

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 2013.

Annual Financial Statements for the financial year ended 30 September 2013 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 2013 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>Others</u> RM'000	<u>Elimination</u> RM'000	<u>Consolidated</u> RM'000
Financial Period Ended 31 December 2013					
Revenue					
Total external revenue	56,852	1,171	-	-	58,023
Inter-segment revenue	-	251	-	(251)	-
Total segment revenue	56,852	1,422	-	(251)	58,023
Results					
Segment profit / (loss)	5,409	96	(184)	-	5,321
Add: Interest income					132
(Less): Finance costs					(62)
Operating profit / profit before taxation					5,391
(Less): Tax expense					(1,379)
Profit for the period					4,012

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 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2012</u> RM'000	Current Year To Date <u>31 Dec 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2012</u> RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	184	102	184	102
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	242	263	242	263
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	20	20	20	20
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	180	103	180	103
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	4	15	4	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 2014 ("1Q14") revenue of RM58.0 million was 61.6% higher than RM35.9 million in 1Q13 as the Group was successful in completing a few high value projects. Although gross profit margin declined from 14.2% for 1Q13 to 11.1% for 1Q14, gross profit improved from RM5.1 million to RM6.4 million over the period. The weakening of the Malaysian Ringgit against the United States Dollar resulted in a foreign currency transactions gain of RM2.1 million in 1Q14 against a loss of RM0.4 million in 1Q13. The foreign currency transactions gain coupled with the improved gross profit resulted in the sharp increase in profit before taxation of RM5.4 million from RM1.2 million in 1Q13.

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

The Group completed a number of high value but relatively low margin projects in 1Q14 while in 4Q13, the projects completed were of smaller value but significantly higher margin. Consequently, 1Q14 revenue of RM58.0 million was 54.6% higher than 4Q13 of RM37.5 million but 4Q13 enjoyed a high gross profit margin of 20.4% as compared to 11.1% in 1Q14. Notwithstanding a substantially high revenue in 1Q14, this quarter gross profit dipped slightly from RM7.7 million in 4Q13 to RM6.4 million. However, the higher foreign currency transactions gain of RM2.1 million as compared to RM1.6 million for 4Q13 have pushed the profit before taxation to RM5.4 million, an improvement of 3.4% over 4Q13 of RM5.2 million.

17. Prospects

The global process equipment industry continues to be soft. The Directors expect the current year to remain 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 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2012</u> RM'000	Current Year To Date <u>31 Dec 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2012</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,247)	(1,232)	(1,247)	(1,232)
Finance costs	(62)	(27)	(62)	(27)
Interest income	132	80	132	80
Net gain / (loss) on foreign exchange	2,103	(427)	2,103	(427)
Net (allowance) / reversal of provision for liquidated and ascertained damages	(377)	324	(377)	324

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 2013</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2012</u> RM'000	Current Year To Date <u>31 Dec 2013</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2012</u> RM'000
<u>Tax Expense</u>				
Current year	(1,379)	(336)	(1,379)	(336)

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 Dec 2013</u>	Preceding Year Corresponding Quarter <u>31 Dec 2012</u>	Current Year To Date <u>31 Dec 2013</u>	Preceding Year Corresponding Year To Date <u>31 Dec 2012</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	<u>4,012</u>	<u>883</u>	<u>4,012</u>	<u>883</u>
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	<u>(2,030)</u>	<u>(2,030)</u>	<u>(2,030)</u>	<u>(2,030)</u>
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>3.62</u>	<u>0.80</u>	<u>3.62</u>	<u>0.80</u>

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	As At
	<u>31 Dec 2013</u>	<u>30 Sep 2013</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	126,485	121,027
Unrealised Losses	<u>(6,520)</u>	<u>(5,074)</u>
	<u>119,965</u>	<u>115,953</u>
(Less): Consolidation adjustments	<u>(48,634)</u>	<u>(48,634)</u>
Total retained earnings (distributable)	<u>71,331</u>	<u>67,319</u>

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 25 February 2014.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
25 February 2014