

NOTES TO THE INTERIM FINANCIAL STATEMENTS

PART A: DISCLOSURE NOTES AS REQUIRED UNDER FRS 134 - INTERIM FINANCIAL REPORTING

1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with applicable disclosure provisions of paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and Financial Reporting Standard ("FRS") 134²⁰⁰⁴: Interim Financial Reporting as issued by Malaysian Accounting Standards Board ("MASB").

The interim financial statements have been prepared in accordance with the same accounting policies adopted for Annual Financial Statements for 2006 and with changes in accounting policies as set out in Note 2 of this interim financial statements.

The preparation of an interim financial report in conformity with FRS 134²⁰⁰⁴: Interim Financial Reporting requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets and liabilities, income and expenses on a year-to-date basis. Actual results may differ from these estimates.

The interim financial statements contain condensed consolidated financial statements and selected explanatory notes. The notes include 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 Annual Financial Statements for 2006.

Annual Financial Statements for the financial year ended 30 September 2006 are available from the Company's registered office.

2. Changes in Accounting Policies

MASB has issued a total of twenty three (23) new and revised FRSs and other Interpretations (herein thereafter referred jointly as FRSs). A total of eighteen (18) FRSs were effective for financial periods commencing on or after 1 January 2006, another two (2) FRSs were effective on or after 1 October 2006 and a further two (2) FRSs on or after 1 January 2007, while the remaining one (1) FRS will only be effective at a later date to be announced by MASB.

The Group's audited consolidated financial statements for financial year ended 30 September 2006 were prepared in accordance with applicable approved accounting standards in Malaysia and therefore, certain comparative figures in respect of Annual Financial Statements for 2006 have been restated to reflect the relevant adjustments following the introduction of the respective FRSs.

The adoption of the new and revised FRSs does not have financial impact on the Group's financial statements except for the following:

FRS 117: Leases

In prior years, the leasehold interest in lands held for own use were classified as property and were stated at cost less accumulated depreciation and impairment loss. The Group adopts a policy to revalue its properties once every five (5) years and the Group has revalued its properties during the financial year ended 30 September 2007.

With the adoption of FRS 117: Leases from financial periods commencing on or after 1 October 2006, the leasehold interest in lands held for own use have been accounted for as being held under operating leases and the unamortised carrying amounts reclassified as prepaid lease payments. Such prepaid lease payments are amortised on a straight line basis over the remaining lease terms of the lands.

The effect of this change in accounting policy has been accounted for retrospectively and certain comparative amounts have been restated.

FRS140: Investment Property

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both. Properties that are occupied by the subsidiaries of the Company are accounted for as owner-occupied rather than as investment properties. Investment properties are stated at fair value.

In the previous years, all investment properties were included in property, plant and equipment. Following the adoption of FRS 140: Investment Property, these investment properties are now classified separately. Transfers between investment property and property, plant and equipment do not change the carrying amount and the cost of the property transferred.

When an item of property, plant and equipment is transferred to investment property, any difference arising at the date of transfer between the carrying amount of the item immediately prior to transfer and its fair value is recognised directly in equity as a revaluation of property, plant and equipment. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon disposal of an investment property, any surplus previously recorded in equity is transferred to retained earnings. This change in accounting policy has been applied prospectively.

3. Prior Years' Adjustments

For the financial year under review, the Group has made prior years' adjustments that have affected the Group's retained profits as a subsidiary of the Company had erroneously recognised reinvestment allowances for its financial years ended 30 September 2005 and 2006. As a result, the tax expenses of RM514,952 and RM1,786,878 respectively have been understated in the said subsidiary's financial statements.

4. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's Annual Financial Statements for the financial year ended 30 September 2006 was not subject to any qualification.

5. Comments about Seasonal and/or Cyclical Factors

The Group's business operations are not materially affected by any major seasonal or cyclical factors.

6. Unusual Items due to their Nature, Size or Incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current quarter and financial year-to-date except for the changes in accounting policies as disclosed in Note 2 and prior years' adjustments as disclosed in Note 3 of this interim financial statements.

7. Material Changes in Estimates

There were no material changes in estimates of amount reported in prior financial year that have a material effect on the current quarter and financial year-to-date.

