

**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**

At the Company's Annual General Meeting held on 26 March 2014, Members of the Company had approved a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2013. This dividend had been paid on 28 April 2014.

In addition, the Board of Directors has declared an interim single tier dividend of 3.5% for the financial year ending 30 September 2014, which will be paid on 30 June 2014.

## 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
<b>Financial Period Ended 31 March 2014</b>					
<u>Revenue</u>					
Total external revenue	110,488	2,243	-	-	112,731
Inter-segment revenue	18	560	-	-578	-
Total segment revenue	<u>110,506</u>	<u>2,803</u>	<u>-</u>	<u>-578</u>	<u>112,731</u>
<u>Results</u>					
Segment profit / (loss)	10,650	238	-381	-	10,507
Add: Interest income					284
(Less): Finance costs					-120
Operating profit / profit before taxation					<u>10,671</u>
(Less): Tax expense					-2,742
Profit for the period					<u><u>7,929</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 2014</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2013</u> RM'000	Current Year To Date <u>31 Mar 2014</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2013</u> RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	185	102	369	204
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	128	112	369	375
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	190	47	210	67
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	76	75	256	178
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	8	0	12	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 second (2nd) quarter financial year 2014 ("2Q14") revenue of RM55 million was 51% higher than RM36 million in 2Q13 as the Group was successful in completing a few high value projects. Gross profit increased from RM5 million for 2Q13 to RM8 million for 2Q14 with gross profit margin also improved from 12.4% to 14.7% over the period. Exchange gain of RM0.3 million was similar to 2Q13. The higher revenue and improved margin resulted in the sharp increase in pretax profit from RM2.1 million in 2Q13 to RM5.3 million in the quarter. Profit after taxation also rose to RM3.9 million from RM1.6 million previously.

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

The Group completed a number of smaller value but high margin projects in 2Q14; while in 1Q14, the projects completed were of higher value but relatively low margin. Although 2Q14 revenue of RM55.0 million was 5% lower than that of 1Q14 of RM58.0 million the higher profit margin (14.2% vs 11.1%) achieved in 2Q14 enabled the Group to maintain its pretax profit of RM5.3 million.

**17. Prospects**

The global process equipment industry for the current year remains 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	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Year To Date
	<u>31 Mar 2014</u>	<u>31 Mar 2013</u>	<u>31 Mar 2014</u>	<u>31 Mar 2013</u>
	RM'000	RM'000	RM'000	RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	-1,251	-1,229	-2,498	-2,461
Finance costs	-58	-68	-120	-95
Interest income	152	244	284	324
Net gain / (loss) on foreign exchange	296	292	2,399	-135
Net reversal for impairment losses	0	264	0	264
Net (allowance) / reversal of provision for liquidated and ascertained damages	-172	553	-548	877

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	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Year To Date
	<u>31 Mar 2014</u>	<u>31 Mar 2013</u>	<u>31 Mar 2014</u>	<u>31 Mar 2013</u>
	RM'000	RM'000	RM'000	RM'000
<u>Tax Expense</u>				
Current year	-1,363	-582	-2,742	-918

**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 2014</u>	Preceding Year Corresponding Quarter <u>31 Mar 2013</u>	Current Year To Date <u>31 Mar 2014</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2013</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	3,917	1,574	7,929	2,457
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)	3.53	1.42	7.15	2.22

## 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 Mar 2014</u>	<u>30 Sep 2013</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	128,649	121,027
Unrealised Losses	-5,054	-5,074
	123,595	115,953
(Less): Consolidation adjustments	-48,347	-48,634
Total retained earnings (distributable)	75,248	67,319

## 27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 29 May 2014.

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

CHEOK KIM CHEE (MACS 00139)  
Company Secretary  
29 May 2014