136,799	5.24 - 6.87
Amount due to directors	1,998,276	-	-	1,998,276	-
2012					
Trade payables	571,613	-	-	571,613	-
Other payables and accruals	4,269,502	-	-	4,269,502	-
Term loans	3,712,384	2,265,589	-	5,977,973	9.60 - 11.60
Bank overdraft	674,988	-	-	674,988	9.10 -10.10
Hire purchase creditors	46,394	107,268	28,529	182,191	5.24 - 7.21
Amount due to directors	489,215	-	-	489,215	-
Company					
2013					
Other payables and accruals	791,455	-	-	791,455	-
Hire purchase creditors	24,817	91,632	5,621	122,070	5.24
Amount due to directors	1,998,276	-	-	1,998,276	-
2012					
Other payables and accruals	671,111	-	-	671,111	-
Hire purchase creditors	26,726	91,632	28,529	146,887	5.24
Amount due to directors	423,632	-	-	423,632	-

33. FINANCIAL INSTRUMENTS (cont'd)

c) **Fair Value of Financial Instruments**

i) The carrying amounts of fixed deposits, cash and bank balances, trade and other receivables and trade and other payables and short term bank overdraft approximate their fair values due to the relatively short term nature of these financial instruments.

ii) The carrying amount of balances with subsidiary companies approximate their fair values due to their repayable on demand settlement terms.

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

iv) The fair values of hire purchase creditors approximate their carrying amounts

34. CAPITAL MANAGEMENT

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

The Group monitors capital using debt to equity ratio, which is total borrowings divided by total equity. The debt-to-equity ratios at 31 December 2013 and at 31 December 2012 were as follows:-

	GROUP	
	2013 RM	Restated 2012 RM
Total borrowings (Note 20)	5,746,616	6,167,831
Total equity	18,759,608	11,630,974
Debt-to-equity ratio	0.31	0.53

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) if such shareholders' equity is less than RM40 million. The Group has complied with this requirement

35. SIGNIFICANT EVENTS DURING THE YEAR

a) On 16 January 2013, the Company had announced a corporate proposal which encompassed the Proposed Par Value Reduction, Proposed Share Premium Reduction, Proposed MA Amendments, Proposed Rights Issue with Warrants and Proposed Exemption as described in Note 35(b) below. However, the aforesaid corporate proposal had been aborted by the Company on 12 July 2013.

b) On 30 October 2013, the Company announced the following proposals incorporating amendments to the earlier proposals aborted :-

i) **Proposed Par Value Reduction**

The Proposed Par Value Reduction will involve the cancellation of RM0.80 of the existing par value of RM1.00 of each ordinary share of the Company pursuant to Section 64(1) of the Companies Act, 1965 and the credit arising from the reduction of par value will be utilised to set-off an equivalent amount of the accumulated losses of the Company.

ii) **Proposed Share Premium Reduction**

The Proposed Share Premium Reduction will involve the reduction of RM3,959,431 from the Company's share premium account pursuant to Section 60(2) and 64(1) of the Companies Act, 1965 and the credit arising from the reduction in share premium will be utilised to set-off an equivalent amount of the accumulated losses of the Company.

iii) **Proposed MA Amendments**

The Company proposed to amend the relevant clauses of the Memorandum of Association to reflect the change in par value of each ordinary share of the Company from RM1.00 per ordinary share to RM0.20 per ordinary share consequent to the Proposed Par Value Reduction.

35. SIGNIFICANT EVENTS DURING THE YEAR (cont'd)

b) On 30 October 2013, the Company announced the following proposals incorporating amendments to the earlier proposals aborted :- (cont'd)

iv) **Proposed Rights Issue with Warrants**

The Proposed Rights Issue with Warrants would entail the issuance of up to 118,734,576 new ordinary shares of RM0.20 each ("BTM Shares")("Rights Shares") on a renounceable basis of two Rights Shares for every one BTM Share held after the Proposed Par Value Reduction together with up to 47,493,830 free new detachable Warrants on the basis of 4 Warrants for every 10 Rights Shares subscribed, subject to a minimum subscription of 36,328,586 Rights Shares together with 14,531,434 Warrants, on an entitlement date to be determined and announced later after obtaining all the relevant approvals. The Board has fixed the issue price for the Proposed Rights Issue with Warrants at RM0.20 per Rights Share and the exercise price for the Warrants at RM0.20 per Warrant.

