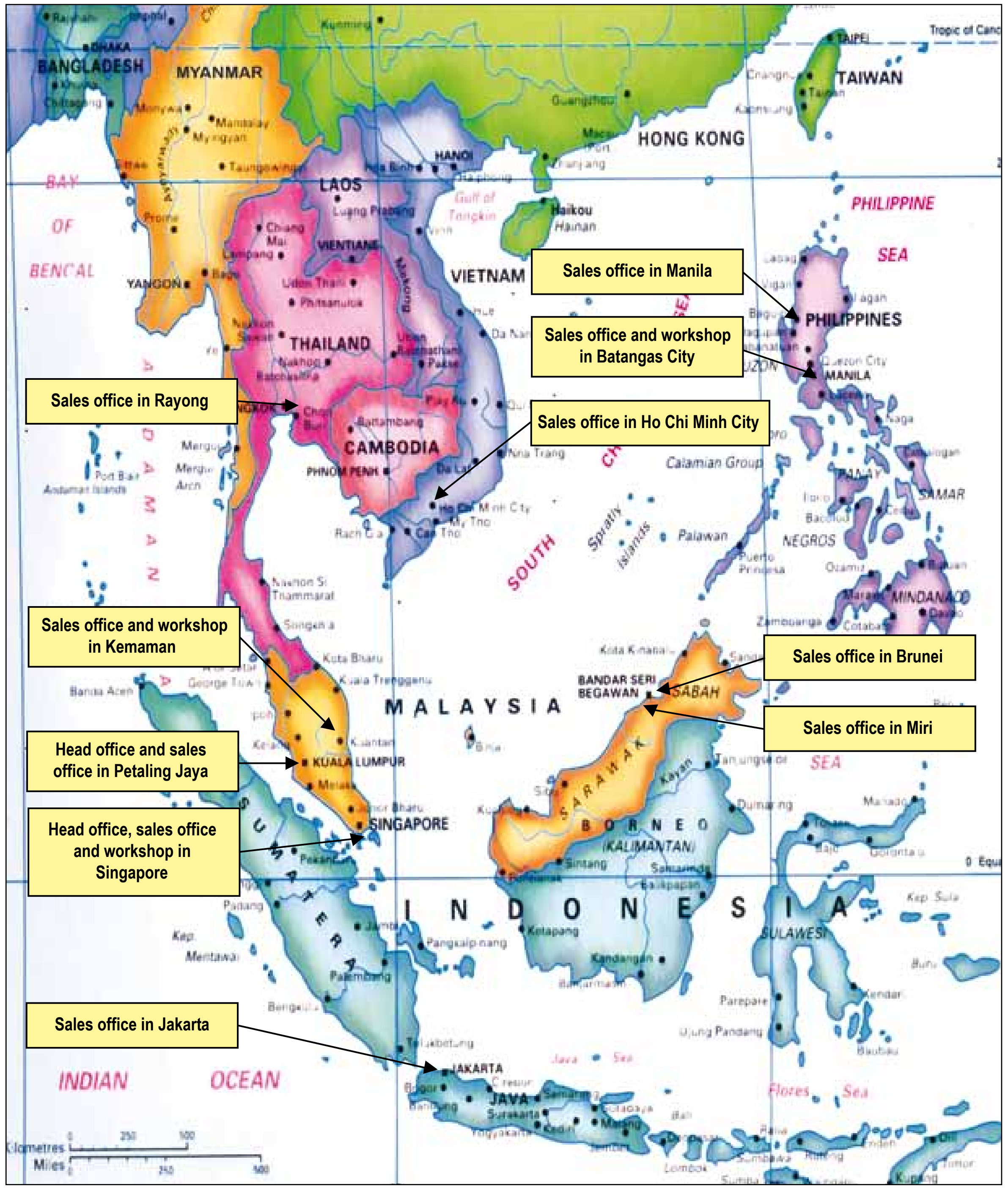
This Prospectus is dated 13 April 2010



Network of workshops and sales offices of the subsidiaries and associated companies of Turbo-Mech Berhad

PROSPECTUS | TURBO-MECH BERHAD

TURBO-MECH BERHAD

TURBO-MECH BERHAD

(Company No. 863263-D)
(Incorporated in Malaysia under the Companies Act, 1965)

PUBLIC ISSUE OF 18,068,000 NEW ORDINARY SHARES OF RM0.50 EACH COMPRISING:-

- **6,000,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
- **4,500,000 NEW ORDINARY SHARES OF RM0.50 EACH AVAILABLE FOR APPLICATION BY THE ELIGIBLE DIRECTORS, EMPLOYEES AND BUSINESS ASSOCIATES OF TURBO-MECH BERHAD AND ITS SUBSIDIARY COMPANIES; AND**
- **7,568,000 NEW ORDINARY SHARES OF RM0.50 EACH FOR PRIVATE PLACEMENT TO SELECTED INVESTORS,**

AT AN ISSUE PRICE OF RM0.63 PER ORDINARY SHARE PAYABLE IN FULL ON APPLICATION PURSUANT TO ITS LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD.

Adviser, Sole Underwriter and Sole Placement Agent

AmInvestment Bank Berhad
(Company No. 23742-V)
A member of

AmInvestment Bank Group

(A Participating Organisation of Bursa Malaysia Securities Berhad)

TURBO-MECH BERHAD
(Company No. 863263-D)

39-5, Jalan PJU 1/41, Blok D1, Dataran Prima,
47301 Petaling Jaya, Selangor D.E., Malaysia.
Tel : 603-7805 5592 **Fax :** 603-7805 5269
Website : www.turbo-mech.com.sg

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THE PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. **TURN TO PAGE 26 FOR "RISK FACTORS".**

Company No: 863263-D

RESPONSIBILITY STATEMENTS

THE DIRECTORS AND/OR PROMOTERS OF OUR COMPANY HAVE SEEN AND APPROVED THIS PROSPECTUS. THEY COLLECTIVELY AND INDIVIDUALLY ACCEPT FULL RESPONSIBILITY FOR THE ACCURACY OF THE INFORMATION CONTAINED IN THIS PROSPECTUS. HAVING MADE ALL REASONABLE ENQUIRIES, AND TO THE BEST OF THEIR KNOWLEDGE AND BELIEF, THEY CONFIRM THAT THERE IS NO FALSE OR MISLEADING STATEMENT OR OTHER FACTS WHICH IF OMITTED, WOULD MAKE ANY STATEMENT IN THIS PROSPECTUS FALSE OR MISLEADING.

AMINVESTMENT BANK BERHAD, A MEMBER OF AMINVESTMENT BANK GROUP, BEING THE PRINCIPAL ADVISER, ACKNOWLEDGES THAT, BASED ON ALL AVAILABLE INFORMATION, AND TO THE BEST OF ITS KNOWLEDGE AND BELIEF, THIS PROSPECTUS CONSTITUTES A FULL AND TRUE DISCLOSURE OF ALL MATERIAL FACTS CONCERNING THE INITIAL PUBLIC OFFERING ("**IPO**").

STATEMENTS OF DISCLAIMER

THE SECURITIES COMMISSION OF MALAYSIA ("**SC**") HAS APPROVED THE ISSUE, OFFER OR INVITATION IN RESPECT OF THE IPO AND A COPY OF THIS PROSPECTUS HAS BEEN REGISTERED WITH THE SC. THE APPROVAL, AND REGISTRATION OF THIS PROSPECTUS, SHOULD NOT BE TAKEN TO INDICATE THAT THE SC RECOMMENDS THE OFFERING OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE OR OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. THE SC HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

THE SC IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS, MAKES NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS PROSPECTUS.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY.

APPROVAL WILL BE OBTAINED FROM BURSA MALAYSIA SECURITIES BERHAD ("**BURSA SECURITIES**") FOR THE LISTING AND QUOTATION OF THE SECURITIES BEING OFFERED. ADMISSION TO THE OFFICIAL LIST OF BURSA SECURITIES IS NOT TO BE TAKEN AS AN INDICATION OF THE MERITS OF THE INVITATION, OUR COMPANY OR OUR SECURITIES.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE HEREIN BY US AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS. BURSA SECURITIES MAKES NO REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS PROSPECTUS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THIS PROSPECTUS.

A COPY OF THIS PROSPECTUS, TOGETHER WITH THE APPLICATION FORM, HAS ALSO BEEN LODGED WITH THE REGISTRAR OF COMPANIES, WHO TAKES NO RESPONSIBILITY FOR ITS CONTENTS.

YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS PROSPECTUS IS DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT 2007 ("**CMSA**").

SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE IPO FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA, E.G. DIRECTORS AND ADVISERS, ARE RESPONSIBLE.

THIS PROSPECTUS CAN ALSO BE VIEWED OR DOWNLOADED FROM BURSA SECURITIES' WEBSITE AT http://www.bursamalaysia.com THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE COPY OF THIS PROSPECTUS REGISTERED WITH THE SC ARE THE SAME.

YOU MAY OBTAIN A COPY OF THE ELECTRONIC PROSPECTUS FROM THE WEBSITE OF AFFIN BANK BERHAD AT http://www.affinOnline.com, THE WEBSITE OF CIMB INVESTMENT BANK BERHAD AT http://www.eipocimb.com, THE WEBSITE OF CIMB BANK BERHAD AT http://www.cimbclicks.com.my AND THE WEBSITE OF MALAYAN BANKING BERHAD AT http://www.maybank2u.com.my VIA HYPERLINK TO THE WEBSITE OF BURSA SECURITIES.

THE INTERNET IS NOT A FULLY SECURED MEDIUM. INTERNET APPLICATION MAY BE SUBJECT TO RISKS IN DATA TRANSMISSION, COMPUTER SECURITY THREATS SUCH AS VIRUSES, HACKERS AND CRACKERS, FAULTS WITH COMPUTER SOFTWARE AND OTHER EVENTS BEYOND CONTROL OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION. THESE RISKS CANNOT BE BORNE BY THE INTERNET PARTICIPATING FINANCIAL INSTITUTION.

IF YOU ARE IN DOUBT ABOUT THE VALIDITY OR INTEGRITY OF AN ELECTRONIC PROSPECTUS, YOU SHOULD IMMEDIATELY REQUEST FROM US OR MALAYSIAN ISSUING HOUSE SDN BHD OR OUR ADVISER, A PAPER/PRINTED COPY OF THIS PROSPECTUS. IF THERE IS ANY DISCREPANCY BETWEEN THE CONTENTS OF THE ELECTRONIC PROSPECTUS AND THE PAPER/PRINTED COPY OF THIS PROSPECTUS, THE CONTENTS OF THE PAPER/PRINTED COPY OF THIS PROSPECTUS, WHICH IS IDENTICAL TO THE COPY OF THE PROSPECTUS REGISTERED WITH THE SC, SHALL PREVAIL. THE ELECTRONIC PROSPECTUS SUBMITTED TO THE SC AND BURSA SECURITIES IS THE SAME AS THE REGISTERED PAPER/PRINTED COPY.

IN RELATION TO ANY REFERENCE IN THIS PROSPECTUS TO THIRD PARTY INTERNET SITES (REFERRED TO AS "**THIRD PARTY INTERNET SITES**") WHETHER BY WAY OF HYPERLINKS OR BY WAY OF DESCRIPTION OF THE THIRD PARTY INTERNET SITES, YOU ACKNOWLEDGE AND AGREE THAT:-

(I) WE DO NOT ENDORSE AND ARE NOT AFFILIATED IN ANY WAY TO THE THIRD PARTY INTERNET SITES. ACCORDINGLY, WE ARE NOT RESPONSIBLE FOR THE AVAILABILITY OF, OR THE CONTENT OR ANY DATA, FILES OR OTHER MATERIAL PROVIDED ON THE THIRD PARTY INTERNET SITES. YOU BEAR ALL RISKS ASSOCIATED WITH THE ACCESS TO OR USE OF THE THIRD PARTY INTERNET SITES;

(II) WE ARE NOT RESPONSIBLE FOR THE QUALITY OF PRODUCTS OR SERVICES IN THE THIRD PARTY INTERNET SITES, PARTICULARLY IN FULFILLING ANY OF THE TERMS OF ANY OF YOUR AGREEMENTS WITH THE THIRD PARTY INTERNET SITES. WE ARE ALSO NOT RESPONSIBLE FOR ANY LOSS OR DAMAGE OR COST THAT YOU MAY SUFFER OR INCUR IN CONNECTION WITH OR AS A RESULT OF DEALING WITH THE THIRD PARTY INTERNET SITES OR THE USE OF OR RELIANCE ON ANY DATA, FILES OR OTHER MATERIAL PROVIDED BY SUCH PARTIES; AND

(III) ANY DATA, FILE OR OTHER MATERIAL DOWNLOADED FROM THE THIRD PARTY INTERNET SITES IS DONE AT YOUR DISCRETION AND RISK. WE ARE NOT RESPONSIBLE, LIABLE OR UNDER OBLIGATION FOR ANY DAMAGE TO YOUR COMPUTER SYSTEMS OR LOSS OF DATA RESULTING FROM THE DOWNLOADING OF ANY SUCH DATA, INFORMATION, FILES OR OTHER MATERIAL.

WHERE AN ELECTRONIC PROSPECTUS IS HOSTED ON THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, YOU ARE ADVISED THAT:

(I) THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS ONLY LIABLE IN RESPECT OF THE INTEGRITY OF THE CONTENTS OF AN ELECTRONIC PROSPECTUS, TO THE EXTENT OF THE CONTENT OF THE ELECTRONIC PROSPECTUS ON THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION WHICH MAY BE VIEWED VIA WEB BROWSER OR OTHER RELEVANT SOFTWARE. THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT RESPONSIBLE FOR THE INTEGRITY OF THE CONTENTS OF THE ELECTRONIC PROSPECTUS WHICH HAS BEEN OBTAINED FROM THE WEB SERVER OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND SUBSEQUENTLY COMMUNICATED OR DISSEMINATED IN ANY MANNER TO YOU OR OTHER PARTIES; AND

(II) WHILE ALL REASONABLE MEASURES HAVE BEEN TAKEN TO ENSURE THE ACCURACY AND RELIABILITY OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS, THE ACCURACY AND RELIABILITY OF THE ELECTRONIC PROSPECTUS CANNOT BE GUARANTEED BECAUSE THE INTERNET IS NOT A FULLY SECURED MEDIUM.

THE INTERNET PARTICIPATING FINANCIAL INSTITUTION IS NOT LIABLE (WHETHER IN TORT OR CONTRACT OR OTHERWISE) FOR ANY LOSS, DAMAGE OR COSTS, YOU OR ANY OTHER PERSON MAY SUFFER OR INCUR DUE TO, AS A CONSEQUENCE OF OR IN CONNECTION WITH ANY INACCURACIES, CHANGES, ALTERATIONS, DELETIONS OR OMISSIONS IN RESPECT OF THE INFORMATION PROVIDED IN THE ELECTRONIC PROSPECTUS WHICH MAY ARISE IN CONNECTION WITH OR AS A RESULT OF ANY FAULT WITH WEB BROWSERS OR OTHER RELEVANT SOFTWARE, ANY FAULT ON YOUR OR ANY THIRD PARTY'S PERSONAL COMPUTERS, OPERATING SYSTEM OF OTHER SOFTWARE, VIRUSES OR OTHER SECURITY THREATS, UNAUTHORISED ACCESS TO INFORMATION OR SYSTEMS IN RELATION TO THE WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTION, AND/OR PROBLEMS OCCURRING DURING DATA TRANSMISSION WHICH MAY RESULT IN INACCURATE OR INCOMPLETE COPIES OF INFORMATION BEING DOWNLOADED OR DISPLAYED ON YOUR PERSONAL COMPUTER.

THE DISTRIBUTION OF THIS PROSPECTUS AND THE IPO ARE SUBJECT TO THE LAWS OF MALAYSIA. THIS PROSPECTUS WILL NOT BE DISTRIBUTED OUTSIDE MALAYSIA. OUR COMPANY, THE PROMOTERS AND THE ADVISER HAVE NOT AUTHORISED AND ARE NOT RESPONSIBLE FOR THE DISTRIBUTION OF THIS PROSPECTUS OUTSIDE MALAYSIA. OUR COMPANY, THE PROMOTERS AND THE ADVISER HAVE NOT TAKEN ANY ACTION TO PERMIT A PUBLIC OFFERING OF THE SECURITIES IN ANY JURISDICTION OTHER THAN MALAYSIA BASED ON THIS PROSPECTUS. ACCORDINGLY, THIS PROSPECTUS MAY NOT BE USED FOR THE PURPOSE OF AND DOES NOT CONSTITUTE AN OFFER FOR PURCHASE OR INVITATION TO BUY THE SECURITIES OFFERED UNDER THE IPO IN ANY JURISDICTION OR IN ANY CIRCUMSTANCE IN WHICH AN OFFER IS NOT AUTHORISED OR LAWFUL OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THIS PROSPECTUS AND THE SALE OF THE SECURITIES OFFERED UNDER THE IPO IN CERTAIN JURISDICTIONS MAY BE RESTRICTED BY LAW. OUR COMPANY, THE PROMOTERS AND THE ADVISER REQUIRE INVESTORS TO INFORM THEMSELVES OF AND TO OBSERVE SUCH RESTRICTIONS.

THIS PROSPECTUS IS PUBLISHED SOLELY IN CONNECTION WITH THE IPO. THE SECURITIES BEING OFFERED IN THE IPO ARE OFFERED SOLELY ON THE BASIS OF THE INFORMATION CONTAINED AND REPRESENTATIONS MADE IN THIS PROSPECTUS. NEITHER OUR COMPANY NOR THE PROMOTERS HAS AUTHORISED ANYONE TO PROVIDE INFORMATION OR TO MAKE ANY REPRESENTATION NOT CONTAINED IN THIS PROSPECTUS.

THIS PROSPECTUS HAS NOT BEEN AND WILL NOT BE MADE TO COMPLY WITH THE LAWS OF ANY JURISDICTION OTHER THAN MALAYSIA, AND HAS NOT BEEN AND WILL NOT BE LODGED, REGISTERED OR APPROVED PURSUANT TO OR UNDER ANY APPLICABLE SECURITIES OR EQUIVALENT LEGISLATION OR WITH OR BY ANY REGULATORY AUTHORITY OR OTHER RELEVANT BODY OF ANY JURISDICTION OTHER THAN MALAYSIA.

WE WILL NOT, PRIOR TO ACTING ON ANY ACCEPTANCE IN RESPECT OF THE OFFERING, MAKE OR BE BOUND TO MAKE ANY ENQUIRY AS TO WHETHER YOU HAVE A REGISTERED ADDRESS IN MALAYSIA AND WILL NOT ACCEPT OR BE DEEMED TO ACCEPT ANY LIABILITY IN RELATION THERETO WHETHER OR NOT ANY ENQUIRY OR INVESTIGATION IS MADE IN CONNECTION THEREWITH.

IT SHALL BE YOUR SOLE RESPONSIBILITY IF YOU ARE OR MAY BE SUBJECT TO THE LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS AS TO WHETHER THE OFFERING WOULD RESULT IN THE CONTRAVENTION OF ANY LAWS OF SUCH COUNTRIES OR JURISDICTIONS.

