

**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 2008.

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 2008.

Annual Financial Statements for the financial year ended 30 September 2008 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 2008 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 2008 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**

The Company's additional 24,728,495 new ordinary shares of RM1.00 each arising from the conversion of 24,728,495 Irredeemable Convertible Preference Shares has been granted listing and quotation with effect from 9.00 a.m., Friday, 10 April 2009.

## 8. Dividend

During the current quarter, on 11 March 2009, the Company had paid a final dividend of 3.0% less 25% tax for the year ended 30 September 2008.

In addition, the Board of Directors have declared an interim dividend of 3.5% less 25% tax for the year ending 30 September 2009, which will be paid on 26 June 2009.

## 9. Segmental Information

Primary Segment Analysis  
(Business Segments)

	<u>Fabrication</u> RM'000	Non-Destructive Testing Services ("NDTS") RM'000	Inter-Company <u>Elimination</u> RM'000	<u>Group</u> RM'000
<u>Financial Period Ended 31 March 2009</u>				
<u>Revenue</u>				
External sales	73,362	1,825		75,187
Inter-segment sales	12,918	1,248	(14,166)	-
Total - Revenue	<u>86,280</u>	<u>3,073</u>	<u>(14,166)</u>	<u>75,187</u>
<u>Results</u>				
Segment profit	8,583	569		9,152
(Less): Unallocated costs				<u>(756)</u>
Results from operating activities				8,396
Add/(less):				
Interest income				817
Finance costs				<u>(225)</u>
Operating profit/profit before taxation				8,988
(Less): Tax expense				<u>(2,437)</u>
Profit for the period				<u><u>6,551</u></u>

## 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

The Company had announced on 1 April 2009 that its wholly-owned subsidiary, Amalgamated Metal Corporation (M) Sdn Bhd ("AMC"), had on 1 April 2009 entered into a Sale and Purchase Agreement with Titian Terbit Sdn Bhd ("TTSB") for the acquisition of a parcel of leasehold industrial land with existing buildings held under TTSB, for an aggregate purchase consideration of Ringgit Malaysia Twenty Three Million (RM23,000,000) only ("Proposed Acquisition").

## 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

Subsequent to the end of the current quarter, the Company's wholly-owned subsidiary, AMC, had contracted to acquire a parcel of leasehold industrial land with existing buildings for an aggregate purchase consideration of Ringgit Malaysia Twenty Three Million (RM23,000,000) only. This Proposed Acquisition is expected to be completed in the third (3rd) quarter of 2009.

## 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>31 Mar 2009</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>31 Mar 2008</u> RM'000	<u>Current Year To Date</u> <u>31 Mar 2009</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>31 Mar 2008</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	204	204
Technical Resources Sdn Bhd - For purchases of welding consumables and maintenance of equipment	113	279	305	710
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	548	625	1,006	769
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	45	10	53	45
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	233	236	466	328
TTS Enterprise Sdn Bhd - For maintenance of equipment	15	4	21	8
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	-	-	25	17

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 second (2nd) quarter revenue declined 26.9% year-on-year from RM58.7 million to RM42.9 million due to slower global demand for process equipment. The lower revenue has resulted in lower profits before taxation and after taxation for the quarter. The Group's NDTs division has performed in line with the domestic fabrication sector. (Please refer to Note 18, prospects for current financial year.)

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

Second (2nd) quarter revenue improved by 32.8% quarter-to-quarter to RM42.9 million. However, gross profit margin slipped from 18.4% to 13.7% from increased competition and changes in product mix. As a result, profit before taxation was 2.7% lower.

### 18. Prospects for Current Financial Year

The current global financial crisis and slump in commodities prices and demand have affected 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>31 Mar 2009</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2008</u> RM'000	Current Year To Date <u>31 Mar 2009</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2008</u> RM'000
Tax expense	1,269	2,050	2,437	3,740

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 other than as disclosed by Note 14, Capital Commitments.

