

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012**  
**CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2012 RM'000	Preceding Year Corresponding Quarter 31 Mar 2011 RM'000	Current Year-To-Date 31 Mar 2012 RM'000	Preceding Year Corresponding Period 31 Mar 2011 RM'000
Revenue	9,204	11,509	9,204	11,509
Cost of sales	(6,045)	(8,365)	(6,045)	(8,365)
Gross profit	3,159	3,144	3,159	3,144
Other operating income	40	125	40	125
Other operating expenses	(2,164)	(2,160)	(2,164)	(2,160)
Profit from operations	1,035	1,109	1,035	1,109
Finance costs	-	-	-	-
Share of results of associate	922	833	922	833
Profit before tax	1,957	1,942	1,957	1,942
Tax expense	(206)	(223)	(206)	(223)
Net profit for the period	1,751	1,719	1,751	1,719
Attributable to :				
Equity holders of the parent	1,752	1,743	1,752	1,743
Non-controlling Interests	(1)	(24)	(1)	(24)
	1,751	1,719	1,751	1,719
Earning per share (sen)				
Equity holders of the parent :				
Basic	1.62	1.61	1.62	1.61
Diluted	N/A	N/A	N/A	N/A

Note:

The unaudited condensed consolidated statements of income should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Mar 2012 RM'000	Preceding Year Corresponding Quarter 31 Mar 2011 RM'000	Current Year-To-Date 31 Mar 2012 RM'000	Preceding Year Corresponding Period 31 Mar 2011 RM'000
Net Profit for the Period	1,751	1,719	1,751	1,719
<b>Other comprehensive income:</b>				
Foreign currency translation	(191)	40	(191)	40
<b>Total comprehensive income for the period</b>	<u>1,560</u>	<u>1,759</u>	<u>1,560</u>	<u>1,759</u>
<b>Total comprehensive income for the period attributable to:</b>				
Owners of the parent	1,561	1,783	1,561	1,783
Non-controlling Interests	(1)	(24)	(1)	(24)
	<u>1,560</u>	<u>1,759</u>	<u>1,560</u>	<u>1,759</u>

Note:

The unaudited condensed consolidated statements of comprehensive income should be read in conjunction with the accompanying notes attached to these interim financial statements.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012  
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 31 Mar 2012 RM'000	Preceding Year Corresponding Period 31 Mar 2011 RM'000
Cash flows from operating activities		
Profit before taxation	1,957	1,942
Adjustments for non-cash flow:		
Non-cash items	(411)	(737)
Operating profit before changes in working capital	1,546	1,205
Changes in working capital		
Net change in inventories	(277)	740
Net change in trade and other receivables	926	(2,194)
Net change in trade and other payables	(585)	1,768
Cash generated from operations	1,610	1,519
Tax paid	(336)	(340)
Interest paid	-	-
Net cash from operating activities	1,274	1,179
Cash flows from investing activities		
Interest received	11	28
Proceeds from disposal of property, plant and equipment	13	-
Purchase of property, plant and equipment	(349)	(1,786)
Net cash used in investing activities	(325)	(1,758)
Cash flows from financing activities		
Fixed deposit pledged	9	-
Repayment of obligations under finance leases	(10)	(2)
Net cash used in financing activities	(1)	(2)
Net increase/(decrease) in cash and cash equivalents	948	(581)
Cash and cash equivalents at beginning of period	25,892	32,414
Effect of exchange rate changes	(23)	33
Cash and cash equivalents at end of period	26,817	31,866
Cash & cash equivalents comprise the following		
Cash & Bank balances	13,798	31,102
Fixed Deposit with Licensed Banks	23,458	10,958
	37,256	42,060
Less: Fixed deposit pledged	(10,439)	(10,194)
Cash and cash equivalents at end of period	26,817	31,866

Note:

