

ATURMAJU RESOURCES BERHAD

(Company No: 448934-M)

INTERIM FINANCIAL REPORT ON CONSOLIDATED RESULTS FOR THE FORTH QUARTER ENDED 31 DECEMBER 2010

NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of the Preparation

The interim financial report is unaudited and has been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2009. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

A2. Changes in Accounting Policies

The Group and the Company has adopted the following applicable new Financial Reporting Standards (“FRSs”), revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, issued by the Malaysian Accounting Standards Board that are mandatory for current financial period:

FRS 8	Operating Segments
FRS 4	Insurance Contracts
FRS 7	Financial Instruments: Disclosures
FRS 101	Presentation of Financial Statements
FRS 123	Borrowing Costs
FRS 139	Financial Instruments: Recognition and Measurement
Amendments to FRS 2	Share-based Payment-Vesting Conditions and Cancellations
Amendments to FRS 132	Financial Instruments: Presentation
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment
IC Interpretation 11	FRS 2 - Group and Treasury Share Transactions
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 14	FRS 119 - The Limit on a defined Benefit Asset, Minimum Funding Requirements and their Interaction

Amendments to FRS1, First-time Adoption Financial Reporting Standards and FRS 127, Consolidated and Separate Financial Statements - Cost of an investment in a subsidiary, Jointly Controlled Entity or Associate

Amendments to FRS 139, Financial Instruments: Recognition and Measurement, FRS 7, Financial Instruments: Disclosures and IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments to FRSs contained in the document entitled “Improvements to FRSs (2009)”

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The revised FRS are either not applicable to the Company or the adoptions did not result in significant changes in accounting policies of the Company and did not have significant impact on the Company.

The Company have not early adopted the following new FRSs, revised FRSs, Issues Committee (“IC”) Interpretations, amendments to FRSs and IC Interpretations, which have been issued as at the date of authorisation of these financial statements and will be effective for the financial periods as stated below:

		<u>Effective date for financial periods beginning on or after</u>
Amendments to FRS 132	Financial Instruments: Presentation	1 March 2010
FRS 1	First-time Adoption of Financial Reporting Standards	1 July 2010
FRS 3	Business Combinations	1 July 2010
FRS 127	Consolidated & Separate Financial Statements	1 July 2010
Amendments to FRS 2	Share-based Payment	1 July 2010
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 July 2010
Amendments to FRS 138	Intangible Assets	1 July 2010
IC Interpretation 12	Service Concession Arrangements	1 July 2010
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation	1 July 2010
IC Interpretation 17	Distributions of Non-cash Assets to Owners	1 July 2010
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives	1 July 2010
Amendment to FRS 1	Limited Exemption from Comparative FRS 7 Disclosure for First- time Adopters	1 January 2011
Amendment to FRS 7	Improving Disclosures about Financial Instruments	1 January 2011
IC Interpretation 4	Determining whether an Arrangement contains a Lease	1 January 2011
IC Interpretation 18	Transfers of Assets from Customers	1 January 2011
Amendments to FRSs contained in the documents entitled “Improvements to FRSs (2010)”		1 January 2011

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		<u>Effective date for financial periods beginning on or after</u>
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2011
Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement	1 July 2011
IC Interpretation 15	Agreements for Construction of Real Estate	1 January 2012
FRS 124	Related Party Disclosures	1 January 2012

The initial applications of the above applicable new FRSs, revised FRSs, IC Interpretations, amendments to FRSs and IC Interpretations is not expected to have any material impact on the financial statements of the Company, except as discussed below:

(i) FRS 7 Financial Instruments: Disclosures

This new standard requires disclosures in financial statements that enable users to evaluate the significance of financial instruments for the entity's financial position and performance, and the nature and extent of risks arising from financial instruments to which an entity is exposed and how these risks are managed. This standard requires both qualitative disclosures describing management's objectives, policies and processes for managing those risks, and quantitative disclosures providing information about the extent to which an entity is exposed to risk, based on information provided internally to the entity's key management personnel.