8. Issuance and Repayment of Debt and Equity Securities

There were no issuance or repayment of debt and equity securities during the current quarter and financial year-to-date except for share buy-back whereby a total of 3,661,500 ordinary shares were repurchased from the open market for a total consideration of RM3,322,462. These shares were held as treasury shares. The share buy-back transactions were financed by internally generated funds.

9. Dividend

For the financial year under review, the Company has paid a final dividend of 2.5% less 27% tax for financial year ended 30 September 2006 and has declared an interim dividend of 3.5% less 27% tax for financial year ended 30 September 2007 which was paid on 2 July 2007.

The Board has recommended a final dividend of 3.0% less 26% tax and subject to the approval of the shareholders at the forthcoming Annual General Meeting, will be paid at a date to be determined. Upon approval, together with the interim dividend of 3.5% less tax which was paid earlier will bring the total dividend to 6.5% less tax for financial year ended 30 September 2007.

10. Segmental Information

Primary Segment Analysis
(Business Segments)

	<u>Fabrication</u> RM'000	<u>Non-Destructive Testing Services</u> RM'000	<u>Mechanical, Electrical and Industrial Air- Conditioning</u> RM'000	<u>Inter-Company Elimination</u> RM'000	<u>Group</u> RM'000
<u>Financial Year Ended 30 September 2007</u>					
<u>Revenue</u>					
External sales	165,303	3,362	6,952		175,617
Inter-segment sales	-	3,042	2	(3,044)	-
Total - Revenue	165,303	6,404	6,954	(3,044)	175,617
<u>Results</u>					
Segment profit/(loss)	28,881	1,199	(77)		30,003
(Less): Unallocated costs					(1,391)
Results from operating activities					28,612
(Less):					
Interest income					849
Finance costs					(875)
Operating profit / profit before taxation					28,586
(Less): Tax expense					(7,621)
Profit for the year					20,965

11. Valuation of Property

The Group adopts a policy to revalue its properties once every five (5) years and the Group has revalued its properties for financial year ended 30 September 2007.

12. Subsequent Material Events

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

13. Changes in Composition of the Group

There were no changes in the composition of the Group for the current quarter and financial year-to-date.

14. Contingent Liabilities

There were no material contingent liabilities for the Group as at the date of this announcement.

15. Capital Commitments

There were no significant capital commitments as at the end of the current quarter.

16. Significant Related Party Transactions

Related party transactions for the current quarter and financial year-to-date are as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year Quarter</u> <u>30 Sept 2007</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>30 Sept 2006</u> RM'000	<u>Current Year To Date</u> <u>30 Sept 2007</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>30 Sept 2006</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	75	408	300
Technical Resources Sdn Bhd - For purchases of welding consumables and maintenance of equipment	657	1,148	1,480	1,986
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	295	291	1,200	1,140
- For compensation for loss of business	-	-	-	(3,722)
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	48	99	269	319
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	94	200	566	569
TTS Enterprise Sdn Bhd - For maintenance of equipment	7	5	43	9
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	1	1	10	27

Mr. Yap Kow @ Yap Kim Fah is a substantial shareholder and Director of Technical Resources Sdn Bhd and TTS Resources Sdn Bhd.

Mr. Yap Kau @ Yap Yeow Ho is a substantial shareholder and Director of TTS Resources Sdn Bhd.

PART B: EXPLANATORY NOTES PURSUANT TO LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

17. Review of Performance

For the full year of 2007, the Group's revenue decreased 13.2% to RM175.6 million from RM202.3 million in the preceding year but gross profit margin improved from an average of 13.2% for the preceding year to 27.7%. The higher gross profit margin has accounted for 111.9% increase in profit before taxation of RM28.6 million from RM13.5 million in the preceding year. The better results recorded for 2007 were due to improved product mix and improved management controls over projects, the results of which has reduced late delivery charges and costs overrun. Proportionately, profit after taxation for 2007 was 104.8% higher than profit after taxation of preceding year.

18. Review of Current Quarter's Results against Preceding Quarter's Results

The Group's revenue decreased by 22.2% quarter-on-quarter from RM64.5 million to RM50.2 million. However, gross profit margin has improved from 7.1% for the preceding year's corresponding quarter to 28.8% due to improved product mix and improved management controls over projects.

