

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 2010.

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 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

During the current quarter, on 18 April 2011, the Company had paid a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2010.

Other than the dividend paid on 18 April 2011, 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)

	Fabrication	Non-Destructive Testing Services ("NDTS")	Inter-Company Elimination	Group
	RM'000	RM'000	RM'000	RM'000
<u>Financial Period Ended 30 June 2011</u>				
<u>Revenue</u>				
External sales	119,085	2,790		121,875
Inter-segment sales	3,942	1,924	(5,866)	-
Total - Revenue	123,027	4,714	(5,866)	121,875
<u>Results</u>				
Segment profit	9,688	994		10,682
(Less): Unallocated costs				(671)
Results from operating activities				10,011
Add / (less):				
Interest income				666
Finance costs				(259)
Operating profit / profit before taxation				10,418
(Less): Tax expense				(2,906)
Profit for the period				<u>7,512</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>30 Jun 2011</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2010</u> RM'000	Current Year To Date <u>30 Jun 2011</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Jun 2010</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	102	102	306	306
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	447	123	643	365
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	148	112	211	166
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	75	103	227	128
TTS Enterprise Sdn Bhd - For maintenance of equipment	3	4	21	17

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

Third (3rd) quarter financial year 2011 ("3Q11") revenue rose by 81.2% year-on-year to RM61.7 million mainly due to timing of completion of a few high value orders. Gross profit margin improved from 13.9% to 17.4% resulting from a write-back of provision for liquidated and ascertained damages of RM2.9 million in 3Q11 and the favourable product mix. The 3Q11 also incurred lower exchange loss of RM0.1 million compared to RM1.2 million during the same period last year. These contributed to the sharp rise in profit before taxation of RM7.5 million from RM0.5 million previously.

The performance of the Group's NDTs division is in line with the industry.

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

Revenue for 3Q11 increased by 86.5% to RM61.7 million from RM33.1 million for 2Q11 and together with the write-back of provision for liquidated and ascertained damages and the favourable product mix accounted for the 64.9% increase in gross profit to RM10.7 million. The 3Q11 also incurred lower exchange loss of RM0.1 million compared to RM1.9 million in the previous quarter. These contributed to the rise in profit after taxation from RM1.3 million to RM5.4 million quarter-on-quarter.

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>30 Jun 2011</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2010</u> RM'000	Current Year To Date <u>30 Jun 2011</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Jun 2010</u> RM'000
Tax expense	2,054	184	2,906	1,081

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. Financial Instruments

The Group's outstanding forward foreign currency exchange contracts as at 30 June 2011 are as follows:

	<u>Notional Value</u>	<u>Fair Value</u>	<u>Loss on Fair Value Changes</u>
	RM'000	RM'000	RM'000
Less than one (1) year	7,568	7,512	(56)

The credit, market and liquidity risks associated with the forward foreign currency exchange contracts and the policies for mitigating and controlling such risks were disclosed in the preceding year's audited financial statements.

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 30 Jun 2011	Preceding Year Corresponding Quarter 30 Jun 2010	Current Year To Date 30 Jun 2011	Preceding Year Corresponding Year To Date 30 Jun 2010
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	5,349	355	7,456	2,614
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)	4.83	0.32	6.73	2.36

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:

	As At 30 Jun 2011 RM'000	As At 30 Sept 2010 RM'000
Total Retained Earnings:		
Realised Profits	97,520	92,954
Unrealised Losses	(3,662)	(3,227)
	93,858	89,727
(Less): Consolidation adjustments	(43,019)	(43,019)
Total retained earnings (distributable)	50,839	46,708

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 18 August 2011.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
18 August 2011