

NOTES TO THE INTERIM FINANCIAL STATEMENTS
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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 Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs").

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 2012.

Annual Financial Statements for the financial year ended 30 September 2012 are available from the Company's registered office.

2. Changes in Accounting Policies

The Group's financial statements for annual period beginning on 1 October 2012 will be prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") issued by the MASB and International Financial Reporting Standards ("IFRSs").

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 2012 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> RM'000	<u>Non-Destructive Testing ("NDT")</u> RM'000	<u>Elimination</u> RM'000	<u>Consolidated</u> RM'000
Financial Period Ended 31 December 2012				
<u>Revenue</u>				
Total external revenue	35,221	674	-	35,895
Inter-segment revenue	-	603	(603)	-
Total segment revenue	<u>35,221</u>	<u>1,277</u>	<u>(603)</u>	<u>35,895</u>
<u>Results</u>				
Segment result	1,278	41		1,319
(Less): Unallocated expenses				<u>(153)</u>
Results from operating activities				1,166
Add / (less):				
Interest income				80
Finance costs				<u>(27)</u>
Operating profit / profit before taxation				1,219
(Less): Tax expense				<u>(336)</u>
Profit for the period				<u><u>883</u></u>

Please refer to Notes No. 15 and No. 16 below for an analysis of the performance of the business segments of the Group.

10. Subsequent Material Events

There were no material events subsequent to the end of the current quarter.

11. 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.

12. Contingent Liabilities

There were no material contingent liabilities for the Group as at the date of this announcement.

13. Capital Commitments

There were no significant capital commitments as at the end of the current quarter.

14. 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>31 Dec 2012</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2011</u> RM'000	Current Year To Date <u>31 Dec 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2011</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	263	363	263	363
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	20	51	20	51
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	103	83	103	83
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	15	15	15	15

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

15. Review of Performance

The first (1st) quarter financial year 2013 ("1Q13") revenue of RM35.9 million was 36.6% lower than RM56.6 million in 1Q12 when the Group was successful in securing a few high value projects. While gross profit margin improved to 14.2% this quarter from 10.0% in 1Q12, it was not sufficient to offset the impact of lower revenue. As a result, profit before taxation decreased from RM1.9 million to RM1.2 million over the period.

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

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

Revenue for 1Q13 decreased by 27.7% to RM35.9 million from RM49.7 million for 4Q12 mainly because the 4Q12 was an extraordinary quarter which yielded a few high value and good margin projects. This also explained why gross profit margin in 4Q12 was exceptionally high at 25.3% versus 14.2% this quarter. The revenue and gross profit margin resulted in the sharp drop in profit after taxation from RM4.9 million in 4Q12 to RM0.9 million in 1Q13.

17. Prospects

The global process equipment industry continues to be soft. The Directors expect the current year to remain highly challenging.

18. Variance of Actual and Forecast Profit

There was no profit forecast or profit guarantee announced during the current quarter and financial year-to-date.

19. Profit for the Period

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2012</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2011</u> RM'000	Current Year To Date <u>31 Dec 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2011</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,232)	(1,241)	(1,232)	(1,241)
Finance costs	(27)	(113)	(27)	(113)
Interest income	80	252	80	252
Net loss on foreign exchange	(427)	(782)	(427)	(782)
Net reversal for impairment losses	-	51	-	51
Net reversal of provision for liquidated and ascertained damages	324	1,985	324	1,985

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.

20. Tax Expense

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>31 Dec 2012</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2011</u> RM'000	Current Year To Date <u>31 Dec 2012</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2011</u> RM'000
<u>Tax expense</u>				
Current year	(336)	(501)	(336)	(501)

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 borrowing as at the end of the current quarter and the last financial year.

24. 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.

25. 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 2012</u>	Preceding Year Corresponding Quarter <u>31 Dec 2011</u>	Current Year To Date <u>31 Dec 2012</u>	Preceding Year Corresponding Year To Date <u>31 Dec 2011</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	883	1,396	883	1,396
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)	0.80	1.26	0.80	1.26

26. 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 <u>31 Dec 2012</u>	As At <u>31 Dec 2011</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	113,518	100,662
Unrealised Losses	(6,603)	(3,875)
	106,915	96,787
(Less): Consolidation adjustments	(43,019)	(43,019)
Total retained earnings (distributable)	63,896	53,768

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 22 February 2013.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
22 February 2013