

UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED INCOME STATEMENTS

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2016 RM'000	Preceding Year Corresponding Quarter 30 Jun 2015 RM'000	Current Year To Date 30 Jun 2016 RM'000	Preceding Year Corresponding Period 30 Jun 2015 RM'000
Revenue	9,438	13,687	16,147	21,318
Cost of sales	(5,397)	(9,129)	(10,509)	(13,032)
Gross profit	4,041	4,558	5,638	8,286
Other operating income	182	169	651	660
Other operating expenses	(2,754)	(2,565)	(5,165)	(4,521)
Profit from operations	1,469	2,162	1,124	4,425
Finance costs	-	-	-	-
Share of results of associate	486	507	613	1,213
Profit before tax	1,955	2,669	1,737	5,638
Tax expense	(108)	(374)	(125)	(830)
Net profit for the period	1,847	2,295	1,612	4,808
Attributable to :				
Equity holders of the parent	1,861	2,292	1,626	4,799
Non-controlling Interest	(14)	3	(14)	9
	1,847	2,295	1,612	4,808
Earning per share (sen)				
Equity holders of the parent :				
Basic	1.72	2.12	1.51	4.44
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 SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2016 RM'000	Preceding Year Corresponding Quarter 30 Jun 2015 RM'000	Current Year-To-Date 30 Jun 2016 RM'000	Preceding Year Corresponding Period 30 Jun 2015 RM'000
Net Profit for the Period	1,847	2,295	1,612	4,808
Other comprehensive (expense)/income:				
Foreign currency translation	1,849	2,488	(1,353)	3,571
Total comprehensive (expense)/income	3,696	4,783	259	8,379
Total comprehensive (expense)/income				
Owners of the parent	3,710	4,780	273	8,370
Non-controlling Interest	(14)	3	(14)	9
	3,696	4,783	259	8,379

Note:

The unaudited condensed consolidated statements of comprehensive income 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 2016
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As At 30 Jun 2016 RM'000	Audited As At 31 Dec 2015 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	31,282	30,950
Land use rights	3,446	3,559
Investment in associates	16,526	21,934
Deferred tax assets	1	2
Membership rights	61	61
Total non-current assets	51,316	56,506
CURRENT ASSETS		
Inventories	2,499	2,441
Trade and other receivables	8,424	6,009
Dividend receivables	-	4,250
Prepayments	483	11
Tax recoverable	-	-
Cash and cash equivalents	47,901	45,590
Total current assets	59,307	58,301
TOTAL ASSETS	110,623	114,807
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	21,091	24,865
Foreign currency translation	12,757	14,110
	92,612	97,739
Non-controlling Interest	3,555	-
Total equity	96,167	97,739
NON-CURRENT LIABILITIES		
Deferred tax liabilities	13	13
Loans and borrowings	10,296	11,030
Total non-current liabilities	10,309	11,043
CURRENT LIABILITIES		
Loans and borrowings	1,073	1,082
Trade and other payables	1,784	2,927
Other current liabilities	665	846
Current tax payables	625	1,170
Total current liabilities	4,147	6,025
Total liabilities	14,456	17,068
TOTAL EQUITY AND LIABILITIES	110,623	114,807
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)	0.86	0.90

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 2016
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Attributable to equity holders of the parent							Non controlling interest RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserves RM'000	Capital reserves RM'000	Merger reserves RM'000	Distributable Retained profits RM'000	Total RM'000		
At 1 January 2016	54,000	-	14,110	4,764	-	24,865	97,739	-	97,739
Profit for the year	-	-	-	-	-	1,626	1,626	(14)	1,612
Other comprehensive income for the year	-	-	(1,353)	-	-	-	(1,353)	-	(1,353)
Total comprehensive income	-	-	(1,353)	-	-	1,626	273	(14)	259
Transactions with owners									
- Dividends paid on ordinary shares	-	-	-	-	-	(5,400)	(5,400)	-	(5,400)
- Acquisition of an associate to a subsidiary	-	-	-	-	-	-	-	3,569	3,569
At 30 June 2016	54,000	-	12,757	4,764	-	21,091	92,612	3,555	96,167
At 1 January 2015	54,000	-	5,345	4,764	-	21,883	85,992	581	86,573
Profit for the year	-	-	-	-	-	4,799	4,799	9	4,808
Other comprehensive income for the year	-	-	3,571	-	-	-	3,571	-	3,571
Total comprehensive income	-	-	3,571	-	-	4,799	8,370	9	8,379
Transaction with owners									
- Dividends paid on ordinary shares	-	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 30 June 2015	54,000	-	8,916	4,764	-	21,282	88,962	590	89,552

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.