v) **Proposed Exemption**

The Company proposed to exempt Dato' Seri Yong Tu Sang ("DSYTS") and persons acting in concert with DSYTS ("PACs") under Practice Note 9, Paragraph 16.1 of the Malaysian Code on Take-overs and Mergers 2010 ("Code") from the obligation to undertake a mandatory take-over offer to acquire all the remaining ordinary shares and convertible securities of the Company not already held by DSYTS and PACs upon completion of the proposed Rights Issue with Warrants as prescribed under Part III and Part VIII of the Code.

The Proposed Par Value Reduction, Proposed Share Premium Reduction, Proposed MA Amendments, Proposed Rights Issue with Warrants and Proposed Exemption are collectively referred to as the "Proposals".

The Proposals are conditional upon approval being obtained from the following :-

1) Bursa Malaysia Securities Berhad ("Bursa Securities"), which was obtained vide its letter 18 December 2013, for the following :-

   (a) admission to the Official List of Bursa Securities and the listing and quotation of up to 47,493,830 new Warrants to be issued pursuant to the Proposed Rights Issue with Warrants;

   (b) the listing and quotation of up to 118,734,576 Rights Shares to be issued pursuant to the Proposed Rights Issue with Warrants;

   (c) the listing and quotation of up to 1,352,740 Additional Warrants arising from the adjustment to the number of existing Outstanding Warrants pursuant to the Proposed Rights Issue with Warrants; and

   (d) the listing and quotation of up to 48,846,570 new Shares to be issued pursuant to the exercise of the Warrants and Additional Warrants on the Main Market.

2) the Securities Commission ("SC") for the Proposed Exemption. Under the Code, the SC's approval for the Proposed Exemption is to be sought only after non-interested shareholders' approval for the Proposed Exemption has been obtained at the forthcoming Extraordinary General Meeting ("EGM") of the Company;

3) the sanction of the High Court of Malaya for the Proposed Par Value Reduction and Proposed Share Premium Reduction and the utilisation of the excess credit (from the Proposed Par Value and Share Premium Reduction);

4) the shareholders of the Company at the EGM to be convened on 29 April 2014; and

5) other relevant authorities/parties, if required.

The Proposed Par Value Reduction, Proposed Share Premium Reduction and the Proposed MA Amendments are inter-conditional upon each other. The Proposed Rights Issue with Warrants and the Proposed Exemption are inter-conditional upon one another. The Proposed Rights Issue with Warrants is conditional upon the Proposed Par Value Reduction and the Proposed MA Amendments but not vice-versa. As at to-date, the Proposals are pending approval of shareholders of the Company for the Proposals, approval of SC for the Proposed Exemption and sanction of the High Court of Malaya for the Proposed Par Value and Share Premium Reduction. The Proposals are expected to be implemented in the second half of 2014.

36. CHANGE IN ACCOUNTING POLICY

As disclosed in Note 3.2(c), the adoption of revised MFRS 119 by the Group and the Company with effect from 1 January 2013 resulted in a change in the accounting policy for defined benefit plans which has been applied retrospectively.

The financial effects arising from the aforesaid change in accounting policy on the statements of financial position as at 1 January 2012 and 31 December 2012, and the statements of profit or loss and other comprehensive income and statements of cash flows for the year ended 31 December 2012 in respect of the Group and of the Company are as follows :-

