

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

On 22 June 2012, the Company had paid an interim single tier dividend of 3.5% in respect of the financial year ending 30 September 2012.

Other than the dividend paid on 22 June 2012, the Company has not proposed any additional dividend for 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 30 June 2012</u>				
<u>Revenue</u>				
Total external revenue	174,430	3,260		177,690
Inter-segment revenue	<u>3,634</u>	<u>1,191</u>	<u>(4,825)</u>	<u>-</u>
Total segment revenue	178,064	4,451	(4,825)	177,690
<u>Results</u>				
Segment result	4,886	587		5,473
(Less): Unallocated expenses				<u>(388)</u>
Results from operating activities				5,085
Add / (less):				
Interest income				538
Finance costs				<u>(276)</u>
Operating profit / profit before taxation				5,347
(Less): Tax expense				<u>(1,409)</u>
Profit for the period				<u><u>3,938</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	Preceding Year	Current	Preceding Year
	Year	Corresponding	Year	Corresponding
	Quarter	Quarter	To Date	Year To Date
	<u>30 Jun 2012</u>	<u>30 Jun 2011</u>	<u>30 Jun 2012</u>	<u>30 Jun 2011</u>
	RM'000	RM'000	RM'000	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	349	447	1,108	643
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	89	148	201	211
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	91	75	299	227
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	12	3	31	21

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 third (3rd) quarter financial year 2012 ("3Q12") dropped by 19.2% year-on-year to RM49.9 million mainly due to the timing of completion of a few major projects. However, year-to-date 2012 revenue rose by 45.8% to RM177.7 million from RM121.9 million previously. The Group's 3Q12 earning was significantly lower due to a slump in gross profit margin from 17.4% in 3Q11 to 7.9% in 3Q12. This was also brought about by compensation to a client arising from a cancellation of a contracted project which the Group would not be able to fulfill its specifications, and a more competitive environment. These have resulted in the decline in profit before taxation from RM7.4 million in 3Q11 to RM1.5 million this quarter. Likewise, profit after taxation was also lower at RM1.1 million (RM5.3 million in 3Q11).

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 3Q12 decreased by 30.0% to RM49.9 million from RM71.2 million for 2Q12 and gross profit margin was flattish at 7.9%. 3Q12 earning benefitted from an exchange gain of RM0.85 million (versus a RM0.66 million loss in 2Q12) but this was off-set by the dropped in revenue over the period. As a result, 3Q12 profit after taxation declined marginally to RM1.1 million from RM1.5 million in 2Q12.

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>30 Jun 2012</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2011</u> RM'000	Current Year To Date <u>30 Jun 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Jun 2011</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,192)	(1,196)	(3,608)	(3,658)
Interest income	103	263	538	666
Net (allowance) / reversal for impairment losses	50	100	109	(57)
Net gain / (loss) on foreign exchange	854	(122)	(586)	(4,124)
Net (provision) / reversal of provision for liquidated and ascertained damages	(812)	2,854	923	3,860

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>30 Jun 2012</u> RM'000	Preceding Year Corresponding Quarter <u>30 Jun 2011</u> RM'000	Current Year To Date <u>30 Jun 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Jun 2011</u> RM'000
<u>Tax expense</u> Current year	(403)	(2,054)	(1,409)	(2,906)

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. 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 2012</u>	Preceding Year Corresponding Quarter <u>30 Jun 2011</u>	Current Year To Date <u>30 Jun 2012</u>	Preceding Year Corresponding Year To Date <u>30 Jun 2011</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	1,083	5,349	3,938	7,456
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>0.98</u>	<u>4.83</u>	<u>3.55</u>	<u>6.73</u>

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	As At
	<u>30 Jun 2012</u>	<u>30 Sept 2011</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	95,729	98,768
Unrealised Losses	<u>(3,605)</u>	<u>(3,377)</u>
	92,124	95,391
(Less): Consolidation adjustments	<u>(43,019)</u>	<u>(43,019)</u>
Total retained earnings (distributable)	<u>49,105</u>	<u>52,372</u>

28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 24 August 2012.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
24 August 2012