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2016
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 30 Jun 2016 RM'000	Preceding Year Corresponding Period 30 Jun 2015 RM'000
Cash flows from operating activities		
Profit before taxation	1,737	5,638
Adjustments for non-cash flow:		
Depreciation of Property, plant and equipment	708	226
Amortisation of prepaid lease payments	51	46
(Gain)/Loss on disposal of property, plant and equipment	(43)	(29)
Unrealised loss/(gain) on foreign currency	43	(173)
Interest income	(135)	(98)
Provision for doubtful debts	-	-
Reversal of allowance for doubtful debts	-	-
Provision for obsolete inventory	10	-
Reversal of inventories written down	-	-
Share of results of associates	(613)	(1,213)
Finance costs	-	-
Operating profit before changes in working capital	<u>1,758</u>	<u>4,397</u>
Changes in working capital		
Net change in inventories	(68)	304
Net change in trade and other receivables	(2,914)	(1,470)
Net change in trade and other payables	<u>(1,323)</u>	<u>(929)</u>
Cash (used in)/generated from operations	(2,547)	2,302
Tax (paid)/recoverable	(670)	(840)
Interest paid	-	-
Net cash generated from operating activities	<u>(3,217)</u>	<u>1,459</u>
Cash flows from investing activities		
Interest received	135	98
Dividend received from associate	4,250	2,975
Proceeds from disposal of property, plant and equipment	2	-
Purchase of property, plant and equipment	(1,565)	(75)
Payment for deposit and incidental expenses	-	-
Cash incidental to acquisition of an associate to subsidiary	12,854	-
Cash outflow on acquisition of a 26% share of associate	(3,251)	-
Cash outflow on acquisition of a 10% share of associate	<u>(73)</u>	<u>-</u>
Net cash generated from/(used in) investing activities	12,352	2,998
Cash flows used in financing activities		
Fixed deposit pledge	205	(611)
Dividend paid on share capital	(5,400)	(5,400)
Repayment of term loan	(736)	-
Repayment of obligations under finance leases	<u>(6)</u>	<u>-</u>
Net cash generated from/(used in) financing activities	(5,937)	(6,011)
Net decrease in cash and cash equivalents	3,198	(1,554)
Cash and cash equivalents at beginning of period	34,065	37,519
Effect of exchange rate changes	<u>(682)</u>	<u>3,442</u>
Cash and cash equivalents at end of period	<u><u>36,581</u></u>	<u><u>39,407</u></u>
Cash & cash equivalents comprise the following		
Cash & Bank balances	8,879	17,821
Fixed Deposit with Licensed Banks	39,022	32,195
	<u>47,901</u>	<u>50,016</u>
Less: Fixed deposit pledged	<u>(11,320)</u>	<u>(10,609)</u>
Cash and cash equivalents at end of period	<u><u>36,581</u></u>	<u><u>39,407</u></u>

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.

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 22 August 2016.

A2. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2016, 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.

The condensed consolidated interim financial statements should read in conjunction with the audited financial statements for the year ended 31 December 2015.

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 2015.

A3. Significant accounting policies

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2015 except for the adoption of the following new or revised Malaysian Financial Reporting Standards ("MFRS") below.