## 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 has no outstanding borrowing as at the end of the current quarter and the last financial year.

## 24. Off Balance Sheet Financial Instruments

The Group has approximately US\$4.4 million equivalent of forward contracts outstanding as at 19 May 2009. Transactions in foreign currencies are recorded in Ringgit Malaysia 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 was based on the 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 Mar 2009</u>	Preceding Year Corresponding Quarter <u>31 Mar 2008</u> (Restated)	Current Year To Date <u>31 Mar 2009</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2008</u> (Restated)
Profit Attributable To Ordinary Shareholders (RM'000):				
Profit for the period				
- Continuing operations	3,371	5,463	6,551	10,091
- Discontinued operation	-	59	-	(117)
	<u>3,371</u>	<u>5,522</u>	<u>6,551</u>	<u>9,974</u>
(Less): Dividend on preference shares' equity component				
- Continuing operations	(328)	(392)	(657)	(608)
- Discontinued operation	-	-	-	-
	<u>(328)</u>	<u>(392)</u>	<u>(657)</u>	<u>(608)</u>
Net profit attributable to ordinary shareholders				
- Continuing operations	3,043	5,071	5,894	9,483
- Discontinued operation	-	59	-	(117)
	<u>3,043</u>	<u>5,130</u>	<u>5,894</u>	<u>9,366</u>

Weighted Average Number Of Ordinary Shares ('000):				
Issued ordinary shares at beginning of period	88,147	88,147	88,147	88,147
(Less): Effect of treasury shares held	(2,030)	(2,030)	(2,030)	(2,030)
Add: Effect from conversion of preference shares into ordinary shares	550	-	272	-
Weighted average number of ordinary shares	<u>86,667</u>	<u>86,117</u>	<u>86,389</u>	<u>86,117</u>

Basic earnings per ordinary share (sen)				
Continuing operations	3.51	5.89	6.82	11.01
Discontinued operation	-	0.07	-	(0.14)
	<u>3.51</u>	<u>5.96</u>	<u>6.82</u>	<u>10.88</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 was based on the 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>	
	<u>Current Year Quarter</u> <u>31 Mar 2009</u>	<u>Preceding Year Corresponding Quarter</u> <u>31 Mar 2008</u> (Restated)	<u>Current Year To Date</u> <u>31 Mar 2009</u>	<u>Preceding Year Corresponding Year To Date</u> <u>31 Mar 2008</u> (Restated)
Profit Attributable To Ordinary Shareholders (Diluted) (RM'000):				
Profit for the period				
- Continuing operations	3,371	5,463	6,551	10,091
- Discontinued operation	-	59	-	(117)
	<u>3,371</u>	<u>5,522</u>	<u>6,551</u>	<u>9,974</u>
Add: Dividend on preference shares' liability component				
- Continuing operations	12	36	23	72
- Discontinued operation	-	-	-	-
	<u>12</u>	<u>36</u>	<u>23</u>	<u>72</u>
Net profit attributable to ordinary shareholders (diluted)				
- Continuing operations	3,383	5,499	6,574	10,163
- Discontinued operation	-	59	-	(117)
	<u>3,383</u>	<u>5,558</u>	<u>6,574</u>	<u>10,046</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000):				
Weighted average number of ordinary shares in issue	86,667	86,117	86,389	86,117
Add: Effect from conversion of preference shares into ordinary shares	24,178	24,728	24,456	24,728
Weighted average number of ordinary shares (diluted)	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>
Diluted earnings per ordinary share (sen)				
Continuing operations	3.05	4.96	5.93	9.17
Discontinued operation	-	0.05	-	(0.11)
	<u>3.05</u>	<u>5.01</u>	<u>5.93</u>	<u>9.06</u>

## 27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 26 May 2009.

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

CHEOK KIM CHEE (LS: 000012)  
Company Secretary  
26 May 2009