

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 2011.

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 2011.

Annual Financial Statements for the financial year ended 30 September 2011 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 2011 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 2011 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

Business Segments

	<u>Fabrication</u>	<u>Non-Destructive</u>	<u>Elimination</u>	<u>Consolidated</u>
	<u>RM'000</u>	<u>Testing ("NDT")</u>	<u>RM'000</u>	<u>RM'000</u>
		<u>RM'000</u>		
<u>Financial Period Ended 31 December 2011</u>				
<u>Revenue</u>				
Total external revenue	55,654	996		56,650
Inter-segment revenue	2,189	374	(2,563)	-
Total segment revenue	57,843	1,370	(2,563)	56,650
<u>Results</u>				
Segment result	1,720	173		1,893
(Less): Unallocated expenses				(135)
Results from operating activities				1,758
Add / (less):				
Interest income				252
Finance costs				(113)
Operating profit / profit before taxation				1,897
(Less): Tax expense				(501)
Profit for the period				1,396

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>31 Dec 2011</u> RM'000	<u>Preceding Year Corresponding Quarter</u> <u>31 Dec 2010</u> RM'000	<u>Current Year To Date</u> <u>31 Dec 2011</u> RM'000	<u>Preceding Year Corresponding Year To Date</u> <u>31 Dec 2010</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	363	81	363	81
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	51	16	51	16
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	83	77	83	77
TTS Enterprise Sdn Bhd - For maintenance of equipment	15	11	15	11

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

The first (1st) quarter financial year 2012 ("1Q12") revenue of RM56.6 million was 109.1% higher than RM27.1 million achieved in 1Q11 largely because of successful marketing effort. However, margins were squeezed by intense competition which saw gross profit margin slump from 20.8% to 10.0% over the period. The reversal of RM1.98 million of provision for liquidated and ascertained damages has assisted the Group to record a gross profit of RM5.7 million for 1Q12. Lower exchange loss of RM0.8 million (RM2.1 million for 1Q11) also contributed to the higher profit before taxation of RM1.9 million.

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

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

Revenue for 1Q12 increased by 20.5% to RM56.6 million from RM47.0 million for 4Q11. Gross profit margin improved from 6.8% to 10.0% mainly due to reversal of provision for liquidated and ascertained damages. The 1Q12 incurred exchange loss of RM0.78 million (exchange gain of RM0.9 million in 4Q11). Profit after taxation was marginally lower at RM1.4 million versus RM1.5 million previously.

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. Profit for the Period

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2011</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2010</u> RM'000	Current Year To Date <u>31 Dec 2011</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2010</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,241)	(1,283)	(1,241)	(1,283)
Interest income	252	200	252	200
Net loss on foreign exchange	(782)	(2,124)	(782)	(2,124)
Net reversal of provision for liquidated and ascertained damages	1,985	1,042	1,985	1,042
Reversal of allowance for impairment losses	51	17	51	17

Save as disclosed above, the other items as required under Appendix 9B, Part A(16) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad are not applicable.

21. Tax Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2011</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2010</u> RM'000	Current Year To Date <u>31 Dec 2011</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2010</u> RM'000
<u>Tax expense</u>				
Current year	(501)	(326)	(501)	(326)

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.

22. 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.

23. 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.

24. Group's Borrowings

The Group has no outstanding borrowing as at the end of the current quarter and the last financial year.

25. Financial Instruments

The Group's outstanding forward foreign currency exchange contracts as at 31 December 2011 are as follow:

	<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	8,574	8,130	(444)

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.

26. 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.

27. 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 Dec 2011</u>	Preceding Year Corresponding Quarter <u>31 Dec 2010</u>	Current Year To Date <u>31 Dec 2011</u>	Preceding Year Corresponding Year To Date <u>31 Dec 2010</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	1,396	796	1,396	796
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	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>
Basic earnings per ordinary share (sen)	<u>1.26</u>	<u>0.72</u>	<u>1.26</u>	<u>0.72</u>

28. 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	As At
	<u>31 Dec 2011</u>	<u>30 Sept 2011</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	100,662	98,768
Unrealised Losses	<u>(3,875)</u>	<u>(3,377)</u>
	96,787	95,391
(Less): Consolidation adjustments	<u>(43,019)</u>	<u>(43,019)</u>
Total retained earnings (distributable)	<u>53,768</u>	<u>52,372</u>

29. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 21 February 2012.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
21 February 2012