FURTHER, IT SHALL ALSO BE YOUR SOLE RESPONSIBILITY TO ENSURE THAT YOUR APPLICATION FOR THE OFFERING WOULD BE IN COMPLIANCE WITH THE TERMS OF THE OFFERING AND WOULD NOT BE IN CONTRAVENTION OF ANY LAWS OF COUNTRIES OR JURISDICTIONS OTHER THAN MALAYSIA TO WHICH YOU MAY BE SUBJECTED. WE WILL FURTHER ASSUME THAT YOU HAD ACCEPTED THE OFFERING IN MALAYSIA AND WILL AT ALL APPLICABLE TIMES BE SUBJECTED ONLY TO THE LAWS OF MALAYSIA IN CONNECTION THEREWITH.

HOWEVER, WE RESERVE THE RIGHT, IN OUR ABSOLUTE DISCRETION TO TREAT ANY ACCEPTANCE AS INVALID IF WE BELIEVE THAT SUCH ACCEPTANCE MAY VIOLATE ANY LAW OR APPLICABLE LEGAL OR REGULATORY REQUIREMENTS.

NO ACTION HAS BEEN OR WILL BE TAKEN TO ENSURE THAT THIS PROSPECTUS COMPLIES WITH THE LAWS OF ANY COUNTRIES OR JURISDICTION OTHER THAN THE LAWS OF MALAYSIA. IT SHALL BE YOUR SOLE RESPONSIBILITY TO CONSULT YOUR LEGAL AND/OR OTHER PROFESSIONAL ADVISERS ON THE LAWS TO WHICH THE OFFERING OR YOU ARE OR MIGHT BE SUBJECTED TO. NEITHER WE NOR THE ADVISER NOR ANY OTHER ADVISERS IN RELATION TO THE OFFERING SHALL ACCEPT ANY RESPONSIBILITY OR LIABILITY IN THE EVENT THAT ANY APPLICATION MADE BY YOU SHALL BECOME ILLEGAL, UNENFORCEABLE, AVOIDABLE OR VOID IN ANY COUNTRY OR JURISDICTION.

THE CIRCULATION OF THIS PROSPECTUS AND THE ISSUE, OFFER OR INVITATION OF THE SECURITIES MAY BE RESTRICTED IN CERTAIN JURISDICTIONS OUTSIDE MALAYSIA AND THEREFORE PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS COMES SHALL SEEK ADVICE ON AND OBSERVE ANY SUCH RESTRICTIONS. THIS PROSPECTUS DOES NOT CONSTITUTE AN ISSUE, OFFER OR INVITATION BY ANYONE IN ANY JURISDICTION IN WHICH SUCH ISSUE, OFFER OR INVITATION IS NOT AUTHORISED OR TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH ISSUE, OFFER OR INVITATION.

Company No: 863263-D

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INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged share capital on the Main Market of the Bursa Malaysia Securities Berhad is set out below:-

Date		Event
13 April 2010	:	Issue of Prospectus/Opening date of the application for the IPO
20 April 2010	:	Closing date of the application for the IPO
22 April 2010	:	Date for balloting of applications for the IPO Shares
27 April 2010	:	Date of allotment of the IPO Shares to successful applicants
30 April 2010	:	Date of listing

THIS TIMETABLE IS TENTATIVE AND IS SUBJECT TO CHANGES WHICH MAY BE NECESSARY TO FACILITATE IMPLEMENTATION PROCEDURES.

THE APPLICATION PERIOD WILL REMAIN OPEN UNTIL 5.00 PM ON 20 APRIL 2010 OR FOR SUCH FURTHER PERIOD OR PERIODS AS OUR DIRECTORS AND/OR PROMOTERS OF TURBO-MECH BERHAD TOGETHER WITH OUR SOLE UNDERWRITER IN OUR ABSOLUTE DISCRETION MAY MUTUALLY DECIDE.

IN THE EVENT THAT THE CLOSING DATE OF THE APPLICATION FOR THE IPO IS EXTENDED, THE DATES FOR THE BALLOTING OF APPLICATIONS, ALLOTMENT OF THE IPO SHARES AND THE LISTING OF TURBO-MECH BERHAD'S ENTIRE ISSUED AND PAID-UP SHARE CAPITAL ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD WILL BE EXTENDED ACCORDINGLY. ANY EXTENSION OF THE ABOVEMENTIONED DATES WILL BE ANNOUNCED BY WAY OF ADVERTISEMENT IN A WIDELY CIRCULATED DAILY BAHASA MALAYSIA AND ENGLISH NEWSPAPERS.

DEFINITIONS

In this Prospectus, unless where the context requires otherwise, the following words and abbreviations shall have the following meanings:-

Acquisition of Bayu Purnama	:	Acquisition of 42.5% of the issued and paid-up share capital of Bayu Purnama amounting to RM2,125,000 comprising 2,125,000 ordinary shares of RM1.00 each in Bayu Purnama for a purchase consideration of RM8,639,755 which is to be satisfied by the issuance of 17,279,510 new Shares at an issue price of RM0.50 per Share
Acquisition of Turbo-Mech Asia	:	Acquisition of the entire issued and paid-up share capital of Turbo-Mech Asia amounting to SGD8,000,000 comprising 8,000,000 ordinary shares in Turbo-Mech Asia for a purchase consideration of RM36,326,243 which is to be satisfied by the issuance of 72,652,486 new Shares at an issue price of RM0.50 per Share
Acquisitions	:	Acquisition of Bayu Purnama and Acquisition of Turbo-Mech Asia, collectively
Act	:	The Companies Act, 1965 of Malaysia or any statutory modification, amendment or re-enactment thereof for the time being in force
ADA	:	Authorised Depository Agent
ADA Code	:	ADA (Broker) Code
Adviser	:	AmInvestment Bank
AmInvestment Bank	:	AmInvestment Bank Berhad (23742-V), a member of AmInvestment Bank Group
Application	:	The application for the IPO Shares by way of Application Forms or by way of Electronic Share Application or Internet Share Application
Application Form(s)	:	The printed Application Form(s) for the application for the IPO Shares
ATM	:	Automated Teller Machine
Authorised Financial Institution(s)	:	The authorised financial institution(s) participating in the Internet Share Application, with respect to payments for the Public Issue Shares made available for Application under the Public Issue
Bayu Manufacturing	:	Bayu Manufacturing Sdn Bhd (588788-H), a company incorporated in Malaysia which is a wholly-owned subsidiary of Bayu Purnama
BND	:	Brunei Dollars
Bayu Purnama	:	Bayu Purnama Sdn Bhd (246847-V), a company incorporated in Malaysia which is a 42.5% associate of Turbo-Mech
Bayu SME	:	Bayu SME Sdn Bhd (521898-T), a company incorporated in Malaysia which is a wholly-owned subsidiary of Bayu Purnama
Board or Directors	:	Board of Directors of Turbo-Mech

Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W), a subsidiary of Bursa Securities
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System
Central Depositories Act	:	The Securities Industry (Central Depositories) Act, 1991 or any statutory modification, amendment or re-enactment thereof for the time being in force
Companies Act, Singapore	:	Companies Act (Chapter 50), 1967 of Singapore as amended, supplemented or modified from time to time
Deposited Security	:	A security in our Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Rules
Depositor	:	A holder of a Securities Account
EBITDA	:	Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	:	A copy of this Prospectus that is issued, circulated or disseminated via the Internet, and/or an electronic storage medium, including but not limited to CD-ROMs or floppy disks
Electronic Share Application or **ESA**	:	An application for the Public Issue Shares through Participating Financial Institutions' ATM
EPS	:	Earnings per Share
FIC	:	Foreign Investment Committee
FYE	:	Financial year(s) ended or, as the case may be, ending 31 December
GDP	:	Gross domestic product
IDR	:	Indonesian Rupiah
Internet Participating Financial Institution(s)	:	Participating organisation(s) in the Internet Share Application, as listed in Section 15.7(ii) of this Prospectus
Internet Share Application	:	Application for the subscription of the Public Issue Shares through an Internet Participating Financial Institution
IPO	:	Initial public offering, namely the Public Issue
IPO Price	:	RM0.63 per IPO Share, being the price payable by investors under the Public Issue
IPO Share(s)	:	The Public Issue Shares
JPY	:	Japanese Yen

Listing	:	Admission to the Official List and the listing of and quotation for our entire issued and paid up share capital of RM54,000,000 comprising 108,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	:	Main Market Listing Requirements of Bursa Securities
Listing Scheme	:	The Acquisitions, Public Issue and Listing, collectively
LPD	:	5 March 2010, being the latest practicable date prior to the publication of this Prospectus by our Company
Malaysian Public or **Public**	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia
Market Day	:	A day on which Bursa Securities is open for trading
Memorandum and Articles of Association	:	The memorandum of association of our Company as amended, supplemented or modified from time to time
MI	:	Minority interest
MIH or **Issuing House**	:	Malaysian Issuing House Sdn Bhd (258345-X)
MITI	:	Ministry of International Trade and Industry
Mosgan	:	Mosgan Holdings Sdn Bhd (420416-V)
NA	:	Net assets
NTA	:	Net tangible assets
PAT	:	Profit after taxation
Participating Financial Institution(s)	:	The participating financial institutions for Electronic Share Application as listed in Section 15.11 of this Prospectus
PBT	:	Profit before taxation
PE Multiple	:	Price earnings multiple
PHP		Philippine Peso
Prescribed Security	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Rules
Promoters	:	Mosgan, Gan Ching Lai, Gan Kok Ten and Gan Kok Tin, collectively
Public Issue	:	The invitation by our Company to the Public to subscribe for the Public Issue Shares at the IPO Price, payable in full upon application, subject to the terms and conditions of this Prospectus
Public Issue Shares	:	18,068,000 new Shares, which are the subject of the Public Issue

Record of Depositors	:	A record provided by Bursa Depository to our Company under Chapter 24.0 of the Rules
RM and **sen**	:	Ringgit Malaysia and sen respectively
Rotodyne Philippines	:	Rotodyne Phils. Inc. (Company No. A199811020), a company incorporated in Philippines
Rotodyne Brunei	:	Rotodyne Sendirian Berhad (Company No. AGO/RC/4658), a company incorporated in Brunei
Rules	:	The Rules of the Bursa Depository
SC	:	Securities Commission of Malaysia
SC Guidelines	:	Equity Guidelines issued by the SC
SGD	:	Singapore Dollars
Scallop	:	Scallop (S) Pte Ltd (Company No. 198304539D), a company incorporated in Singapore
Securities Account or **CDS Account**	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Share(s)	:	Ordinary share(s) of RM0.50 each in Turbo-Mech
Sole Underwriter	:	AmInvestment Bank
SSA	:	Share Sale Agreement
THB	:	Thailand Baht
Turbo-Mech Asia	:	Turbo-Mech Asia Pte Ltd (Company No. 198900264Z), a company incorporated in Singapore
Turbo-Mech or **Company**	:	Turbo-Mech Berhad (Company No. 863263-D) *(formerly known as Turbo-Mech Sdn Bhd)*, a public company incorporated in Malaysia
Turbo-Mech Group or **Group**	:	Turbo-Mech and its subsidiaries
Turbo-Mech Indonesia	:	PT Turbo-Mech Indonesia (Company No. 407/I/PMA/2002), a company incorporated in Indonesia
Turbo-Mech Thailand	:	Turbo-Mech (Thailand) Co Ltd (Company No. 0105542008339), a company incorporated in Thailand
Underwriting Agreement	:	Underwriting agreement dated 26 March 2010 entered into between our Company and the Sole Underwriter for the underwriting of 10,800,000 Public Issue Shares upon the terms and subject to the conditions contained therein
United States	:	United States of America
USD	:	United States Dollar

DEFINITIONS *(Cont'd)*

Words referring to the singular shall, where applicable, include the plural and *vice versa*, and words referring to the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include a company or a corporation.

Any enactment referred to in this Prospectus is a reference to that enactment for the time being amended or re-enacted.

All references to "our Company" and "Turbo-Mech" in this Prospectus are to Turbo-Mech Berhad, references to "our Group" is to our Company and our subsidiaries and references to "we", "our", "us" and "ourselves" are to our Company, and save where the context requires, and our subsidiary. Unless the context otherwise requires, references to statements as to our beliefs, expectations, estimates and opinions are those of our Directors and key management.

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GLOSSARY OF TECHNICAL TERMS

API	:	American Petroleum Institute
API Standards	:	American Petroleum Institute standards are a set of technical standards for equipment and products focusing on key aspects of the oil and gas industry including exploration and production, refining, fire protection and safety, petroleum measurement, and marine transportation. API Standards are commonly more stringent and demanding as it involves highly volatile substances
Centrifugal Pump	:	A pump that uses a rotating device (Impeller) to create centrifugal force (pressure) so as to force a fluid to flow in a desired direction
Compressor	:	A mechanical device that is designed to increase the pressure of gas by reducing its volume and to induce flow
Fan	:	A fan is a mechanical device that is designed to produce airflow. The airflow may be used for cooling, ventilation, exhaust and other purposes
Fluid	:	A fluid is defined as a substance that continuously deforms or flows under an applied stress or force. Fluids include liquids and slurries
Impeller	:	A rotating device or a rotating blade that creates pressure so as to force a fluid to flow in a desired direction
Metering Pump	:	A pump designed to accurately deliver a controlled volume of liquid or to pump fluid at an adjustable flow rate
Non-Seal Pump	:	A pump designed to operate without any seals, and with very little to zero fluid leakage from the pump. The fluid in the pump does not come into contact with any seals
Overhaul	:	A process of restoring a machine or equipment to good working order. This commonly requires partial or full disassembly of the machine or equipment calibrated, tested and undergo trial run to ensure full operational level
Progressing Cavity Pump	:	A type of pump that transfers fluid by means of a cavity which progresses along the body of the pump in a screw shaped manner. As the cavity moves, fluid is sucked in to fill the next cavity and so on, until the fluid is discharged at the other outlet end
Pump	:	A device that is designed to move fluids, such as liquids or slurries, by displacing a volume of the fluid by mechanical or physical action
pH	:	A measure of the acidity or alkalinity of a solution
Rotating Equipment	:	A general classification of machinery and equipment designed to generate movement of motion, which is then used to move or agitate materials. Examples of rotating equipment include, among others, pumps, compressors, turbines, engines and fans

GLOSSARY OF TECHNICAL TERMS *(Cont'd)*

Skid Mounted Equipment	:	A skid mounted equipment consist of machinery and equipment installed on a base plate which is movable
Slurries	:	A viscous (thick) mixture of liquid and insoluble solid materials. An example is wet cement
Steam Turbine	:	A steam turbine is a mechanical device that is designed to generate rotary motion thermal energy from pressurised steam. The rotary motion may then be used to, among others, drive a pump, compressor, or generate electricity
Viscosity	:	The level of resistance of a fluid to flow

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CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name	Designation	Address	Occupation	Nationality
Gan Ching Lai	Executive Chairman	22, Jalan Midah Barat Taman Midah, Cheras 56000 Kuala Lumpur	Director	Malaysian
Gan Kok Ten	Executive Director	22, Jalan Midah Barat Taman Midah, Cheras 56000 Kuala Lumpur	Director	Malaysian
Nasaruddin bin Mohamed Ali	Non-Independent Non-Executive Director	No. 18, Jalan Desa Mewah 3 Desa Mewah 43500 Semenyih Selangor Darul Ehsan	Director	Malaysian
Gan Kok Tin	Non-Independent Non-Executive Director	22, Jalan Midah Barat Taman Midah, Cheras 56000 Kuala Lumpur	Director	Malaysian
Mohamed Said bin Ibrahim	Non-Independent Non-Executive Director	10, Changkat Dato Sulaiman 1 Taman Tun Dr Ismail 60000 Kuala Lumpur	Director	Malaysian
Zulkifli bin Mohd Ali	Independent Non-Executive Director	77, Jalan G3 Taman Melawati 53100 Kuala Lumpur	Director	Malaysian
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director	9, Jalan USJ 2/6H 47600 Subang Jaya Selangor Darul Ehsan	Director	Malaysian
Leong Khai Wah	Independent Non-Executive Director	49, SS21/46 Damansara Utama 47400 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian

AUDIT COMMITTEE

Name	Designation	Directorship
Dato' Ng Ah Hock @ Ng Soon Por	Chairman	Independent Non-Executive Director
Leong Khai Wah	Member	Independent Non-Executive Director
Gan Kok Tin	Member	Non-Independent Non-Executive Director

CORPORATE DIRECTORY *(Cont'd)*

COMPANY SECRETARY	: Pauline Lye Yoke Ying MAICSA No. 0798723 25-6 Jalan PJU1/42A, Block F2 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7803 3390 Facsimile No: (03)-7803 3502
	Leong Oi Wah MAICSA No. 7023802 21, Jalan 4/54 46050 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7803 1126 Facsimile No: (03)-7806 1387
REGISTERED OFFICE	: 25-6, Jalan PJU 1/42A, Block F2 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7803 3390 Facsimile No: (03)-7803 3502
HEAD OFFICE	: 39-5, Jalan PJU 1/41, Block D1 Dataran Prima 47301 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7806 2148 Facsimile No: (03)-7806 2768 E-mail: turbomech@turbomech.com.my Website: http://www.turbo-mech.com.sg
REGISTRAR AND TRANSFER OFFICE	: Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7841 8000 Facsimile No: (03)-7841 8151
AUDITORS AND REPORTING ACCOUNTANTS	: Ernst & Young (AF 0039) Chartered Accountants Level 23A, Menara Milenium Jalan Damanlela Pusat Bandar Damansara 50490 Kuala Lumpur Telephone No: (03)-7495 8000 Facsimile No: (03)-2095 9076
SOLICITORS FOR THE IPO	: Azman Davidson & Co Suite13.03, 13th Floor Menara Tan & Tan 207 Jalan Tun Razak 50400 Kuala Lumpur Telephone No: (03)-2164 0200 Facsimile No: (03)-2164 0280

CORPORATE DIRECTORY *(Cont'd)*

SOLICITORS FOR THE LEGAL OPINIONS	:	CitiLegal LLC (Registration number (UEN): 200104027H) 150 Cecil Street #15-01 Singapore 069543 Telephone No: (65)-6333 1611 Facsimile No: (65)-6338 6277
	:	Hechanova Bugay & Vilchez (PP20060023) Unit 2 GF Chemphil Bldg 851 A. Arnaiz Avenue Makati City 1223 Philippines Telephone No: (632)-812 6561 Facsimile No: (632)-888 4290
	:	SS&R Legal Consultants (NPWP No.02.262.274.0-063.000) Ariobimo Sentral, Mezzanine Floor Jl. H.R. Rasuna Said Kav. X-2 No. 5 Jakarta 12950 Indonesia Telephone No: (62 21)-2525 835 Facsimile No: (62 21)-2525 895
PRINCIPAL BANKERS OF TURBO-MECH ASIA	:	Citibank Singapore Limited 3 Temasek Avenue, #10-03 Centennial Tower Singapore 039190 Telephone No: (65)-6238 8833 Facsimile No: (65)-6328 7355
	:	United Overseas Bank Limited 80 Raffles Place, UOB Plaza Singapore 048624 Telephone No: (65)-6533 9898 Facsimile No: (65)-6534 2334
INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANT	:	Vital Factor Consulting Sdn Bhd (266797-T) 75C & 77C Jalan SS22/9 Damansara Jaya 47400 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)--7728 0248 Facsimile No: (03)-7728 7248
ISSUING HOUSE	:	Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Telephone No: (03)-7841 8000 Facsimile No: (03)-7841 8150
PRINCIPAL ADVISER, SOLE UNDERWRITER AND SOLE PLACEMENT AGENT	:	AmInvestment Bank Berhad (23742-V) 22 Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Telephone No: (03)-2036 2633 Facsimile No: (03)-2070 8596
LISTING SOUGHT	:	Main Market of Bursa Securities

1. SUMMARY INFORMATION

THIS SECTION IS ONLY A SUMMARY OF THE SALIENT INFORMATION ABOUT OUR GROUP AND YOU SHOULD READ AND UNDERSTAND THE WHOLE PROSPECTUS PRIOR TO DECIDING WHETHER OR NOT TO INVEST IN THE SHARES OF OUR COMPANY. THE SUMMARY INFORMATION SET OUT BELOW IS DERIVED FROM THIS PROSPECTUS AND SHOULD BE READ IN CONJUNCTION WITH THE FULL TEXT OF THIS PROSPECTUS.

