

**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 2009.

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 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 22 June 2010, the Company had paid an interim single tier dividend of 3.5% in respect of the financial year ending 30 September 2010.

Other than the dividend paid on 22 June 2010, 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	Non-Destructive Testing Services <u>("NDTS")</u> RM'000	Inter-Company <u>Elimination</u> RM'000	<u>Group</u> RM'000
<u>Financial Period Ended 30 June 2010</u>				
<u>Revenue</u>				
External sales	99,388	2,218		101,606
Inter-segment sales	3,396	1,843	(5,239)	-
Total - Revenue	102,784	4,061	(5,239)	101,606
<u>Results</u>				
Segment profit	3,008	869		3,877
(Less): Unallocated costs				(642)
Results from operating activities				3,235
Add / (less):				
Interest income				621
Finance costs				(161)
Operating profit / profit before taxation				3,695
(Less): Tax expense				(1,081)
Profit for the period				2,614

## 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>	
	<u>Current Year Quarter</u> <u>30 Jun 2010</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>30 Jun 2009</u> RM'000	<u>Current Year To Date</u> <u>30 Jun 2010</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>30 Jun 2009</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	-	47	-	352
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	123	536	365	1,542
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	112	122	166	175
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	103	78	128	544
TTS Enterprise Sdn Bhd - For maintenance of equipment	4	8	17	29
TTS Teknik Sdn Bhd - For services rendered on machining and processing works	-	4	-	29

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 third (3rd) quarter financial year 2010 ("3Q10") dropped by 24.7% year-on-year to RM34.0 million on continued weakness in the global process equipment industry. Excess capacity also squeezed the gross profit margin to 13.9% from 28.5% in 3Q09. These, together with exchange loss of RM1.3 million (3Q09 : exchange gain of RM0.3 million) largely accounted for the sharp decline in profit before taxation from RM10.4 million in 3Q09 to RM0.5 million this quarter (3Q09 also benefited from write-back of provision of RM2.6 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

3Q10 revenue dropped by 7.6% quarter-to-quarter to RM34.0 million and gross profit reduced by 31.5% to RM4.7 million on lower revenue and margin.

### 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>30 Jun 2010</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2009</u> RM'000	Current Year To Date <u>30 Jun 2010</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Jun 2009</u> RM'000
<u>Tax expense</u>				
Current year	184	4,068	1,081	6,505

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 does not have any forward contract sold which is outstanding as at 30 June 2010.

## 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>30 Jun 2010</u>	Preceding Year Corresponding Quarter <u>30 Jun 2009</u>	Current Year To Date <u>30 Jun 2010</u>	Preceding Year Corresponding Year To Date <u>30 Jun 2009</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Profit for the period	355	6,325	2,614	12,876
(Less): Dividend on preference shares' equity component	-	-	-	(657)
Net profit attributable to ordinary shareholders	355	6,325	2,614	12,219
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	-	24,728	-	8,424
Weighted average number of ordinary shares	110,845	110,845	110,845	94,541
Basic earnings per ordinary share (sen)	0.32*	5.71	2.36*	12.92

(\* - 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>30 Jun 2009</u>	Cumulative Quarter Preceding Year Corresponding Year To Date <u>30 Jun 2010</u>
Profit Attributable To Ordinary Shareholders (Diluted) (RM'000):		
Profit for the period	6,325	12,876
Add: Dividend on preference shares' liability component	-	23
Net profit attributable to ordinary shareholders (diluted)	<u>6,325</u>	<u>12,899</u>
Weighted Average Number Of Ordinary Shares (Diluted) ('000):		
Weighted average number of ordinary shares in issue	110,845	94,541
Add: Effect from conversion of preference shares into ordinary shares	-	16,304
Weighted average number of ordinary shares (diluted)	<u>110,845</u>	<u>110,845</u>
Diluted earnings per ordinary share (sen)	<u>5.71</u>	<u>11.64</u>

## **27. Authorisation for Issue**

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

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

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