

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 2017.

Annual Financial Statements for the financial year ended 30 September 2017 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 2017 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

On 29 March 2018, the Company had paid a final single tier dividend of 3.0% in respect of the financial year ended 30 September 2017.

Other than the dividend paid on 29 March 2018, the Company has not proposed any additional dividend for the current quarter.

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 Year Ended 30 Sep 2018					
Revenue					
Total external revenue	69,317	4,615	-	-	73,932
Inter-segment revenue	-	1,359	-	(1,359)	-
Total segment revenue	69,317	5,974	-	(1,359)	73,932
Results					
Segment profit / (loss)	(6,346)	407	(14,064)	-	(20,003)
Add: Interest income					1,667
(Less): Finance costs					(65)
Operating profit / profit before taxation					(18,401)
(Less): Tax expense					802
Profit for the period					(17,599)

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 2018</u> RM'000	Preceding Year Corresponding Quarter <u>30 Sep 2017</u> RM'000	Current Year To Date <u>30 Sep 2018</u> RM'000	Preceding Year Corresponding Year To Date <u>30 Sep 2017</u> RM'000
Peng Fah Engineering Sdn Bhd - For rental of factory premises	376	341	1,445	1,365
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd - For transportation charges	35	147	315	364
TTS Insu-Write Services Sdn Bhd - For marine cargo and general insurance	32	43	320	234
TTS Engineering Sdn Bhd - For services rendered on minor fabrication works and rental of factory premise	2	1	5	92
TTS Enterprise Sdn Bhd - For maintenance of equipment	4	5	32	31

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

Operationally, APB fourth quarter FY18 (4Q18) performance improved from 4Q17 as revenue grew by 23.5% to RM19.5 million while gross profit margin increased from 5.0% to 17.8%. The weakening Ringgit against the US dollar has also resulted in a foreign currency transactions gain of RM0.4 million for the quarter (4Q17 registered a loss of RM0.5 million). These would have resulted in a marginal profit before taxation of RM0.1 million. However with the inclusion of a once off impairment loss on goodwill of RM13.5 million, the group recorded a loss before taxation of RM13.4 million in 4Q18 against a profit before tax of RM0.5 million in 4Q17. For the full FY18, it incurred an after tax loss of RM17.6 million versus a profit of RM3.8 million in FY17. The goodwill arose from the amalgamation of the Group's subsidiaries during its listing exercise in 2004. It is a non-cash item.

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

Revenue slipped 7.8% from RM21.2 million in 3Q18 to RM19.5 million while gross profit margin dipped marginally from 19.2% to 17.8% over the period. This quarter registered a foreign exchange gain of RM0.4 million, down from a gain of RM1.3 million in 3Q18. With the inclusion of impairment loss on goodwill of RM13.5 million, this quarter recorded a loss after tax of RM12.5 million against a profit after tax of RM2.2 million in 3Q18.

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>	
	<u>Current Year</u> <u>30 Sep 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding Quarter</u> <u>30 Sep 2017</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sep 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding Year To Date</u> <u>30 Sep 2017</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(986)	(1,038)	(3,995)	(4,252)
Finance costs	(6)	(11)	(65)	(70)
Interest income	494	333	1,667	1,311
Net gain / (loss) on foreign exchange	383	(509)	(2,014)	202
Net allowance/reversal for impairment losses	(13,458)	82	(13,458)	(121)
Net reversal for liquidated and ascertained damages	0	(212)	211	3,359

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>	
	<u>Current Year</u> <u>30 Sep 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding Quarter</u> <u>30 Sep 2017</u> RM'000	<u>Current Year</u> <u>To Date</u> <u>30 Sep 2018</u> RM'000	<u>Preceding Year</u> <u>Corresponding Year To Date</u> <u>30 Sep 2017</u> RM'000
<u>Tax Expense</u>				
Current year	931	(105)	802	(1,167)

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 30 Sep 2018	Preceding Year Corresponding Quarter 30 Sep 2017	Current Year To Date 30 Sep 2018	Preceding Year Corresponding Year To Date 30 Sep 2017
Profit Attributable To Ordinary Shareholders (RM'000):				
Net profit attributable to ordinary shareholders	(12,485)	437	(17,599)	3,751
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)	(11.26)	0.39	(15.88)	3.38

26. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 29 November 2018.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
29 November 2018