1.1 OUR HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 6 July 2009. We changed our name to Turbo-Mech Sdn Bhd on 14 July 2009 and was subsequently converted to a public limited company on 17 July 2009. Further details of our Company's subsidiaries and associated companies are set out in Section 4.5 of this Prospectus.

The history of our Group can be traced back to 1989 with the incorporation of Turbo-Mech Asia in Singapore. In 1998, Gan Ching Lai, via Mosgan, acquired Turbo-Mech Asia with the intention of developing and growing the business as a trading company specialising in rotating equipment. Gan Ching Lai was appointed the Executive Chairman of Turbo-Mech Asia in 1998 and under his helm, he successfully led our Group to become a regional distributor of rotating equipment for the oil, gas and petrochemical industries. He brings with him extensive experience with approximately 25 years in the rotating equipment industry. In the same year, our Group also started expanding our regional presence with the incorporation of Rotodyne Philippines and Rotodyne Brunei, our first overseas subsidiaries.

As part of our plan to expand our product range and strengthen our position as the authorised sales representative of Shin Nippon Machinery Co Ltd, we were also appointed as authorised sales representative for Sundyne Nikkiso Company and Nikkiso Co Ltd for pumps and compressors, and Hudson Products Corporation for their industrial cooling fans in 1999. We are also authorised to provide technical after sales services including maintenance, repairs and overhaul for our global principal equipment manufacturers. The appointment of our Group as authorised sales representative for Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, Nikkiso Co Ltd and Hudson Products Corporation is on a non-exclusive basis.

In 2001, we purchased our current head office and warehouse building at Ubi Crescent, Singapore, and moved into the building in the same year. Subsequently, in 2001 and 2003, we established our workshops in the Philippines and Singapore respectively. This enabled us to provide technical value-added services to our customers.

As part of the Listing Scheme, Turbo-Mech acquired 42.5% of the issued and paid-up capital of Bayu Purnama. Bayu Purnama's principal business activities are sales of rotating equipment and spare parts and provision of maintenance and overhaul services. Bayu Purnama gives us a presence in Malaysia and more importantly in the oil, gas and petrochemical industries in this country. In 1999, Bayu Purnama established its workshop in Kemaman Supply Base, Terengganu Darul Iman.

Bayu Manufacturing, a wholly owned subsidiary of Bayu Purnama, is involved in the fabrication of Skid Mounted Equipment.

Since the acquisition of Turbo-Mech Asia in 1998, we have succeeded in establishing ourselves as a supplier of rotating equipment including centrifugal pumps, metering pumps, high pressure gas compressors, high pressure pumps, non-seal pumps, steam turbines, industrial cooling fans and spare parts, and a provider of maintenance, repair and overhaul services for rotating equipment. We have also succeeded in establishing a regional footprint with our network of workshops in Singapore, Philippines and Malaysia.

We have subsidiaries in Singapore, Indonesia and Philippines, associated companies in Malaysia, Brunei and Thailand, and a representative office in Vietnam.

Today, our business of supplying rotating equipment with the provision of maintenance and repair services, and spare parts to the oil, gas and petrochemical industries enable us to provide a total solution to our customers.

The principal activities of our subsidiaries and associated companies are as detailed in Sections 4.1 and 4.5 of this Prospectus. Further details on the history and business of our Group are set out in Section 4 of this Prospectus.

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1.2 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our Directors believe that we have the following significant competitive advantages over our competitors that ensure our Group's business sustainability and growth:-

(a) We provide total solutions for rotating equipment;
(b) We are authorised sales representative for a number of rotating equipment manufacturers;
(c) We have a network of workshops and sales offices;
(d) Our workshops are authorised by equipment manufacturers;
(e) We have a wide and established distribution network; and
(f) We have successful track record with suppliers and customers.

Further details on our Group's competitive advantages and key strengths are set out in Section 4.12 of this Prospectus.

1.3 PROMOTERS, SUBSTANTIAL SHAREHOLDERS AND DIRECTORS OF OUR GROUP

Our Company's Promoters are Mosgan, Gan Ching Lai, Gan Kok Ten and Gan Kok Tin.

Our Company's substantial shareholders are Mosgan, Gan Kok Ten, Leong Khai Cheong and Salmiah binti Jantan.

The Directors of our Company are listed below:-

Name	Designation
Gan Ching Lai	Executive Chairman
Gan Kok Ten	Executive Director
Nasaruddin bin Mohamed Ali	Non-Independent Non-Executive Director
Gan Kok Tin	Non-Independent Non-Executive Director
Mohamed Said bin Ibrahim	Non-Independent Non-Executive Director
Zulkifli bin Mohd Ali	Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director
Leong Khai Wah	Independent Non-Executive Director

Further details on the Promoters, substantial shareholders and Directors of our Company are set out in Section 5 of this Prospectus.

1.4 PROFORMA CONSOLIDATED INCOME STATEMENTS OF OUR GROUP

The table below sets out a summary of our proforma consolidated results for the past five (5) FYEs 2005 to 2009. The proforma consolidated results were prepared on the assumption that our Group has been in existence throughout the years under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 9.1 of this Prospectus.

	Audited FYE				
	2005 RM'000	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**
Revenue	36,865	30,591	28,614	34,522	63,872
Gross profit	10,239	10,627	10,672	12,636	14,246
Other income	312	191	523	385	489
Operating expenses	(6,250)	(5,566)	(5,538)	(5,459)	(6,717)
Finance costs	(74)	(4)	-	(1)	-
Share of (losses) and profits of associates[@]	(324)	1,622	2,952	1,949	2,092
PBT	3,903	6,870	8,609	9,510	10,110
Tax expense	(1,220)	(1,317)	(1,017)	(1,203)	(1,158)
PAT	2,683	5,553	7,592	8,307	8,952
PBT Attributable to:					
- Equity holders of our Company	3,140	6,863	8,589	9,516	10,110
- MI	763	7	20	(6)	-
PAT Attributable to:					
- Equity holders of our Company	2,176	5,550	7,579	8,307	8,952
- MI	507	3	13	-	-
EBITDA	4,548	7,335	9,043	10,004	10,538
Number of shares in Turbo-Mech had Turbo-Mech Group been in existence ('000)[α]	89,932	89,932	89,932	89,932	89,932
Gross profit margin (%)	27.77	34.74	37.30	36.60	22.30
PBT margin (%)	10.59	22.46	30.09	27.55	15.83
PAT margin (%)	7.28	18.15	26.53	24.06	14.01
Gross EPS (RM)*	0.03	0.08	0.10	0.11	0.11
Net EPS (RM)^	0.02	0.06	0.08	0.09	0.10
Diluted EPS (RM)#	0.02	0.06	0.08	0.09	0.10

Notes:-

α *Based on the number of ordinary shares in issue after completion of the Acquisitions but before the Public Issue.*

* *Gross earnings per share is computed based on the PBT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.*

^ *Net earnings per share is computed based on the PAT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.*

\# *Diluted earnings per share is computed based on the PAT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue. There is no dilutive effect.*

@ *Our Group does not have any joint-venture entity/company.*

Further details on the financial information of our Group are set out in Section 9 of this Prospectus.

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1. SUMMARY INFORMATION *(Cont'd)*

1.5 PROFORMA CONSOLIDATED BALANCE SHEETS OF OUR GROUP

The proforma audited consolidated balance sheets of our Group as at 31 December 2009 set out below had been prepared solely for illustrative purposes, to show the effects of the Listing Scheme had the Listing Scheme been implemented and completed on 31 December 2009.

	Audited as at 31 December 2009 (RM)	Proforma I[1] (RM'000)	Proforma II[2] (RM'000)
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	-	3,244	7,244
Prepaid land lease payments	-	2,924	2,924
Investment in associates	-	11,482	11,482
Other investments	-	61	61
Deferred tax assets		18	18
Total non-current assets	-	17,729	21,729
CURRENT ASSETS			
Inventories	-	2,112	2,112
Trade and other receivables	-	6,999	6,999
Deposit, cash and bank balances	2	23,382	28,265
Total current assets	2	32,493	37,376
TOTAL ASSETS	2	50,222	59,105
EQUITY AND LIABILITIES			
Equity			
Share capital	2	44,966	54,000
Share premium	-	-	-
Foreign currency translation reserve	-	1,762	1,762
Accumulated losses	(6,080)	(555)	(706)
Total equity	(6,078)	46,173	55,056
Non-current liabilities			
Deferred tax liabilities	-	48	48
Finance lease	-	10	10
Total non-current liabilities	-	58	58
Current liabilities			
Trade and other payables	6,080	2,862	2,862
Finance lease	-	14	14
Current tax payable	-	1,115	1,115
Total current liabilities	6,080	3,991	3,991
TOTAL LIABILITIES	6,080	4,049	4,049
TOTAL EQUITY AND LIABILITIES	2	50,222	59,105
Number of Shares in issue	4	89,932,000	108,000,000
Net tangible (liabilities)/assets (RM)	(6,078)	46,172,851	55,055,691
Net tangible (liabilities)/assets per Share (RM)	(1,520)	0.51	0.51

Notes:-

(1) Incorporates the effects of the Acquisitions.
(2) Incorporates the effects of the Proforma I and subscription of IPO and utilisation of proceeds.

1.6 PRINCIPAL STATISTICS RELATING TO THE LISTING SCHEME

	Number of Shares	Share Capital (RM)
Authorised Share Capital	200,000,000	100,000,000
Existing Issued and Fully Paid-Up Share Capital	89,932,000	44,966,000
New Shares to be issued:-		
• Pursuant to the Public Issue	18,068,000	9,034,000
Enlarged issued and paid-up share capital upon Listing	108,000,000	54,000,000
ISSUE PRICE PER SHARE (RM)		0.63
PROFORMA CONSOLIDATED NTA		
• Proforma consolidated NTA as at 31 December 2009 (*based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.5 million*) *(RM)*		55,055,691
• Proforma consolidated NTA per Share *(based on the enlarged issued and paid-up share capital of 108,000,000 Shares) (RM)*		0.51
MARKET CAPITALISATION OF OUR COMPANY *(based on the IPO price and enlarged share capital after the IPO) (RM)*		68,040,000

Further details on the Listing Scheme are set out in Section 2.3 and Section 4.7 of this Prospectus.

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1.7 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM11.383 million, which shall accrue to us. We intend to use the proceeds raised in the following manner:-

		Timeframe for utilisation	Amount (RM'000)
(i)	Expansion of business facilities	Within 12 months	
	a) Indonesia		2,000
	b) Thailand		2,000
(ii)	Working capital	Within 24 months	4,883
(iii)	Estimated listing expenses *	Immediate	2,500
Total proceeds			11,383

Note:-

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

Further details on the utilisation of proceeds are set out in Section 2.7 of this Prospectus.

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1.8 RISK FACTORS

Prospective investors should carefully consider the following risk factors (which are not exhaustive) in addition to the other information contained elsewhere in this Prospectus before subscribing for any of the Shares:-

Risks relating to our business and operations

(a) Reliance on suppliers, partners and principals
(b) Foreign operations risks
(c) Reliance on imports
(d) Foreign currency risks
(e) Control by Promoters/substantial shareholders
(f) Dependence on key personnel
(g) Litigation
(h) Conflict of interest
(i) Investment activities risk and new ventures
(j) Adverse change to our reputation
(k) Operational risks and insurance coverage

Risks relating to our industry

(a) Increased competition
(b) Dependence on key customers
(c) Sustained fall in the market price of hydrocarbons
(d) Global financial crisis

Risks relating to investment in our Shares

(a) There is no prior market for our Shares, and an active market for our Shares may not develop
(b) Capital market risk
(c) We may not be able to pay dividends to shareholders
(d) Forward looking statements
(e) There may be a delay in our listing or our listing may be aborted
(f) Delay between admission and trading of the IPO Shares

Further details of the risk factors are set out in Section 3 of this Prospectus.

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2. PARTICULARS OF THE IPO

This Prospectus is dated 13 April 2010. The IPO is subject to the terms and conditions of this Prospectus.

A copy of this Prospectus has been registered with the SC and lodged with the Registrar of Companies who takes no responsibility for its contents.

The approval of the SC for the Listing Scheme, as set out in Section 6.1, obtained via its letter dated 15 January 2010 shall not be taken to indicate that the SC recommends the IPO and you should rely on your own evaluation to assess the merits and risks of the IPO.

Bursa Securities has approved-in-principle our admission to the Official List of the Main Market of Bursa Securities and for the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities, vide its letter dated 23 March 2010. Listing of and quotation for these Shares will commence after, amongst others, receipt of confirmation from Bursa Depository of the receipt of allotment information for the crediting of the Shares, and receipt of an undertaking that all notices of allotment will be issued and despatched to all successful applicants prior to the date of listing of and quotation for the Shares, failing which any allotment and allocation made on an application to subscribe for and/or purchase of our Shares pursuant to this Prospectus is required under Malaysian law to be void.

Acceptance of Application for the IPO will be conditional upon permission being granted by Bursa Securities for the quotation of the entire enlarged issued and fully paid-up share capital of our Company on the Main Market of Bursa Securities. Accordingly, monies paid in respect of any Application accepted from the IPO will be returned without interest if the aforesaid permission is not granted within six (6) weeks from the date of issue of this Prospectus (or such longer period as may be specified by the SC) provided that our Company is notified by or on behalf of Bursa Securities within the aforesaid time frame. If such monies are not repaid within fourteen (14) days after we become liable to repay it, the provision of sub-section 243(2) of the Capital Markets and Services Act 2007 shall apply accordingly.

Pursuant to Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as a Prescribed Security. In consequence thereof, our Shares offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the aforesaid Act and the Rules.

Persons submitting applications by way of Application Forms or by way of Electronic Share Application or Internet Share Application must have a CDS Account. If you do not have a CDS account, you may open one (1) by contacting any of the ADAs listed in Section 15.11 of this Prospectus. In the case of an application by way of Application Form, an application should state his/her CDS Account number in the space provided in the Application Form. In the case of an application by way of Electronic Share Application or Internet Share Application, only an applicant who is an individual and has a CDS Account can make an Electronic Share Application or Internet Share Application. A corporation or institution cannot apply for the IPO Shares by way of Electronic Share Application or Internet Share Application.

Pursuant to the Listing Requirements, our Company must have at least 25% of the total number of Shares for which listing is sought in the hands of a minimum of 1,000 public shareholders holding not less than 100 Shares each at the point of listing. In the event that the above requirement is not met pursuant to the Listing Scheme, our Company may not be allowed to proceed with our listing on the Main Market of Bursa Securities. In the event thereof, monies paid in respect of all Applications will be returned if the said permission is not granted.

The SC and Bursa Securities assume no responsibility for the correctness of any statements made or opinions or report expressed in this Prospectus. Admission to the Official List of the Main Market of Bursa Securities is not to be taken as an indication of the merits of our Company or of our Shares.

No person is authorised to give any information or to make any representation not contained herein in connection with the IPO and if given or made, such information or representation must not be relied upon as having been authorised by our Company. Neither the delivery of this Prospectus nor any IPO made in connection with this Prospectus shall, under any circumstances, constitute a representation or create any implication that there has been no change in the affairs of our Company since the date hereof. Nonetheless, should our Company become aware of any subsequent material change or development affecting a matter disclosed in this Prospectus arising from the date of issue of this Prospectus up to the date of the Listing, our Company shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238 of the Capital Market and Services Act 2007.

The distribution of this and the making of the IPO in certain other jurisdictions outside Malaysia may be restricted by law. The distribution of this Prospectus and the sale of any part of the IPO Shares are subject to Malaysian laws and our Company together with the Adviser, Sole Underwriter and Sole Placement Agent, take no responsibility for the distribution of this Prospectus and the offer of any part of the IPO Shares outside Malaysia, which may be restricted by law in certain other jurisdictions. Persons who may come into possession of this Prospectus are required to inform themselves of and to observe such restrictions. This Prospectus does not constitute and may not be used for the purpose of an invitation to subscribe for the IPO Shares in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

If you are in doubt of any information contained in this Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant, or other professional advisers.

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2.1 SHARE CAPITAL

As at the date of this Prospectus, the authorised share capital of our Company is RM100,000,000 divided into 200,000,000 Shares, and the issued and fully paid-up share capital for our Company is RM44,966,000 comprising 89,932,000 Shares.

Pursuant to the issuance of the Public Issue Shares, the enlarged issued and paid-up capital of our Company will be RM54,000,000 comprising 108,000,000 Shares, as follows:-

	Number of Shares	Share Capital (RM)
Authorised Share Capital	200,000,000	100,000,000
Existing Issued and Fully Paid-Up Share Capital	89,932,000	44,966,000
New Shares to be issued:-		
• Pursuant to the Public Issue	18,068,000	9,034,000
Enlarged issued and paid-up share capital upon Listing	108,000,000	54,000,000
ISSUE PRICE PER SHARE (RM)		0.63
PROFORMA CONSOLIDATED NTA		
• Proforma consolidated NTA as at 31 December 2009 *(based on the enlarged issued and paid-up share capital after the IPO and after deducting the estimated listing expenses of RM2.5 million) (RM)*		55,055,691
• Proforma consolidated NTA per Share *(based on the enlarged issued and paid-up share capital of 108,000,000 Shares) (RM)*		0.51
MARKET CAPITALISATION OF OUR COMPANY *(based on the IPO price and enlarged share capital after the IPO) (RM)*		68,040,000

Our market capitalisation upon Listing, based on the Issue Price and our enlarged issued share capital of 108,000,000 Shares, amounts to RM68,040,000. The Issue Price is payable in full upon Application, subject to the terms and conditions of this Prospectus. The board lot size for our enlarged issued and paid-up share capital upon Listing will be standardised at 100 units per board lot.

As at the date of this Prospectus, our Company has only one (1) class of share, namely, ordinary shares of RM0.50 each, all of which rank pari passu with one another. The IPO Shares will rank pari passu in all respects with our existing Shares, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment thereof.

Subject to any special rights attaching any Shares which our Company may issue in the future, the holders of Shares in our Company shall, in proportion to the amount paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by our Company as dividends and other distributions and in respect of any surplus in the event of the liquidation, in accordance with our Articles of Association.

At every general meeting, each shareholder shall be entitled to vote in person or by proxy or by attorney, and on a show of hands, every person present who is a shareholder or representative or proxy (a shareholder is entitled to appoint two (2) proxies to attend the same meeting; if two (2) proxies are appointed, only one (1) specifically nominated by the shareholders and if no such nomination, the proxy whose name ranked first, is allowed to vote on a show of hands) or attorney to a shareholder shall have one (1) vote and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each ordinary share held. A proxy may but need not be a member of the Company. If the proxy is not a member, he need not be an advocate, an approved company auditor or a person approved by the Registrar of Companies.

There is no limitation on the right to own securities in our Company, including the right of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by law or by constituent documents of our Company.