The unaudited condensed consolidated statements of cash flow should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 31 Mar 2012 RM'000	Audited As At 31 Dec 2011 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	6,103	6,031
Land use rights	3,312	3,366
Investment in associates	15,535	14,616
Deferred tax assets	18	18
Membership rights	61	61
<b>Total non-current assets</b>	<b>25,029</b>	<b>24,092</b>
<b>CURRENT ASSETS</b>		
Inventories	3,629	3,381
Trade and other receivables	8,939	10,131
Dividend receivables	1,913	1,913
Prepayments	59	36
Cash and cash equivalents	37,256	36,325
<b>Total current assets</b>	<b>51,796</b>	<b>51,786</b>
<b>TOTAL ASSETS</b>	<b>76,825</b>	<b>75,878</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	54,000	54,000
Capital reserves	4,764	4,764
Retained profit	7,365	5,613
Foreign currency translation	1,541	1,732
	67,670	66,109
<b>Non-controlling Interest</b>	<b>588</b>	<b>589</b>
<b>Total equity</b>	<b>68,258</b>	<b>66,698</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	75	75
Finance lease under obligations	-	3
<b>Total non-current liabilities</b>	<b>75</b>	<b>78</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5,203	5,707
Other current liabilities	2,022	1,990
Current tax payables	1,267	1,398
Finance lease under obligations	-	7
<b>Total current liabilities</b>	<b>8,492</b>	<b>9,102</b>
<b>Total liabilities</b>	<b>8,567</b>	<b>9,180</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>76,825</b>	<b>75,878</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)</b>		
	<b>0.63</b>	<b>0.61</b>

Note:

The unaudited condensed consolidated statements of financial position should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2012  
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent						Non controlling Interest RM'000	Total Equity RM'000
	Non-Distributable			Distributable				
	Share capital RM'000	Share premium RM'000	Translation reserves RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000		
At 1 January 2012	54,000	-	1,732	4,764	5,613	66,109	589	66,698
Profit for the year	-	-	-	-	1,752	1,752	(1)	1,751
Other comprehensive income for the year	-	-	(191)	-	-	(191)	-	(191)
Total comprehensive income	-	-	(191)	-	1,752	1,561	(1)	1,560
<b>At 31 March 2012</b>	<b>54,000</b>	<b>-</b>	<b>1,541</b>	<b>4,764</b>	<b>7,365</b>	<b>67,670</b>	<b>588</b>	<b>68,258</b>
At 1 January 2011	54,000	-	1,104	4,764	3,590	63,458	388	63,846
Profit for the year	-	-	-	-	1,743	1,743	(24)	1,719
Other comprehensive income for the year	-	-	40	-	-	40	-	40
Total comprehensive income	-	-	40	-	1,743	1,783	(24)	1,759
<b>At 31 March 2011</b>	<b>54,000</b>	<b>-</b>	<b>1,144</b>	<b>4,764</b>	<b>5,333</b>	<b>65,241</b>	<b>364</b>	<b>65,605</b>

Note:

The unaudited condensed consolidated statements of changes of equity should be read in conjunction with the accompanying explanatory notes attached to these interim financial statements.

## NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### **PART 1-Explanatory Notes Pursuant to FRS 134**

- A1.** Turbo-Mech Berhad is a public limited liability company incorporated and domiciled in Malaysia, and is listed on Bursa Malaysia Securities Berhad.

These condensed consolidated interim financial statements were approved by Board of Directors on 25 May 2012.

#### **A2. Basis of Preparation**

These condensed consolidated interim financial statements, for the period ended 31 March 2012, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 *Interim Financial Reporting* issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

The consolidated financial statements of the Group for the year ended 31 December 2011 which were prepared under FRS are available upon request from the Company registered office at Lot 6.05, Level 6, KPMG Tower, 8 First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan.

These condensed consolidated interim financial statements are the Group's first MFRS condensed consolidated interim financial statements for part of the period covered by the Group's first MFRS annual financial statements for the year ending 31 December 2012. MFRS 1 *First-Time Adoption of Malaysian Financial Reporting Standards* ("MFRS 1") has been applied.

