

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

On 1 January 2011, the Group has adopted the following standards and interpretations mandatory for annual financial periods beginning on or after 1 January 2011.

Amendments to FRS 132	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

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Amendments to FRS 1	Limited Exemption from Comparatives FRS 7 <i>Disclosures for First-time Adopters and Additional Exemptions 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

Improvement in FRS Issued in 2010

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

Adoption of the above standards and interpretations did not have any effect on the financial performance or position of the Group.

The Group have not adopted the following standards and interpretations that have been issued but not yet effective.

1 Jul 2011

Amendments to IC Interpretation 14	Prepayment of a Minimum Funding Requirement
IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

1 Jul 2012

FRS 124	Related Party Disclosures (Revised)
IC Interpretation 15	Agreements for the Construction of Real Estate
Amendments to FRS 1	Severe Hyperinflation and Removal of Fixed Dated
Amendments to FRS 7	for First-time Adopters
Amendments to FRS 112	Disclosure - Transfer of Financial Assets
	Deferred Tax Recovery of Underlying Assets

1 Jul 2012

Amendments to FRS 101	Presentation of Items of Other Comprehensive Income
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1 Jan 2013

FRS 9	Financial Instruments (IFRS 9 issued by IASB in Nov 2009)
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FRS 9	Financial Instruments (IFRS 9 issued by IASB in Oct 2010)
FRS 10	Consolidated Financial Statements
FRS 11	Joint Arrangements
FRS 12	Disclosure of Interest in Other Entities
FRS 13	Fair Value Measurement
FRS 119	Employee Benefits (Revised)
FRS 127	Separate Financial Statements (Revised)
FRS 128	Investment in Associates and Joint Ventures (Revised)
IC Interpretation 20	Stripping Costs in the Production Phase of a Surface Mine

Malaysian Financial Reporting Standards (MFRS Framework)

The directors expect that the adoption of these standards and interpretations above will have no material impact on the financial statements in the period of initial application.

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.

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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 was paid during the period 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 by the Chief Operation Decision Maker.

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

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Segment analysis for the cumulative period ended 31 December 2011 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue					
External Sales	7,485	35,490	3,222	-	46,197
Inter-segment Sales	3,280	453	363	(4,096)	-
	10,765	35,943	3,585	(4,096)	46,197
Interest Income					123
Results					
Profit/(Loss) from Operation					7,436
Finance cost					-
Share of Profit of associates	-	-	-	-	3,991
Profit Before Taxation	-	-	-	-	11,427
Taxation	-	-	-	-	(1,102)
Profit after taxation	-	-	-	-	10,325

Sales derived from two customers in Singapore segment accounted for 17.5% and 15.8% respectively of the group's total sales.

A12. Subsequent Event

There was no material subsequent event that will materially affect the financial statements of the period under review.

A13. Change in the composition of the Group

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

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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 December 2011:

	Contracted	Not Contracted	As at 30 Dec. 2011
	RM'000	RM'000	RM'000
Capital expenditure approved for :			
Plant, Property & Equipment	385	0	385

The capital commitment and contracted upon are for purchase of motor vehicles, electrical installation, piping amounting to IRD2,347,349,698.

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A16. Significant related party transaction

The significant related party transactions below were carried out in the ordinary course of business during the quarter under review.

Related parties	Nature of transactions	Transaction for the period ended 31 Dec 2011 RM'000
Ultra Sol and Bayu Purnama Sdn. Bhd.	Purchase of fabrication services, parts & labour	607
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Sales Of pumps & parts	14
Turbo-Mech Asia and Rotodyne Sdn. Bhd	Sales of pumps parts & services	174
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reinbursement of expenses to Related party	6
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reinbursement of expenses from Related party	205

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

B1. Analysis of Performance

The group was segmented into different geographical regions, namely Malaysia, Singapore and the others. Singapore segment has traditionally been the major contributor to the Group's revenue. In this quarter, its contribution of Group revenue was 76.0%. This was followed by Malaysia segment at 16.2%, with the remaining shares was by the Others segment. The countries that falls under the Others segment are The Philippines and Indonesia. The Group has presence as well in Brunei, Vietnam and Thailand and the performance was captured under the Singapore segment.

Group revenue for the 4th quarter ended 31 December 2011 was RM13.267 million, a drop of RM1.264 million as compared to the corresponding quarter of the preceding year. On the cumulative 4th quarter revenue comparison as against the comparative, an improvement of RM 3.382 million was recorded. This was due to sales contributed by Malaysia segment amounted to RM7.484 million in current cumulative quarter as against RM2.573 million in the comparatives. In current quarter, Singapore and the Others segment recorded a drop in sales of RM1.082 million and RM0.448 million respectively.