2.2 PURPOSES OF THE IPO

The purposes of the IPO are as follows:-

(i) To enable our Group to gain recognition and enhance our profile through listing status and further augment our corporate reputation and assist our Group in expanding our customer base locally and overseas;

(ii) To provide immediate funds for investment in expansion of our business and markets, as such increasing the overall capability of our Group. This would enhance our Group's operating capability and business capacity in overseas as well as widening our scope of product and service offerings and support for our expanding customer base;

(iii) To provide additional funds to meet the working capital requirements of our Group;

(iv) To enable our Group to gain access the capital market in future to raise funds for future expansion, diversification and continued growth of our Group;

(v) To provide the opportunity for the eligible Directors, employees and business associates of our Group and the Malaysian investing public and institutions to participate in the equity and continuing growth of our Group; and

(vi) To facilitate the listing of and quotation for the entire enlarged issued and paid-up share capital of our Company on Bursa Securities.

2.3 DETAILS OF THE IPO

The Public Issue of 18,068,000 new Shares is offered at the IPO price of RM0.63 payable in full on application upon such terms and conditions as set out in this Prospectus and will be allocated and allotted in the following manner:-

(a) Malaysian Public

6,000,000 IPO Shares, representing 5.5% of the enlarged issued and paid-up share capital of our Company, to be allocated via ballot, will be made available for application by Malaysian citizens, companies, societies, co-operatives and institutions.

(b) Eligible Directors, Employees and Business Associates of our Group

4,500,000 IPO Shares, representing 4.2% of the enlarged issued and paid-up share capital of our Company, will be made available for application by eligible Directors, employees and business associates of our Group ("**Pink Form Shares Allocation**"). A total of eight (8) eligible Directors and seventy four (74) employees of our Group have been allocated with Pink Form Shares.

The IPO Shares have been allocated to the eligible Directors and employees of our Group based on the following criteria as approved by our Board:-

(a) At least eighteen (18) years of age;
(b) Job position; and
(c) Length of service.

The Pink Form Shares Allocation to the eligible employees and business associates are allocated based on the following manner:-

Eligibility	**Aggregate number of Shares allocated**
Eligible employees	3,500,000
Eligible business associates	200,000
Total	3,700,000

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2. PARTICULARS OF THE IPO *(Cont'd)*

The IPO Shares have been allocated to the business associates of our Group after taking into consideration their contribution to the success of our Group.

Save for the eligible Directors of our Company as set out below, none of the Directors of our Company are entitled for the Pink Form Shares Allocation:-

Name of Directors	Designation	No. of Shares
Gan Ching Lai	Executive Chairman	100,000
Gan Kok Ten	Executive Director	100,000
Nasaruddin bin Mohamed Ali	Non-Independent Non-Executive Director	100,000
Gan Kok Tin	Non-Independent Non-Executive Director	100,000
Mohamed Said bin Ibrahim	Non-Independent Non-Executive Director	100,000
Zulkifli bin Mohd Ali	Independent Non-Executive Director	100,000
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director	100,000
Leong Khai Wah	Independent Non-Executive Director	100,000
Total		**800,000**

The above Pink Form Shares Allocation is subject to the eligible Directors, employees and business associates of our Group subscribing to their respective allocations.

(c) Selected Investors via Placement

7,568,000 IPO Shares, representing approximately 7.0% of our Company's enlarged issued and paid-up share capital, by way of private placement to selected investors.

In summary, the IPO Shares will be allocated in the following manner:-

	Public Issue	
	No. of Shares	**%**
Malaysian Public (via balloting)	6,000,000	33.2
Eligible Directors, employees and business associates of our Group	4,500,000	24.9
Selected investors via placement	7,568,000	41.9
Total	**18,068,000**	**100.00**

The Public Issue will increase our issued share capital from 89,932,000 Shares to 108,000,000 Shares.

All the IPO Shares available for application by the Malaysian Public and our eligible Directors, employees and business associates of our Group have been fully underwritten.

The IPO Shares available for application by selected investors are not underwritten as irrevocable undertakings have been obtained from the selected investors to take up the IPO Shares available under private placement.

In the event of an under-subscription of the IPO Shares by the Malaysian public, the unsubscribed IPO Shares will be made available to the selected investors. Any IPO Shares which are not taken up by our eligible Directors, employees and/or business associates of our Group will be reoffered to our Group's eligible employees and/or business associates of our Group. Subsequently, any of the IPO Shares reoffered which are not taken up will be made available for application by the Malaysian Public on a fair and equitable manner and/or selected investors via the private placement. Any further IPO Shares not subscribed for will be made available for subscription by the Sole Underwriter based on the terms of the Underwriting Agreement.

There is no minimum subscription amount to be raised from the IPO. All the IPO Shares are either fully underwritten by the Sole Underwriter and/or subscribed by the selected investors pursuant to their irrevocable undertakings.

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2.4 BASIS OF ARRIVING AT THE IPO PRICE

The IPO Price of RM0.63 per Share was determined and agreed upon by our Company and AmInvestment Bank as Adviser and Sole Underwriter after taking into consideration, amongst others, the following factors:-

(i) Our Group's financial operating history and conditions and financial position as outlined in Sections 4 and 9 respectively of this Prospectus;

(ii) The business growth potential, future plans, strategies and prospects of our Group as set out in Section 4.26 of this Prospectus;

(iii) The proforma audited consolidated NTA of our Company as at 31 December 2009 of approximately RM0.51 per Share on the enlarged issued and paid-up share capital of 108,000,000 Shares in our Company upon Listing and after net utilisation of proceeds;

(iv) Our PE multiple for FYE 2009 of approximately 7.5 times which is based on the net EPS of 8.33 sen for FYE 2009 and enlarged issued and paid-up share capital of 108,000,000 Shares upon Listing; and

(v) Competitive advantages as listed in Section 4.12 of this Prospectus.

The Directors of our Company and AmInvestment Bank are of the opinion that the IPO Price is fair and reasonable after careful consideration of the abovementioned factors.

However, you should also note that the market price of the Shares upon listing and subsequent to the listing on Bursa Securities is subject to the vagaries of market forces and other uncertainties which may affect the price of our Shares when traded.

You should bear in mind the risk factors as set out in Section 3 of this Prospectus and form your own views of the valuation of the IPO Shares and the reasonableness of the bases used before deciding to invest in our Shares.

2.5 MARKET CAPITALISATION

Our company's market capitalisation upon Listing, based on the IPO Price of RM0.63 per Share and the enlarged issued and paid-up share capital of 108,000,000 Shares amounts to RM68,040,000.

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2.6 DILUTION

Dilution is the amount of which the NA per Share immediately after the implementation of the Listing Scheme is less than the IPO Price. The proforma consolidated NA per Share as at 31 December 2009 (before adjusting utilisation of the net proceeds from the IPO) based on the issued and paid-up share capital of 89,932,000 Shares before the IPO is RM0.51.

Pursuant to the Public Issue of 18,068,000 new Shares at the IPO price of RM0.63 per Share and after adjusting for the effects of the utilisation of proceeds, the proforma consolidated NA of our Group as at 31 December 2009 will remain at RM0.51 per Share based on the enlarged issued and paid-up capital of 108,000,000 Shares after the IPO. As such, there will be no dilution in the NA per share to our existing Shareholders and an immediate dilution in NA of RM0.12 per Share to our new investors. The following table illustrates such dilution on a per Share basis:-

	RM
IPO price	0.63
Proforma consolidated NA per Share as at 31 December 2009	0.51
Increase in proforma consolidated NA per Share contributed by new investors	Nil
Proforma consolidated NA per Share after the IPO	0.51
Dilution in NA per Share to new investors	0.12
Dilution in NA per Share to new investors as a percentage of the IPO Price	19.0%

Save as disclosed in the table below indicating the total number of Shares acquired by our directors, senior management, substantial shareholders or person connected to them, the purchase consideration paid by them and the average effective cash cost per Share and to the new public investors who subscribe for and/or purchase the IPO Shares pursuant to the IPO, there has been no other equity transaction and/or right to acquire during the past three (3) years prior to the date of this Prospectus.

	Total number of Shares held after the Acquisition No. of Shares	**Purchase consideration (RM)**	**Average effective cash cost per Share (RM)**
Directors, Key Management and/or Substantial Shareholders			
Gan Ching Lai	2,179,574	1,089,787	0.50
Gan Kok Ten	16,791,850	8,395,925	0.50
Nasaruddin bin Mohamed Ali	406,576	203,288	0.50
Leong Khai Wah	1,453,050	726,525	0.50
Tay Hwee Leck	726,524	363,262	0.50
Lai Yew Fong	3,487,320	1,743,660	0.50
Leong Khai Wah	1,453,050	726,525	0.50
Substantial shareholders			
Mosgan	38,651,124	19,325,562	0.50
Salmiah Binti Jantan	8,944,688	4,472,344	0.50
Leong Khai Cheong	7,846,468	3,923,234	0.50

	Total number of IPO Shares No. of Shares	**Total consideration (RM)**	**Average effective cash cost per Share (RM)**
New investors	18,068,000	11,382,840	0.63

2.7 UTILISATION OF PROCEEDS

The Public Issue is expected to raise gross proceeds of RM11.383 million, which shall accrue to us. We intend to use the proceeds raised in the following manner:-

		Timeframe for utilisation	Amount (RM'000)
(i)	Expansion of business facilities	Within 12 months	
	a) Indonesia		2,000
	b) Thailand		2,000
(ii)	Working capital	Within 24 months	4,883
(iii)	Estimated listing expenses *	Immediate	2,500
Total proceeds			11,383

Note:-

* *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utilised for working capital purposes.*

Brief details on the utilisation of proceeds are as follows:-

(i) Expansion of business and markets

(a) Indonesia

We intend to utilise RM2.0 million of the IPO proceeds to expand our business presence in Indonesia. The expansion will focus on enhancing our ability to service our customers in Indonesia with the establishment of a new workshop facility to provide maintenance, repair and overhaul services for our products. The new workshop will be located in Jakarta, Indonesia. The new workshop will be equipped with machinery and equipment that is similar to what is currently installed at our workshops in Singapore and Philippines. We intend to set up the new workshop within 12 months after our Listing.

Our Group plans to set up additional two (2) sales offices in Balikpapan, Kalimantan and Pekanbaru, Sumatra. Our Group has decided to set up sales offices in these two (2) areas because these areas are considered to be the centre of oil and gas activities in Indonesia. It will allow our Group to be located closer to our customers, which will enable us to better understand our customers' need.

As a result, our Group will be able to improve our distribution channels as well as serve our customers better.

(b) Thailand

We intend to utilise RM2.0 million of the IPO proceeds to improve our business facilities in Thailand via the establishment of a light fabrication yard in Rayong, Thailand. The facility will allow us to fabricate a range of Skid Mounted Equipment. The capability to fabricate Skid Mounted Equipment will help diversify our business and promote growth. We intend to set up the light fabrication yard within 12 months after our Listing.

(ii) Working Capital

Our requirement for working capital will increase in tandem with our expected expansion and business growth in Indonesia and Thailand. Therefore, we expect to utilise approximately RM4.9 million of the IPO proceeds as additional working capital to finance our day-to-day operations in the aforementioned expansion markets, including the payment of salaries, purchases of inventories, fabrication costs, expansion of workforce and defrayment of operational expenses.

Our Group estimates to utilise approximately RM3.9 million as a working capital for the Indonesia operations and approximately RM1.0 million for Thailand operations. This would further enhance our cash flow position and enable us to conduct our operations and expansion smoothly without being dependent on external funding.

(iii) Estimated Listing Expenses

The estimated listing expenses for the Listing are as follows:-

Estimated listing expenses	Amount (RM'000)
Fees to authorities	140
Professional fees [1]	1,500
Underwriting and brokerage fees	320
Printing and advertising fees	250
Miscellaneous expenses [2]	290
	2,500

Notes:-

1. *Include fees for the Principal Adviser, Reporting Accountants, Solicitors and Independent Market Researcher.*
2. *Other incidental or related expenses in connection with the IPO. Any unutilised amount shall be used for our Group's working capital purposes.*

Our Company will bear all expenses and fees incidental to the Listing which includes placement fees, professional fees, fees to authorities, advertising and other fees the aggregate of which is estimated to be RM2.5 million.

All expenses and fees incidental to the IPO will be borne by our Company.

If the actual Listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be utlilised for working capital purposes.

2.8 FINANCIAL IMPACT FROM UTILISATION OF PROCEEDS

The utilisation of the proceeds from the IPO by our Group is expected to have a financial impact on the Group whereby the intended utilisation of approximately RM4.0 million for the expansion business facilities in Indonesia and Thailand, comprising mainly of the establishment of a new workshop in Indonesia and a light fabrication yard in Thailand, is expected to strengthen our market presence within the said countries. This is intended to enhance the revenues of our Group by and providing business growth prospects. Additionally, these new business opportunities will give our Group added flexibility in terms of utilisation of human capital and assets of our Group.

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2.9 COMMISSIONS AND BROKERAGE

Brokerage is payable by our Company in respect of the Public Issue under Section 2.3(a) at the rate of 1.0% of the IPO Price in respect of successful applications which bear the stamp of member companies of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and/or MIH.

The Sole Placement Agent has agreed to place the IPO Shares set out in Section 2.3(c) of this Prospectus, which are reserved for selected investors. Accordingly, our Company will pay a placement fee to the Sole Placement Agent at the rate of 2.0% of the value of the IPO Shares under Sections 2.3(c) herein (being the number of IPO Shares reserved for placement multiplied by the IPO Price).

Our Company will pay the Sole Underwriter an underwriting commission at the rate of 2.0% of the value of the underwritten IPO Shares under Sections 2.3(a) and 2.3(b) herein (being the number of the underwritten IPO Shares multiplied by the IPO price).

2.10 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

The salient terms of the Underwriting Agreement dated 26 March 2010 entered into between our Company and the Sole Underwriter ("**Underwriting Agreement**"), which may allow the Sole Underwriter to withdraw from its obligations under the Underwriting Agreement after the IPO as extracted from the Underwriting Agreement, are set out below.

Unless otherwise stated, all capitalised terms herein shall bear the same meanings as prescribed in the Underwriting Agreement.

(i) *<u>Conditions Precedent</u>*

The obligations of the Sole Underwriter under this Agreement shall further be conditional upon:-

(a) *all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained;*

(b) *Bursa Securities having agreed in principle on or prior to the date of the Issue Documents to the listing of and quotation of the entire enlarged issued and paid-up share capital of the Company;*

(c) *acceptance for the registration with the SC and lodgement with the ROC of the Issue Documents and all documents required under Section 42 of the Companies Act on or before the issue, circulation or distribution of the Issue Documents;*

(d) *the delivery to the Sole Underwriter prior to the date of registration of the Prospectus of (i) an extract of board resolution and (ii) an extract of members resolution approving this Underwriting Agreement, the contents of the Issue Documents and authorising the execution of this Underwriting Agreement;*

(e) *the issuance of the Prospectus required under Section 42 of the Companies Act to the public with three (3) months from the date hereof or such extension as consented by the Sole Underwriter;*

(f) *a delivery to the Sole Underwriter, as the Sole Underwriter may reasonably require, a report or confirmation from the Board of Directors of the Company in the form of a letter to confirm in the format as provided in* Schedule 4 *confirming there has not been any material adverse change in the condition (financial or otherwise) of the Company or any of its Subsidiaries from that as set forth in the Issue Documents which is material in the context of the Public Issue or in the opinion of the Sole Underwriter concerned would adversely affect the success of the Public Issue thereunder or any occurrence of any event rendering untrue or incorrect to an extent which is material in any of the Warranties contained in Clauses 3.1 and 3.2 if they are repeated on and as of the Closing Date*

(g) *no material variation in the Issue Documents shall be made without the consent of the Sole Underwriter (which consent shall not be unreasonably withheld) with regard to the matters following, namely:-*

(i) *the constitution of the Board of Directors of the Company;*

(ii) *the authorised and issued share capital of the Company;*

(iii) *the number of Issue Shares and Pink Form Shares comprised in the Public Issue and the price thereof;*

(iv) *the statement as to any litigation, arbitration or other legal proceedings of a material nature in which the Company and its Subsidiaries is presently involved or pending;*

(v) *the statement as to any contingent liabilities and capital commitments of the Company and its Subsidiaries;*

(vi) *the business of the Company and its Subsidiaries;and*

(vii) *the utilisation of proceeds from the Public Issue*

*If any of the conditions stated in Clause 6.1 is not satisfied, the Sole Underwriter ("**Withdrawing Sole Underwriter**") shall be entitled to terminate this Agreement by notice in writing delivered to the Company and in such event the Withdrawing Sole Underwriter and the Company shall be released and discharged from their obligations hereunder and none of the parties shall have a claim against the other save for antecedent breaches by the Company and claims arising therefrom.*

For the avoidance of doubt, the Sole Underwriter reserves the rights to waive any of the conditions precedent stated in Clause 6.1 and such waiver shall not prejudice the Underwriter's rights under this Agreement.

(ii) Force Majeure

Notwithstanding anything herein contained, the Sole Underwriter may at any time before the Closing Date by notice in writing delivered to the Company a notice to terminate its obligations under this Agreement there shall have occurred, happened, come into effect any of the following circumstances:-

(a) *in the reasonable opinion of the Sole Underwriter concerned there shall have been such a change in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or with regards to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or*

(b) *any change in law, regulation directive, policy or ruling in any jurisdiction which may seriously affect the business of the Company or any event or series of events beyond reasonable control of the Sole Underwriter (including without limitation, national disorder, outbreak of war, acts of God, acts of terrorism, strikes, explosion, flooding, civil commotion, sabotage, acts of war or accidents or the declaration of a state of national emergency); or*

(c) *any change in currency exchange rates or in the stock exchange or otherwise as would in the reasonable opinion of the Sole Underwriter concerned prejudice materially and adversely the success of the issue and offering of the Unsubscribed Underwritten Shares and their distribution or sale (whether in the primary market or in respect of dealings in the secondary market)*

(d) *the FBM KLCI falling below 1,000 points for three (3) consecutive market days; or*

(e) *the imposition of any moratorium, suspension, or material restriction on trading in all securities generally on the stock exchange for three (3) consecutive market days;*

(except for the liability of the Company in the payment of costs and expenses referred to in Clause 12 above incurred prior to or in connection with such termination) be released and discharged from their respective obligations hereunder.

In the event of a delivery of a request for the Closing Date to be extended by the Underwriter to the Company, the Company shall consent to such request for the extension of the Closing Date.

The delivery of a request under Clause 13.2 shall not preclude the Underwriter from giving a further request for the extension of the Closing Date or from giving a notice to terminate pursuant to Clause 13.1.

