

**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") 134<sup>2004</sup>: Interim Financial Reporting as issued by Malaysian Accounting Standards Board ("MASB").

The interim financial statements have also 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 134<sup>2004</sup>: 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**

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

For the financial year under review, the Company has paid a final dividend of 3.0% less 26% tax for the financial year ended 30 September 2007 and an interim dividend of 3.5% less 26% tax for the financial year ended 30 September 2008.

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 26% tax which was paid earlier will bring the total dividend to 6.5% less tax for financial year ended 30 September 2008.

## 9. Segmental Information

Primary Segment Analysis  
(Business Segments)

	Fabrication RM'000	Non-Destructive Testing Services ("NDTS") RM'000	Mechanical, Electrical and Industrial Air-Con -ditioning ("MEIA")* RM'000	Inter-Company Elimination RM'000	Group RM'000
<u>Financial Year Ended 30 September 2008</u>					
<u>Revenue</u>					
External sales	200,528	3,524	4,326		208,378
Inter-segment sales	-	2,996	-	(2,996)	-
Total - Revenue	200,528	6,520	4,326	(2,996)	208,378
<u>Results</u>					
Segment profit/(loss)	27,504	1,193	(127)		28,570
(Less): Unallocated costs					(5,563)
Results from operating activities					23,007
Add/(less):					
Interest income					1,721
Finance costs					(484)
Operating profit/profit before taxation					24,244
(Less): Tax expense					(6,365)
Profit for the year					17,879

\* - The MEIA division results had 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 ("Era Julung"), 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. For this disposal, Era Julung incurred a loss of RM1.0 million and the Group recorded a reduction in goodwill on consolidation of RM1.8 million. 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>	
	<u>Current Year Quarter</u> <u>30 Sept 2008</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>30 Sept 2007</u> RM'000	<u>Current Year To Date</u> <u>30 Sept 2008</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>30 Sept 2007</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	408	408
Technical Resources Sdn Bhd - For purchases of welding consumables and maintenance of equipment	595	657	2,371	1,480
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	396	295	1,684	1,200
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	33	48	223	269
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	157	94	707	566
TTS Enterprise Sdn Bhd - For maintenance of equipment	4	7	37	43
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	-	1	21	10

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 fourth (4th) quarter revenue rose 2.0% year-on-year from RM50.2 million to RM51.2 million. However, gross profit was 43.1% lower principally due to provision of RM5.6 million for rectification works on a project of the fabrication division. This accounted for the lower profits before taxation and after taxation for the quarter. If not for the RM5.6 million provision, the results for both fourth (4th) quarter and financial year 2008 would be in line with that of the financial year 2007 corresponding periods. The Group's NDTs division has performed in line with the domestic fabrication sector. The Company has divested its MEIA business (as described within Note 12).

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

Fourth (4th) quarter revenue rose by 9.2% quarter-to-quarter to RM51.2 million on strong orders book built up in first (1st) quarter 2008. However, profit before taxation was lower by 67.8% due to a RM5.6 million provision to rectify a project.

### 18. Prospects for Next Financial Year

The current global financial crisis and slump in commodities prices and demand are starting to impact the process equipment sector as capital expenditures are rapidly being scaled back. The Directors expect demand will continue to soften coupled with gradual thinning of margins. However, the Company will continue to be vigilant on its costs and to stay competitive in bidding for new projects.

## 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 Sept 2008</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sept 2007</u> RM'000	Current Year To Date <u>30 Sept 2008</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sept 2007</u> RM'000
Tax expense	256	1,313	6,365	6,938

The effective tax rates were higher for financial years 2005, 2006 and 2007 because a wholly owned subsidiary of the Company has not received any written confirmation from Lembaga Hasil Dalam Negeri Malaysia ("LHDN") on whether this subsidiary would be entitled to continue claiming for its Reinvestment Allowances. However, on 27 May 2008, this subsidiary has received a written confirmation from LHDN that it is eligible to continue the Reinvestment Allowances benefits to Year of Assessment 2011. These changes have been reflected accordingly within the Condensed Consolidated Statements of Changes in Equity.

## 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 the last financial year are as follows:

	As At <u>30 Sept 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	-	80
Total - Short term borrowings	<u>-</u>	<u>5,390</u>

The banking facilities for last financial year were denominated in Ringgit Malaysia ("RM"). The banking facilities were 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 approximately US\$10.0 million equivalent of forward contracts outstanding as at 20 November 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 <u>30 Sept 2008</u>	Preceding Year Corresponding Quarter <u>30 Sept 2007</u>	Current Year To Date <u>30 Sept 2008</u>	Preceding Year Corresponding Year To Date <u>30 Sept 2007</u>
Net Profit Attributable To Ordinary Shareholders (RM'000)				
Net profit for the period/year	2,328	7,220	17,891	21,823
(Less):				
Dividend on preference shares - equity component	(655)	(209)	(1,631)	(838)
Net profit attributable to ordinary shareholders	<u>1,673</u>	<u>7,011</u>	<u>16,260</u>	<u>20,985</u>
Weighted Average Number Of Ordinary Shares ('000)				
Issued ordinary shares at beginning of the period/year	88,147	86,117	88,147	88,072
Add/(Less):				
Effect for conversion of preference shares into ordinary shares	-	-	-	64
Effect for treasury shares held	-	-	-	(910)
Weighted average number of ordinary shares	<u>88,147</u>	<u>86,117</u>	<u>88,147</u>	<u>87,226</u>
Basic earnings per ordinary share (sen)	<u>1.90</u>	<u>8.14</u>	<u>18.45</u>	<u>24.06</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 <u>30 Sept 2008</u>	Preceding Year Corresponding Quarter <u>30 Sept 2007</u>	Current Year To Date <u>30 Sept 2008</u>	Preceding Year Corresponding Year To Date <u>30 Sept 2007</u>
Net Profit Attributable To Ordinary Shareholders (Diluted) (RM'000)				
Net profit for the period/year	2,328	7,220	17,891	21,823
Add:				
Dividend on preference shares - liability component	24	39	96	155
Net profit attributable to ordinary shareholders (diluted)	<u>2,352</u>	<u>7,259</u>	<u>17,987</u>	<u>21,978</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000)				
Weighted average number of ordinary shares in issue	88,147	86,117	88,147	87,226
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>110,845</u>	<u>112,875</u>	<u>111,954</u>
Diluted earnings per ordinary share (sen)	<u>2.08</u>	<u>6.55</u>	<u>15.94</u>	<u>19.63</u>

## 27. Authorisation for Issue

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

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

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