	As previously reported RM	Effects of adopting revised MFRS 119 RM	As restated RM
Group			
Consolidated Statement of Financial Position			
As at 1 January 2012			
Retirement benefit obligations	973,414	(166,179)	807,235
Accumulated losses	(43,584,235)	166,179	(43,418,056)
As at 31 December 2012			
Retirement benefit obligations	1,073,875	(275,190)	798,685
Accumulated losses	(45,670,808)	275,190	(45,395,618)
Consolidated Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2012			
Administrative expenses	(3,009,206)	(7,674)	(3,016,880)
Loss before taxation/Loss for the year	(2,086,573)	(7,674)	(2,094,247)
Other comprehensive income	-	116,685	116,685
Total comprehensive loss for the year	(2,086,573)	109,011	(1,977,562)
Consolidated Statement of Cash Flows for the year ended 31 December 2012			
Loss before taxation	(2,086,573)	(7,674)	(2,094,247)
Adjustments for :-			
Defined benefit obligations	114,461	7,674	122,135
Company			
Statement of Financial Position As at 1 January 2012			
Retirement benefit obligations	328,990	(59,192)	269,798
Accumulated losses	(35,460,520)	59,192	(35,401,328)
As at 31 December 2012			
Retirement benefit obligations	368,525	(60,295)	308,230
Accumulated losses	(36,546,788)	60,295	(36,486,493)
Statement of Profit or Loss and Other Comprehensive Income for the year ended 31 December 2012			
Administrative expenses	(1,615,272)	(2,031)	(1,617,303)
Loss before taxation/Loss for the year	(1,086,268)	(2,031)	(1,088,299)
Other comprehensive income	-	3,134	3,134
Total comprehensive loss for the year	(1,086,268)	1,103	(1,085,165)
Statement of Cash Flows for the year ended 31 December 2012			
Loss before taxation	(1,086,268)	(2,031)	(1,088,299)
Adjustments for :-			
Defined benefit obligations	53,535	2,031	55,566

36. CHANGE IN ACCOUNTING POLICY (cont'd)

The application of the revised MFRS 119 has impact on the Group's and the Company's financial statements for the current financial year ended 31 December 2013 as follows:-

	Increase/(Decrease) RM
Group	
Consolidated Statement of Financial Position	
Retirement benefit obligations	94,309
Accumulated losses	94,309
Consolidated Statement of Profit or Loss and Other Comprehensive Income	
Administrative expenses	(31,658)
Loss before taxation/Loss for the year	(31,658)
Other comprehensive income	(401,157)
Total comprehensive income for the year	(369,499)
Loss per share	
- Basic	0.1 sen
- Diluted	N/A
Company	
Statement of Financial Position	
Retirement benefit obligations	(94,608)
Accumulated losses	(94,608)
Statement of Profit or Loss and Other Comprehensive Income	
Administrative expenses	(7,419)
Loss before taxation/Loss for the year	(7,419)
Other comprehensive income	26,894
Total comprehensive income for the year	34,313

37. COMPARATIVE FIGURES

The restatement of comparative figures arising from the effects on change in accounting policy are as detailed in Note 36 to the financial statements.

38. 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 the end of the reporting period, into realised and unrealised loss, pursuant to the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010, is as follows :-

	31.12.2013 RM	Restated 31.12.2012 RM	Restated 1.1.2012 RM
Group			
Total accumulated losses of BTM Resources Berhad and its subsidiaries :			
- Realised	(86,787,309)	(85,670,486)	(83,692,924)
- Unrealised	(2,434)	(2,434)	(2,434)
	(86,789,743)	(85,672,920)	(83,695,358)
Add: Consolidation adjustments	40,277,302	40,277,302	40,277,302
Accumulated losses as per financial statements	(46,512,441)	(45,395,618)	(43,418,056)
Company			
Total accumulated losses of BTM Resources Berhad :			
- Realised	(37,196,157)	(36,486,493)	(35,401,328)
- Unrealised	-	-	-
Accumulated losses as per financial statements	(37,196,157)	(36,486,493)	(35,401,328)

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

Independent Auditors' Report to The Members of BTM Resources Berhad

(Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of BTM RESOURCES BERHAD, which comprise the statements of financial position as at 31 December 2013 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 76.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements 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 the 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 give a true and fair view of the financial position of the Group and of the Company as at 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 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 subsidiary of which we have not acted as auditors, which is indicated in Note 7 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
(Incorporated in Malaysia)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 38 on page 77 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.