(iii) *Termination*

Notwithstanding anything herein contained, the Sole Underwriter may by notice in writing to the Company given at any time before the Closing Date, terminate and cancel and withdraw their commitment to underwrite the Unsubscribed Underwritten Shares if:-

(a) *there is any material breach by the Company of any of the Conditions Precedent Undertakings or Warranties, which, if capable of remedy, is not remedied within such number of days as may be stipulated in the notice of breach given to the Company which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Company and its Subsidiaries or the success of the Public Issue;*

(b) *if the Company withholds information of a material nature from the Sole Underwriter, which, if capable of remedy, is not remedied within such number of days as may be stipulated in the notice of breach given to the Company, which, in the opinion of the Sole Underwriter, would have or can reasonably be expected to have a material adverse effect on the business or operations of the Company and its Subsidiaries or the success of the Public Issue;*

(c) *if the Company or its own volition withdraws, terminates or cancels the Public Issue;*

(d) *if the approval-in-principle of Bursa Securities for the admission of the Company in the Official List of Bursa Securities, SC or FIC for the listing of and quotation for the entire issued and paid-up share capital of the Company on the Main Market is withdrawn or not procured or procured but subject to conditions not acceptable to the Sole Underwriter;*

(e) *there shall have occurred, happened or come into effect any material and adverse change to the business or financial condition of the Company and its Subsidiaries;*

(f) *there shall have occurred, happened or come into effect any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing;*

(g) *any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of the Sole Underwriter (including but not limited to acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage or acts of war), which would have or can reasonably be expected to have, a material adverse effect on the business or the operations of the Company and its Subsidiaries or the success of the Public Issue, or which is likely to have the effect of making any material part of this Agreement incapable of performance with its terms pursuant to the underwriting thereof;*

(h) *if the FBMKLCI falling below 1,000 points for three (3) consecutive market days,*

Upon such notice being given under Clause 14.1, the Sole Underwriter shall be released and discharged of their obligations without prejudice to its rights whereby this Agreement shall be of no further force or effect and no Party shall be under any liability to any other in respect of this Agreement, except that the Company shall remain liable in respect of any of its obligations and liabilities under Clause 12 for the payment of the costs and expenses already incurred up to the date on which such notice was given, any antecedent breach and the underwriting Commission which shall be paid by the Company to the Sole Underwriter within Fourteen (14) Market Days from the receipt of such notice.

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3. RISK FACTORS

In evaluating an investment in the IPO Shares, you should carefully consider all the information contained in this Prospectus, including but not limited to the following general and specific risk factors.

3.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

(a) Reliance on suppliers, partners and principals

In general, operators in the rotating equipment industry in Singapore are dependent on their equipment manufacturers to the extent that they rely on the equipment manufacturers for the supply of rotating equipment, spare parts and technical support. Any disruption or break in the relationship with their equipment manufacturers has a negative impact on their ability to supply rotating equipment and maintenance and repair services to their clients.

Our Group relies on our suppliers, partners and principals for the supply of certain products and services. These suppliers, partners and principals are internationally renowned corporations supporting the oil and gas industry, namely Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, and Nikkiso Co Ltd. Any severance of these relationships will have a negative impact on our Group's ability to supply our products and services to our customers.

It may be difficult for operators in the rotating equipment industry to engage with alternative equipment manufacturers should there be a disruption. This is because the operators in the rotating equipment will usually specify the equipment manufacturer that is acceptable to them. The operators usually pre qualify the supply of products that they require and normally purchase original products only from the selected equipment manufacturers. For instance, some operators will only purchase products from equipment manufacturers of rotating equipment that complies with stringent standards set by API.

As such, it is not easy for operators to engage with alternative equipment manufacturers as they would need time to certify the new equipment manufacturers in order to ensure that the products supplied meet the required standards.

Although there is no assurance that our Group will be able to maintain these relationships, we have been dealing with these equipment manufacturers for an average ten (10) years. However, our Group seeks to mitigate the risk by maintaining good relationships we have to ensure minimal disruptions in our operations. In addition, there should generally be a lower probability of disruption affecting long-standing strategic relationships. Furthermore, it may be difficult for equipment manufacturers to identify operators' technical knowledge, financial strength and network of customers which are as good, if not, better.

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(b) Foreign operations risks

With our Group's operations consisting of operations in foreign countries such as Indonesia, Singapore, Philippines and Vietnam, we are subjected to foreign operations risks. These risks may include amongst others, country risk, regulatory risks and political risks which are entirely out of our Group's control and there is no assurance that these risks will not have any material adverse effects on our Group's operations and profitability.

In addition, as mentioned in Section 2.7 and Section 4.26 of this Prospectus, our Group is looking at expanding our operations in Thailand and Indonesia where opportunities in oil and gas industry exist. Unfavourable developments in political, economic, government control and regulatory framework of these overseas markets may affect our Group's plans for expansion.

Whilst our Group practices prudent financial risk management and efficient operating procedures, there is no assurance that adverse political and economic development, which is beyond our control, will not materially affect our Group.

Our Group is also subjected to more specific risks in this context and may include among others, credit risk and market risk. Our Group will mitigate these risk by ensuring that our customer base are well established and reputable companies as well as undertaking thorough due diligence prior to the commencement of any overseas ventures or entering into any overseas contracts.

(c) Reliance on imports

All our rotating equipment and spare parts are imported. The reliance of imports of these key items may pose a risk to our business in the event of, among others, shortage of supply, delays in shipment, imposition of duties and/or taxes, and increases in transportation costs.

A significant proportion of rotating equipment including pumps, compressors and turbines for the oil, gas and petrochemical industries in the countries where our Group operates are imported. As such, any general problems associated with imports would most likely affect all our Group's competitors as the competitors also place reliance on imports.

(d) Foreign currency risks

A significant proportion of our revenue and purchases are transacted in foreign currencies. There is a financial risk to our business if there is any adverse fluctuation in any one or more currencies transacted by our Group. In such a situation, there is a possibility that we could incur foreign exchange losses and/or our product pricing may increase which could make us less competitive.

For foreign revenue sources and payment of creditors and operational expenses, we would either hedge the transaction forward with a bank with foreign exchange hedging facilities or by natural hedging, whereby we will use our proceeds in a particular foreign currency to pay for expenses in the same foreign currency. By hedging forward or natural hedging, we minimise our foreign exchange exposure risk. For FYE 2009, the natural hedging by our Group is 81.9% against our purchases.

(e) Control by Promoters/substantial shareholders

After the IPO, our Promoters and substantial shareholders as set out in Section 5.1 and Section 5.2 of this Prospectus will collectively control 70.62% of our Group's enlarged issued and paid-up capital.

Therefore, our Promoters and substantial shareholders will be able to exercise some influence over the direction and matters governing our Group requiring the vote of our Company's shareholders unless we are required to abstain from voting by law, covenants and/or by the relevant authorities.

As a step towards good corporate governance, we have appointed three (3) Independent Directors and an Audit Committee have been set up to ensure that all future transactions involving related parties, if any, are entered into on an arms-length basis.

(f) Dependence on key personnel

As in any other business, the Group believes that our continued success will depend to a significant extent upon the abilities, skills, experience, competency and continuous efforts of its existing Directors and management team. The Group will strive to continue attracting and retaining qualified and experienced personnel which is essential towards providing the required skills and services to successfully support the operations of the Group.

In addition, every effort is being made to groom the younger members of the management team to gradually take over from the senior members to ensure a smooth transition in the management team should changes occur. Details of the management succession plan are set out in Section 5.11 of this Prospectus.

(g) Litigation

Save for the material litigation disclosed in Section 14.5 of this Prospectus, our Group is not engaged in any material litigation, claim and/or arbitration, either as a plaintiff or defendant, which has a material adverse effect on the financial position of our Group and our Directors do not know of any proceedings which might materially and adversely affect the position or business of our Group.

However, there can be no assurance that the existing legal actions will not materially and adversely affect the position or business of our Group and that there would be no further actions that could materially affect the position or business of our Group.

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(h) Conflict of interest

Save and disclosed in Section 7 of this Prospectus, as at LPD, none of the Promoters, Directors and/or substantial shareholders of our Group are in positions which may give rise to potential conflict of interest arising from their directorships and/or shareholdings in our Group.

To mitigate any potential conflict of interest, arising from common directorships, the Directors and substantial shareholders of our Group will provide a declaration that all business transactions between our Group and our Directors and substantial shareholders and their related persons, shall be based on arms length basis and on commercial terms that shall not be disadvantageous to our Group and not to be involved in any new business in the future, which will give rise to competition/conflict with the current business of our Group.

(i) Investment activities risk and new ventures

If appropriate opportunities arise, our Group may from time to time acquire additional businesses or invest in synergistic new ventures. As such, there is a potential risk that these investments may have longer than expected gestation periods or may not be entirely successful. In this event, our Group may take time to recover or be unable to recover our initial investments.

Our Group plans to mitigate this risk by exercising due care with effective evaluation and assessment prior to the commencement of such business or ventures in relation to customer demand or market trends.

(j) Adverse change to our reputation

Fundamentally, our Group has a good reputation in meeting our customers' requirements and needs. Our excellent relationships with our customers are based on this reputation. An adverse change to our reputation could affect these relationships and subsequently our business.

In order to mitigate this risk, our Group strives to maintain our good reputation delivering exemplary services and timely delivery of products to our customers. Nevertheless, there is no guarantee that our reputation will not change and adversely affecting our Group's business or profitability.

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(k) Operational risks and insurance coverage

We are susceptible to various operational risks such as accidents, outbreaks of fire or floods, energy crises or other natural calamities, which may cause significant losses or damage to our goods, production facilities, warehouse and office thus disrupting and affecting our business operations.

As we are aware of the adverse consequences arising from inadequate insurance coverage for the accidents and outbreaks that could disrupt our business operations, we have taken up property insurance covering our factory premises, fixed assets and inventory. For our factory/workshops premises, office building, plant, machineries and instruments, and motor vehicles, the insurance coverage is based on 100% net book value. Our inventories are insured based on 100% cost price of the inventories.

However, there is no assurance that this coverage is sufficient to cover all potential losses, and indemnify us against all possible liabilities arising from our operations.

We seek to limit the above risks through the implementation of the following plans and risk-management practices:-

(i) our facilities are equipped with the basic regulatory fire-fighting equipment such as fire extinguishers. Employees are trained on the use of these equipment, the proper fire-fighting techniques and procedures, and evacuation drills; and

(ii) we ensure that our facilities, warehouses and workshops meet all safety requirements stipulated in various licenses issued by relevant authorities. We also conduct various in-house training and briefing on safety requirements, and the proper use of our machineries. By complying with the safety requirements issued by the relevant authorities, and making sure our employees are adequately trained, we minimise the risks of industrial accidents in our facilities.

Despite the above, there is no assurance that our insurance coverage is sufficient to offset the potential financial losses arising from public liability, fire, theft and personal coverage of our insurance policies. We may be liable to self insure the amounts claimed. If such events were to occur, our business and financial performance may be materially and adversely affected.

There are also other risks such as natural disasters, riots, general strikes, acts of terrorism and any other risks that cannot reasonable be insured against, which may adversely affect our operations. However, we wish to highlight that our operations have not been affected by any of such events thus far.

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3.2 RISKS RELATING TO OUR INDUSTRY

(a) Increased competition

Operators in the rotating equipment industry in Singapore face normal competitive conditions, which are similar to a free enterprise environment where there is no undue government regulations or licensing requirements, there are many operators, operators may enter and leave the industry with relative ease and no one operator is large enough to dictate product pricing. In such an environment, the industry is also subjected to normal supply and demand conditions moderated by the price mechanism. Operators compete based on product and service differentiations and other factors of competition.

For further details on the competition, please refer to the "Independent Assessment of the Rotating Equipment Industry in Singapore" found in Section 11 of this Prospectus.

Nonetheless, our Group's proven track record and our team of experienced and skilled personnel are major mitigating factors to this risk as it enables our Group to remain competitive in the future. However, there can be no assurance that our Group will be able to maintain or increase our market share in the future in light of competition from existing competitors and/or potential new entrants to the industry.

Nevertheless, our Group has ready access to technology, products and services through our strategic alliances with global partners who are specialists in various fields to meet customer requirements and have successfully established a reputable track record associated with quality and reliability.

(b) Dependence on key customers

The key customers who contributed more than 10% of the total proforma group revenue for each of the past three (3) FYEs 2007 to 2009 are as disclosed in Section 4.23 of this Prospectus. For FYE 2009, the key customer of Turbo-Mech Group represented 53.2% of our Group's proforma revenue, amounting to approximately RM34.0 million. The most notable of our customers are, Shell Eastern Petroleum Pte Ltd, Titan Petchem (M) Sdn Bhd and Singapore Refining Co Pte Ltd.

However, our key customers in any one financial year may change depending on the level of activity undertaken by any of the oil and gas exploration and production companies. Our Group is confident that with our range of products and services, we will be able adapt to any changes in the level and field of activities in the industry by our key customers based on the need for continuous servicing and maintenance requirements of their current activities. We wish to highlight that our Group's orders are normally based on an ad hoc basis. It is a norm in the industry to have orders on an ad hoc basis.

Further to this, as at FYE 2009, we have one key customer contributing 53.2% of our Group's revenues and this customer has been our customer for more than ten (10) years. This long term business relationship implies a satisfactory and beneficial customer-supplier relationship and forms the basis of continuous business in the future. Nonetheless, there is no guarantee that the business relationships with these customers may not be disrupted.

Our Group believes that our long-term business relationships and our commitment to our customers will mitigate any possible disruption to such relationships.

(c) Sustained fall in the market price of hydrocarbons

Hydrocarbons, including crude petroleum and natural gas, are internationally traded commodities whose price fluctuates with the constant interaction between supply and demand for hydrocarbons. Factors such as geopolitical factors and unforeseen supply disruptions may also influence the market price of hydrocarbons. Activities in the oil and gas industries are, to some degree, affected by fluctuations in the market price of hydrocarbons. Activities tend to increase during periods of sustained high hydrocarbon prices, and decline during periods of sustained low hydrocarbon prices. There is a risk that sustained lower price of hydrocarbons will negatively affect activities in the oil and gas exploration and production, petroleum refining industry, and petrochemical industries, leading to lower demand for rotating equipment.

The Organization of Petroleum Exporting Countries ("**OPEC**") has some influence on the price of hydrocarbons through their control of a sizable proportion of the world's production capacity and reserves. Although the influence of OPEC over the market price of hydrocarbons is not absolute, OPEC has a vested interest in ensuring that hydrocarbon prices do not collapse, and as such are likely to actively attempt to sustain hydrocarbon prices at an acceptable level.

As such, there is no assurance that in the event of prolonged periods of depressed hydrocarbons prices that our Group will not be materially affected by this risk.

On the contrary, an upward trend in hydrocarbons prices could result in an increase in oil exploration, development and production activities resulting in higher demand products and services provided by oil and gas support companies such as our Group.

(d) Global financial crisis

A prolonged and/or widespread economic downturn such as the recent global financial crisis may negatively affect Singapore and other countries. This slowdown in the global and local economies may affect the demand for the products produced by oil, gas, petrochemical, chemical and other manufacturing industries, which in turn may reduce demand for the rotating equipment industry.

Although demand for new rotating equipment may be negatively affected by an economic downturn, it is likely that demand for maintenance and overhaul services will be more resilient. Industrial users have to maintain and periodically overhaul their rotating equipment to maintain them in proper running order. Demand for maintenance and overhaul services may even increase as industrial users keep older rotating equipment in service to defer purchases of new rotating equipment.

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3.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

(a) There is no prior market for our Shares, and an active market for our Shares may not develop

Prior to this invitation, there has been no public market for our Shares. There can be no assurance that an active and liquid market for our Shares will develop and continue to develop subsequent to our listing or, if developed, that such a market is sustained. The issue price has been determined after taking into consideration a number of factors, including but not limited to, our Company's financial and operating history and conditions, its prospects and the prospects of the industry in which our Company operates, the management of our Company, the market price for shares of companies engaged in similar businesses and the prevailing market conditions at the time of the application for listing of our Company was submitted to the SC. There is no assurance that the market price may not decline below the issue price. Hence there can be no assurance of the ability of the shareholders or the prices at which they would be able to sell their shares.

(b) Capital market risk

The performance of the local bourse is very much dependent on external factors such as the performance of regional and world bourses and the flows of foreign funds. Sentiments are also largely driven by internal factors including political and economic conditions of the country as well as growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risk to the market price, which may already fluctuate significantly and rapidly as a result, inter alia, of the following factors:-

- differences between our actual financial and operating results and those expected by investors and analysts;
- announcements by us or our competitors of significant contracts, acquisitions, strategic alliances, joint ventures or capital commitments;
- fluctuations in stock market prices and volume;
- changes in our operating results;
- changes in securities analysts' estimates of our financial performance and recommendations;
- changes in market valuation of similar companies;
- our involvement in litigation, arbitration or other forms of dispute resolution;
- additions or departures of key personnel; and
- changes in general economic and stock market conditions.

Nevertheless, the profitability of our Group is not dependent on the performance of Bursa Securities as our Group's business activities have no direct correlation with the performance of the other securities listed on Bursa Securities.

(c) We may not be able to pay dividends to shareholders

Our ability to pay dividends or make other distributions to our shareholders may be subject to:-

(a) the Group's dividend policy, or

(b) us having profits and excess funds which are not needed to fund our operations, obligations or business plans.

Our shareholders' claims will generally rank junior to all other creditors and claimants against our Group. In the event of liquidation, there may not be sufficient assets for us pay out dividends.

Please refer to Section 9.5 of this Prospectus for details on our dividend policy.

(d) Forward looking statements

Certain information in this Prospectus is based on the historical experience of the Group and may not be reflective of future results. Whilst the interpretation of this information may be forward-looking, the contingencies and inherent uncertainties underlying these information should be carefully considered by investors and should not be regarded as a representation by our Group and our advisers that the objectives and the future plans of the Group will be achieved. Any differences in the expectation of the Group from its actual performance may result in the Group's financial and business performances and plans to be either, materially or immaterially, different from those anticipated.

(e) There may be a delay in our Listing or our Listing may be aborted

The occurrence of any one or more of the following events, which may not be exhaustive, may cause a delay in our Listing or our Listing to be aborted:-

(a) the Sole Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations thereunder;

(b) we are unable to meet the public spread requirement as determined by Bursa Securities i.e. at least 25% of our enlarged issued and paid-up share capital must be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each at the point of our Listing; or

(c) we are unable to obtain permission from Bursa Securities for our Admission to the Official List and for the quotation of our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

In such an event, subject to restrictions set out in Section 3.3(f) below, we will return in full without interest, all monies paid in respect of any Applications accepted within fourteen (14) market days from the date our Listing been aborted.

Nevertheless, our Directors will endeavour to ensure compliance with the various requirements for our successful Listing.

(f) Delay between admission and trading of the IPO Shares

After the IPO Shares have been allotted and/or allocated to the respective investors' CDS accounts in Bursa Depository, which would occur at least two (2) clear Market Days prior to the anticipated date for admission, it may not be possible to recover monies paid in respect of IPO Shares from us in the event the admission and the commencement of trading on the Main Market of Bursa Securities do not occur.

Delays in the admission and the commencement of trading in shares on Bursa Securities have occurred in the past. In respect of the Public Issue Shares comprised in the IPO Shares, following their allotment and issue to investors, a return of monies to such investors may be effected by way of either a repurchase by us of those shares at the IPO Price, or by way of a reduction of our share capital.

Further, such capital reduction shall not be effected if on the date the reduction is to be effected, there are reasonable grounds for believing that we are, or after the reduction would be, unable to pay our liabilities as they become due.

There can be no assurance that monies can be recovered within a short period of time. If Bursa Securities does not admit our Shares for Listing, the market for our Shares will be illiquid and it may not be possible to trade our Shares. This may also have a materially adverse effect on the value of our Shares.

