

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 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

At the Company's Annual General Meeting held on 27 March 2013, Members of the Company had approved a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2012. This dividend had been paid on 25 April 2013.

In addition, the Board of Directors has declared an interim single tier dividend of 3.5% for the financial year ending 30 September 2013, which will be paid on 28 June 2013.

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 March 2013				
<u>Revenue</u>				
Total external revenue	70,437	1,601	-	72,038
Inter-segment revenue	16	1,052	(1,068)	-
Total segment revenue	<u>70,453</u>	<u>2,653</u>	<u>(1,068)</u>	<u>72,038</u>
<u>Results</u>				
Segment result	3,224	291		3,515
(Less): Unallocated expenses				<u>(369)</u>
Results from operating activities				3,146
Add / (less):				
Interest income				324
Finance costs				<u>(95)</u>
Operating profit / profit before taxation				3,375
(Less): Tax expense				<u>(918)</u>
Profit for the period				<u><u>2,457</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 Mar 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2012</u> RM'000	Current Year To Date <u>31 Mar 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2012</u> 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	112	396	375	759
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	47	61	67	112
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	75	125	178	208
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	-	4	15	19

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 second (2nd) quarter financial year 2013 ("2Q13") revenue of RM36.1 million was 49.2% lower than RM71.2 million in the corresponding quarter in 2Q12. However, gross profit margin improved from 8.4% for 2Q12 to 12.4% for 2Q13 mainly because the Group has during 2Q13 completed a number of projects which were smaller in size but these projects had yielded higher margins. Also, the Group recorded a gain of RM292K on its foreign currency transactions as opposed to a loss of RM658K for 2Q12. Consequently, profit before taxation increased marginally from RM2.0 million to RM2.2 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

2Q13 revenue of RM36.1 million was slightly higher than 1Q13 revenue of RM35.9 million while gross profit margin of 12.4% was marginally lower than 1Q13's 14.2%. Notwithstanding the slightly lower gross profit margin, profit before taxation increased from RM1.2 million in 1Q13 to RM2.2 million in 2Q13 lifted by RM264K recovery of doubtful debts and a foreign exchange gain of RM292K (loss of RM427K 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 Mar 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2012</u> RM'000	Current Year To Date <u>31 Mar 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2012</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,229)	(1,175)	(2,461)	(2,416)
Finance costs	(68)	(153)	(95)	(266)
Interest income	244	183	324	435
Net gain / (loss) on foreign exchange	292	(658)	(135)	(1,440)
Net reversal for impairment losses	264	8	264	59
Net (allowance) / reversal of provision for liquidated and ascertained damages	553	(250)	877	1,735

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 Mar 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2012</u> RM'000	Current Year To Date <u>31 Mar 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2012</u> RM'000
<u>Tax expense</u>				
Current year	(582)	(505)	(918)	(1,006)

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 disposed 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 disposed 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 Mar 2013</u>	Preceding Year Corresponding Quarter <u>31 Mar 2012</u>	Current Year To Date <u>31 Mar 2013</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2012</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	1,574	1,459	2,457	2,855
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)	1.42	1.32	2.22	2.58

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 Mar 2013</u>	As At <u>31 Mar 2012</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	111,259	99,282
Unrealised Losses	(6,095)	(4,361)
	105,164	94,921
(Less): Consolidation adjustments	(43,019)	(43,019)
Total retained earnings (distributable)	62,145	51,902

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 29 May 2013.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
29 May 2013