FOLKS DFK & CO.
FIRM NO. : AF 0502
CHARTERED ACCOUNTANTS

NG ENG KIAT
NO : 1064/03/15(J/PH)
CHARTERED ACCOUNTANT

Kuala Lumpur

Date : 28 April 2014

As at 5TH MAY 2014

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	: 1,027

ANALYSIS OF SHAREHOLDERS

Range of Shareholdings	No. of Holders	No. of Shares	%
1 - 99	11	436	-
100 - 1000	448	345,068	0.85
1,001 -10,000	367	1,620,035	3.98
10,001 - 100,000	170	5,313,364	13.04
100,001 - 2,036,710	26	19,400,833	47.63
2,036,710 and above (*)	5	14,054,460	34.50
TOTAL	1,027	40,734,196	100.00

Note:

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

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 5TH May 2014

	No. of Shares Direct	% ^	No. of Shares Indirect	% ^
Dato' Seri Yong Tu Sang	4,113,027	10.10	(1) 7,401,433	18.17
Yong Emmy	4,032,000	9.90	(2) 7,482,460	18.37
Ng Ah Heng	3,333,333	8.18	(3) 8,181,127	20.08
Tan Sri Dato' Mohd Hussin Bin Abdul Hamid	2,540,000	6.24	(4) 326,500	0.80

DIRECTORS AND THEIR SHAREHOLDINGS

	<-------------------------No. of Shares------------------------>			
DIRECTORS	DIRECT	% ^	INDIRECT	% ^
Dato' Seri Yong Tu Sang	4,113,027	10.10	(1) 7,401,433	18.17
Yong Emmy	4,032.00	9.90	(2) 7,482,460	18.37
Yong Ellen (Alternate to Yong Emmy)	36,100	0.09	(5) 11,478,360	28.18
Yong Hin Siong	-	-	(6) 11,514,460	28.27
Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	-	-	-	-
Choong Show Tong	-	-	-	-
Dauk Haji Mohamed Iqbal Bin M.M. Mohamed Ganey	-	-	-	-

Note :

(1) Deemed interest by virtue of shares held by his spouse and children
(2) Deemed interest by virtue of shares held her parents and sister
(3) Deemed interest by virtue of her spouse and children.
(4) Deemed interest by virtue of shares held by his child
(5) Deemed interest by virtue of shares held by her parents and sister
(6) Deemed interest by virtue of shares held by his parents and sisters

LIST OF THIRTY LARGEST SHARE HOLDERS:

Name of Shareholders		No. of Shares Held	Percentage
1.	Yong Tu Sang	4,113,027	10.10
2.	Yong Emmy	4,032,000	9.90
3.	Ng Ah Heng	3,333,333	8.18
4.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Sri Mohd Hussin Bin Abdul Hamid	2,540,000	6.24
5.	Confirmed Uptrend Sdn Bhd	1,900,000	4.66
6.	Modern Mode Sdn Bhd	1,883,333	4.62
7.	Yeow May Lee	1,800,000	4.42
8.	Paling Masyhur Sdsn Bhd	1,700,000	4.17
9.	Thong Kuan Yuen	1,500,000	3.68
10.	Saham Terbilang Sdn Bhd	1,468,667	3.61
11.	Leong Kok Cheong	1,456,500	3.58
12.	Tambah Mulia Holdings Sdn Bhd	1,448,000	3.55
13.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Firama Holdings Sdn Bhd	1,306,000	3.21
14.	RHB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tham Kaam Siong	1,104,200	2.71
15.	Yeong Ah Sung	597,100	1.47
15.	Halim Bin Mohammad	350,000	0.86
17.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Wong Kian Boon	338,000	0.83
18.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abdul Malik Bin Mohd Hussin	326,500	0.80
19.	Maybank Nominees (Tempatan) Sdn Bhd Tay Soo Cheng	320,000	0.79
20.	Farah Hanani Binti Kasim	303,100	0.74
21.	Kuljit Singh A/L Dogar Singh	237,300	0.58
22.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ong Kok Thye	219,000	0.54
23.	Ah Kau @ Chong Fah Ming	207,100	0.51
24.	Lim Poh Fong	174,700	0.43
25.	Philip A/L K.O. Kunjappy	150,000	0.37
26.	Lo Ngen Loi	144,000	0.35
27.	Lee Nyek	143,333	0.35
28.	Chong Tze Liang	120,000	0.29
29.	Chin Chee Cheong	103,000	0.25
30.	Wong Kok Sin	101,000	0.25
		33,419,193	82.04

