

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART 1-Explanatory Notes Pursuant to FRS 134

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with the requirements of FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad, and should be read in conjunction with the Group's audited financial statements for the year ended 31 December 2010.

A2. Changes in Accounting Policies

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the most recent annual audited financial statement for the year ended 31 December 2010.

A3. Adoption of FRSs, Amendments to FRSs and IC Interpretations

The Group has adopted the following standards and interpretations:

Amendments to FRS 13	Classification of Rights issues
FRS 1	First-time Adoption of Financial Reporting Standards
FRS 3	Business Combinations (<i>Revised</i>)
Amendments to FRS 2	Share-based Payment
Amendments to FRS 5	Non-current Assets Held for Sale and Discontinued Operations
Amendments to FRS 127	Consolidated and Separate Financial Statements
Amendments to FRS 138	Intangible Assets
Amendments to IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 12	Service Concession Arrangements
IC Interpretation 16	Hedges of a Net Investment in a Foreign Operation
IC Interpretation 17	Distributions of Non-cash Assets to Owners

(Company No.: 863263 - D)

Improvement in FRS Issued in 2010

Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 <i>Disclosures for First-time Adopters</i>
Amendments to FRS 2	Group Cash-Settled Share Based Payment transactions
Amendments to FRS 7	Improving Disclosures about Financial Instruments
IC interpretation 4	Determining whether an arrangement contains a Lease
TR 3	Guidance on Disclosures of Transitions to IFRS
IC Interpretation 18	Transfer of Assets from Customers
Amendment to IC Interpretation 14	Prepayment of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments
FRS 124	Related Party Disclosures
IC Interpretation 15	Agreements for the Construction of Real Estate

Except for the changes in accounting policies arising from the adoption of the revised FRS 3 and the amendments to FRS 127, as well as the new disclosures required under the Amendments to FRS 7, the Directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of the revised FRS 3 and the amendments to FRS 127 are described below:

A4. Auditors report of preceding Annual Financial Statements

The audit report on the Group's financial statements for the financial year ended 31 December 2010 was not subject to any qualification.

A5. Seasonal or cyclical factors

The business operations of the Group are affected by the cycles of capital and repairs/maintenance programs implemented by major players in the oil, gas, and petrochemical sector.

A6. Unusual items due to nature of size or incidence

There were no unusual items affecting assets, liabilities, equity, net income, or cashflows of the Group during the financial quarter under review

A7. Change in estimates

There were no changes in estimates that have had material effect on the results of the financial quarter under review.

(Company No.: 863263 - D)

A8. Carrying amount of revalued assets

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements for the financial period 31 December 2010.

A9. Debt and equity security

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter under review

A10. Dividends

No dividend paid during the financial quarter under review.

A11. Segment information

Segment information are presented in respect of the Group's geographical segment, which is based on the company's management reporting structure where discrete financial information is available and regularly review.

Transfer prices between the operating segments are on arm's length basis in a manner similar to transactions with third parties.

	Malaysia RM'000	Singapore RM'000	Others RM'000	Group RM'000
Revenue				
External Sales	947	10,506	429	11,882
Inter-segment Sales	-	(329)	(44)	(373)
	947	10,177	385	11,509
Results				
Profit/(Loss) from Operation	(124)	1,187	46	1,109
Finance cost				
Share of Profit of associates	-	-	-	833
Profit Before Taxation	-	-	-	1,942
Taxation	-	-	-	(223)
Profit after taxation	-	-	-	1,719

(Company No.: 863263 - D)

A12. Subsequent Event

There was no material subsequent event that will materially affect the financial statements of the period under review except disclosed as follows:

On 29 April 2011, PT Turbo Mech Indonesia, 100% owned subsidiary authorised and paid up capital was increased by RM1.639 million (Rp4,713,820,000) for purpose of business expansion in accordance to utilisation of fund raised from the listing exercise.

A13. Change in the composition of the Group

There were no changes in the composition of the Group for the period under review.

A14. Contingent Liabilities

At the date of this report, there were no changes in contingent liabilities liability since date of the last report.

A15. Capital Commitment

The Group has the following commitments as at 31 March 2011:

	Contracted	Not Contracted	As at 31 Mar 2011
	RM'000	RM'000	RM'000
Capital expenditure approved for :			
Plant, Property & Equipment	146	285	431

The capital commitment and contracted upon are for the purchase of Overhead Traveling Crane amounting to USD48,500. Those committed but not contracted upon are relating to upgrading of electrical works.

A16. Significant related party transaction

There was no related party transaction in the financial period under review,

(Company No.: 863263 - D)

PART B – Explanatory Notes Pursuant to Appendix 9B of the Listing Requirements of Bursa Malaysia

B1. Performance Review

Group revenue for the first quarter ended 31 March 2011 was at RM11.509 million compared with the corresponding quarter of the preceding year of RM6.092 million. Revenue increased was due to improved sales of pumps and spare by almost 70% as compared to corresponding quarter of the preceding year. In addition, results of the acquisition of a new subsidiary not taken up in the comparative.

The Group recorded a profit before tax of RM1.942 million for the current quarter against profit of RM 1.911 million in the corresponding period of the preceding year due to margins deteriorated as result of a sale of turbines generator in Vietnam and lower profit margin recorded from the aforesaid acquisition.