The explanatory notes attached to these condensed consolidated interim financial statements provide 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 the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2011 (which is also the date of transition), there are no adjustment required on the amounts previously reported in financial statements prepared in accordance with FRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

(Company No.: 863263 – D)

### **A3. Changes in Accounting Policies**

The audited financial statements of the Group for the year ended 31 December 2011 were prepared in accordance with FRS. Except for certain differences, the requirements under FRS and MFRS are similar. The significant accounting policies adopted in preparing these condensed consolidated interim financial statements are consistent with those of the audited financial statement for the year ended 31 December 2011 except as discussed below:

#### **(a) Business combination**

MFRS 1 provides the option to apply MFRS 3 Business Combinations, prospectively from the date of transition or from a specific date prior to the date of transition. This provides relief from full retrospective application of MFRS 3 which require restatement of all business combination prior to the date of transition. The Group elected to utilise the Business combinations exemption relief accorded by MFRS 1 on the formation of the Turbo-Mech Berhad Group that has been accounted for as a reorganization of companies under common control using the pooling-of-interest method.

##### Acquisition before date of transition

The Group has elected to apply MFRS3 prospectively from the date of transition. In respect of acquisition prior to the date of transition,

- (i) The classification of former business combinations under FRS is maintained.
- (ii) There is no re-measurement of original fair values determined at the time of business combination.
- (iii) The carrying amount of goodwill recognised under FRS is not adjusted.

### **A4. Auditors report of preceding Annual Financial Statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2011 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.

(Company No.: 863263 – D)

**A7. Change in estimates**

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

**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 2011.

**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.



(Company No.: 863263 – D)

Segment analysis for the cumulative period ended 31 March 2012 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>Revenue</b>					
External Sales	678	7,806	720		9,204
Inter-segment Sales		207		(207)	-
	678	8,013	720	(207)	9,204
Interest Income					11
<b>Results</b>					
Profit/(Loss) from Operation					1,035
Finance cost					-
Share of Profit of associates	-	-	-	-	922
Profit Before Taxation	-	-	-	-	1,957
Taxation	-	-	-	-	(206)
Profit after taxation	-	-	-	-	1,751

Sales derived from two customers in Singapore segment accounted for 13.2% and 13.5% 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.

(Company No.: 863263 – D)

**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 no capital commitments, either contracted upon or otherwise as at 31 March 2012.

(Company No.: 863263 – D)

#### 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 March 2012 RM'000
Ultra Sol and Bayu Purnama Sdn. Bhd.	Provision of tools, equipment and labour for fabrication services	82.6
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Sales Of pumps & parts	14.2
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reimbursement of expenses by Related party	5.8
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reimbursement of expenses to Related party	151.2

## **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 84.8% with the remaining being shared almost equally between Malaysia and the Others segment. The countries that fall 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.

The Group revenue for the 1st quarter ended 31 March 2012 was RM9.204 million, a drop of RM2.305 million as compared to the corresponding quarter of the preceding year. This decline was wholly attributable to Singapore segment, where a drop of RM2.325 million was recorded. The drop was by 22.9% as compared to corresponding comparative. The lower revenue as compared to the comparative was mainly due to sales of parts for SNM's turbine and steam turbines generators to single customers. Malaysia segment revenue had reduced by 28.4% whilst the Others segment shown an improvement of 67.8% as against corresponding comparatives.

The Group Gross margin contribution for the 1<sup>st</sup> quarter was 34.3%, an increase of 7.0% as compared to the corresponding quarter comparative. The Gross margin recorded by Singapore segment alone was 35.2% whilst the corresponding comparative was at 27.3%, thus, fluctuation of gross margin was mainly attributable to the Singapore segment alone. As compared to the comparative, the current contribution from Singapore segment had not been depressed by one off lower margin sales ascribed to the sale of steam turbines generator.

The other operating expenses were at about RM2.160 million for current quarter which were consistent with its comparative quarter. This was despite falls in the revenue income recorded in the current quarter. The current quarter expenses should have been slightly lower if not for the increase in foreign currency exchange loss and the distribution and administration expenses. The contribution derived from the share of associated company was recorded at RM0.922 million, an improvement of RM0.089 million.

As a result, the profit before tax recorded a marginal increase of RM0.015 million to RM1.975 million as against the comparative. This net profit margin recorded in the current quarter was at 21.3%, an improvement of 4.4% against comparative quarter.

