

**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 Main Market 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**

There were no issuance or repayment of debt and equity securities during the current quarter.

For the financial year-to-date, the Company's 24,728,495 new ordinary shares of RM1.00 each arising from the conversion of 24,728,495 Irredeemable Convertible Preference Shares have been granted listing and quotation with effect from 9.00 a.m., Friday, 10 April 2009.

## 8. Dividend

For the financial year under review, the Company has paid a final dividend of 3.0% less 25% tax for the financial year ended 30 September 2008 and an interim dividend of 3.5% less 25% tax for the financial year ended 30 September 2009.

The Board has recommended a final dividend of 3.0% less 25% 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 25% tax which was paid earlier will bring the total dividend to 6.5% less tax for financial year ended 30 September 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 Year Ended 30 September 2009</u>				
<u>Revenue</u>				
External sales	159,233	3,445		162,678
Inter-segment sales	32,007	2,607	(34,614)	-
Total - Revenue	191,240	6,052	(34,614)	162,678
<u>Results</u>				
Segment profit	28,466	1,073		29,539
(Less): Unallocated costs				(2,557)
Results from operating activities				26,982
Add/(less):				
Interest income				1,227
Finance costs				(303)
Operating profit/profit before taxation				27,906
(Less): Tax expense				(4,420)
Profit for the year				23,486

## 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

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

During the previous quarter, the Company's wholly-owned subsidiary, Amalgamated Metal Corporation (M) Sdn Bhd ("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 was completed in 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 2009</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>30 Sept 2008</u> RM'000	<u>Current Year To Date</u> <u>30 Sept 2009</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>30 Sept 2008</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	352	2,371
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	322	396	1,864	1,684
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	60	33	235	223
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	224	157	768	707
TTS Enterprise Sdn Bhd - For maintenance of equipment	4	4	33	37
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	-	-	29	21

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

Fourth (4th) quarter 2009 revenue of RM42.3 million was marginally higher than fourth (4th) quarter 2008, however for the financial year 2009 it was 18.2% lower than prior year on softer global demand for process equipment resulting from lower capital expenditure particularly in the oil and gas sector. Gross margin was maintained for financial year 2009 despite the more difficult operating condition but the gross profit dropped 18.7% to RM33.9 million from RM41.7 million for financial year 2008 on lower turnover.

Notwithstanding the lower gross profit, the Group maintained profit before taxation at RM27.9 million (financial year 2008 was RM27.2 million) mainly due to a RM4.2 million write-back and foreign exchange gain of RM4.3 million. The write-back was on provision for rework due to technical problems for an equipment which the client has managed to claim on the insurance cover and has subsequently compensated a subsidiary of the Company. The foreign exchange gain was largely due to the weakening Malaysian Ringgit vis-à-vis United States Dollar. Higher tax allowances from the acquisition of a parcel of leasehold industrial land with existing buildings have reduced the effective tax rate resulting in profit after taxation of RM23.5 million, a 16.3% increase from RM20.2 million for financial year 2008.

The Group's NDTs division has performed in line with the sector with a 11.1% decline in profit after taxation to RM0.8 million from RM0.9 million for financial year 2008.

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

Fourth (4th) quarter 2009 revenue declined by 6.5% quarter-on-quarter to RM42.3 million while gross profit dropped by 28.7% from RM12.9 million to RM9.2 million. The dropped in gross profit is principally due to lower revenue, RM2.6 million write-back of provision in third (3rd) quarter 2009 and more favourable product mix in the previous quarter. However, the tax allowances taken up in fourth (4th) quarter 2009 has resulted in a tax credit of RM2.1 million vis-à-vis RM4.1 million tax charge for third (3rd) quarter 2009 and this has resulted in higher profit after taxation of RM10.6 million for fourth (4th) quarter 2009 against RM6.3 million for third (3rd) quarter 2009.

## 18. Prospects for Next Financial Year

Although current global financial crisis and commodities prices have stabilised, these have not translated into increase capital expenditure for process equipment. The Directors expect next year to be a challenging year.