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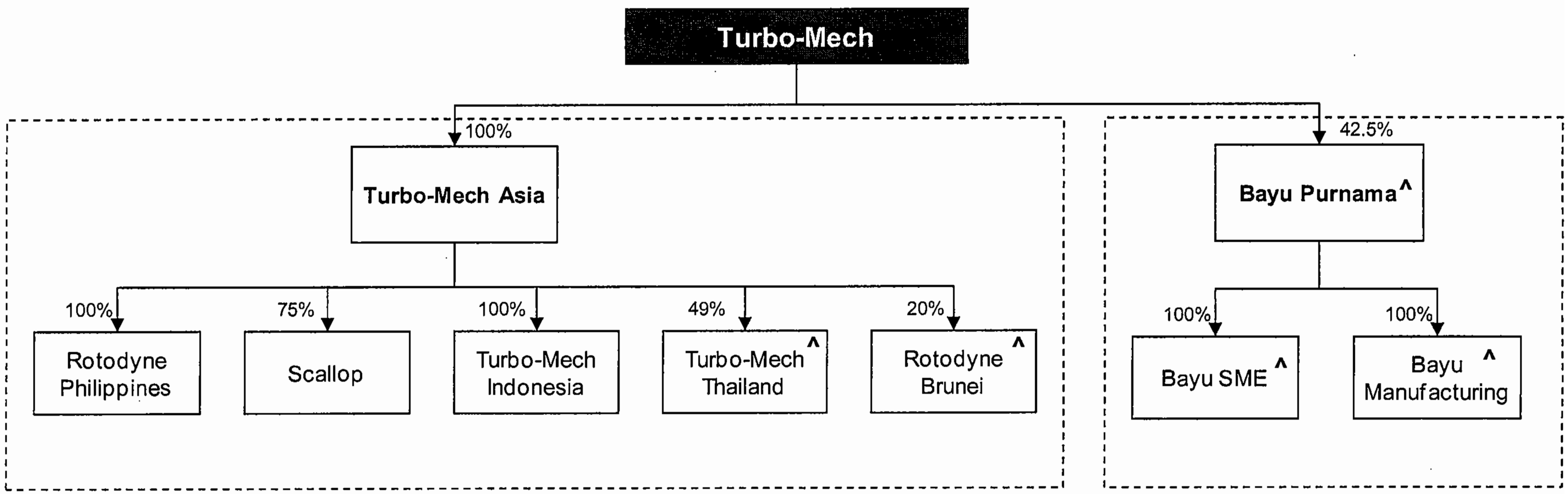
4. INFORMATION ON OUR GROUP

4.1 GROUP STRUCTURE

Our Company was incorporated in Malaysia on 6 July 2009 under the Act as a public limited company with a registration number 863263-D. Our Company is an investment holding company formed for the purpose of implementing the Listing Scheme as set out in Section 4.7 of this Prospectus. Our Company commenced business operations on July 2009.

The corporate structure of our Group and associated companies is set out below:-



Note:-

^ *Associated companies of Turbo-Mech*

The summary details of our subsidiaries and associated companies of our Company are as follows:-

Corporation	Date/Place of Incorporation	Effective Equity Interest (%)	Issued and Paid-up Share Capital	Principal Activities
Subsidiary Companies				
Turbo-Mech Asia	21 January 1989 / Singapore	100.0	SGD8,000,000	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services
Scallop	20 September 1983 / Singapore	75.0	SGD100,000	Dormant
Rotodyne Philippines	6 August 1998 / Philippines	100.0	PHP10,600,000	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services
Turbo-Mech Indonesia	26 June 2002 / Indonesia	100.0	IDR873,100,000	Sales of rotating equipment and spare parts
Associated Companies				
Rotodyne Brunei	11 August 1998 / Brunei	20.0	BND100,000	Sales of rotating equipment and spare parts
Turbo-Mech Thailand	1 February 1999 / Thailand	49.0	THB9,000,000	Sales of rotating equipment and spare parts
Bayu Purnama	14 August 1992 / Malaysia	42.5	RM5,000,000	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services
Bayu SME	27 July 2000 / Malaysia	42.5	RM300,000	Dormant
Bayu Manufacturing	8 August 2002 / Malaysia	42.5	RM5,000,000	Fabrication of skid mounted pump sets and chemical injection packages

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The location for the management/sales offices and workshops for our subsidiaries and associated companies are as follows:-

	Location	
	Management/sales offices	**Workshops**
Turbo-Mech Asia and its subsidiaries and associates	• Singapore • Batangas City, Philippines • Manila, Philippines • Jakarta, Indonesia • Rayong, Thailand • Kuala Belait, Brunei • Ho Chi Minh, Vietnam	• Singapore • Batangas City, Philippines
Bayu Purnama and its subsidiaries	• Petaling Jaya, Selangor, Malaysia • Kemaman, Terengganu, Malaysia • Miri, Sarawak, Malaysia	• Kemaman, Terengganu, Malaysia

4.2 OUR HISTORY AND BUSINESS

Our Company was incorporated in Malaysia under the Act on 6 July 2009. We changed our name to Turbo-Mech Sdn Bhd on 14 July 2009 and was subsequently converted to a public limited company on 17 July 2009. Further details of our Company's subsidiaries and associated companies are set out in Section 4.5 of this Prospectus.

The history of our Group can be traced back to 1989 with the incorporation of Turbo-Mech Asia in Singapore. In 1998, Gan Ching Lai, via Mosgan, acquired Turbo-Mech Asia with the intention of developing and growing the business as a trading company specialising in rotating equipment. Gan Ching Lai was appointed the Executive Chairman of Turbo-Mech Asia in 1998 and under his helm, he successfully led our Group to become a regional distributor of rotating equipment for the oil, gas and petrochemical industries. He brings with him extensive experience with approximately 25 years in the rotating equipment industry. In the same year, our Group also started expanding our regional presence with the incorporation of Rotodyne Philippines and Rotodyne Brunei, our first overseas subsidiaries.

As part of our plan to expand our product range and strengthen our position as the authorised sales representative of Shin Nippon Machinery Co Ltd, we were also appointed as authorised sales representative for Sundyne Nikkiso Company and Nikkiso Co Ltd for pumps and compressors, and Hudson Products Corporation for their industrial cooling fans in 1999. We are also authorised to provide technical after sales services including maintenance, repairs and overhaul for our global principal equipment manufacturers. The appointment of our Group as authorised sales representative for Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, Nikkiso Co Ltd and Hudson Products Corporation is on a non-exclusive basis.

In 2001, we purchased our current head office and warehouse building at Ubi Crescent, Singapore, and moved into the building in the same year. Subsequently, in 2001 and 2003, we established our workshops in the Philippines and Singapore respectively. This enabled us to provide technical value-added services to our customers.

As part of the Listing Scheme, Turbo-Mech acquired 42.5% of the issued and paid-up capital of Bayu Purnama. Bayu Purnama's principal business activities are sales of rotating equipment and spare parts and provision of maintenance and overhaul services. Bayu Purnama gives us a presence in Malaysia and more importantly in the oil, gas and petrochemical industries in this country. In 1999, Bayu Purnama established its workshop in Kemaman Supply Base, Terengganu Darul Iman.

Bayu Manufacturing, a wholly owned subsidiary of Bayu Purnama, is involved in the fabrication of Skid Mounted Equipment.

Since the acquisition of Turbo-Mech Asia in 1998, we have succeeded in establishing ourselves as a supplier of rotating equipment including centrifugal pumps, metering pumps, high pressure gas compressors, high pressure pumps, non-seal pumps, steam turbines, industrial cooling fans and spare parts, and a provider of maintenance, repair and overhaul services for rotating equipment. We have also succeeded in establishing a regional footprint with our network of workshops in Singapore, Philippines and Malaysia.

We have subsidiaries in Singapore, Indonesia and Philippines, associated companies in Malaysia, Brunei and Thailand, and a representative office in Vietnam.

Today, our business of supplying rotating equipment with the provision of maintenance and repair services, and spare parts to the oil, gas and petrochemical industries enable us to provide a total solution to our customers.

The principal activities of our subsidiaries and associated companies are as detailed in Sections 4.1 and 4.5 of this Prospectus. Further details on the history and business of our Group are set out in Section 4 of this Prospectus.

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4.3 KEY ACHIEVEMENTS AND MILESTONES

The table below sets out our Group's key development and achievement milestones over the years:-

Year	Event
1989	Turbo-Mech Asia was incorporated
1994	Turbo-Mech Asia secured a Sales Representative Agreement with Shin Nippon Machinery Co Ltd for their pumps
1998	Mosgan acquired Turbo-Mech Asia
	Rotodyne Philippines and Rotodyne Brunei were incorporated
1999	Turbo-Mech Asia secured Sales Representative Agreements with Sundyne Nikkiso Company and Nikkiso Co Ltd for their pumps and compressors, and Hudson Products Corporation for their industrial cooling fans
2001	Turbo-Mech Asia purchased and moved into its current head office and warehouse at Ubi Crescent, Singapore
	Rotodyne Philippines established a workshop Bo, Libjo, Batangas City, Philippines
2003	Turbo-Mech Asia's workshop at Defu Lane 8, Singapore was opened
2008	Turbo-Mech Asia received ISO 9001:2000 quality management system certification for procurement and stockholdings for its head office and warehouse, and for repair and overhaul services for its workshop
2008	Turbo-Mech Asia received a Service Excellence Award from Sundyne Corporation in recognition for achieving Tier 1 Status *

Note:-

* *Tier 1 rating is an award system based on the "Service Excellence Program" developed and introduced by Sundyne Corporation, the holding company of Sundyne Nikkiso Company. The "Service Excellence Program" measures three (3) areas of the aftermarket best-practices namely Service and Repair Capability, Business Development and Competitive Excellence. Tier 1 is the top award, awarded by Sundyne Corporation to its recognised Authorised Agents.*

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4.4 SHARE CAPITAL AND CHANGES IN SHARE CAPITAL

The present authorised share capital of our Company is RM100,000,000 comprising 200,000,000 Shares. The existing issued and paid-up share capital of our Company is RM44,966,000 comprising 89,932,000 Shares.

Details of the changes in the issued and paid-up share capital of our Company since its incorporation are as follows:-

Date of Allotment / Subdivision	Number of Shares allotted	Par Value (RM)	Consideration	Cumulative Issued and Paid-up Share Capital (RM)
6 July 2009	4	0.50	Cash	2
22 February 2010	72,652,486	0.50	Acquisition of Turbo-Mech Asia	36,326,245
22 February 2010	17,279,510	0.50	Acquisition of Bayu Purnama	44,966,000

The issued and paid up share capital of our Company will subsequently increase to 108,000,000 Shares by way of the Public Issue of 18,068,000 Shares at the IPO Price pursuant to the IPO.

4.5 OUR GROUP AND ASSOCIATED COMPANIES

4.5.1 Turbo-Mech Asia

(a) Background and History

Turbo-Mech Asia was incorporated in Singapore on 21 January 1989 under the name of Inecda Trading (S) Pte Ltd as a private limited company. On 17 June 1994, it changed its name to Turbo-Mech Asia and has assumed its present name since. Turbo-Mech Asia commenced business operation under the management of Mosgan in July 1998.

(b) Principal Activities and Products/Services

The principal activities of the company are sales of rotating equipment and spare parts, and provision of maintenance and overhaul services.

(c) Substantial Shareholders

Turbo-Mech Asia is a wholly-owned subsidiary of our Company.

(d) Share Capital

The issued and paid-up share capital is SGD8,000,000 comprising 8,000,000 ordinary shares. Under the Companies Act, Singapore, there is no concept of authorised share capital.

The changes in Turbo-Mech Asia's issued and paid-up share capital for the last three (3) years are as follows:-

Date Issued	No. of shares allotted	Consideration	Cumulative Issued and Paid-up Share Capital (SGD)
15 December 2006	2,000,000	Bonus issue	4,500,000
23 October 2007	1,500,000	Bonus issue	6,000,000
17 October 2008	2,000,000	Bonus issue	8,000,000

(e) Subsidiary and/or Associated Companies

The details of the subsidiaries and associated companies of Turbo-Mech Asia are as follows:-

Name of companies	Effective equity interest (%)
Rotodyne Philippines	100.0
Turbo-Mech Indonesia	100.0
Scallop	75.0
Turbo-Mech Thailand	49.0
Rotodyne Brunei	20.0

4.5.2 Scallop

(a) Background and History

Scallop was incorporated in Singapore on 20 September 1983 under the name of Chee Choon Trading Pte Ltd. Subsequently, on 4 September 1985, Chee Choon Trading Pte Ltd changed its name to Espanada Import-Export Pte Ltd, before changing to its current registered name of Scallop on 14 April 1997. It ceased operations in 2005.

(b) Principal Activities and Products/Services

Scallop is currently dormant. Prior to its cessation of operations since 2005, it was principally involved in sales of industrial cooling fans and provision of maintenance and overhaul services.

(c) Substantial Shareholders

Scallop is a 75.0% subsidiary of Turbo-Mech Asia. The substantial shareholders of Scallop are as follows:-

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Turbo-Mech Asia	75,000	75.0	-	-
Gemma Borjal Briones	25,000	25.0	-	-
Turbo-Mech	-	-	75,000[(1)]	75.0
Mosgan	-	-	75,000[(2)]	75.0
Gan Ching Lai	-	-	75,000[(3)]	75.0

Notes:-

(1) Deemed interested by virtue of Turbo-Mech's substantial shareholdings in Turbo-Mech Asia.

(2) Deemed interested by virtue of its substantial shareholdings in Turbo-Mech, which in turn is a substantial shareholder of Turbo-Mech Asia, pursuant to Section 6A of the Act.

(3) Deemed interested by virtue of his substantial shareholdings in Mosgan, which in turn has substantial shareholdings in Turbo-Mech, which in turn is a substantial shareholder of Turbo-Mech Asia, pursuant to Section 6A of the Act.

(d) Share Capital

The issued and paid-up share capital of Scallop is SGD100,000. Under the Companies Act, Singapore, there is no concept of authorised share capital.

There have been no changes in Scallop's issued and paid-up share capital for the last three (3) years.

(e) Subsidiary and/or Associated Company

Scallop does not have any subsidiary or associated companies.

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4.5.3 Rotodyne Philippines

(a) Background and History

Rotodyne Philippines was incorporated in Philippines on 6 August 1998 under the name of Rotodyne Philippines as a private limited company. Rotodyne Philippines commenced business operation on August 1998.

(b) Principal Activities and Products/Services

The principal activities of the company are sales of rotating equipment and spare parts, and provision of maintenance and overhaul services.

(c) Substantial Shareholders

Rotodyne Philippines is a wholly owned subsidiary of Turbo-Mech Asia, which in turn, is a wholly owned subsidiary of our Company.

(d) Share Capital

The authorised share capital of Rotodyne Philippines is PHP33,440,000 comprising 33,440 ordinary shares of PHP1,000 each. The issued and paid-up share capital is PHP10,600,000 comprising 10,600 ordinary shares of PHP1,000 each.

The changes in Rotodyne Philippines's issued and paid-up share capital for the last three (3) years are as follows:-

Date Issued	No. of shares allotted	Par value (PHP)	Consideration	Cumulative Issued and Paid-up Share Capital (PHP)
11 April 2006	2,240	1,000	Cash	10,600,000

(e) Subsidiary and/or Associated Company

Rotodyne Philippines does not have any subsidiary or associated companies.

4.5.4 Turbo-Mech Indonesia

(a) Background and History

Turbo-Mech Indonesia was incorporated in Indonesia on 26 June 2002 under the name of PT Turbo-Mech Indonesia as a private limited company. Turbo-Mech Indonesia commenced business operation on July 2002.

(b) Principal Activities and Products/Services

The principal activities of the company are sales of rotating equipment and spare parts.

(c) Substantial Shareholders

Turbo-Mech Indonesia is a wholly owned subsidiary of Turbo-Mech Asia, which in turn is a wholly owned subsidiary of our Company.

(d) Share Capital

The authorised share capital of Turbo-Mech Indonesia is IDR1,746,200,000 comprising 2,000 ordinary shares of IDR873,100 each. The issued and paid-up share capital is IDR873,100,000 comprising 1,000 ordinary shares of IDR873,100 each.

There have been no changes in Turbo-Mech Indonesia's issued and paid-up capital for the last three (3) years.

(e) Subsidiary and/or Associated Company

Turbo-Mech Indonesia does not have any subsidiary or associated companies.

4.5.5 Rotodyne Brunei

(a) Background and History

Rotodyne Brunei was incorporated in Brunei on 11 August 1998 under the name of Rotodyne Sendirian Berhad as a private limited company. Rotodyne Brunei commenced business operation on August 1998.

(b) Principal Activities and Products/Services

The principal activities of the company are sales of rotating equipment and spare parts.

(c) Substantial Shareholders

Bayu Purnama is a 42.5% associated company of our Company. The substantial shareholders of Bayu Purnama are as follows:-

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Salmiah binti Jantan	2,550,000	51.0	-	-
Turbo-Mech	2,125,000	42.5	-	-
Loo Kien Seng	325,000	6.5	-	-
Mohd Said bin Ibrahim	-	-	2,550,000[(1)]	51.0
Mosgan	-	-	2,125,000[(2)]	42.5
Gan Ching Lai	-	-	2,125,000[(3)]	42.5

Notes:-

(1) *Deemed interested by virtue of his wife's substantial shareholdings in Bayu Purnama pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of its substantial shareholdings in Turbo-Mech pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his substantial shareholdings in Mosgan, which in turn has substantial shareholdings in Turbo-Mech pursuant to Section 6A of the Act.*

(d) Share Capital

The authorised share capital of Bayu Purnama is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

There have been no changes in Bayu Purnama's issued and paid-up capital for the last three (3) years.

(e) Subsidiary and/or Associated Company

Bayu Purnama does not have any associated company. The details of the subsidiaries of Bayu Purnama are as follows:-

Name of companies	Effective equity interest (%)
Bayu SME	100.0
Bayu Manufacturing	100.0

4.5.6 Turbo-Mech Thailand

(a) Background and History

Turbo-Mech Thailand was incorporated in Thailand on 1 February 1999 under the name of Turbo-Mech (Thailand) Co Ltd as a private limited company. Turbo-Mech Thailand commenced business operation on February 1999.

(b) Principal Activities and Products/Services

The principal activities of the company are sales of rotating equipment and spare parts.

(c) Substantial Shareholders

Turbo-Mech Thailand is a 49.0% associated company of our Company. The substantial shareholders of Turbo-Mech Thailand are as follows:-

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Ampol Kulnawin	44,100	49.0	-	-
Turbo-Mech Asia	44,091	49.0	-	-
Pompol Srimandhyamas	1,800	2.0	-	-
Turbo-Mech	-	-	44,091(1)	49.0
Mosgan	-	-	44,091(2)	49.0
Gan Ching Lai	9	#	44,091(3)	49.0

Notes:-

(1) *Deemed interested by virtue of Turbo-Mech's substantial shareholdings in Turbo-Mech Asia.*

(2) *Deemed interested by virtue of its substantial shareholdings in Turbo-Mech, which in turn is a substantial shareholder of Turbo-Mech Asia, pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his substantial shareholdings in Mosgan, which in turn has shareholdings in Turbo-Mech, which in turn is a substantial shareholder of Turbo-Mech Asia, pursuant to Section 6A of the Act.*

* *Less than 0.01%*

(d) **Share Capital**

The authorised share capital of Turbo-Mech Thailand is THB9,000,000 comprising 90,000 ordinary shares of THB100 each. The issued and paid-up share capital is THB9,000,000 comprising 90,000 ordinary shares of THB100 each.