19. Prospects for Next Financial Year

Given the huge global capital expenditure for oil and gas, petrochemical, power and oleo-chemical sectors, and with various measures implemented over the past year to alleviate capacity constraints and to improve management controls over projects, the Board expects the Group's performance to remain favourable in line with the continued strong demand globally for process equipment, barring unforeseen circumstances of unfavourable movements for steel prices and supply, and exchange rates.

20. Variance of Actual and Forecast Profit

There was no profit forecast or profit guarantee announced during the financial period ended 30 September 2007.

21. Tax Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	<u>Current Year</u> <u>Quarter</u> <u>30 Sept 2007</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sept 2006</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sept 2007</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Year To Date</u> <u>30 Sept 2006</u> RM'000
Income tax expense	1,996	(461)	7,621	3,304

The Group has provided for income tax for profitable subsidiaries whereby these profits cannot be set-off against losses made by other subsidiaries as group tax relief is not available. The effective rate of taxation on the Group's profit is slightly lower than the statutory rate of taxation applicable, principally because certain expenses are allowed for the computation of income tax expense.

22. Unquoted Investments and/or Properties

The Group has not made any investment in or disposal of any unquoted investments and/or properties during the current quarter and financial year-to-date.

23. Quoted and Marketable Securities

The Group has not made any investment in or disposal of any quoted and marketable securities during the current quarter and financial year-to-date.

24. Group's Borrowings

The Group's borrowings as at the end of the current financial year and last financial year are as follows:

	<u>As At</u> <u>30 Sept 2007</u> RM '000	<u>As At</u> <u>30 Sept 2006</u> RM '000
Short term borrowings		
Secured:		
Bankers' acceptances	5,310	20,953
Hire purchase liabilities	80	161
Total - Short term borrowings	<u>5,390</u>	<u>21,114</u>
Long term borrowings		
Secured:		
Hire purchase liabilities	-	80
Total - Long term borrowings	<u>-</u>	<u>80</u>
Total	<u>5,390</u>	<u>21,194</u>

The above borrowings are denominated in Ringgit Malaysia ("RM"). The trade finance facilities are secured by way of debentures on the fixed and floating assets of the subsidiaries and corporate guarantees by the Company.

25. Off Balance Sheet Financial Instruments

The Group does not have any forward contract sold which is outstanding as at 27 November 2007.

26. Changes in Material Litigation

Neither the Company nor any of its subsidiaries is engaged in any litigation or arbitration, either as plaintiff or defendant, which has a material effect on the financial position of the Company or any of its subsidiaries and the Board is not aware of any proceeding pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect the position or business of the Company or any of its subsidiaries.

27. Earnings Per Share

Basic earnings per share is calculated by dividing the Group's profit for the period and the savings of interest on ICPS (liability portion) by the weighted average number of ordinary shares outstanding of 112,868,811. According to FRS 133: Earnings Per Share, ordinary shares that will be issued upon the conversion of a mandatory convertible instrument are included in the calculation of basic earnings per share.

As such, the basic earnings per share and the diluted earnings per share of the Group are the same.

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>30 Sept 2007</u>	Preceding Year Corresponding Quarter <u>30 Sept 2006</u>	Current Year To Date <u>30 Sept 2007</u>	Preceding Year Corresponding Year To Date <u>30 Sept 2006</u>
Profit for the period (RM'000)	6,362	2,468	20,965	10,235
Add: Savings of ICPS interest (liability portion) (RM'000)	39	(9)	155	209
Profit for the period attributable to equity holders of the Company upon conversion of ICPS (RM'000)	<u>6,401</u>	<u>2,459</u>	<u>21,120</u>	<u>10,444</u>
Number of ordinary shares in issue ('000)	88,147	88,072	88,140	88,072
Effect of full conversion of ICPS ('000)	24,728	24,803	24,728	24,803
Weighted average number of ordinary shares ('000)	<u>112,875</u>	<u>112,875</u>	<u>112,868</u>	<u>112,875</u>
Basic earnings per share (sen)	<u>5.67</u>	<u>2.18</u>	<u>18.71</u>	<u>9.25</u>
Fully diluted earnings per share (sen)	<u>5.67</u>	<u>2.18</u>	<u>18.71</u>	<u>9.25</u>

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 27 November 2007.

By Order of the Board of Directors
APB RESOURCES BERHAD (564838-V)

CHEOK KIM CHEE (LS: 000012)
Company Secretary
27 November 2007