

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2012 RM'000	Preceding Year Corresponding Quarter 30 Jun 2011 RM'000	Current Year-To-Date 30 Jun 2012 RM'000	Preceding Year Corresponding Period 30 Jun 2011 RM'000
Revenue	14,585	12,432	23,789	23,941
Cost of sales	(11,076)	(8,434)	(17,121)	(16,799)
Gross profit	3,509	3,998	6,668	7,142
Other operating income	215	50	255	175
Other operating expenses	(1,831)	(1,716)	(3,995)	(3,876)
Profit from operations	1,893	2,332	2,928	3,441
Finance costs	-	-	-	-
Share of results of associate	1,217	1,107	2,139	1,940
Profit before tax	3,110	3,439	5,067	5,381
Tax expense	(416)	(411)	(622)	(634)
Net profit for the period	2,694	3,028	4,445	4,747
Attributable to:				
Equity holders of the parent	2,641	2,939	4,393	4,682
Non-controlling Interests	53	89	52	65
	2,694	3,028	4,445	4,747
Earning per share (sen)				
Equity holders of the parent:				
Basic	2.44	2.72	4.07	4.34
Diluted	N/A	N/A	N/A	N/A

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2012
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2012 RM'000	Preceding Year Corresponding Quarter 30 Jun 2011 RM'000	Current Year-To-Date 30 Jun 2012 RM'000	Preceding Year Corresponding Period 30 Jun 2011 RM'000
Net Profit for the Period	2,694	3,028	4,445	4,747
Other comprehensive income:				
Foreign currency translation	<u>1,055</u>	<u>1,015</u>	<u>1,076</u>	<u>1,055</u>
Total comprehensive income for the period	<u><u>3,749</u></u>	<u><u>4,043</u></u>	<u><u>5,521</u></u>	<u><u>5,802</u></u>
Total comprehensive income for the period attributable to:				
Owners of the parent	3,696	3,954	5,469	5,737
Non-controlling Interests	<u>53</u>	<u>89</u>	<u>52</u>	<u>65</u>
	<u><u>3,749</u></u>	<u><u>4,043</u></u>	<u><u>5,521</u></u>	<u><u>5,802</u></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 SECOND QUARTER ENDED 30 JUNE 2012
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 30 Jun 2012 RM'000	Preceding Year Corresponding Period 30 Jun 2011 RM'000
Cash flows from operating activities		
Profit before taxation	5,067	5,381
Adjustments for non-cash flow:		
Non-cash items	(1,493)	(1,546)
Operating profit before changes in working capital	3,574	3,835
Changes in working capital		
Net change in inventories	1,286	1,220
Net change in trade and other receivables	350	(612)
Net change in trade and other payables	(1,907)	(2,973)
Cash generated from operations	3,303	1,470
Tax paid	(847)	(972)
Net cash from operating activities	2,456	498
Cash flows from investing activities		
Interest received	44	72
Proceeds from disposal of property, plant and equipment	13	-
Purchase of property, plant and equipment	(1,020)	(2,200)
Net cash used in investing activities	(963)	(2,128)
Cash flows from financing activities		
Fixed deposit pledged	(426)	(342)
Dividend paid on share capital	(5,400)	(5,400)
Repayment of obligations under finance leases	(10)	(3)
Net cash used in financing activities	(5,836)	(5,745)
Net decrease in cash and cash equivalents	(4,343)	(7,375)
Cash and cash equivalents at beginning of period	25,892	32,414
Effect of exchange rate changes	1,357	957
Cash and cash equivalents at end of period	22,906	25,996
Cash & cash equivalents comprise the following		
Cash & Bank balances	11,189	25,244
Fixed Deposit with Licensed Banks	22,335	11,173
	33,524	36,417
Less: Fixed deposit pledged	(10,618)	(10,421)
Cash and cash equivalents at end of period	22,906	25,996