Our sales cycle for Singapore segment varies from 4 months to 10 months, meaning that the current sales recorded was due to prior months' order intakes. On the basis of order intakes comparison, the current cumulative 4th quarter order intakes was about the same as its last year's comparative. The spill over effects of order intakes into 2011 of about RM 1.400 million as well as order intakes taken up but yet to be recognised as sales revenue in 2011 has contributed to the apparent drop in cumulative 4th quarter revenue. Within the others segment, Indonesia attributed 91% of the decline in cumulative 4th quarter sales. However, a point to note was the order intakes in Indonesia for the cumulative quarter shown an improvement of RM0.603 million as compared to comparatives.

The contribution from the Malaysia segment was attributable to trading and fabrication services by a single subsidiary. In the 4th cumulative quarter, it has recorded an increase in revenue of RM4.911 million. This was mainly attributable to a full year results taken up in 2011 as compared to 3 months results in the comparatives. The gross margin has improved but it still depressed the Group average quarter margin. As it is a newly acquired company, it is normal to have some teething issues. The fabrication services offered by the company will provide synergy to the Group in the future. Steps have been taken to synergise its operations with other companies in the group.

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In the cumulative 4th quarter 2011, the Group recorded an increase in other operating income of RM0.372 million. This was mainly due to increase in foreign exchange gain on capitalisation of loan in Turbo-Mech Asia Pte. Ltd in the current quarter.

The gross margin for current quarter was at 28.1%, an improvement of 3.8% as compared to the corresponding quarter of the preceding year. The variation in gross margin was due to different products mix as well as the prevailing competitive interplays. The cumulative 4th quarter 2011 contributed a 29.5% margin as compared to 34.3% in the comparative partly due to one-off turbine sale. The profit before tax for current cumulative 4th quarter was RM11.427 million, a slight improvement of RM0.393 million as against the comparative and this was attributable to a one-off foreign exchange gain. In the current 4th quarter results, the Group recorded a profit before tax of RM3.380 million as against RM1.798 million in the comparatives. This was achieved mainly through lower provision for staff costs and obsolete stock, impact of foreign exchange gains as well as there was no goodwill impairment expenses in the current quarter.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	Current Quarter 31 Dec.2011 RM'000	Preceding Quarter 30 Sept 2011 RM'000
Revenue	13,267	8,989
Profit before Tax	3,380	2,666

Current quarter recorded a revenue increase of RM4.278 million as compared to the preceding quarter. This higher recorded quarterly revenue was mainly due to billing delay that had spilled over into the current quarter. The delay was attributable to some value chain bottlenecks as well as some unscheduled works variations by our customers.

The Profit before Tax was higher by RM0.714 million as compared to preceding quarter mainly due to one off foreign exchange gain and the spillover effects of the revenue and profits from the 3rd quarter that flows down to the bottom line. The better results achieved in our associated company in the current quarter have further contributed positively to the profit before tax.

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B3. Prospects

The demand for petrochemical industries products are influenced by the market economic conditions. As a supplier of pumps and compressors to both upstream as well as downstream of petrochemical industries, the demand for our products and services will inevitably be affected as well.

The company will stay focus on maintenance and services in which we should expect a 2% to 5% volume growth in this area. This is based on management internal target and is not a forecast or projection and has not been reviewed by our external auditors.

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 Quarter		Cumulative Quarter	
	31 Dec 2011	31 Dec 2010	31 Dec 2011	31 Dec 2010
Current tax	RM'000	RM'000	RM'000	RM'000
- Malaysian income tax	(10)	40	53	40
- Foreign income tax	297	234	1,201	1,434
(Over)/Under provision in respect prior years	(185)	-	(185)	272
Deferred income tax:				
Origination and reversal of temporary difference	88	(7)	33	(7)

The Group's effective tax rate for the period is 9.6%, which is lower than the statutory tax rate of 25% principally due to income subjected to different tax regimes, utilisation of unabsorbed allowances, utilisation of business loss and share of associated company results which is net of tax.

B6. 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

As at 31 December 2011, the Company has yet to utilise the proceeds of RM2 million for the expansion of business facilities in Thailand and RM1.447 million from the working capital, out of which approximately RM0.447 million for Indonesia operations and RM1 million for Thailand operations remained unutilised. The remaining unutilised balance totalling RM3.447 million shall expire on 30 April 2012, i.e. within 24 months from the date of listing.

