

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 2019.

Annual Financial Statements for the financial year ended 30 September 2019 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 2019 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

	Fabrication RM'000	Non-Destructive Testing ("NDT") RM'000	Others RM'000	Elimination RM'000	Consolidated RM'000
Financial Year Ended 31 Dec 2019					
Revenue					
Total external revenue	26,576	1,216	-	-	27,792
Inter-segment revenue	-	233	-	(233)	-
Total segment revenue	26,576	1,449	-	(233)	27,792
Results					
Segment profit / (loss)	230	34	(171)	-	93
Add: Interest income					484
(Less): Finance costs					(19)
Operating profit / profit before taxation					558
(Less): Tax expense					(17)
Profit for the period					541

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 2019</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2018</u> RM'000	Current Year To Date <u>31 Dec 2019</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2018</u> RM'000
Peng Fah Engineering Sdn Bhd				
- For rental of factory premises	375	375	375	375
TTS Resources Sdn Bhd's subsidiary companies:				
TTS Transport Sdn Bhd				
- For transportation charges	132	20	132	20
TTS Insu-Write Services Sdn Bhd				
- For marine cargo and general insurance	22	23	22	23
TTS Engineering Sdn Bhd				
- For services rendered on minor fabrication works and rental of factory premise	54	4	54	4
TTS Enterprise Sdn Bhd				
- For maintenance of equipment	29	44	29	44

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 quarter FY20 (1Q20), revenue increased by 86.2% from RM14.9 million in 1Q19 to RM27.8 million mainly due to higher numbers of projects secured and completed during the quarter, however profit margin declined from 19.6% to 14% over the period. This quarter registered a foreign exchange loss of RM192K as compared to loss of RM65K in 1Q19. Higher revenue resulted in an after tax profit of RM0.50 million as compared to loss after tax of RM67K in 1Q19.

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

Revenue increased by 12.1% from RM24.8 million in 4Q19 to RM27.8 million in 1Q20, while gross profit margin decreased from 20.50% to 14.01% during the period. Profit after tax dropped from RM2.3 million last quarter to RM0.5 million for the current quarter mainly due to lower margin.

17. Prospects

The outlook of process equipment industry is showing some signs of improvement.

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 2019</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2018</u> RM'000	Current Year To Date <u>31 Dec 2019</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2018</u> RM'000
Profit for the period is arrived at after crediting / (charging):				
Depreciation of property, plant and equipment	(765)	(924)	(765)	(924)
Finance costs	(19)	(9)	(19)	(9)
Interest income	484	605	484	605
Net loss on foreign exchange	(192)	(65)	(192)	(65)
Net provision for liquidated and ascertained damages	(106)	0	(106)	0

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 2019</u> RM'000	Preceding Year Corresponding Quarter <u>31 Dec 2018</u> RM'000	Current Year To Date <u>31 Dec 2019</u> RM'000	Preceding Year Corresponding Year To Date <u>31 Dec 2018</u> RM'000
Tax Expense Current year	(17)	-	(17)	-

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/(Loss) Per Share

Basic Earnings/(Loss) Per Ordinary Share

The calculation of basic earnings/(loss) per ordinary share was based on the profit/(loss) 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 Year</u> <u>Quarter</u> <u>31 Dec 2019</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Quarter</u> <u>31 Dec 2018</u>	<u>Current Year</u> <u>To Date</u> <u>31 Dec 2019</u>	<u>Preceding Year</u> <u>Corresponding</u> <u>Year To Date</u> <u>31 Dec 2018</u>
Profit/(Loss) Attributable To Ordinary Shareholders (RM'000):				
Net profit/(loss) attributable to ordinary shareholders	541	(67)	541	(67)
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/(loss) per ordinary share (sen)	0.49	(0.06)	0.49	(0.06)

26. Authorisation for Issue

The interim financial statements were authorised for issue by the Board on 27 February 2020.

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

CHEOK KIM CHEE (MACS 00139)
Company Secretary
28 February 2020