(ii) FRS 123 Borrowing Costs

This new standard removes the option of immediately recognising as an expense borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. However, capitalisation of borrowing costs is not required for assets measured at fair value, and inventories that are manufactured or produced in large quantities on a repetitive basis, even if they take a substantial period of time to get ready for use or sale.

(iii) FRS 8: Operating Segments (FRS 8)

FRS 8 requires segment information to be presented on a similar basis to that used for internal reporting purposes. As a result, the Group's segmental reporting had been presented based on the internal reporting to the chief operating decision maker who makes decisions on the allocation of resources and assesses the performance of the reportable segments. This standard does not have any impact on the financial position and results of the Group.

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(iv) FRS 101: Presentation of Financial Statement (FRS 101)

FRS 101 separates owner and non-owner changes in equity. Therefore, the current consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity are presented as a single line labeled as total comprehensive income.

(v) Amendments to FRS 117: Leases (FRS 117)

Amendments to FRS 117 sets out the new requirement where leasehold land which is in substance a finance lease will be reclassified to property, plant and equipment. The Group has reassessed and determined that all leasehold land of the Group are in substance finance leases and accordingly, has reclassified the leasehold land to property, plant and equipment. The change in accounting policy has been made retrospectively in accordance with the transitional provisions of the amendment.

The reclassification does not affect the basic and diluted earnings per ordinary share for the current and prior periods.

The following comparative figures have been restated following the adoption of the amendments to FRS 117 :

Cost	As at 31 December 2009	
	As restated RM'000	As previously stated RM'000
Property, plant and equipment	38,408	35,629
Prepaid land lease payments	-	2,779

(vi) FRS 139 Financial Instruments: Recognition and Measurement

FRS 139 sets out the new requirements for the recognition and measurement of the Group's financial instruments. Financial instruments are recorded initially at fair value. Subsequent measurement of the financial instruments at the balance sheet date reflects the designation of the financial instruments. The Group determines the classification at initial recognition and for the purpose of the first adoption of the standard, as at transitional date on 1 January 2010.

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Financial assets

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. Loans and receivables are included in trade and other receivables in the balance sheet.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Held to maturity financial assets

Held to maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held to maturity financial asset, the whole category would be tainted and reclassified as available for sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the reporting date, which are classified as current assets.

Financial liabilities

Financial liabilities are classified as financial at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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Financial guarantee contracts

The Company has provided various financial guarantees to banks for the guarantee of credit facilities granted to its various subsidiaries. The Company monitors the performance of its subsidiaries closely to ensure they meet all their financial obligations. In view that there is minimal risk of default, the Company has not carried the value of the financial guarantee in its books.

Impact on opening balance

FRS 139 did not have any significant impact on the financial position and results of the Group.

(vii) FRS 140: Investment Property (FRS 140)

Before 1 January 2010, an investment property under construction was classified as property, plant and equipment and measured at cost. Such property is stated at cost until construction or development was completed, at which time it would be remeasured to fair value and reclassified as investment property. Any gain or loss arising on remeasurement was recognised in profit or loss.

With the amendments made to FRS 140 with effect from 1 January 2010, investment property under construction is classified as investment property. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

The change in accounting policy has been made prospectively in accordance with the transitional provisions of FRS 140.

Hence, the adoption of FRS 140 does not affect the basic and diluted earnings per ordinary share for prior periods and has no material impact to current period's basic and diluted earnings per ordinary share.

A3. Auditors' Report on Preceding Annual Financial Statements

There was no audit qualification in the audited report of the Company and its subsidiary companies preceding annual financial statements for the financial year ended 31 December 2009.

A4. Seasonal or Cyclical Factors

The principal business operations of the Group are not materially affected by seasonal or cyclical factors during the financial period-to-date under review.

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A5. Exceptional Items

There were no items affecting assets, liabilities, equity, net income or cash flows that were unusual because of their nature, size or incidence during the financial period ended 31 December 2010.

A6. Changes in Estimates

There were no material changes in estimates of the amounts reported during the current quarter and financial period-to-date under review.

A7. Changes in Debts and Equity Securities

There were no issuances, share cancellations, share buy-back, share held as treasury share, resale of treasury share and repayments of debts and equity securities.