3.1 Changes in Accounting Policies

On 1 January 2015, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for the annual financial periods beginning on or after 1 January 2015:

Effective for financial periods beginning on or after 1 July 2014

Amendment to MFRS 2: Share-based Payment (Annual Improvements to MFRSs 2010-2012 Cycle)

Amendment to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 3: Business Combinations (Annual Improvements to MFRSs 2011-2013 Cycle)
Amendment to MFRS 8: Operating Segments (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 13: Fair Value Adjustment (Annual Improvements to MFRS 2011-2013 Cycle)
Amendment to MFRS 116: Property, Plant and Equipment (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment MFRS 119: Defined Benefit Plans: Employee Contributions
Amendment to MFRS 124: Related Party Disclosures (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 138: Intangible Assets (Annual Improvements to MFRSs 2010-2012 Cycle)
Amendment to MFRS 140: Investment Property (Annual Improvements to MFRSs 2011-2013 Cycle)

Effective for financial periods beginning on or after 1 January 2016

MFRS 14: Regulatory Deferral Accounts
Amendment to MFRS 5: Non-current Assets Held for Sale and Discontinued Operation (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendment to MFRS 7: Financial Instruments (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendments to MFRS10, MFRS 12 and MFRS 128: Investment Entities: Applying the Consolidation Exception
Amendment to MFRS 11: Joint Arrangements (Accounting for Acquisitions of Interests in Joint Operations)
Amendments to MFRS 101: Disclosure Initiatives
Amendment to MFRS 116 and MFRS 138: Clarification of Acceptable Methods of Depreciation and Amortisation
Amendment to MFRS 116 and MFRS 141: Agriculture: Bearer Plants
Amendment to MFRS 119: Employee Benefits (Annual Improvements to MFRSs 2012-2014 Cycle)
Amendment to MFRS 127: Equity Method in Separate Financial Statements
Amendment to MFRS 134: Interim Financial Reporting (Annual Improvements to MFRSs 2012-2014 Cycle)

Effective for financial periods beginning on or after 1 Jan 2018

MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers

Effective for financial periods beginning on or after 1 Jan 2019

MFRS 16: Leases

Effective for financial periods to be announced

Amendment to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

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.

A4. Auditors report of preceding Annual Financial Statements

The audit report on the Group's financial statements for the financial year ended 31 December 2015 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.

A8. Carrying amount of revalued assets

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements as at 31 December 2015.

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

There was no dividend declared 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 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.

Segment analysis for the period ended 30 June 2016 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue					
External Sales	-	13,866	2,281	-	16,147
Inter-segment Sales	-	1,018	-	(1,018)	-
	-	14,884	2,281	(1,018)	16,147
Results					
Profit/(Loss) from Operation	(275)	531	635	233	1,124
Share of Profit of associates					613
Gain Before Taxation					1,737
Taxation					(125)
Profit after taxation					1,612

A12. Subsequent Event

As announced in Bursa Malaysia dated 20 July 016, Turbo-Mech Asia Pte Ltd ("TMA"), a wholly-owned subsidiary of Turbo-Mech Berhad had on 20 July 2016 entered into a Joint Venture Agreement with Elflow Asia BV to establish a joint venture company, namely TM-Elflow Pte Ltd in Singapore for the purpose of working together and to pool their respective resources and expertise with the view of joining forces to undertake projects and provision or sale of the products and services throughout ASEAN with respect to air-cooled heat exchangers and products and services relating to optimization, refurbishment and repair works in oil and gas industry.

(Company No.: 863263 – D)

A13. Change in the composition of the Group

As announced in Bursa Malaysia dated 28 March 2016, 30 March 2016, 4 April 2016 and 8 June 2016, TMA, a wholly-owned subsidiary of Turbo-Mech Berhad had acquired 260,000 ordinary shares of Thai Baht 100 each in Turbo-Mech (Thailand) Company Limited (“TMT”), representing 26% equity interest in TMT. Effective 4 April 2016, TMT has become a 75%- owned sub-subsidiary of Turbo-Mech Berhad.

A14. Contingent Liabilities

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

A15. Capital Commitments

There are no capital commitments for the financial quarter under review.