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 SECOND QUARTER ENDED 30 JUNE 2012
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 30 Jun 2012 RM'000	Audited As At 31 Dec 2011 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,736	6,031
Land use rights	3,366	3,366
Investment in associates	16,819	14,616
Deferred tax assets	19	18
Membership rights	61	61
Total non-current assets	27,001	24,092
CURRENT ASSETS		
Inventories	1,947	3,381
Trade and other receivables	11,369	10,131
Dividend receivables	-	1,913
Prepayments	80	36
Cash and cash equivalents	33,524	36,325
Total current assets	46,920	51,786
TOTAL ASSETS	73,921	75,878
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	54,000	54,000
Capital reserves	4,764	4,764
Retained profit	4,606	5,613
Foreign currency translation	2,808	1,732
	66,178	66,109
Non-controlling Interest	641	589
Total equity	66,819	66,698
NON-CURRENT LIABILITIES		
Deferred tax liabilities	76	75
Finance lease under obligations	-	3
Total non-current liabilities	76	78
CURRENT LIABILITIES		
Trade and other payables	5,232	5,707
Other current liabilities	559	1,990
Current tax payables	1,235	1,398
Finance lease under obligations	-	7
Total current liabilities	7,026	9,102
Total liabilities	7,102	9,180
TOTAL EQUITY AND LIABILITIES	73,921	75,878
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)		
	0.61	0.61

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 SECOND QUARTER ENDED 30 JUNE 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	Transiation 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	-	-	-	-	4,393	4,393	52	4,445
Other comprehensive income for the year	-	-	1,076	-	-	1,076	-	1,076
Total comprehensive income	-	-	1,076	-	4,393	5,469	52	5,521
Dividends paid on ordinary shares	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2012	54,000	-	2,808	4,764	4,606	66,178	641	66,819
At 1 January 2011	54,000	-	1,104	4,764	3,590	63,458	388	63,846
Profit for the year	-	-	-	-	4,682	4,682	65	4,747
Other comprehensive income for the year	-	-	1,055	-	-	1,055	-	1,055
Total comprehensive income	-	-	1,055	-	4,682	5,737	65	5,802
Dividends paid on ordinary shares	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2011	54,000	-	2,159	4,764	2,872	63,795	453	64,248

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 13 August 2012.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 June 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 second 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:

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 reorganisation 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.

(Company No.: 863263 – D)

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.

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

A final tax exempt (single tier) dividend of 10.0% per share amounting to RM5.4 million in respect of financial year ended 31 December 2011 was approved by shareholders during the Annual General Meeting held on 25 May 2012 and subsequently paid on 18 June 2012.

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 30 June 2012 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue					
External Sales	2,110	19,822	1,857	-	23,789
Inter-segment Sales	717	402		(1,119)	-
	<u>2,827</u>	<u>20,224</u>	<u>1,857</u>	<u>(1,119)</u>	<u>23,789</u>
Interest Income					44
Results					
Profit/(Loss) from Operation					2,928
Finance cost					-
Share of Profit of associates	-	-	-	-	2,139
Profit Before Taxation	-	-	-	-	5,067
Taxation	-	-	-	-	(622)
Profit after taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,445</u>

Sales derived from a single customer in Singapore segment accounted for 19% of the group's total sales. However, our key customers who contributed more than 10% of the total Group revenue each period may change depending on level of activity undertaken by each of our customers.

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 30 June 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 30 June 2012 RM'000
Ultra Sol and Bayu Purnama Sdn. Bhd.	Provision of tools, equipment and labour for fabrication services	1,020.8
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Sales Of parts	17.9
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reimbursement of expenses by Related party	23.4
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Purchase of Services charges from Related party	14.6

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. The Singapore segment includes the results of Brunei, Vietnam and Thailand. Singapore segment has traditionally been the major contributor to the Group's revenue. In this quarter, its contribution of Group's cumulative revenue was at 83.3%, which is an increase of 1.8% as against the preceding year comparative.

The Malaysia segment contributed 8.9% to the Group's revenue in the current cumulative quarter, recorded a drop of about 6.8%. In the Others segment, the Philippines and Indonesia have recorded revenue improvements as compared to the preceding year comparatives. A worthy point to be noted was the Philippines' contribution to the Group's revenue for current cumulative quarter has significantly increased.

The current quarter revenue in comparing with the preceding year corresponding quarter has improved by RM2.153 million. This has help to reduce the drop in revenue when comparing the current cumulative quarter with the preceding cumulative quarter of RM23.941 million, amount to a drop of only RM0.152 million. The current quarter revenue of RM14.585 million was an improvement of 17.3% as compared to the preceding year corresponding quarter. This improvement was attributed to increased sales of pumps derived from projects recognised in current quarter.

