

**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 2011.

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 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**

For the financial year under review, the Company had paid on 18 April 2012 a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2011 and had paid on 22 June 2012 an interim single tier dividend of 3.5% in respect of the financial year ended 30 September 2012.

The Board has recommended a final single tier dividend of 3.0% and subject to the approval of the shareholders at the forthcoming Annual General Meeting, will be paid at a date to be determined. Upon approval, together with the interim dividend of 3.5% which was paid earlier will bring the total dividend to 6.5% for financial year ended 30 September 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 Year Ended 30 September 2012</u>				
<u>Revenue</u>				
Total external revenue	222,559	4,788		227,347
Inter-segment revenue	5,492	1,625	(7,117)	-
Total segment revenue	<u>228,051</u>	<u>6,413</u>	<u>(7,117)</u>	<u>227,347</u>
<u>Results</u>				
Segment result	12,681	723		13,404
(Less): Unallocated expenses				<u>(526)</u>
Results from operating activities				12,878
Add / (less):				
Interest income				737
Finance costs				<u>(362)</u>
Operating profit / profit before taxation				13,253
(Less): Tax expense				<u>(4,411)</u>
Profit for the year				<u>8,842</u>

Please refer to Notes No. 16 and No. 17 below for an analysis of the performance of the business segments of the Group.

## 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 2012.

## 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 Sep 2012</u>	<u>30 Sep 2011</u>	<u>30 Sep 2012</u>	<u>30 Sep 2011</u>
	RM'000	RM'000	RM'000	RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	102	102	408	408
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	247	256	1,355	899
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	100	50	301	261
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	92	93	391	320
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	16	11	47	32

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 fourth (4th) quarter financial year 2012 ("4Q12") increased marginally by 5.6% year-on-year to RM49.7 million. Year-to-date 2012 revenue rose by 34.6% to RM227.3 million from RM168.9 million in the preceding year mainly because the Group was successful in securing a few high valued projects during the year. The Group's 4Q12 earning was significantly higher due to an improvement in gross profit margin to 25.3% in 4Q12 from 6.8% in 4Q11. Lower provision for liquidated and ascertained damages of RM0.5 million versus RM3.8 million previously has also contributed to the Group's gross profit. These have resulted in the improvement in profit before taxation from RM0.9 million in 4Q11 to RM8.0 million this quarter. Likewise, profit after taxation was also higher at RM4.9 million (RM1.5 million in 4Q11). Overall, with a profit after taxation of RM8.8 million for the full year, the Group had managed to match at prior year's results despite a more competitive environment.

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 4Q12 decreased by 0.4% to RM49.7 million from RM49.9 million for 3Q12. However, the Group's 4Q12 earning was significantly higher due to an improvement in gross profit margin to 25.3% from 7.9% in 3Q12. The main reason for the sharp improvement in margin was due to the one-off compensation to client in 3Q12 arising from a cancellation of a contracted project which the Group would not be able to fulfill its specifications. Lower provision for liquidated and ascertained damages of RM0.5 million versus RM0.8 million previously has also improved the Group's gross profit. As a result, 4Q12 profit before taxation improved to RM8.0 million from RM1.5 million in 3Q12.

### 18. Prospects

Demand for process equipment remains weak and the industry is plagued with excess capacity. The Directors expect next year to remain 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 / Year

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>30 Sep 2012</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2011</u> RM'000	Current Year To Date <u>30 Sep 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2011</u> RM'000
Profit for the period / year is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,196)	(1,249)	(4,804)	(4,907)
Finance costs	(86)	(72)	(362)	(331)
Interest income	199	333	737	999
Net (allowance) / reversal for impairment losses	(640)	96	(531)	39
Net gain / (loss) on foreign exchange	(35)	1,169	(621)	(2,955)
Net (provision) / reversal of provision for liquidated and ascertained damages	(494)	(3,757)	429	103

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 Sep 2012</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2011</u> RM'000	Current Year To Date <u>30 Sep 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2011</u> RM'000
Current Tax	2,291	(924)	3,700	1,982
Deferred Tax	711	322	711	322
Tax Expense	3,002	(602)	4,411	2,304

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 and to the incurrence of deferred tax liabilities by 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 Sep 2012</u>	Preceding Year Corresponding Quarter <u>30 Sep 2011</u>	Current Year To Date <u>30 Sep 2012</u>	Preceding Year Corresponding Year To Date <u>30 Sep 2011</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	4,904	1,533	8,842	8,989
Weighted Average Number Of Ordinary Shares ('000):				
Issued ordinary shares at beginning of period / year	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>4.42</u>	<u>1.38</u>	<u>7.98</u>	<u>8.11</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 Sept 2012</u>	<u>30 Sept 2011</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	102,680	98,768
Unrealised Losses	(5,652)	(3,377)
	<u>97,028</u>	<u>95,391</u>
(Less): Consolidation adjustments	<u>(43,019)</u>	<u>(43,019)</u>
Total retained earnings (distributable)	<u>54,009</u>	<u>52,372</u>

## 28. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 28 November 2012.

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

CHEOK KIM CHEE (MACS 00139)  
Company Secretary  
28 November 2012