ANALYSIS OF WARRANTHOLDINGS

As at 5TH MAY 2014

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 SHAREHOLDERS

Size of Warrantholdings	No. of Warrant Holders	Percentage %	No. of Warrants	Percentage %
Less than 100	3	0.78	99	-
100 - 1,000	115	29.79	32,791	0.18
1,001 - 10,000	119	30.83	577,184	3.10
10,001 - 100,000	122	31.61	4,985,098	26.75
100,001 and below 5%	22	5.70	5,225,266	28.04
5% and above	5	1.29	7,812,654	41.93
TOTAL	386	100.00	18,633,092	100.00

DIRECTORS' WARRANTHOLDINGS AS AT 5 MAY 2014

Name of Directors	No. of Warrant Direct	% ^	No. of Warrant Indirect	% ^
Yong Emmy	2,016,000	10.82	(1) 1,458,254	7.83
Yong Ellen	200		(2) 3,474,054	18.64
Dato' Seri Yong Tu Sang	-	-	(3) 3,474,254	18.64
Yong Hin Siong	-	-	(4) 3,474,254	18.64

SUBSTANTIAL WARRANTHOLDERS AS AT 5 MAY 2014

Name of Shareholder	No. of Warrant Direct	% ^	No. of Warrant Indirect	% ^
Yeow May Lee	3,000,000	16.10	-	-
Yong Emmy	2,016,000	10.82	(1) 1,458,254	7.83
Ng Ah Heng	1,458,054	7.83	(5) 2,016,200	10.82
Ku Lian Sin	1,338,400	7.18	-	-

Note:

(1) Deemed interest by virtue of warrant held by her parents and sister

(2) Deemed interest by virtue of warrant held by her parents and sister

(3) Deemed interest by virtue of warrant held by his spouse and children

(4) Deemed interest by virtue of warrant held by his parents and sister

(5) Deemed interest by virtue of warrant held by her children

LIST OF THIRTY LARGEST WARRANTHOLDERS:

	Name of Shareholders	No. of Shares Held	Percentage
1.	Yeow May Lee	3,000,000	16.10
2.	Yong Emmy	2,016,000	10.82
3.	Ng Ah Heng	1,458,054	7.83
4.	Ku Lian Sin	1,338,400	7.18
5.	Yeong Ah Sung	812,900	4.36
6.	Leong Kok Cheong	588,300	3.16
7.	Pek Kiam Kek	391,000	2.10
8.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Tian An	384,900	2.07
9.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Boon Ian Yong	294,700	1.58
10.	Tan Bee Yook	250,400	1.34
11.	Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Pek Kiam Kek	250,000	1.34
12.	Tan Jiun Leng	219,600	1.18
13.	Tan Siew Chen	199,500	1.07
14.	Tee Chai Lok	190,000	1.02
15.	Lifoh Liyong @ Lee Teck Sin	180,000	0.97
16.	Tay Pok Fei	180,000	0.97
17.	Maybank Nominees (Tempatan) Sdn Bhd Teo Ah Seng	173,500	0.93
18.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Karen Chua Siew Joo @ Chua Siew Zoo	170,000	0.91
19.	Maybank Nominees (Tempatan) Sdn Bhd Tay Soo Cheng	132,000	0.71
20.	Lee Nyek	128,966	0.69
21.	Ong Ching Lian @ Ng Ah Chooi	120,000	0.64
22.	Chan Kim Gek	117,500	0.63
23.	Ong Kok Thye	116,000	0.62
24.	Siew Yow Choy	111,000	0.60
25.	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liew Pak Chin	110,000	0.59
26.	Vasanti A/P Muthukumaroo	105,000	0.56
27.	Chong Kwee Hiong	100,000	0.54
28.	Cimsec Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Chin How	100,000	0.54
29.	Foo Kin Fatt	100,000	0.54
30.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Hun Kwang	100,000	0.54
		13,437,720	72.12

