

APB RESOURCES BERHAD
(COMPANY NO.: 564838-V)

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

During the current quarter, on 11 April 2008, the Company had paid a final dividend of 3.0% less 26% tax for the year ended 30 September 2007 and on 25 June 2008, the Company had paid an interim dividend of 3.5% less 26% tax for the year ending 30 September 2008.

Other than the dividends paid on 11 April 2008 and 25 June 2008, the Company has not proposed any additional dividend for 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 ("NDTS")</u> RM'000	<u>Mechanical, Electrical and Industrial Air-Con ditioning ("MEIA")*</u> RM'000	<u>Inter-Company Elimination</u> RM'000	<u>Group</u> RM'000
<u>Financial Period Ended 30 June 2008</u>					
<u>Revenue</u>					
External sales	150,241	2,631	4,326		157,198
Inter-segment sales	-	2,554	-	(2,554)	-
Total - Revenue	150,241	5,185	4,326	(2,554)	157,198
<u>Results</u>					
Segment profit/(loss)	22,600	1,232	(127)		23,705
(Less): Unallocated costs					(2,751)
Results from operating activities					20,954
Add/(less):					
Interest income					1,114
Finance costs					(396)
Operating profit / profit before taxation					21,672
(Less): Tax expense					(6,109)
Profit for the period					15,563

* - The MEIA division results have been consolidated by the Group to the date of its disposal on 30 May 2008, as per Note 12 below.

10. Valuation of Property

The Group adopts a policy to revalue its properties once every five (5) years and the Group had 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

The Company's wholly owned subsidiary company, Era Julung Sdn Bhd, had on 28 March 2008 entered into a Share Purchase Agreement to dispose 500,000 ordinary shares of RM1.00 each representing the entire issued and paid-up share capital in Benmarl Sdn Bhd to Mr. Lim Lye Hock, an Executive Director of the Company, for a cash consideration of RM1.0 million. Era Julung Sdn Bhd had incurred a loss of RM900,397 on the disposal. The disposal had been completed on 30 May 2008.

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>30 June 2008</u> RM'000	Preceding Year Corresponding Quarter <u>30 June 2007</u> RM'000	Current Year To Date <u>30 June 2008</u> RM'000	Preceding Year Corresponding Year To Date <u>30 June 2007</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	306	306
Technical Resources Sdn Bhd - For purchases of welding consumables and maintenance of equipment	1,066	366	1,776	823
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	519	248	1,288	905
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	145	98	190	221
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	222	264	550	472
TTS Enterprise Sdn Bhd - For maintenance of equipment	25	12	33	36
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	4	-	21	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 6.8% year-on-year from RM43.9 million to RM46.9 million. Profit before taxation was higher mainly due to superior product mix. The Group's NDTs division continued to perform in line with the favourable outlook of the domestic fabrication sector. The Group's MEIA division has continued to incur losses and the Company has divested the business (as described within Note 12).

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

The Group's revenue has declined by 23.5% from RM61.3 million for the preceding quarter to RM46.9 million for the current quarter due to slightly softer demand and product mix as the preceding quarter comprised of bulkier product which boosted the revenue. However, profit before taxation was higher by 5.1% due to higher margin arising from superior product mix. Earning was also partially affected by the strengthening of the Ringgit versus United States Dollar.

18. Prospects for Current Financial Year

While the underlying demands for the process equipment fabrication business remain favourable, demands have certainly come-off from the peak of year 2007. The Directors foresees softening in demand as the global market cut-back in capital expenditure as commodity prices weaken. Margins could also come-off from current level.

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>30 June 2008</u> RM'000	Preceding Year Corresponding Quarter <u>30 June 2007</u> RM'000	Current Year To Date <u>30 June 2008</u> RM'000	Preceding Year Corresponding Year To Date <u>30 June 2007</u> RM'000
Tax expense	2,369	1,755	6,109	5,625

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 period and last financial year are as follows:

	As At <u>30 June 2008</u> RM'000	As At <u>30 Sept 2007</u> RM'000
<u>Short term borrowings</u>		
Secured:		
Bankers' acceptances	-	5,179
Bank overdrafts	-	131
Hire purchase liabilities	4	80
Total - Short term borrowings	<u>4</u>	<u>5,390</u>

The above banking facilities 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 has forward contracts sold outstanding as at 20 August 2008. Transactions in foreign currencies are recorded in RM at rates ruling at the transaction dates. There are minimal credit and financial risks as these forward contracts are for hedging purposes and are done with reputable financial institutions.

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 30 June 2008	Preceding Year Corresponding Quarter 30 June 2007	Current Year To Date 30 June 2008	Preceding Year Corresponding Year To Date 30 June 2007
Net Profit Attributable To Ordinary Shareholders (RM'000)				
Net profit for the period	5,589	4,444	15,563	14,603
(Less):				
Dividend on preference shares - equity component	(305)	(210)	(1,281)	(629)
Net profit attributable to ordinary shareholders	<u>5,284</u>	<u>4,234</u>	<u>14,282</u>	<u>13,974</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	-	75	-	61
Weighted average number of ordinary shares	<u>88,147</u>	<u>88,147</u>	<u>88,147</u>	<u>88,133</u>
Basic earnings per ordinary share (sen)	<u>5.99</u>	<u>4.80</u>	<u>16.20</u>	<u>15.86</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 Irredeemable Convertible Preference Shares ("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 potential dilutive of ordinary shares, calculated as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter 30 June 2008	Preceding Year Corresponding Quarter 30 June 2007	Current Year To Date 30 June 2008	Preceding Year Corresponding Year To Date 30 June 2007
Net Profit Attributable To Ordinary Shareholders (Diluted) (RM'000)				
Net profit for the period	5,589	4,444	15,563	14,603
Add:				
Dividend on preference shares - liability component	36	39	108	116
Net profit attributable to ordinary shareholders (diluted)	<u>5,625</u>	<u>4,483</u>	<u>15,671</u>	<u>14,719</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000)				
Weighted average number of ordinary shares in issue	88,147	88,147	88,147	88,133
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>112,875</u>	<u>112,875</u>	<u>112,861</u>
Diluted earnings per ordinary share (sen)	<u>4.98</u>	<u>3.97</u>	<u>13.88</u>	<u>13.04</u>

27. Authorisation for Issue

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

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

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