The changes in Turbo-Mech Thailand's issued and paid-up share capital for the last three (3) years are as follows:-

Date Issued	No. of shares allotted	Par value (THB)	Consideration	Cumulative Issued and Paid-up Share Capital (THB)
17 July 2006	-	50.00	Bonus issue	4,500,000
26 July 2007	-	87.50	Bonus issue	7,875,000
25 July 2008	-	100.00	Bonus issue	9,000,000

(e) **Subsidiary and/or Associated Company**

Turbo-Mech Thailand does not have any subsidiary or associated companies.

4.5.7 Bayu Purnama

(a) **Background and History**

Bayu Purnama was incorporated in Malaysia under the Act on 14 August 1992 as a private limited company under the name of Bayu Purnama Sdn Bhd. Bayu Purnama commenced business operation on October 1995.

(b) **Principal Activities and Products/Services**

The principal activities of the company are the sales of rotating equipment and spare parts, and provision of maintenance and overhaul services.

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(c) Substantial Shareholders

Bayu Purnama is a 42.5% associated company of our Company. The substantial shareholders of Bayu Purnama are as follows:-

Name	Direct		Indirect	
	No. of shares held	%	No. of shares held	%
Salmiah binti Jantan	2,550,000	51.0	-	-
Turbo-Mech	2,125,000	42.5	-	-
Loo Kien Seng	325,000	6.5	-	-
Mohd Said bin Ibrahim	-	-	2,550,000[(1)]	51.0
Mosgan	-	-	2,125,000[(2)]	42.5
Gan Ching Lai	-	-	2,125,000[(3)]	42.5

Note:-

(1) *Deemed interested by virtue of his wife's substantial shareholdings in Bayu Purnama pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of its substantial shareholdings in Turbo-Mech pursuant to Section 6A of the Act.*

(3) *Deemed interested by virtue of his substantial shareholdings in Mosgan, which in turn has substantial shareholdings in Turbo-Mech pursuant to Section 6A of the Act.*

(d) Share Capital

The authorised share capital of Bayu Purnama is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

There have been no changes in Bayu Purnama's issued and paid-up capital for the last three (3) years.

(e) Subsidiary and/or Associated Company

Bayu Purnama does not have any associated company. The details of the subsidiaries of Bayu Purnama are as follows:-

Name of companies	Effective equity interest (%)
Bayu SME	100.0
Bayu Manufacturing	100.0

4.5.8 Bayu SME

(a) Background and History

Bayu SME was incorporated in Malaysia under the Act on 27 July 2000 as a private limited company under the name of Various Opportunity Sdn Bhd. On 2 October 2000, Various Opportunity Sdn Bhd changed its name to Bayu SME and has assumed its present name since. Bayu SME commenced business operation in August 2002 and ceased its operations in 2007.

(b) Principal Activities and Products/Services

Bayu SME is currently dormant. Prior to its cessation of operations since 2007, it was principally involved in provision of total plant machinery services to the oil and gas industry and power energy related industries.

(c) Substantial Shareholders

Bayu SME is a wholly owned subsidiary of Bayu Purnama.

(d) Share Capital

The authorised share capital of Bayu SME is RM1,000,000 comprising 1,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM300,000 comprising 300,000 ordinary shares of RM1.00 each.

There have been no changes in Bayu SME's issued and paid-up capital for the last three (3) years.

(e) Subsidiary and/or Associated Company

Bayu SME does not have any subsidiary or associated companies.

4.5.9 Bayu Manufacturing

(a) Background and History

Bayu Manufacturing was incorporated in Malaysia under the Act on 8 August 2002 as a private limited company under the name of Platinum Merchandise Sdn Bhd. On 8 April 2003, Platinum Merchandise Sdn Bhd changed its name to Bayu Manufacturing and has assumed its present name since then. Bayu Manufacturing commenced business operation on 8 August 2002.

(b) Principal Activities and Products/Services

The principal activities of the company are fabrication of skid mounted pump sets and chemical injection packages.

(c) **Substantial Shareholders**

Bayu Manufacturing is a wholly owned subsidiary of Bayu Purnama.

(d) **Share Capital**

The authorised share capital of Bayu Manufacturing is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each. The issued and paid-up share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each.

There have been no changes in Bayu Manufacturing's issued and paid-up capital for the last three (3) years.

(e) **Subsidiary and/or Associated Company**

Bayu Manufacturing does not have any subsidiary or associated companies.

4.6 MATERIAL CAPITAL EXPENDITURES AND DIVESTITURES

4.6.1 Material capital expenditure and divestitures for the last three (3) financial years

Our Group has not undertaken any material capital expenditures and material divestitures in the past three (3) financial years.

4.6.2 Material capital expenditure and divestitures currently in progress

Our Group has not undertaken any material capital expenditure and material divestitures that is currently in progress up to the date of this Prospectus.

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4.7 LISTING SCHEME

In conjunction with, and as an integral part of our Listing, our Company undertook a Listing Scheme which involved the following:-

(i) Acquisition of Turbo-Mech Asia

Pursuant to a SSA entered into with the shareholders of Turbo-Mech Asia, namely Mosgan, Gan Kok Ten, Leong Khai Cheong, Boo Lee Kiang, Loo Kien Seng, Lai Yew Fong, Gan Ching Lai, Leong Khai Wah, Tay Hwee Leck, Pay Swee Teck and Leong Choong Wah, as the vendors on 9 October 2009, we acquired the entire issued and paid-up share capital of Turbo-Mech Asia comprising 8,000,000 ordinary shares in Turbo-Mech Asia for a purchase consideration of RM36,326,243, which was wholly satisfied by the issuance of 72,652,486 new Shares in our Company, each credited as fully paid-up at par value of RM0.50 per Share.

The purchase consideration of RM36,326,243 for the acquisition of Turbo-Mech Asia was agreed on a willing-buyer willing-seller basis after taking into consideration the shareholders' funds of Turbo-Mech Asia Group of RM36,326,185 as at 31 July 2009.

The 72,652,486 new Shares issued pursuant to the Acquisition of Turbo-Mech Asia rank pari passu in all respects with the existing ordinary shares of Turbo-Mech and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

(ii) Acquisition of Bayu Purnama

Pursuant to a SSA entered into with the shareholders of Bayu Purnama, namely Salmiah binti Jantan, Nasaruddin bin Mohamed Ali and Gan Kok Ten, as the vendors on 9 October 2009, we acquired 42.5% of the issued and paid up share capital of Bayu Purnama comprising 2,125,000 ordinary shares of RM1.00 each in Bayu Purnama for a purchase consideration of RM8,639,755, which was wholly satisfied entirely by the issuance of 17,279,510 new Shares in our Company, each credited as fully paid-up at par value of RM0.50 per Share.

The purchase consideration of RM8,639,755 for the acquisition of Bayu Purnama was agreed on a willing-buyer willing-seller basis after taking into consideration 42.5% the shareholders' funds of Bayu Purnama Group of RM20,328,835 as at 31 July 2009.

The 17,279,510 new Shares issued pursuant to the Acquisition of Bayu Purnama rank pari passu in all respects with the existing ordinary shares of Turbo-Mech and carry all rights to receive in full all dividends and other distributions declared and paid subsequent to the allotment thereof.

The summary of the Acquisitions is as follows:-

	Shareholders' funds as at 31 July 2009 (RM)	Consideration	
		No. of Shares	(RM)
Turbo-Mech Asia	36,326,243	72,652,486	36,326,243
Bayu Purnama	8,639,755	17,279,510	8,639,755

The issued and paid-up share capital of Turbo-Mech Asia and Bayu Purnama were acquired free from all liens, charges, equities and encumbrances together with all rights, interests, dividends, bonuses, advantages and accretions attaching thereto and all other entitlements due.

The completion of the Acquisitions on 22 February 2010 resulted in the issued and paid-up share capital of our Company being increased from RM2 comprising 4 Shares to RM44,966,000 comprising 89,932,000 Shares.

(iii) IPO

Our Company is undertaking an IPO and the details have been set out on Section 2.3 of this Prospectus.

(iv) Listing of and Quotation for Our Shares

Our Company will make an application to Bursa Securities for the admission of our Shares into the Official List, and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities.

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4.8 BUSINESS OVERVIEW OF OUR GROUP

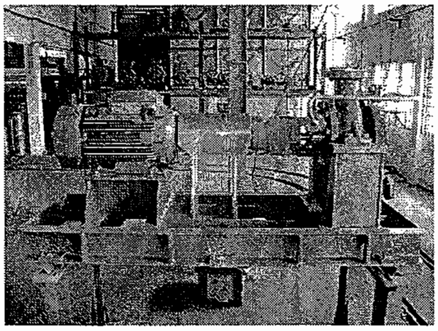
4.8.1 Our Business Focus

Our business is currently focused on the sales of rotating equipment and spare parts, and the provision of maintenance and overhaul services for rotating equipment.

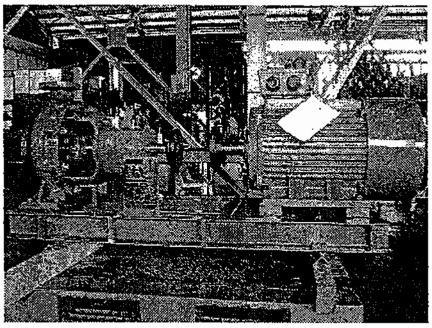
4.8.2 Our Products and Services

The rotating equipment that we currently sell comprises various types of pumps including centrifugal pumps, metering pumps and other types of pumps. We sell other types of rotating equipment including compressors and industrial cooling fans as well as other industrial equipment, which represents a small part of our business.

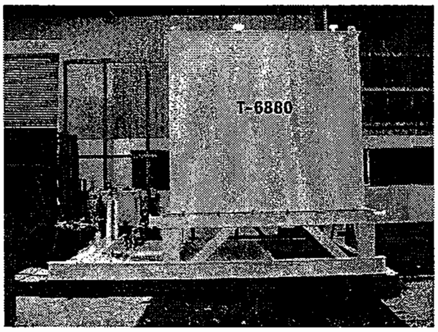
The pictures below show the various types of pumps that our Group sell.



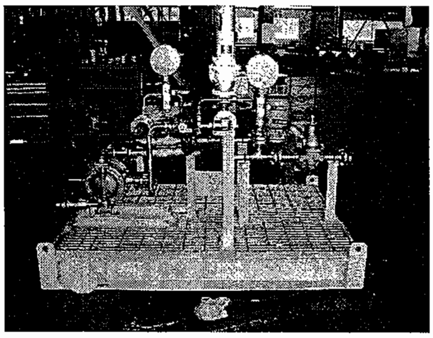
Centrifugal pumps



Centrifugal pum



Skid mounted chemical injection



Skid diesel transfer pump skid

To complement our sales of rotating equipment, we also sell spare parts to provide convenience to our installed base of customers.

In addition, we provide maintenance and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and gas turbines. Our maintenance and overhaul services are carried out at our workshops in Singapore, the Philippines and through our associated company in Malaysia. We also provide on-site maintenance services for our customers.

4.8.3 Our Target Customers and Markets

The main target customers for our products and services are users in the oil, gas and petrochemical industries.

Our regional footprint allows us to target industrial users in a number of South East Asia countries. We currently supply our products and services to users in Singapore, Malaysia, Vietnam, Philippines, Indonesia and Brunei.

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4.9 REVENUE SEGMENTATION BY PRODUCTS AND SERVICES

Our revenue segmentation by products and services for FYE 2009 is as follows:-

	Revenue for FYE 2009	
	(RM'000)	**(%)**
Sales of Rotating Equipment	**38,678**	**60.6**
- Pumps	36,932	57.9
- Industrial Cooling Fans	1,746	2.7
Sales of Spare Parts	**21,990**	**34.4**
Maintenance and Overhaul Services	**2,458**	**3.8**
- Rotating Equipment	2,275	3.6
- Other Industrial Equipment	183	0.2
Agency Sales of Industrial Products	**746**	**1.2**
TOTAL	**63,872**	**100.0**

Revenue Breakdown by Products and Services

For FYE 2009, sales of rotating equipment accounted for 60.6% of our total revenue amounting to RM38.7 million. Within this category, the sales of pumps provided the highest revenue, which accounted for 57.9% of our total revenue, while the sales of industrial cooling fans accounted for 2.7% of our total revenue.

For FYE 2009 sales of spare parts accounted for 34.4% of our total revenue.

Maintenance and overhaul services accounted for 3.8% of our total revenue for FYE 2009, of which 3.6% were for the maintenance and overhaul of rotating equipment. The maintenance and overhaul of other industrial equipment accounted for 0.2% of our total revenue.

We also earn commission as agents for overseas equipment suppliers, such as Shin Nippon Machinery Co Ltd; Nikkiso Co Ltd; and Sundyne Nikkiso Company whereby for FYE 2009, commission from agency sales amounted to 1.2% of our total revenue.

Generally, the sales of pumps are important as there are possibilities that these sales may be able to generate future sales of spare parts. As such, our Group will continue to focus in both sales of pumps and spare parts.

4.9.1 Sale of Rotating Equipment

Pumps

The pumps we offer are designed for heavy duty industrial applications, mainly for use in the oil and gas production and refining and petrochemical industries.

All of the pumps that we currently supply comply with API Standards, and are suitable for use in the oil and gas and petrochemical industries. API standard compliance pumps are manufactured to stringent performance and quality standards for safety and reliability. As such, they are of much higher value compared to other general industrial pumps.

From the various types of pumps available from our many principals we are able to fulfil most of the requirement of our target industries and customers.

Our Group currently sells mainly centrifugal pumps and metering pumps. We also sell other types of pumps.

Centrifugal Pumps

Centrifugal pumps are generally used to increase the pressure and transfer fluid at high flow rate. The type of centrifugal pumps from our principals are available in single stage, two stage and multistage and in both horizontal and vertical configuration. Centrifugal pumps are either in mechanically sealed or sealless construction.

We currently supply a range of mechanically sealed centrifugal pumps manufactured by Shin Nippon Machinery Co Ltd, a member of Sumitomo group of companies.

Turbo-Mech Asia has been appointed as an authorised sales representative by Shin Nippon Machinery Co Ltd for sales of centrifugal pumps to the oil, gas and petrochemical industries in Singapore. Our associated company, Bayu Purnama, was also appointed as an authorised sales representative by Shin Nippon Machinery Co Ltd for the range of centrifugal pumps in Malaysia.

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Sealles type centrifugal pumps are available from Nikkiso Co Ltd under the trade mark of "NON-SEAL" pump.

The "NON-SEAL" pump is a canned motor pump designed with integral motor and without dynamic sealing devices that operate with zero fluid leakage to atmosphere under normal operation. "NON-SEAL" pumps are mainly used to pump toxic or corrosive fluids.

Nikkiso Co Ltd appointed Turbo-Mech Asia as an authorised sales representative for sales of non-seal pumps to all industries in Singapore.

Our associated company, Bayu Purnama, has also been appointed as an authorised sales representative by Nikkiso Co Ltd for sales of non-seal pumps to all industries except palm oil-based industries in Malaysia.

Sundyne Nikkiso Company manufactured a unique type of single stage and two (2) stage high speed centrifugal pumps under the trade mark of "SUNDYNE" and "SUNFLO". The pumps with integral speed increasing gear box can generate a very high pressure.

Turbo-Mech Asia has also been appointed as an authorised sales representative by Sundyne Nikkiso Company for sales of centrifugal pumps to engineering contractors and the oil, gas and petrochemical industries in Singapore. Rotodyne Philippines has been appointed as an authorised sales representative by Sundyne Nikkiso Company for sales of SUNDYNE and SUNFLO pumps, compressors and spare parts to all industries in the Philippines. Our associated company, Bayu Purnama, has been appointed as an authorised distributor by Sundyne Nikkiso Company for sales of Sundyne centrifugal pumps to all customers except engineering contractors in Malaysia.

Metering Pumps

A metering pump is a pump designed to accurately deliver a controlled volume of fluid into a process. The main feature of a metering pump is ability to vary the flow rate either manually or automatically via a process controller.

Metering pumps are used to inject chemicals, additive or other fluids into a process line at a specified rate to stimulate chemical reaction or to control the properties of the fluid.

Metering pumps are used widely in the oil and gas production and refining, petrochemical, oleo chemical and industrial chemical processes and also waste treatment applications.

Some of the metering pumps that we supply use a diaphragm to isolate and prevent the pump fluid from leaking into the atmosphere.

Nikkiso Co Ltd has appointed Turbo-Mech Asia as an authorised sales representative for sales of metering pumps to all industries in Singapore. Our associated company, Bayu Purnama, has been appointed as an authorised sales representative by Nikkiso Co Ltd for sales of metering pumps to all industries except palm oil-based industries in Malaysia.

Other Types of Pumps

We also supply Progressing Cavity Pumps in addition to centrifugal pumps and metering pumps.

A Progressing Cavity Pump is a type of pump that transfers fluid by means of a cavity which progresses along the body of the pump by an eccentric screw-shaped rotor. As the rotor rotates, fluid is sucked in to fill the cavities in the stator and pushed forward until the fluid is discharged at the outlet end.

Progressing Cavity Pumps are mainly used for pumping liquids with Slurries or solids, high viscosity fluid and sludge.

We have been appointed as distributor by Dalian-Moyno Pump Co Ltd, a company from China, for the sales and service of their Progressing Cavity Pump in Singapore. Our associated company Bayu Purnama is also the appointed distributor for the oil and gas and petrochemical industries for Malaysia.

Industrial Cooling Fans

We supply industrial cooling fans that are used to generate airflow for cooling applications. The industrial cooling fans supplied by us are normally used to generate a relatively large volume of airflow at a relatively low pressure. This airflow is directed at heat exchangers and cooling towers to promote cooling.

All of the industrial cooling fans that we supply comply with API Standards, and are suitable for use in the oil, gas and petrochemical industries.

We currently supply industrial cooling fans manufactured by Hudson Products Corporation, a company from the United States.

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4.9.2 Sale of Spare Parts

We supply spare parts for a range of pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment to support our customer's operations by minimising their equipment downtime. This is inline with our business strategy of providing total solutions of "sales, spares and service" to our customers.

We currently supply spare parts to support our Group's range of rotating equipment. We also supply spare parts for steam turbines manufactured by Shin Nippon Machinery Co Ltd.

We currently stock a range of the more commonly used spare parts at our head office and warehouse in Singapore. This helps to ensure that we are able to deliver spare parts to our customers in a timely manner.

To maintain the quality of our service, we supply only spare parts that are produced by our equipment manufacturers.

4.9.3 Maintenance and Overhaul Services

We currently provide maintenance and overhaul services for various types of pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment manufactured by our principals, as well as third party suppliers and manufacturers. The examples of third party suppliers and manufacturers that our Group provide maintenance and overhaul services to are EBARA Corporation for EBARA pumps, Honda Kiko Co Ltd for Honda pumps, SPX Cooling Technologies for Marley gearbox and Amarillo Gear Company for Amarillo gearbox.

We currently provide on-site trouble-shooting and maintenance services to rectify or minimise equipment breakdown.

Our Group also provides scheduled maintenance and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment. Scheduled maintenance and overhaul are important services for preventing or minimising operation downtime due to machine and equipment failure. The scheduled maintenance of machines and equipments is normally carried out once in every eighteen (18) months. Our customers usually send their machines and equipments for overhaul once in every four (4) to six (6) years.

Scheduled maintenance and overhaul are normally carried out after the equipment has been operating for a specified length of time. During inspection, some parts are replaced according to a schedule, while others may be replaced if they are worn out. Adjustment, calibration and testing are also carried out to ensure that the equipment functions properly and efficiently.