In the current quarter, the Group recorded a lower gross profit margin of 24.0% as compared to 32.2% in preceding year due to lower margin sales generated from the Singapore segment. However, despite this, the Group was still able to achieve a higher margin of 28.0% in the cumulative quarter, which was slightly below the preceding year comparative of 29.8%.

In the current cumulative quarter, other operating income was at RM0.255 million. This was an increase, as compared to the current and cumulative preceding year comparative. The difference can be explained by the increase in the realised foreign exchange gain attributable mainly from the Singapore segment.

The other operating expenses for current quarter have increased by RM0.115 million as compared to preceding year comparative. Similarly, the current cumulative quarter had increased by about the same amount. In general, this was due to the unrealised foreign exchange loss and depreciation. As regards the share of results in the associated companies, an improvement of RM0.110 million was achieved and had contributed to the bottom line.

(Company No.: 863263 – D)

As a result, the Group had recorded a current quarter profit of RM2.694 million, and this was RM0.334 million lower than the preceding year comparative. This result was about the same and consistent with the lower recorded net operating result in the cumulative period.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	Current Quarter 30 June 2012 RM'000	Preceding Quarter 31 March 2012 RM'000
Revenue	14,585	9,204
Profit before Tax	3,110	1,957

In current quarter, the recorded revenue had surged to RM14.585 million, an increase of RM5.381 million as compared to the preceding quarter. This improvement was mainly as a result of four fold increase in revenue recognised in sales of pumps derived from projects.

Profit before tax recorded for the quarter under review was RM3.110 million which was RM1.153 million higher as compared to preceding comparatives. The current quarter results gave a net profit margin of 21.3%, which was consistent with the preceding quarter. This was despite the fact that gross margin for the current quarter had dropped by 10.3% as this was mitigated by improvement in other operating income, lower operating expenses and a better contribution from share of results from the associated companies.

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's 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	
	30 June 2012	30 June 2011	30 June 2012	30 June 2011
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	44	41	44	41
- Foreign income tax	372	370	578	593
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-

The Group's effective tax rate for the current quarter is 13.4%, 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

There were no corporate proposals announced but not completed as at the date of this report.

B7. Group Borrowing

	Current Quarter 30 June 2012 RM'000	Corresponding Quarter 30 June 2011 RM'000
Unsecured		
Long term borrowings		
Obligations under finance lease	-	7
Unsecured		
Short term borrowings		
Obligations under finance lease	-	7

(Company No.: 863263 – D)

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

As at the date of this report, neither the Company nor any of its subsidiaries is engaged in any material litigation and arbitration either as plaintiff or defendant, which has a material effect on the financial position of the Company or its subsidiaries and our Directors are not aware of any proceedings pending or threatened or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position or business of the Company or its subsidiaries.

B10. Dividend

The directors have not declared any dividends for the quarter ended 30 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.

	Current Quarter 30 June 2012 RM'000	Corresponding Quarter 30 June 2011 RM'000
Profit net of tax attributable to owners of the Parent	2,641	2,939
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	2.44	2.72

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

(Company No.: 863263 – D)

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.

B13. Realised and Unrealised Profits of the Group

The retained profits as at 30 June 2012 is analysed as follows:-

	Current Quarter 30 June 2012 RM'000	Corresponding Quarter 30 June 2011 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	10,570	11,556
- unrealised profits/ (loss)	(366)	(228)
Total share of retained profits from associated companies:		
- realised profits	13,894	6,224
- unrealised (loss)/ profits	255	-
Less: Consolidation adjustments	(19,747)	(14,681)
Total Group retained profits as per consolidated accounts	4,606	2,871

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):

	Current Quarter 30 June 2012 RM'000	Cumulative Quarter 30 June 2012 RM'000
Interest Income	33	44
Foreign exchange gain/(Loss)	170	(165)
Investment income*	-	-
Depreciation and Amortisation	177	312
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	31	63
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 but disclosed pursuant to Appendix 9B Note 16 of the Main Market Listing Requirements of Bursa Malaysia Securities.