

APB RESOURCES BERHAD
(COMPANY NO.: 564838-V)

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 2015.

Annual Financial Statements for the financial year ended 30 September 2015 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 2015 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 23 March 2016, Members of the Company had approved a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2015. This dividend had been paid on 28 April 2016.

In addition, the Board of Directors has declared an interim single tier dividend of 3.5% for the financial year ending 30 September 2016, which will be paid on 30 June 2016.

9. Segmental Information

Business Segments

	Fabrication RM'000	Non-Destructive Testing ("NDT") RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Financial Period Ended 31 March 2016					
<u>Revenue</u>					
Total external revenue	52,978	2,174	-	-	55,152
Inter-segment revenue	-	1,230	-	(1,230)	-
Total segment revenue	52,978	3,404	-	(1,230)	55,152
<u>Results</u>					
Segment profit / (loss)	(12,336)	641	(393)	-	(12,088)
Add: Interest income					567
(Less): Finance costs					(85)
Operating profit / profit before taxation					(11,606)
(Less): Tax expense					(191)
Profit for the period					(11,797)

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 2016</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2015</u> RM'000	Current Year To Date <u>31 Mar 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2015</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	342	342	683	683
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	237	96	375	250
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	211	234	234	252
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	75	75	150	151
TTS Enterprise Sdn Bhd - For maintenance of equipment	1	3	9	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 sharp drop in number of available projects in the market and intense competition has resulted in the 27.3% decrease in revenue from RM29.6 million in 2Q15 to RM21.6 million this quarter. The difficult operating environment has also caused gross profit margin to slump to 9.4% in 2Q16 against 20.3% in 2Q15. Recent strengthening of the Ringgit against the US dollar resulted in a foreign currency loss of RM4.4 million in the quarter as compared to a gain of RM4.2 million in 2Q15. Lower revenue and gross profit margin decline coupled with foreign currency loss resulted in loss before tax of RM6.9 million versus profit before tax of RM5.7 million in 2Q15.

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

Revenue declined by 35.9% from RM33.6 million in 1Q16 to RM21.6 million while gross profit margins decreased from 12.7% to 9.42% over the period. This reflects the increasingly difficult operating environment as the availability of projects decreased and margin are increasingly being squeezed. As a result, the quarter registered a loss after tax of RM7.0 million against a loss after tax of RM4.7 million last quarter.

17. Prospects

The global process equipment industry for the current year remains 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 2016</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2015</u> RM'000	Current Year To Date <u>31 Mar 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2015</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,260)	(1,318)	(2,531)	(2,615)
Finance costs	(64)	(117)	(85)	(174)
Interest income	234	182	567	375
Net (loss)/gain on foreign exchange	(4,387)	4,238	(10,019)	5,407
Net reversal/(allowance) for impairment losses	(1)	52	4	52
Net (allowance)/reversal of provision for liquidated and ascertained damages	(373)	507	(1,171)	1,435

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 2016</u> RM'000	Preceding Year Corresponding Quarter <u>31 Mar 2015</u> RM'000	Current Year To Date <u>31 Mar 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Mar 2015</u> RM'000
<u>Tax Expense</u>				
Current year	(96)	(1,429)	(191)	(1,926)

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 2016</u>	Preceding Year Corresponding Quarter <u>31 Mar 2015</u>	Current Year To Date <u>31 Mar 2016</u>	Preceding Year Corresponding Year To Date <u>31 Mar 2015</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	(7,042)	4,316	(11,797)	5,763
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	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>	<u>110,845</u>
Basic earnings per ordinary share (sen)	<u>(6.35)</u>	<u>3.89</u>	<u>(10.64)</u>	<u>5.20</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 Mar 2016</u>	<u>30 Sep 2015</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	122,716	141,533
Unrealised Losses	<u>(2,746)</u>	<u>(9,766)</u>
	119,970	131,767
(Less): Consolidation adjustments	<u>(48,328)</u>	<u>(48,328)</u>
Total retained earnings (distributable)	<u>71,642</u>	<u>83,439</u>

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 26 May 2016.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
26 May 2016