

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 2007.

The preparation of an interim financial statement 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 2007.

Annual Financial Statements for the financial year ended 30 September 2007 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 2007 were prepared in accordance with applicable approved accounting standards in Malaysia.

3. Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the Company's Annual Financial Statements for the financial year ended 30 September 2007 was not subject to any qualification.

4. Comments about Seasonal and/or Cyclical Factors

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

5. 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.

6. 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.

7. 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.

8. Dividend

There were no dividend proposed or paid during the current quarter and financial year-to-date.

9. 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 Period Ended 31 December 2007</u>					
<u>Revenue</u>					
External sales	47,375	973	668		49,016
Inter-segment sales	-	838	-	(838)	-
Total - Revenue	47,375	1,811	668	(838)	49,016
<u>Results</u>					
Segment profit/(loss)	6,264	445	(173)		6,536
(Less): Unallocated costs					(574)
Results from operating activities					5,962
(Less):					
Interest income					327
Finance costs					(147)
Operating profit / profit before taxation					6,142
(Less): Tax expense					(1,690)
Profit for the year					4,452

10. 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.

11. Subsequent Material Events

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

12. 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.

13. Contingent Liabilities

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

14. Capital Commitments

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

15. 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>	
	Current Year Quarter <u>31 Dec 2007</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2006</u> RM'000	Current Year To Date <u>31 Dec 2007</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2006</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	102	102
Technical Resources Sdn Bhd - For purchases of welding consumables and maintenance of equipment	431	286	431	286
TTS Resources Sdn Bhd's subsidiary companies: TTS Transport Sdn Bhd - For transportation charges	144	450	144	450
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	35	43	35	43
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	17	57	17	57
TTS Enterprise Sdn Bhd - For maintenance of equipment	4	23	4	23
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	17	9	17	9

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

16. Review of Performance

The Group's revenue rose 12.1% year-on-year from RM43.7 million to RM49.0 million in line with the continued strong performance of the Group's Fabrication division. However, profit before taxation was only marginally higher due to product mix and the strengthening Ringgit vis-à-vis United States Dollar. The Group's Non-Destructive Testing Services ("NDTS") division has continued to perform in line with the favourable outlook of the domestic fabrication sector. However, the Group's Mechanical, Electrical and Industrial Air-Conditioning ("MEIA") division has continued to incur losses.

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

The Group's has achieved a revenue of RM49.0 million for the current quarter as compared to RM50.2 million for the preceding quarter. However, profit before taxation was 26.5% lower due to lower margin as the preceding quarter has enjoyed an exceptionally high margin arising from superior product mix. Earning was also partially affected by the continued strengthening of the Ringgit versus United States Dollar.

18. Prospects for Current Financial Year

The Fabrication division will continue to be the mainstay and dominant driver of the Group's earnings for the current year. The huge global capital expenditure allocation in recent years for oil and gas production and petro-chemical, oleo-chemical and energy projects which are now in various stages of implementation, will continue to underpin demand for fabrication equipment. Underlying capacity expansion in these sectors is the mainstay of the Fabrication industry.

In line with the favourable outlook of the domestic fabrication sector, the NDTS division is expected to maintain its steady earnings growth trend. However, the Group foresees the MEIA division to be continually challenged by the difficult operating environment in the near to medium term, hence the Group is currently exploring options to exit the MEIA business.

19. Variance of Actual and Forecast Profit

There was no profit forecast or profit guarantee announced during the current quarter and financial year-to-date.

20. Tax Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2007</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2006</u> RM'000	Current Year To Date <u>31 Dec 2007</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2006</u> RM'000
Tax expense	1,690	1,129	1,690	1,129

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.

21. 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.

22. 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.

23. Group's Borrowings

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

	As At	As At
	<u>31 Dec 2007</u> RM '000	<u>30 Sept 2007</u> RM '000
Short term borrowings		
Secured:		
Bankers' acceptances	57	5,179
Bank overdrafts	175	131
Hire purchase liabilities	50	80
Total - Short term borrowings	<u>282</u>	<u>5,390</u>

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

24. Off Balance Sheet Financial Instruments

The Group does not have any forward contract sold which is outstanding as at 31 December 2007.

25. 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.

26. Earnings Per Share

Basic Earnings Per Ordinary Share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, calculated as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2007</u>	Preceding Year Corresponding Quarter <u>31 Dec 2006</u>	Current Year To Date <u>31 Dec 2007</u>	Preceding Year Corresponding Year To Date <u>31 Dec 2006</u>
Net Profit Attributable To Ordinary Shareholders (RM'000)				
Net profit for the period	4,452	4,397	4,452	4,397
(Less):				
Dividend on preference shares - equity component	(216)	(206)	(216)	(206)
Net profit attributable to ordinary shareholders	<u>4,236</u>	<u>4,191</u>	<u>4,236</u>	<u>4,191</u>
Weighted Average Number Of Ordinary Shares ('000)				
Issued ordinary shares at beginning of the period	88,147	88,072	88,147	88,072
Add:				
Effect for conversion of preference shares into ordinary shares	-	32	-	32
Weighted average number of ordinary shares	<u>88,147</u>	<u>88,104</u>	<u>88,147</u>	<u>88,104</u>
Basic earnings per ordinary share (sen)	<u>4.81</u>	<u>4.76</u>	<u>4.81</u>	<u>4.76</u>

Diluted Earnings Per Ordinary Share

The effect of dilution on the earnings per ordinary share arises from the assumption of full conversion of the ICPS and the saving of the 5.5% dividend thereon.

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares, calculated as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2007</u>	Preceding Year Corresponding Quarter <u>31 Dec 2006</u>	Current Year To Date <u>31 Dec 2007</u>	Preceding Year Corresponding Year To Date <u>31 Dec 2006</u>
Net Profit Attributable To Ordinary Shareholders (Diluted) (RM'000)				
Net profit for the period	4,452	4,397	4,452	4,397
Add:				
Dividend on preference shares - liability component	36	39	36	39
Net profit attributable to ordinary shareholders (diluted)	<u>4,488</u>	<u>4,436</u>	<u>4,488</u>	<u>4,436</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000)				
Weighted average number of ordinary shares in issue	88,147	88,104	88,147	88,104
Add:				
Effect for full conversion of preference shares into ordinary shares	24,728	24,728	24,728	24,728
Weighted average number of ordinary shares	<u>112,875</u>	<u>112,832</u>	<u>112,875</u>	<u>112,832</u>
Diluted earnings per ordinary share (sen)	<u>3.98</u>	<u>3.93</u>	<u>3.98</u>	<u>3.93</u>

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 26 February 2008.

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

CHEOK KIM CHEE (LS: 000012)
Company Secretary
26 February 2008