In view of the prevailing business conditions in Thailand caused by the floods, the Board viewed that the proposed business expansion through the proposed establishment of a light fabrication yard at Rayong and the utilisation of the working capital for Thailand operations was not timely in the immediate to medium term.

The Board resolved that the remaining unutilised balance of RM2 million originally allocated for the expansion of business facilities in Thailand and RM1 million allocated as working capital for Thailand operations be reallocated to working capital requirements of the Company and its subsidiaries ("TMB Group") for the following purposes:

- i) to finance TMB Group's day-to-day operations, including the payment of salaries, purchase of inventories and defrayment of operational expenses; and
- ii) to better utilise the funds for TMB Group's current working capital needs.

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Details of the Utilisation of IPO Proceeds	Proposed Utilisation of IPO Proceeds (RM'000)	Actual Utilisation of IPO Proceeds as at 31 December 2011 (RM'000)	Initial Timeframe for Utilisation of IPO proceeds from date of listing (i.e. 30 April 2010)	Extension of Timeframe announced on 25 April 2011 for Utilisation of IPO Proceeds from date of listing	Variation approved on 28 February 2012 for Utilisation of IPO Proceeds (RM'000)	Balance of Unutilised IPO Proceeds (RM'000)
(a) Expansion of business facilities						
(i) Indonesia	2,000	2,000	Within 12 months	Not applicable (Utilisation completed)	-	-
(ii) Thailand	2,000	-	Within 12 months	Within 24 months (i.e. until 30 April 2012)	(2,000)	-
(b) Working capital	4,883	3,436*	Within 24 months	No Change.	2,000	3,447
(c) Estimated listing expenses	2,500	2,500	Immediate	Not applicable (Utilisation completed)	-	-
Total	11,383	7,936				3,447

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.

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B7. Group Borrowing

	Current Quarter 31 Dec 2011 RM'000	Corresponding Quarter 31 Dec 2010 RM'000
Unsecured		
Long term borrowings Obligations under finance lease	3	11
Unsecured		
Short term borrowings Obligations under finance lease	7	6

B8. 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.

B9. 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. BPSB will provide the court with the list of witness in as required.

Based on a letter dated 20 January 2012, the next case management was fixed on 29 February 2012.

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B10. Dividend

The Board of Directors is pleased to recommend a final tax exempt (single-tier) dividend of 5 sen per ordinary share of 50 sen each in respect of financial year ended 31 December 2011 (FY 2010:5 sen, FY 2011: 7.5 sen) subject to approval of the shareholders at the forthcoming Third Annual General Meeting, the date of which will be announced later. The entitlement date in respect of the final dividend and the date of payment will be announced at a later date

B11. 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 Dec 2011 RM'000	Corresponding Quarter 31 Dec 2010 RM'000
Profit net of tax attributable to owners of the Parent	3,068	1,543
Weighted average number of ordinary Shares	108,000	102,109
Basic earnings per share(Sen)	2.84	1.51

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

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B12. 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.

B13. Realised and Unrealised Profits of the Group

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

	Current Quarter 31 Dec 2011 RM'000	Corresponding Quarter 31 Dec 2010 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	21,372	17,398
- unrealised profits/ (loss)	108	200
Total share of retained profits from associated companies:		
- realised profits	5,393	10,507
- unrealised (loss)/ profits	103	217
Less: Consolidation adjustments	(21,363)	(24,733)
Total Group retained profits as per consolidated accounts	5,613	3,589

The determination of realised and unrealised profits is made based on the Guidance on Special Matter No. 1, determination of Realised and Unrealised Profits or Loss in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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B14. Profit Before Taxation

Profit before taxation is arrived at after crediting/(charging) the following income/(expenses):

	Current Quarter 31 Dec2011 RM'000	Cumulative Quarter 31 Dec 2011 RM'000
Interest Income	39	123
Foreign exchange gain/(Loss)	393	751
Investment income*	-	-
Depreciation and Amortisation	(68)	(463)
Provision for Trade Receivable	(19)	(19)
Trade Receivable Write off*	-	-
Provision for Inventory	4	(167)
Inventory Write Off*	-	-
Impairment of asset*	-	-
Gain/Loss on quoted or unquoted investment*	-	-
Gain/Loss on Derivatives*	-	-
Withholding Tax Credit Write Off	(28)	(48)
Exceptional Expenses*	-	-

*These items are not applicable to the Group pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Malaysia.