

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

At the Company's Annual General Meeting held on 22 March 2012, Members of the Company had approved a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2011. This dividend had been paid on 18 April 2012.

In addition, the Board of Directors has declared an interim single tier dividend of 3.5% for the financial year ending 30 September 2012, which will be paid on 22 June 2012.

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 March 2012</u>				
<u>Revenue</u>				
Total external revenue	125,742	2,095		127,837
Inter-segment revenue	2,674	700	(3,374)	-
Total segment revenue	128,416	2,795	(3,374)	127,837
<u>Results</u>				
Segment result	3,534	388		3,922
(Less): Unallocated expenses				(230)
Results from operating activities				3,692
Add / (less):				
Interest income				435
Finance costs				(266)
Operating profit / profit before taxation				3,861
(Less): Tax expense				(1,006)
Profit for the period				2,855

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	Preceding Year	Current	Preceding Year
	Year	Corresponding	Year	Corresponding
	Quarter	Quarter	To Date	Year To Date
	<u>31 Mar 2012</u>	<u>31 Mar 2011</u>	<u>31 Mar 2012</u>	<u>31 Mar 2011</u>
	RM'000	RM'000	RM'000	RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	102	102	204	204
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	396	115	759	196
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	61	47	112	63
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	125	75	208	152
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	4	7	19	18

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

Despite a sharp increase in revenue of 115.1% from RM33.1 million in 2Q11 to RM71.2 million this quarter (2Q12), the Group's profit before taxation remained unchanged at RM2.0 million. This is mainly because the Group has been very aggressive in marketing for projects and forgoing margins in order to secure more contracts. Different product mix also contributed to overall decline in gross profit margin from 19.6% in 2Q11 to 8.4% in 2Q12. Higher provision for liquidated and ascertained damages of RM0.25 million versus RM0.04 million previously has also affected the Group's gross profit. However, the quarter benefitted from lower exchange loss of RM0.7 million against RM1.9 million in 2Q11.

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 2Q12 increased by 25.7% to RM71.2 million from RM56.6 million for 1Q12. Gross profit margin dropped from 10.0% to 8.4% mainly due to the provision for liquidated and ascertained damages during 2Q12. The 2Q12 incurred exchange loss of RM0.7 million (exchange loss of RM0.8 million in 1Q11). Profit after taxation was marginally higher at RM1.5 million versus RM1.4 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 Mar 2012</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2011</u> RM'000	Current Year To Date <u>31 Mar 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2011</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,175)	(1,179)	(2,416)	(2,462)
Interest income	183	203	435	403
Net (allowance) / reversal of allowance for impairment losses	8	(174)	59	(157)
Net loss on foreign exchange	(658)	(1,878)	(1,440)	(4,002)
Net (provision) / reversal of provision for liquidated and ascertained damages	(250)	(36)	1,735	1,006

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 Mar 2012</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2011</u> RM'000	Current Year To Date <u>31 Mar 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2011</u> RM'000
<u>Tax expense</u> Current year	(505)	(560)	(1,006)	(886)

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 does not have any forward contract sold which is outstanding as at 31 March 2012.

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 Mar 2012</u>	Preceding Year Corresponding Quarter <u>31 Mar 2011</u>	Current Year To Date <u>31 Mar 2012</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2011</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	<u>1,459</u>	<u>1,413</u>	<u>2,855</u>	<u>2,209</u>
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>1.32</u>	<u>1.27</u>	<u>2.58</u>	<u>1.99</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 Mar 2012</u>	<u>30 Sept 2011</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	99,282	98,768
Unrealised Losses	<u>(4,361)</u>	<u>(3,377)</u>
	94,921	95,391
(Less): Consolidation adjustments	<u>(43,019)</u>	<u>(43,019)</u>
Total retained earnings (distributable)	<u>51,902</u>	<u>52,372</u>

29. Authorisation for Issue

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

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

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