

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

For the financial year under review, the Company had paid on 28 April 2016 a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2015 and had paid on 30 June 2016 an interim single tier dividend of 3.5% in respect of the financial year ended 30 September 2016.

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 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 30 September 2016					
<u>Revenue</u>					
Total external revenue	82,020	4,688	-	-	86,708
Inter-segment revenue	-	1,943	-	(1,943)	-
Total segment revenue	82,020	6,631	-	(1,943)	86,708
<u>Results</u>					
Segment profit / (loss)	(9,422)	910	(932)	-	(9,444)
Add: Interest income					1,053
(Less): Finance costs					(116)
Operating (loss) / (loss) before taxation					(8,507)
(Less): Tax expense					1,383
(Loss) for the period					(7,124)

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 2016</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2015</u> RM'000	Current Year To Date <u>30 Sep 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2015</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	341	341	1,365	1,365
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	58	117	550	443
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	42	51	301	340
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	85	75	313	302
TTS Enterprise Sdn Bhd - For maintenance of equipment	15	1	34	22

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 the availability of projects coupled with intense competition has resulted in the 63.3% decrease in revenue from RM42.3 million in 4Q15 to RM15.9 million this quarter. Notwithstanding the difficult operating environment, the quarter profit margin held up relatively well at 21.5% contributed by a write-back of RM1.4 million provision for liquidated and ascertained damages (LAD). For 4Q15, the gross profit margin was 24.4% boosted by RM4.4 million write-back of provision for LAD. However for the full year FY16, gross profit margin of 13.3% was significantly lower than the 20.3% achieved in FY15. The quarter also benefited from a foreign exchange gain of RM5.0 million as compared to RM8.0 million gain in 4Q15. Lower revenue, smaller write-back for LAD and smaller foreign exchange gain resulted in the 33% drop in pretax profit to RM6.1 million from RM9.1million reported in 4Q15. For the full year FY16, the company incurred a loss after tax of RM7.1 million against a profit of RM18.4 million in the prior year.

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

Revenue increased by 2% from RM15.6 million in 3Q16 to RM15.9 million while gross profit margin improved from 11.6% to 21.5% over the period. The quarter enjoyed a foreign exchange gain of RM5.0 million as compared to RM0.7 million in the preceding quarter. The improved margin and the favorable exchange gain mainly resulted in the profit after tax of RM6.1 million against loss after tax of RM1.5 million in 3Q16.

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>30 Sep 2016</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2015</u> RM'000	Current Year To Date <u>30 Sep 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2015</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(1,181)	(1,303)	(4,961)	(5,221)
Finance costs	(17)	(47)	(116)	(246)
Interest income	281	475	1,053	1,067
Net gain/(loss) on foreign exchange	5,001	8,027	(4,365)	13,899
Net reversal for impairment losses	141	84	15	32
Net reversal/(allowance) of provision for liquidated and ascertained damages	1,400	(4,414)	229	(3,501)

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 2016</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2015</u> RM'000	Current Year To Date <u>30 Sep 2016</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2015</u> RM'000
<u>Tax Expense</u> Current year	1,652	(3,409)	1,383	(6,527)

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>	
	<u>Current</u> Year Quarter <u>30 Sep 2016</u>	<u>Preceding Year</u> Corresponding Quarter <u>30 Sep 2015</u>	<u>Current</u> Year To Date <u>30 Sep 2016</u>	<u>Preceding Year</u> Corresponding Year To Date <u>30 Sep 2015</u>
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	6,127	9,112	(7,124)	18,393
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)	5.53	8.22	(6.43)	16.59

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:

	<u>As At</u>	<u>As At</u>
	<u>30 Sep 2016</u>	<u>30 Sep 2015</u>
	RM'000	RM'000
Total Retained Earnings:		
Realised Profits	120,126	141,533
Unrealised Losses	(2,688)	(9,766)
	117,438	131,767
(Less): Consolidation adjustments	(48,328)	(48,328)
Total retained earnings (distributable)	69,110	83,439

27. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 28 November 2016.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
28 November 2016