A8. Dividends Paid

No dividend has been paid during the current quarter and financial period-to-date under review.

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(i) Segment analysis for the current quarter ended:-

	Manufacturing					
	Investment Holding RM'000	In Wood Products RM'000	Barging Services RM'000	Sales of logs RM'000	Inter-co Elimination RM'000	Total RM'000
Revenue						
- External	-	15,349	-	82	-	15,431
- Inter-segmental sales	380	3,068	190	5,474	(9,112)	-
Total Revenue	380	18,417	190	5,556	(9,112)	15,431
Results						
Segment result	380	(15)	(43)	643	(380)	585
Unallocated corporate expenses						(4,424)
Loss from operations						(3,839)
Finance costs						(1,564)
Loss before taxation						(5,403)
Taxation						75
Net loss for the financial period						(5,328)

(ii) Segment analysis for the financial period-to-date ended 31 December 2010:-

	Manufacturing					
	Investment Holding RM'000	In Wood Products RM'000	Barging Services RM'000	Sales of logs RM'000	Inter-co Elimination RM'000	Total RM'000
Revenue						
- External	-	70,156	-	1,326	-	71,482
- Inter-segmental sales	380	15,153	970	30,627	(47,130)	-
Total Revenue	380	85,309	970	31,953	(47,130)	71,482
Results						
Segment result	380	11,447	195	328	(380)	11,970
Unallocated corporate expenses						(5,992)
Loss from operations						(5,978)
Finance costs						(4,292)
Loss before taxation						(10,270)
Taxation						(75)
Net loss for the financial period						(10,345)

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A10. Revaluation of Property, Plant and Equipment

No valuations of property, plant and equipment were carried out during the current quarter and financial period -to-date under review.

A11. Significant Events

There were no material events subsequent to the end of the current quarter under review.

A12. Subsequent Events

There were no material events subsequent to the end of the current quarter.

A13. Changes in the Composition of the Group

Save as disclosed below, there were no other material changes in the composition of the Group for the quarter under review:

On 7 April 2010, the Company had acquired 99.95% equity interest in ARB Development Sdn. Bhd. ("ARBDSB") comprising 1,999 ordinary shares of RM1.00 each, for a cash consideration of RM1,999 only. Subsequently, ARBDSB became a subsidiary company of the Company.

A14. Changes in Contingent Liabilities and Assets

Except as disclosed below, there were no material contingent liabilities or assets during the financial quarter under review.

	Current Quarter 31.12.2010 RM'000	Period To Date 31.12.2010 RM'000
Banker guarantees given in favour of third parties	-	1,873

A15. Capital Commitments

There were no capital commitments during the current quarter under review.

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A16. Significant Related Party Transactions

The significant related party transactions as at period -to- date were summarised as below:-

	Current Quarter 31.12.2010 RM'000	Period To Date 31.12.2010 RM'000
Office rental paid/payable to:- Golden Bond Sdn Bhd	<u>15</u>	<u>60</u>

Golden Bond Sdn Bhd is company in which the Directors of the Company have financial interests. These transactions have been entered into in the normal course of business and have been established on commercial terms.

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ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS

B1. Review of Performance

The comparison of the quarterly results is tabulated below:

	Current quarter ended 31 December 2010 (RM'000)	Preceding quarter ended 31 December 2009 (RM'000)	Difference (%)
Revenue	15,431	19,598	(21.26)
Loss before tax	(5,403)	(7,296)	25.95

The major revenue of the Group is contributed by Aturmaju (Sabah) Holding Sdn. Bhd which is the principal subsidiary of the Company and is principally involved in the operation of an integrated wood processing complex producing veneer, plywood and sawn timber.

For the current quarter period, the Group's revenue decreased by 21.26% to RM15.43 million mainly due to lower demand in the market. The Group achieves loss before taxation result as compared to previous quarter period mainly due to the amortization of goodwill in the quarter.

B2. Variation of Results Compared to Preceding Quarter

Profit before taxation for the quarter under review achieving adverse result as compared to the immediate preceding quarter is due to low sales generated in the quarter.

