

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 Malaysian Financial Reporting Standards ("MFRSs") 134: Interim Financial Reporting as issued by Malaysian Accounting Standards Board ("MASB") and International Financial Reporting Standards ("IFRSs").

The preparation of an interim financial statement in conformity with MFRS 134: 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

For the financial year under review, the Company had paid on 25 April 2013 a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2012 and had paid on 28 June 2013 an interim single tier dividend of 3.5% in respect of the financial year ended 30 September 2013.

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 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
<u>Financial Year Ended 30 September 2013</u>				
<u>Revenue</u>				
Total external revenue	133,245	3,892	-	137,137
Inter-segment revenue	24	1,582	(1,606)	-
Total segment revenue	<u>133,269</u>	<u>5,474</u>	<u>(1,606)</u>	<u>137,137</u>
<u>Results</u>				
Segment result	13,699	865		14,564
(Less): Unallocated expenses				<u>(618)</u>
Results from operating activities				13,946
Add / (less):				
Interest income				1,027
Finance costs				<u>(361)</u>
Operating profit / profit before taxation				14,612
(Less): Tax expense				<u>(4,131)</u>
Profit for the year				<u><u>10,481</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>30 Sep 2013</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2012</u> RM'000	Current Year To Date <u>30 Sep 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2012</u> RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	185	102	573	408
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	105	247	599	1,355
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	52	100	221	301
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	76	92	330	391
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	21	16	36	47

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

Revenue for fourth (4th) quarter financial year 2013 ("4Q13") declined by 24.4% year-on-year to RM37.5 million. Full year FY 2013 revenue of RM137.1 million was 39.7% lower than RM227.3 million for FY 2012 as the Group was successful in securing a few high value projects. Gross profit margin has also declined to 20.4% for 4Q13 (from 25.3% for 4Q12) even as in 4Q13 the Group has written-back RM1.9 million of provision for liquidated and ascertained damages. Additionally, the Group recorded a gain of RM1.6 million on its foreign currency transactions for 4Q13 as opposed to a loss of RM35,000 for 4Q12, these were not sufficient to offset the impacts of lower revenue and gross profit margin. As a result, profit before taxation decreased from RM7.7 million for 4Q12 to RM5.2 million in 4Q13. However, notwithstanding the lower revenue, the full year FY 2013 profit before taxation at RM14.6 million was higher than FY 2012 of RM13.0 million by 12.0% on higher margin. As a result, profit after taxation rose from RM8.6 million to RM10.5 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

4Q13 revenue of RM37.5 million was higher than 3Q13 revenue of RM27.6 million but gross profit margin slipped from 27.8% for 3Q13 to 20.4% for 4Q13 because the Group has during 3Q13 completed a number of projects which were smaller in size and value but with higher margins. The higher revenue was not sufficient to offset the decline in gross profit margin, as a result, profit before taxation dropped marginally from RM6.0 million to RM5.2 million over the periods.

17. Prospects

The global process equipment industry continues to be soft. The Directors expect next 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 / Year

	<u>Individual Quarter</u>		<u>Cumulative Quarter</u>	
	Current Year Quarter <u>30 Sep 2013</u>	Preceding Year Corresponding Quarter <u>30 Sep 2012</u> (Restated)	Current Year To Date <u>30 Sep 2013</u>	Preceding Year Corresponding Year To Date <u>30 Sep 2012</u> (Restated)
	RM'000	RM'000	RM'000	RM'000
Profit for the period / year is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,191)	(1,400)	(4,891)	(5,008)
Finance costs	(207)	(86)	(361)	(362)
Interest income	438	199	1,027	737
Net allowance for impairment losses	(361)	(640)	(47)	(531)
Net gain / (loss) on foreign exchange	1,555	(35)	3,091	(621)
Net reversal / (allowance) of provision for liquidated and ascertained damages				
	<u>1,950</u>	<u>(494)</u>	<u>4,432</u>	<u>429</u>

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>30 Sep 2013</u>	Preceding Year Corresponding Quarter <u>30 Sep 2012</u>	Current Year To Date <u>30 Sep 2013</u>	Preceding Year Corresponding Year To Date <u>30 Sep 2012</u>
	RM'000	RM'000	RM'000	RM'000
Current Tax	(306)	(2,291)	(2,767)	(3,700)
Deferred Tax	(1,364)	(711)	(1,364)	(711)
Tax Expense	<u>(1,670)</u>	<u>(3,002)</u>	<u>(4,131)</u>	<u>(4,411)</u>

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.

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>30 Sep 2013</u>	Preceding Year Corresponding Quarter <u>30 Sep 2012</u> (Restated)	Current Year To Date <u>30 Sep 2013</u>	Preceding Year Corresponding Year To Date <u>30 Sep 2012</u> (Restated)
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	3,545	4,681	10,481	8,619
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	110,845	110,845	110,845	110,845
Basic earnings per ordinary share (sen)	3.20	4.22	9.46	7.78

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>30 Sep 2013</u>	As At <u>30 Sep 2012</u> (Restated)
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	116,836	110,268
Unrealised Losses	(6,390)	(3,098)
	110,446	107,170
(Less): Consolidation adjustments	(43,019)	(43,019)
Total retained earnings (distributable)	67,427	64,151

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 27 November 2013.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
27 November 2013