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 2016 RM'000	Transaction for the period ended 30 June 2015 RM'000
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Sales of parts	2	8
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Reimbursement of expenses by Related party	22	16
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Purchase of services charges from Related party	-	-

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

B1. Analysis of Performance

The Group achieved revenue of RM9.4 million for the current quarter, a decrease of RM4.3 million or 31% as compared to the RM13.7 million achieved during the preceding year corresponding quarter. The decrease in revenue was mainly due to drop in sales in Singapore region.

The Group achieved gross profit of RM4 million during the current quarter. This represent a decrease of RM0.56 million or 12% as compared to the RM4.56 million achieved during the preceding year corresponding quarter. The gross profit margin for this quarter is 43% which is higher than the gross profit margin of 33% achieved during the preceding year corresponding quarter.

For the current quarter, the Group recorded a profit after tax of RM1.8 million, compared against the preceding year corresponding quarter profit after tax of RM2.3 million. The decrease was mainly due to the reduction in revenue and increased in operating expenditure.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	Current Quarter 30 June 2016 RM'000	Preceding Quarter 31 Marc 2016 RM'000
Revenue	9,438	6,709
Profit before Tax	1,955	(218)

The Group achieved revenue of RM9.4 million for the current quarter, an increase of RM2.7 million or 40% as compared to the RM6.7 million achieved during the previous quarter.

The Group recorded a profit before tax of RM1.96 million during the current quarter, compared to loss before tax of RM0.22 million achieved during the previous quarter. This is due to improvement in revenue and profit margin during the quarter.

For the current quarter, the Group recorded a profit after tax of RM1.85 million, compared against the previous quarter loss after tax of RM0.24 million.

(Company No.: 863263 – D)

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 and will stay relevant to the industry.

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	
	30 June 2016 RM'000	30 June 2015 RM'000	30 June 2016 RM'000	30 June 2015 RM'000
Current tax				
- Malaysian income tax	-	-	-	-
- Foreign income tax	108	374	125	830
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-
Total	108	374	125	830

The Group's effective tax rate for the current quarter is 6%, which is lower than the statutory tax rate of 25% principally due to deferred income tax provision on withholding tax in a related company, lower tax regime from foreign income tax, utilisation of business loss, and share of associated company results which is net of tax in current quarter.

B6. Status of Corporate Proposals

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

(Company No.: 863263 – D)

B7. Group Borrowing

The details of the Group’s borrowings as at 30 June 2016 are as set out as below:

	Maturity	30 June 2016 RM
Current		
Secured:		
Obligations under finance lease	2017	12,020
Bank loan	2017	1,061,296
		<u>1,073,316</u>
 Noncurrent		
Secured:		
Obligations under finance lease	2017-2020	42,427
Bank loan	2017-2025	10,253,083
		<u>10,295,510</u>

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.

(Company No.: 863263 – D)

B10. Dividend

A final tax exempt (single tier) dividend of 5 sen per ordinary share of 50 sen in respect of the financial year ended 31 December 2015 on 108,000,000 ordinary shares, amounted to a dividend payable of RM5.4 million was approved by shareholders during the Annual General Meeting held on 20 May 2016 and subsequently paid on 27 June 2016.

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 2016 RM'000	Corresponding Quarter 30 June 2015 RM'000
Profit net of tax attributable to owners of the Parent	1,861	2,292
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	1.72	2.12

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 2015 was not subject to qualification.

(Company No.: 863263 – D)

B13. Realised and Unrealised Profits of the Group

The retained profits as at 30 June 2016 is analysed as follows:-

	Current Quarter 30 June 2016 RM'000	Corresponding Quarter 30 June 2015 RM'000
Total retained profits of the Group and its subsidiaries:		
- Realised profits	21,641	25,688
- Unrealised profits/(loss)	(40)	164
Total share of retained profits from associated companies:		
- Realised profits	15,867	16,104
- Unrealised profits/(loss)	239	2
Less : Consolidated adjustments	(16,616)	(20,676)
Total Group retained profits as per consolidated accounts	21,091	21,282

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 2016 RM'000	Cumulative Quarter 30 June 2016 RM'000
Interest Income	108	135
Foreign exchange gain/(Loss) net	27	(24)
Investment income*	-	-
Depreciation and Amortisation	(491)	(757)
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	-	-
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 Berhad.