## 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>	
	<u>Current Year</u> <u>Quarter</u> <u>30 Sept 2009</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>30 Sept 2008</u> RM'000	<u>Current</u> <u>Year</u> <u>To Date</u> <u>30 Sept 2009</u> RM'000	<u>Preceding Year</u> <u>Corresponding</u> <u>Year To Date</u> <u>30 Sept 2008</u> RM'000
<u>Tax expense</u>				
Current year	(2,085)	621	3,022	6,730
Under provision in prior years	-	318	1,398	318
	<u>(2,085)</u>	<u>939</u>	<u>4,420</u>	<u>7,048</u>

The Group has provided for income tax for profitable subsidiaries whereby these profits cannot be set-off against loss made by a subsidiary 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\$3.1 million equivalent of forward contracts outstanding as at 18 November 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>30 Sept 2009</u>	Preceding Year Corresponding Quarter <u>30 Sept 2008</u> (Restated)	Current Year To Date <u>30 Sept 2009</u>	Preceding Year Corresponding Year To Date <u>30 Sept 2008</u> (Restated)
<b>Profit Attributable To Ordinary Shareholders (RM'000):</b>				
Profit for the period/year				
- Continuing operations	10,610	4,461	23,486	20,159
- Discontinued operation	-	(2,637)	-	(2,772)
	<u>10,610</u>	<u>1,824</u>	<u>23,486</u>	<u>17,387</u>
<b>(Less): Dividend on preference shares' equity component</b>				
- Continuing operations	-	(718)	(569)	(1,631)
- Discontinued operation	-	-	-	-
	<u>-</u>	<u>(718)</u>	<u>(569)</u>	<u>(1,631)</u>
<b>Net profit attributable to ordinary shareholders</b>				
- Continuing operations	10,610	3,743	22,917	18,528
- Discontinued operation	-	(2,637)	-	(2,772)
	<u>10,610</u>	<u>1,106</u>	<u>22,917</u>	<u>15,756</u>
<b>Weighted Average Number Of Ordinary Shares ('000):</b>				
Issued ordinary shares at beginning of period/year	112,875	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	-	-	12,534	-
Weighted average number of ordinary shares	<u>110,845</u>	<u>86,117</u>	<u>98,651</u>	<u>86,117</u>
<b>Basic earnings per ordinary share (sen)</b>				
- Continuing operations	9.57	4.35	23.23	21.51
- Discontinued operation	-	(3.06)	-	(3.22)
	<u>9.57</u>	<u>1.28</u>	<u>23.23</u>	<u>18.30</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>	
	Current Year Quarter <u>30 Sept 2009</u>	Preceding Year Corresponding Quarter <u>30 Sept 2008</u> (Restated)	Current Year To Date <u>30 Sept 2009</u>	Preceding Year Corresponding Year To Date <u>30 Sept 2008</u> (Restated)
<b>Profit Attributable To Ordinary Shareholders (Diluted) (RM'000):</b>				
Profit for the period/year				
- Continuing operations	10,610	4,461	23,486	20,159
- Discontinued operation	-	(2,637)	-	(2,772)
	<u>10,610</u>	<u>1,824</u>	<u>23,486</u>	<u>17,387</u>
<b>Add: Dividend on preference shares' liability component</b>				
- Continuing operations	-	24	23	96
- Discontinued operation	-	-	-	-
	<u>-</u>	<u>24</u>	<u>23</u>	<u>96</u>
<b>Net profit attributable to ordinary shareholders (diluted)</b>				
- Continuing operations	10,610	4,485	23,509	20,255
- Discontinued operation	-	(2,637)	-	(2,772)
	<u>10,610</u>	<u>1,848</u>	<u>23,509</u>	<u>17,483</u>

Weighted Average Number Of Ordinary Shares (Diluted) ('000):				
Weighted average number of ordinary shares in issue	110,845	86,117	98,651	86,117
Add: Effect from conversion of preference shares into ordinary shares	-	24,728	12,194	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	9.57	4.05	21.21	18.27
- Discontinued operation	-	(2.38)	-	(2.50)
	<u>9.57</u>	<u>1.67</u>	<u>21.21</u>	<u>15.77</u>

## 27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 25 November 2009.

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

CHEOK KIM CHEE (LS: 000012)  
Company Secretary  
25 November 2009