Location	Tenure	Description	Land Area	Approx. Age of Building	Net Book Value as at 31.12.2013
BTM Resources Berhad No. 101, Jalan Kampung Tiong 20100 Kuala Terengganu Terengganu Darul Iman	Freehold	5 ½ Storey Office Building	385 sq.m	15 years	8,000,000
Besut Tsuda Industries Sdn Bhd 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	-	81,245
Syarikat Maskayu Sawmill Sdn Bhd Lot No :- 11966 Mukim of Kuala Nerus Kuala Terengganu Terengganu Darul Iman	60 year's leasehold expiring on 29-11-2033	Vacant Industrial Land	0.998 Hectare	-	435,479
Besut Tsuda Wood Products Sdn Bhd Lot No :- 1654 Mukim of Tanggol District of Hulu Terengganu Terengganu Darul Iman	Freehold	Factory Buildings Kiln-dried chambers, office erected thereon.	4.005 Hectare	20 years	12,300,000

BTM RESOURCES BERHAD
(Incorporated in Malaysia)

PROXY FORM

I/We ____
(Block Letters)

of ____

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

____________________ (NRIC No.) ____________________

of ____

or failing him/her ____

____________________ (NRIC No.) ____________________

of ____

as my/our proxy to vote for me/us and on my/our behalf at the Twentieth Annual General Meeting of BTM Resources Berhad to be held at the Latitude 1.02, Level 1, Hotel Armada, Lot 6, Lorong Utara C, Section 52, 46200 Petaling Jaya, Selangor Darul Ehsan on Thursday, 26th June 2014 at 11.00 a.m. and any adjournment thereon for/against the resolution(s) to be proposed thereat.

No.	AGENDA			
1.	**Receive Accounts and Report**			
No.	**RESOLUTION**		**FOR**	**AGAINST**
2.	Approval of Directors' Fees	Resolution 1		
3.	Re-election and Re-appointment of Directors :- Mr. Yong Hin Siong	Resolution 2		
4.	Mdm Yong Emmy	Resolution 3		
5.	Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman	Resolution 4		
6.	Re-appointment of Auditors :- Messrs Folks DFK & Co.	Resolution 5		
7.	Approval for Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965	Resolution 6		
8.	Continuing in Office for Mr. Choong Show Tong as an Independent Non-Executive Director	Resolution 7		
9.	Continuing in Office for Tan Sri Dato' (Dr) Abdul Aziz Bin Abdul Rahman as an Independent Non-Executive Director	Resolution 8		
10	Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions	Resolution 9		

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

Number of shares	
CDS A/C No.	

____________________ ____________________

Date Signature

Notes : -

i) Only depositors whose name appear in the Record of Depositors as at 19th June 2014 (General Meeting Record of Depositors) be regarded as members and entitled to attend, speak and vote at the meeting.

ii) A member entitled to attend the meeting may appoint another person as his proxy to attend and vote in his stead at the meeting and such proxy shall have the same right as the member he represents including the right to vote on a show of hands and on a poll and to demand a poll.

iii) A proxy may but need not be a member.

iv) Where the member of the Company appoints two or more proxies, the appointments shall be invalid unless the member specifies the proportion of his shareholding to be represented by each proxy.

v) If the appointer is a corporation, the proxy should be executed under its common seal or under the hand of an officer or attorney duly authorised.

vi) Where a member of the Company is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

vii) The instrument appointing a proxy must be deposited at the registered office of the Company at HMC Corporate Services Sdn Bhd, Level 2, Tower 1, Avenue 5, Bangsar South City 59200 Kuala Lumpur not less than forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

Please fold here

Stamp

BTM RESOURCES BERHAD (303962-T)
Level 2, Tower 1, Avenue 5, Bangsar South City
59200 Kuala Lumpur

Please fold here

BTM RESOURCES BERHAD
(303962-T)
Level 2, Tower 1, Avenue 5, Bangsar South City
59200 Kuala Lumpur