

**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 2010.

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 2010.

Annual Financial Statements for the financial year ended 30 September 2010 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 2010 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 2010 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**

There were no dividend proposed or paid during 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 ("NDTS") RM'000	Inter-Company <u>Elimination</u> RM'000	<u>Group</u> RM'000
<u>Financial Period Ended 31 December 2010</u>				
<u>Revenue</u>				
External sales	26,153	941		27,094
Inter-segment sales	393	555	(948)	-
Total - Revenue	<u>26,546</u>	<u>1,496</u>	<u>(948)</u>	<u>27,094</u>
<u>Results</u>				
Segment profit	922	235		1,157
(Less): Unallocated costs				<u>(180)</u>
Results from operating activities				977
Add / (less):				
Interest income				200
Finance costs				<u>(55)</u>
Operating profit / profit before taxation				1,122
(Less): Tax expense				<u>(326)</u>
Profit for the period				<u><u>796</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

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 Dec 2010</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2009</u> RM'000	Current Year To Date <u>31 Dec 2010</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2009</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	102	102
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	81	128	81	128
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	16	5	16	5
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	77	75	77	75
TTS Enterprise Sdn Bhd - For maintenance of equipment	11	8	11	8

Mr. Yap Kow @ Yap Kim Fah and Mr. Yap Kau @ Yap Yeow Ho are substantial shareholders and Directors of TTS Resources Sdn Bhd.

## PART B: EXPLANATORY NOTES PURSUANT TO LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

### 16. Review of Performance

Revenue for first (1st) quarter financial year 2011 ("1Q11") dropped by 11.8% year-on-year to RM27.1 million on continued weakness in the global process equipment industry. Gross profit margin was at 20.8% for 1Q11 compared to 12.5% for 1Q10, largely due to product mix and the reversal of provision for liquidated and ascertained damages of RM1.0 million. These have resulted in profit before taxation of RM1.1 million as compared to RM1.2 million for 1Q10.

The performance of the Group's NDTs division has sustained despite the weak domestic fabrication sector.

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

Revenue for both 1Q11 and 4Q10 stood at RM27.1 million but gross profit improved 16.5% to RM5.6 million on product mix.

### 18. Prospects

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 Dec 2010</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2009</u> RM'000	Current Year To Date <u>31 Dec 2010</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2009</u> RM'000
<u>Tax expense</u> Current year	326	332	326	332

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 borrowings 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 31 December 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>	
	<u>Current Year</u> <u>Quarter</u> <u>31 Dec 2010</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2009</u>	<u>Current</u> <u>Year</u> <u>To Date</u> <u>31 Dec 2010</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Year To Date</u> <u>31 Dec 2009</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	796	852	796	852
Weighted Average Number Of Ordinary Shares ('000):				
Issued ordinary shares at beginning of period	112,875	112,875	112,875	112,875
(Less): Effect of treasury shares held	(2,030)	(2,030)	(2,030)	(2,030)
Weighted average number of ordinary shares	110,845	110,845	110,845	110,845
Basic earnings per ordinary share (sen)	0.72	0.77	0.72	0.77

## 27. Information on the Breakdown of Realised and Unrealised Profits or Losses

The breakdown of the retained earnings of the Group into realised and unrealised profits or losses is as follows:

	<u>As At</u> <u>31 Dec 2010</u> <u>RM'000</u>	<u>As At</u> <u>30 Sept 2010</u> <u>RM'000</u>
	Total Retained Earnings:	
Realised Profits	94,646	92,954
Unrealised Losses	(4,123)	(3,227)
	90,523	89,727
(Less): Consolidation adjustments	(43,019)	(43,019)
Total retained earnings (distributable)	47,504	46,708

## **28. Authorisation for Issue**

The interim financial statements were authorised for issue by the Board on 24 February 2011.

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

CHEOK KIM CHEE (MACS 00139)  
Company Secretary  
24 February 2011