**B2. Comparison between the current Quarter and Immediate Preceding Quarter**

	<b>Current Quarter 31 Mar 2012 RM'000</b>	<b>Preceding Quarter 31 Dec 2011 RM'000</b>
Revenue	9,204	13,267
Profit before Tax	1,957	3,380

Current quarter had recorded a revenue decrease of RM4.060 million as compared to the preceding quarter. This lower recorded quarterly revenue as against comparative was mainly due to contribution derived from the spillover effects in the preceding quarter.

Profit before tax recorded was RM1.957, a drop of RM1.423 million as compared to preceding comparatives. The current quarter results recorded a lower net profit margin of 21.3% as well, and this is a drop of 4.2% against comparative.

**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 focused 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.

(Company No.: 863263 – D)

**B5. Income Tax Expenses**

	Current Quarter		Cumulative Quarter	
	31 Mar 2012	31 Mar 2011	31 Mar 2012	31 Mar 2011
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax		-		-
- Foreign income tax	206	223	206	223
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-

The Group's effective tax rate for the period is 10.5%, which is lower than the statutory tax rate of 25% principally due to income subjected to different tax regimes, 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.

(Company No.: 863263 – D)

(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:-

Details of the Utilisation of IPO Proceeds	Proposed Utilisation of IPO Proceeds (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)	Actual Utilisation of IPO Proceeds as at 31 Mar 2012 (RM'000)	Balance of Unutilised IPO Proceeds (RM'000)
(a) Expansion of business facilities						
(i) Indonesia	2,000	Within 12 months	Not applicable (Utilisation completed)	-	2,000	-
(ii) Thailand	2,000	Within 12 months	Within 24 months (i.e. until 30 April 2012)	(2,000)	-	-
(b) Working capital	4,883	Within 24 months	No Change	2,000	6,883*	-
(c) Estimated listing expenses	2,500	Immediate	Not applicable (Utilisation completed)	-	2,500	-
<b>Total</b>	<b>11,383</b>				<b>11,383</b>	<b>-</b>



(Company No.: 863263 – D)

\*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.



(Company No.: 863263 – D)

**B7. Group Borrowing**

	Current Quarter 31 Mar 2012 RM'000	Corresponding Quarter 31 Mar 2011 RM'000
<b>Unsecured</b>		
Long term borrowings		
Obligations under finance lease	-	7
<b>Unsecured</b>		
Short term borrowings		
Obligations under finance lease	-	9

**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 as required.

The case was finally settled out of court with no liability incurred by BPSB.

**B10. Dividend**

No dividend has been recommended or declared for the current quarter as well as in 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 2011 was approved by the

(Company No.: 863263 – D)

shareholders at the Annual General Meeting held on 25 May 2012 and will be paid on 18 June 2012. The entitlement date for the dividend payment is on 4 June 2012.

#### **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.

	<b>Current Quarter 31 Mar 2012 RM'000</b>	<b>Corresponding Quarter 31 Mar 2011 RM'000</b>
Profit net of tax attributable to owners of the Parent	1,752	1,743
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	1.62	1.61

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

#### **B12. Auditors report of preceding Annual Financial Statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2011 was not subject to qualification.

(Company No.: 863263 – D)

### B13. Realised and Unrealised Profits of the Group

The retained profits as at 31 Mar 2012 is analysed as follows:-

	Current Quarter 31 Mar 2012 RM'000	Corresponding Quarter 31 Mar 2011 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	15,682	20,075
- unrealised profits/ (loss)	(406)	(205)
Total share of retained profits from associated companies:		
- realised profits	12,665	5,548
- unrealised (loss)/ profits	266	-
Less: Consolidation adjustments	(20,842)	(20,085)
Total Group retained profits as per consolidated accounts	7,365	5,333

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.

(Company No.: 863263 – D)

#### B14. Profit Before Taxation

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

	<b>Current Quarter 31 Mar 2012 RM'000</b>	<b>Cumulative Quarter 31 Mar 2012 RM'000</b>
Interest Income	11	11
Foreign exchange gain/(Loss)	(335)	(335)
Investment income*	-	-
Depreciation and Amortisation	135	135
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	32	32
Inventory Write Off*	-	-
Impairment of asset*	-	-
Gain/Loss on disposal of quoted or unquoted investment*	-	-
Gain/Loss on Derivatives*	-	-
Exceptional Expenses*	-	-

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