B3. Prospect for Current Financial Year

Barring any unforeseen circumstances, the directors anticipate that the timber business will continue to contribute favourably to the results of the Group in this financial year due to the wide varieties and high quality timber based products produced by the Group.

B4. Profit Forecast and Profit Guarantee

The Group did not announce and profit forecast nor profit guarantee for the current financial period.

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B5. Taxation

Taxation comprises the following:-

	Current Quarter 31.12.2010 RM'000	Period To Date 31.12.2010 RM'000
Current taxation	75	(75)
Deferred taxation	-	-
	<u>75</u>	<u>(75)</u>

Taxation is computed after taking into consideration the capital allowances available to set-off against taxable profit and the tax-exempt income on certain products where pioneer status had been granted. Hence, the effective tax rate of the current quarter was lower than the statutory tax rate.

B6. Unquoted Investments and Properties

There was no sale of unquoted investments and / or properties for the current quarter and financial period -to- date under review.

B7. Quoted Securities

There was no purchase or disposal of quoted securities for the current quarter and financial period -to- date under review.

B8. Corporate Proposals

There were no corporate proposals as at the date of this announcement.

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B9. Group Borrowings and Debts Securities

(a) Long Term Borrowing (Secured)

	As At 31.12.2010 RM'000	As At 31.12.2009 RM'000
Term loan	29,737	33,423
Hire purchases	476	363
	<u>30,213</u>	<u>33,786</u>

(b) Short Term Borrowing (Secured)

	As At 31.12.2010 RM'000	As At 31.12.2009 RM'000
Term loan	12,371	9,496
Hire purchases	380	199
	<u>12,751</u>	<u>9,695</u>

All the above borrowings are denominated in Ringgit Malaysia.

B10. Off Balance Sheet Financial Instruments

The Group does not have any off balance sheet financial instruments as at the date of this report.

B11. Material Litigations

The wholly-owned subsidiary company, Aturmaju (Sabah) Holding Sdn Bhd ("AHSB"), has on 9 October 2006 filed a Writ of Summons and Statement of Claim at the High Court of Sabah and Sarawak at Kota Kinabalu, Sabah against Sugumar Balakrishnan (NRIC No: 540127-05-5533), practising under the name and style of Sugumar & Co., for the sum of RM3,000,000.00 being the outstanding amount due to be refunded by the Defendant to AHSB and general damages for loss of opportunity with discretionary interest at the rate of 8% per annum on the sum of RM3,000,000.00. The Writ of Summons was served on the Defendant on 19 October 2006.

Defendant has on 13 November 2006 filed a Defence and Counterclaim at the High Court of Sabah and Sarawak at Kota Kinabalu, Sabah against AHSB. The Statement of Defence and Counterclaim was received by AHSB on 20 November 2006.

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B11. Material Litigations (continued)

On 22 November 2006, the Company AHSB has filed a reply to the Defendant's defence and counterclaim denying the Defendant's allegations. AHSB is disputing the defence and challenging the purported counterclaim as the same is baseless and unfounded.

On 30 December 2008, the Honourable Court has fixed the trial of the matter to commence from 16 to 20 November 2009.

Finally on 17 December 2010, a full settlement was made by the Defendant in amicably and thus the case was closed and withdraws accordingly.

B12. Dividend

No dividend has been recommended by the Board of Directors for the current quarter under review.

B13. Earnings Per Share

The basic earning per share amounts are calculated by dividing the profit for the period attributable to the ordinary equity holders of the parent by the weighted average number of ordinary share in issue during the financial period.

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2010 RM'000	Preceding year Corresponding Quarter 31.12.2009 RM'000	Current Year Quarter 31.12.2010 RM'000	Preceding year Corresponding Quarter 31.12.2009 RM'000
Net loss attributable to equity holder of the parent	<u>(5,761)</u>	<u>(7,090)</u>	<u>(10,778)</u>	<u>(7,134)</u>
Weighted average number of ordinary shares in issue	<u>61,100</u>	<u>61,100</u>	<u>61,100</u>	<u>61,100</u>
Basic earnings per share (sen)	(9.43)	(11.27)	(17.64)	(11.35)

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By Order of the Board,

Datuk Yeo Wang Seng
Managing Director
28 February 2011