B2. Comparison Between the current Quarter and Immediate Preceding Quarter

Comparison Between the Current Quarter and the Immediate Preceding Quarter

	Current Quarter 31 Mar 2011 RM'000	Preceding Quarter 31 Dec 2010 RM'000
Revenue	11,509	14,531
Profit before Tax	1,942	1,798

Current quarter gross margin was higher in current quarter as compared to immediate preceding quarter due to higher gross margin on sales of parts for turbine. This 3% increase in gross margin directly impacted the bottom line, giving a 15.5% net margin in current quarter, 3.1% higher than in preceding quarter.

B3. Prospects

The Group will continue to focus on the market and product to stay competitive in the market for the rest of the year.

(Company No.: 863263 - D)

B4. Notes on variance in actual profit and shortfall in profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review.

B5. Income Tax Expenses

	Current Period		Cumulative Period	
	31 Mar 2011	31 Mar 2010	31 Mar 2011	31 Mar 2010
Current tax	RM'000	RM'000	RM'000	RM'000
- Malaysian income tax	-	-	-	-
- Foreign income tax	223	354	223	354
Deferred Income Tax Expenses	-	-	-	-

The Group's effective tax rate for the period is 36%, which is higher than the statutory tax rate of 25% principally due to losses of Parent and certain subsidiary which cannot be offset by taxable profits made by other subsidiaries and certain expenses not deductible for tax purposes.

B6. Disposal of unquoted Investment and/or Properties

There were no disposals of unquoted investments and/or properties in the current period.

B7. Investment in quoted securities

The Group does not have any investment in quoted securities.

B8. Status of Corporate Proposals

- a) There were no corporate proposals announced but not completed as at the date of this report.
- b) Utilisation of Proceeds

The gross proceeds from the Public Issue of approximately RM11.38 million utilised up to the date of this announcement are as follows:

(Company No.: 863263 - D)

Purposes	Timeframe for utilisation	Proposed utilisation RM'000	Actual utilisation RM'000
1) Expansion of business facilities			
a) Indonesia	Within 12 months	2,000	1,079
b) Thailand	Within 24 months	2,000	-
2) Working Capital	Within 24 months	4,883	1,281
3) Estimated listing expenses	Immediate	2,500	2,500
Total		11,383	4,860

Actual listing expenses incurred was RM2,747,000 which was higher than estimated amount of RM2,500,000. The differences were funded out of the proceeds allocated for working capital.

B9. Group Borrowing

	Current Quarter 31 Mar 2011 RM'000	Corresponding Quarter 31 Mar 2010 RM'000
Unsecured		
Long term borrowings		
Obligations under finance lease	7	10
Unsecured		
Short term borrowings		
Obligations under finance lease	9	10

B10. Derivative Financial Instruments

There were no outstanding derivatives as at 31 March 2011.

B11. Gains/Losses from Fair Value changes of Financial Liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter and financial period.

(Company No.: 863263 - D)

B12. Material litigation

Wong Sin Fatt t/a Jin. Foong Engineering Trading and Services has filed a Statement of Claim against Bayu Purnama Sdn. Bhd. ("BPSB") under Writ of Summon No. 22-99-2010 for RM1,069,380.00 for goods allegedly sold and delivered. BPSB has filed a defence and the above matter was fixed for further Case Management on 23 June 2011 for both parties to file the:

- 1) Common bundle of Documents;
- 2) Statement of Agreed Facts and Issues to be Tried;
- 3) Summary of Case, and

BPSB will provide the court with the list of witness in as required.

B13. Dividend

No dividend has been recommended or declared for the current quarter nor previous corresponding period under review.

A final tax exempt (single tier) dividend of 5 sen per ordinary share of 50 sen each for the financial year ended 31 December 2010 was approved by the shareholders at the Annual General Meeting held on 27 May 2011 and will be paid on 24 June 2011. The entitlement date for the dividend payment is on 13 June 2011.

B14. Earnings Per share

The basic earnings per share have been calculated by dividing the Group's profit for the financial quarter under review attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial quarter under review.

	Current Quarter 31 Mar 2011 RM'000	Corresponding Quarter 31 Mar 2010 RM'000
Profit net of tax attributable to owners of the Parent	1,743	1,557
Weighted average number of ordinary Shares	108,000,000	89,932,000
Basic earnings per share(Sen)	1.61	1.73

The Company does not have any convertible shares or convertible financial instrument for the financial quarter under review.

(Company No.: 863263 - D)

B15. Auditors report of preceding Annual Financial Statements

The audit report on the Group's financial statements for the financial year ended 31 December 2010 was not subject to qualification.

B16. Realised and Unrealised Profits of the Group

The retained profits as at 31 March 2011 is analysed as follows:

	Current Quarter 31 Mar 2011 RM'000	Corresponding Quarter 31 Mar 2010 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	20,075	17,128
- unrealised profits/ (loss)	(205)	-
Total share of retained profits from associated companies:		
- realised profits	5,548	904
- unrealised (loss)/ profits	-	(55)
Less: Consolidation adjustments	(20,084)	(16,975)
Total Group retained profits as per consolidated accounts	5,334	1,002