

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") 134²⁰⁰⁴: 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 2009.

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 2009.

Annual Financial Statements for the financial year ended 30 September 2009 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 2009 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 2009 was not subjected 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 10 March 2010, the Company had paid a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2009.

In addition, the Board of Directors has declared an interim single tier dividend of 3.5% for the financial year ending 30 September 2010, which will be paid on 22 June 2010.

9. Segmental Information

Primary Segment Analysis (Business Segments)

	<u>Fabrication</u>	<u>Non-Destructive Testing Services ("NDTS")</u>	<u>Inter-Company Elimination</u>	<u>Group</u>
	RM'000	RM'000	RM'000	RM'000
<u>Financial Period Ended 31 March 2010</u>				
<u>Revenue</u>				
External sales	66,089	1,468		67,557
Inter-segment sales	1,241	1,233	(2,474)	-
Total - Revenue	67,330	2,701	(2,474)	67,557
<u>Results</u>				
Segment profit	2,774	537		3,311
(Less): Unallocated costs				(471)
Results from operating activities				2,840
Add / (less):				
Interest income				421
Finance costs				(105)
Operating profit / profit before taxation				3,156
(Less): Tax expense				(897)
Profit for the year				2,259

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

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 Mar 2010</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2009</u> RM'000	Current Year To Date <u>31 Mar 2010</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2009</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	-	305
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	114	548	242	1,006
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	49	45	54	53
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	75	233	150	466
TTS Enterprise Sdn Bhd - For maintenance of equipment	5	15	13	21
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	-	-	-	25

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

Revenue for second (2nd) quarter financial year 2010 ("2Q10") dropped by 10.4% year-on-year to RM38.5 million on continued weakness in the global process equipment industry. Despite the increased competitive operating environment, the Group's gross profit margin was higher at 18.0% (2Q09 : 13.7%) largely due to improved efficiency. However, profit before taxation decreased by 57.5% from RM4.6 million to RM2.0 million, largely due to exchange loss of RM2.0 million (2Q09 : exchange gain of RM2.0 million).

The Group's NDTs division has performed in line with the domestic fabrication sector.

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

2Q10 revenue improved by 32.3% quarter-to-quarter to RM38.5 million while gross profit rose by 80.1% to RM6.9 million on higher revenue and product mix.

18. Prospects for Current Financial Year

Although current global financial crisis and commodities prices have stabilised, demand for process equipment remains weak and the industry is plagued with excess capacity. The Directors expect the current year to be challenging.

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 2010</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2009</u> RM'000	Current Year To Date <u>31 Mar 2010</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2009</u> RM'000
<u>Tax expense</u> Current year	565	1,269	897	2,437

The effective tax rate for the Group is higher than the corporate tax rate due to losses incurred by the Company and certain subsidiaries of the Group.

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 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 US\$985,092 of forward contracts outstanding as at 31 March 2010 and these forward contracts will mature within one (1) year. There are minimal credit and financial risks as these forward contracts are for hedging purposes and are done with a reputable financial institution, and the Group's overall financial risk management objectives and policies together with the accounting policies are similar as those disclosed within the audited financial statements of the Company for the Year Ended 30 September 2009. The Group has provided for unrealised loss on these forward contracts of RM57K as at the end of this reporting quarter.

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 proceedings 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, calculated as follows:

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Mar 2010</u>	Preceding Year Corresponding Quarter <u>31 Mar 2009</u>	Current Year To Date <u>31 Mar 2010</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2009</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Profit for the period	1,407	3,371	2,259	6,551
(Less): Dividend on preference shares' equity component	-	(328)	-	(657)
Net profit attributable to ordinary shareholders	1,407	3,043	2,259	5,894
Weighted Average Number Of Ordinary Shares ('000):				
Issued ordinary shares at beginning of period	112,875	88,147	112,875	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	110,845	86,667	110,845	86,389
Basic earnings per ordinary share (sen)	1.27*	3.51	2.04*	6.82

(* - after the effect from conversion of preference shares into ordinary shares)

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 only applicable for financial year ended 30 September 2009.

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 after adjustment for the effects of all potential dilutive of ordinary shares, calculated as follows:

	Individual Quarter Preceding Year Corresponding Quarter <u>31 Mar 2009</u>	Cumulative Quarter Preceding Year Corresponding Year To Date <u>31 Mar 2009</u>
Profit Attributable To Ordinary Shareholders (Diluted) (RM'000):		
Profit for the period	3,371	6,551
Add: Dividend on preference shares' liability component	12	23
Net profit attributable to ordinary shareholders (diluted)	<u>3,383</u>	<u>6,574</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000):		
Weighted average number of ordinary shares in issue	86,667	86,389
Add: Effect from conversion of preference shares into ordinary shares	24,728	24,728
Weighted average number of ordinary shares (diluted)	<u>111,395</u>	<u>111,117</u>
Diluted earnings per ordinary share (sen)	<u>3.04</u>	<u>5.92</u>

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 24 May 2010.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
24 May 2010