Where possible, we carry out maintenance and repair work on-site to minimise transportation costs and downtime for our customers. If the equipment cannot be repaired on-site, we transport the equipment to our workshop. Overhaul services are normally carried out at our workshops.

We currently have two workshops to carry out maintenance and overhaul work located at Defu Lane 8, Singapore and Bo, Libjo, Batangas City, Philippines. Our workshop in Singapore has received ISO 9001:2000 quality management system certification for "repair and overhaul of pumps and compressors".

Our subsidiaries employ a team of trained technicians to carry out our maintenance and repair work.

Our Singapore workshop is recognised by the following equipment manufacturers:-

Manufacturer	Recognition	Scope of Work	Validity Period
Nikkiso Co Ltd	Certificate of Authorised Workshop	Repair and overhaul of Nikkiso's Non-seal pumps and metering pumps	2 years from 1 April 2009
Shin Nippon Machinery Co Ltd	Letter of Appointment as Authorised Workshop	Commissioning, repair and overhaul of Shin Nippon Machinery Co., Ltd's centrifugal pumps and steam turbines	From 24 November 2004
Sundyne Nikkiso Company	Certificate of Authorisation as an Authorised Service Centre	Overhaul and repair works for Sundyne and Sunflo pumps and compressors	From 7 August 2008

Our Philippines workshop is recognised by the following equipment manufacturer:-

Manufacturer	Recognition	Scope of Work	Validity Period
Sundyne Nikkiso Company	Certificate	Warranty services for Sundyne and Sunflo pumps and compressors	From 3 April 2007

Our associated company Bayu Purnama also operates a workshop at Kemaman, Terengganu Darul Iman. The workshop is equipped to provide maintenance and overhaul services for industrial products such as pumps, compressors, steam turbines, industrial cooling fans and other industrial equipment.

Bayu Purnama's workshop is recognised by the following equipment manufacturers:-

Manufacturer	Recognition	Scope of Work	Validity Period
Nikkiso Co Ltd	Certificate of Authorised Workshop	Repair and overhaul of Nikkiso's non-seal pumps and metering pumps	2 years from 1 September 2009
Shin Nippon Machinery Co Ltd	Letter of Appointment as Authorised Workshop	Commissioning, repair and overhaul of Shin Nippon Machinery Co Ltd's centrifugal pumps and steam turbines in Malaysia	From 7 September 2009
Sundyne Nikkiso Company	Certificate of Authorisation as an Authorised Service Centre	Overhaul and repair works for Sundyne and Sunflo pumps and compressors	From 11 May 2009

The information on our Group and its associated companies' workshops, i.e. location, staff strength, built up area are as follows:-

Company	Workshop address	Built up area (sq ft)	Staff strength
Turbo-Mech Asia	5, Defu Lane 8 Singapore 539309	3,030	8
Rotodyne Philippines	Takad, Libjo, Batangas City, Philippines	5,382	7
Bayu Purnama	Warehouse No. 20, Door No. 5-11 Kemaman Supply Base, 24000 Kemaman, Terengganu, Malaysia	15,800	20

4.9.4 Agency Sales of Industrial Equipment

We are currently engaged in marketing and selling certain types of industrial equipment as an authorised agent for our principals. Upon receiving the purchase order from the purchaser, the manufacturer will deliver directly to the purchaser's site. For this business activity, we earn an agreed commission which typically ranges from 3% to 10% of the value set out in the purchase order.

4.10 PRINCIPAL MARKETS FOR PRODUCTS AND SERVICES

Our revenue segmented by geographic markets is as follows:-

Country	FYE 2009	
	Revenue (RM'000)	(%)
Singapore	58,753	92.0
Philippines	1,875	2.9
Indonesia	1,392	2.2
Malaysia	1,003	1.6
Vietnam	845	1.3
Brunei	4	*
Total	**63,872**	**100.0**

Note:-
* *Less than 0.01%*

Revenue Segmented by Markets

Singapore remained our largest market for FYE 2009, accounting for 92.0% of our total revenue. Our other markets for this financial year were the Philippines, Indonesia, Malaysia and Vietnam, which accounted for 2.9%, 2.2%, 1.6% and 1.3% of our revenue respectively.

4.11 SEASONALITY

In general, our business activities are not affected by any seasonality factors.

4.12 COMPETITIVE ADVANTAGES AND KEY STRENGTHS

Our competitive advantages are key in sustaining our business as well as providing future business growth.

4.12.1 We provide total solutions for rotating equipment

We are a provider of total solutions for rotating equipment particularly for the oil, gas and petrochemical industries. As an authorised sales representative we are able to supply various types of rotating equipment including pumps, compressors, steam turbines and cooling fans. To complement our sales of equipment, we also sell spare parts for the equipment that we supply. We also have equipment manufacturer authorised workshops that enable us to provide maintenance, repair and overhaul services for the rotating equipment that we supply.

Our total solutions of sales, spares and service create a competitive advantage for us by providing convenience and quality of equipment, parts and service to our customers.

4.12.2 We are authorised sales representative for a number of rotating equipment manufacturers

We are an authorised sales representative for various types of pumps and compressors in Singapore and the Philippines for the following equipment manufacturers:-

Singapore

- Nikkiso Co Ltd, a company based in Japan;
- Sundyne Nikkiso Company, a company based in Japan;
- Shin Nippon Machinery Co Ltd, a company based in Japan;
- Dalian-Moyno Pump Co Ltd, a company based in China; and
- Hudson Products Corporation, a company based in the United States.

Philippines

- Sundyne Nikkiso Company;
- Shin Nippon Machinery Co Ltd; and
- Nikkiso Co Ltd.

As authorised sales representative for a number of rotating equipment manufacturers, we are able to market and sell a wide range of rotating equipment to various industries especially to the oil, gas and petrochemical industries. In addition, as authorised representative, we have an added advantage of having manufacturer certified workshops to provide maintenance and overhaul services to a large installed customer base of our principals' equipment.

Our Group is dependent on the arrangement with the four (4) main partners/principals as discussed on Section 3.1 this Prospectus.

However, our Group is not highly dependent on the main principals due to, amongst others, the following:-

1) has a network of workshops and sales offices and established distribution network as set out in Section 4.12 of this Prospectus;

2) has strong financial strength to conduct its business as set out in Section 9.2 of this Prospectus; and

3) staffed with experience Directors and key management team as set out in Section 5.3.1 and 5.6.1 of this Prospectus.

Hence, our Directors are of the view that, should these principals terminate the present arrangement, our Group is able to source other agencies from other rotating equipment manufacturers available in the industry.

4.12.3 We have a network of workshops and sales offices

We currently operate two workshops, the first at Defu Lane 8, Singapore and the second at Bo, Libjo, Batangas City, Philippines. This is supplemented by a workshop in Kemaman, Malaysia operated by our associated company Bayu Purnama. Our workshops are equipped to maintain, repair and overhaul various types of rotating equipment supplied by us or by third parties. Our workshops are also equipped to maintain and repair smaller steam turbines (with output of not more than 1 megawatt) and other types of industrial equipment.

Our network of workshops allows us to provide maintenance, repair and overhaul services to a large base of customers. As we have technical personnel based in a number of locations, we are better positioned to dispatch our technical personnel to our customer's site in a timely manner to respond to equipment breakdown or for maintenance services.

In addition, we also have a sales office in Vietnam to allow us to service our customers in Vietnam.

4.12.4 Our workshops are authorised by equipment manufacturers

Our workshops in Singapore and the Philippines are authorised by equipment manufacturers.

Our workshop at Defu Lane 8, Singapore is authorised to provide maintenance and overhaul services for rotating equipment manufactured by Nikkiso Co Ltd, Shin Nippon Machinery Co Ltd, and Sundyne Nikkiso Company for the oil and gas industry. In addition, our workshop in Singapore has received ISO 9001:2000 quality management system certification for the scope "repair and overhaul of pumps and compressors".

Our workshop at Bo, Libjo, Batangas City, Philippines is authorised to provide warranty services (i.e. maintenance and overhaul services) for rotating equipment manufactured by Sundyne Nikkiso Company for the oil and gas industry.

Users of industrial equipment manufactured by Nikkiso Co Ltd, Shin Nippon Machinery Co Ltd, and Sundyne Nikkiso Company are more likely to engage us to undertake maintenance repair and overhaul services as our workshops are authorised by the respective equipment manufacturers. In some cases, customers required to use our services as part of the terms of their equipment warranties.

The authorised status of our workshops also assures customers that our facilities and technical personnel meet the standards set by the equipment manufacturers. The equipment that we overhaul at our Singapore and Philippines workshops are fully warranted by our equipment manufacturers. In addition, as authorised workshops we receive technical and other support from our equipment manufacturers.

The workshop operated by our associated company, Bayu Purnama, is also an authorised workshop by Nikkiso Co Ltd, Shin Nippon Machinery Co Ltd, and Sundyne Nikkiso Company to provide maintenance, repair and overhaul services for certain types of rotating equipment.

4.12.5 We have a wide and established distribution network

We have established a wide distribution network that covers a number of South East Asia countries. Our subsidiaries currently operate in Singapore, Philippines, and Indonesia, while our associated companies operate in Malaysia, Thailand and Brunei. We also have a representative office in Vietnam.

Our established distribution network is a competitive advantage as we are able to effectively and efficiently market our range of products and services to customers in a number of markets. Our operations in these countries place us in a position to offer timely after-sales and technical service to our customers. In addition, our extensive distribution network creates a platform to sell new products and services in the future.

4.12.6 We have a successful track record with suppliers and customers

Our Group has been operating for approximately ten (10) years and has a successful track record for sales of rotating equipment and spare parts, and after-sales maintenance, repair and overhaul service.

Our Group's successful track record with our customers and suppliers is substantiated by our long business relationship with many of our largest customers and suppliers.

Five (5) out of our Group's ten (10) largest suppliers have been dealing with us for more than ten (10) years, and four (4) out of ten (10) largest customers for FYE 2009 have been dealing with us for ten (10) years.

In addition, our Group, via Turbo-Mech Asia, had secured a Sales Representative Agreement from Shin Nippon Machinery Co Ltd for their pumps in 1994. In 1999, Turbo-Mech Asia had secured Sales Representative Agreements with Sundyne Nikkiso Company and Nikkiso Co Ltd for their pumps and compressors, and Hudson Products Corporation for their industrial cooling fans. This indicates that our Group has a good track record with our suppliers.

Our Group can use our track record to win new customers and to expand into new markets.

With our competitive advantages as set out above, the Directors of our Company is of the opinion that the possibility for our principals namely Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, Nikkiso Co Ltd and Hudson Products Corporation, competing directly with us by way of selling their products directly to our customers are remote.

4.13 TYPES, SOURCES AND AVAILABILITY OF RESOURCES

Our purchases for FYE 2009 are as follows:-

Products	FYE 2009		Source of Purchase		
	Value of Purchase (RM'000)	(%)	Singapore (%)	Japan (%)	United States (%)
Centrifugal Pumps	26,335	58.7	-	58.7	-
Spare Parts	13,932	31.0	0.5	30.5	-
Other Pumps	3,600	8.0	-	8.0	-
Industrial Cooling Fans	530	1.2	-	-	1.2
Metering Pumps	474	1.1	-	1.1	-
Total	**44,871**	**100.0**	**0.5**	**98.3**	**1.2**

Centrifugal pumps were our largest purchase for FYE 2009, representing for 58.7% of our total purchases. All of our centrifugal pumps were purchased from suppliers from Japan. Purchases of spare parts accounted for 31.0% of our total purchases. In terms of purchase value, 30.5% of our spare parts were sourced from Japan. Purchase of other pumps, industrial cooling fans and metering pumps accounted for 8.0%, 1.2% and 1.1% of our total purchases respectively. All of these products were purchased from Japan and United States. Overall, 99.5% of our total purchases were made from suppliers from Japan and United States, with the remaining 0.5% purchased from suppliers in Singapore.

The prices of principal raw materials, namely spare parts, centrifugal pumps, metering pumps, other pumps and industrial cooling fans, are not volatile as they are imported industrial products. Based on our Group's experience, the prices may vary by approximately 10% to 15%, depending on the material prices and customisation required by our customers.

To date, we have not faced any shortages in the availability of spare parts, centrifugal pumps, metering pumps, other pumps and industrial cooling fans.

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4.14 TECHNOLOGY USED/TO BE USED

The main types of technology used by our Group are those that are related to pumps and industrial cooling fans from our principals.

4.14.1 Pumps

A pump is a device that is designed to move fluids, such as gasses, liquids or slurries, by displacing a volume of that fluid through mechanical or physical means. The energy used by a pump to perform work is normally supplied by an external source of power, examples of which include human power, electric motors, internal combustion engines, steam turbines and gas turbines.

In general, pumps may be classified into two major groups based on the method employed to move the fluid:-

- Positive displacement pumps; and
- Dynamic or rotodynamic pumps.

Positive Displacement Pumps

In a positive displacement pump, the fluid is moved by first trapping a fixed amount of the fluid and then forcing or displacing the trapped volume into the discharge pipe or downstream piping system.

Positive displacement pumps may be further classified according to the mechanism used to displace the fluid:-

- In a **rotary-type pump**, the fluid is displaced using the principle of rotation. Fluid is drawn into the pump by the vacuum created by the rotation of the pump, and then discharged into the discharge pipe or downstream piping system. Examples of rotary-type pumps include lobe pumps, external gear pumps, internal gear pumps, screw-type pumps and flexible vane or sliding pumps.

- In a **reciprocating pump**, fluid flows into the pump as the cavity on the suction side expands, and fluid flows out of the pump into the discharge pipe or downstream piping system as the cavity on the discharge side collapses or contracts. The volume of the suction side and discharge side of the pump is constant for each cycle of operation. Examples of reciprocating pumps include piston pumps and diaphragm pumps.

Some of the metering pumps that we supply use diaphragm pump mechanisms.

Dynamic Pumps

A dynamic pump is one in which kinetic energy is added to the fluid by increasing its flow velocity. This increase in kinetic energy is converted into a gain in pressure when the velocity is reduced prior to, or as the fluid exits the pump into the discharge pipe or downstream piping system.

Dynamic pumps may be further classified according to the mechanism used to displace the fluid:-

- **Centrifugal pump**, also known as radial flow pumps (described in greater detail below).
- In an **axial flow pump**, the fluid enters and exits the pump along the same direction parallel to the rotating shaft. The fluid is not accelerated but is instead "lifted" by the action of the impeller. Axial flow pumps typically operate at lower pressure and higher flow rates compared to centrifugal pumps.
- In a **mixed flow pump**, the fluid experiences both radial acceleration (similar to a centrifugal pump) and "lift" (similar to an axial flow pump), and exits the impeller somewhere between 0 to 90 degrees from the axial direction. Mixed flow pumps typically operate at higher pressures than axial flow pumps, and deliver higher flow rates than radial flow pumps.

Centrifugal Pumps

Our Group currently supplies centrifugal pumps, which are mainly used in industrial applications.

In a centrifugal pump, a rotating impeller is used to increase the pressure and flow rate of a fluid. The fluid enters the pump impeller along or close to the rotating axis, and is accelerated along the impeller, flowing either radially outward or axially into a diffuser or casing. The fluid exits the pump from the diffuser or casing into the discharge pipe or downstream piping system.

Centrifugal pumps may be **single stage** or **multi-stage**. A single stage centrifugal pump possesses a single impeller. A multi-stage centrifugal pump possesses two or more impellers, which may be mounted on the same or different shafts.

The impellers of a multi-stage centrifugal pump that are mounted on the same shaft are said to be mounted "in series". This arrangement is used to obtain high discharge pressure.

The impellers of a multi-stage centrifugal pump that are mounted on different shafts are said to be mounted "in parallel". This arrangement is used to obtain high discharge flow rate.

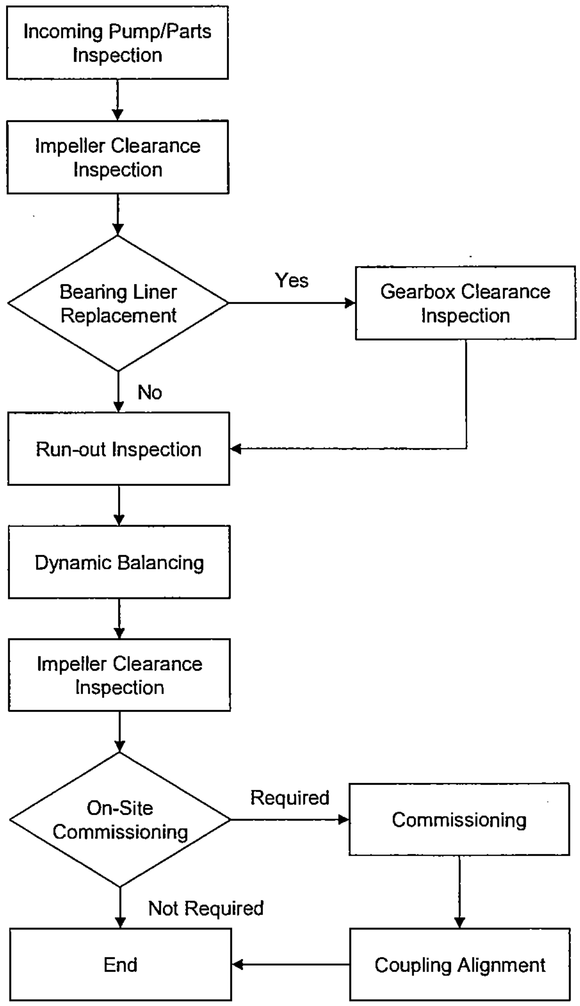
4.14.2 Industrial Cooling Fans

A fan is a mechanical device that is designed to produce airflow. The airflow can be used for cooling, ventilation, exhaust and other purposes. Fans are normally used to generate airflow with high volume and comparatively low pressure. We currently supply industrial fans that are primarily used in industrial cooling applications.

The industrial cooling fans supplied by us comprise a number of fan blades mounted on a central hub. A current of air is generated when the fan blades are revolved, which is normally accomplished with the use of an electric motor. This current of air is directed onto a hot surface such as a heat exchanger, radiator or similar device to promote cooling.

4.15 THE OPERATING OR TRADING MECHANISMS

The general process flow for our pump maintenance and overhaul services is summarised in the following diagram:-



Process Flow for Pump Maintenance and Overhaul Services

We first inspect incoming pumps and parts to identify damaged parts, worn-out parts, and other faults. The pump's impeller clearance is also inspected. An additional step to inspect the gearbox clearance is carried out on pumps that require a bearing liner change. A run-out test is carried out to ascertain that the parts are within the specified tolerance limits. Rotating parts are dynamically balanced to ensure that they function properly do not cause excessive vibration. The impeller clearance is inspected again. On-site commissioning is performed for the client if required, and the coupling alignment is inspected to ensure that the pump is properly connected to other equipment.

4.16 APPROVALS, MAJOR LICENCES AND PERMITS OBTAINED

Details of the approvals obtained by our Company for the Listing from the SC and Bursa Securities together with the conditions imposed by these authorities and status of compliance are set out in Section 6.1 of this Prospectus. Other approvals, major licences and permits obtained by our Group and associated companies for the operations of business are set out in the table below:-

(a) Turbo-Mech Asia

Authority	Date of Issuance	Validity	Description	Major Conditions Imposed	Status of Compliance
Singapore Customs	11 August 2004	A one time registration	Registration of traders, common carriers and others under Regulation 37(1) of the Regulation of Import and Exports regulations.	The company shall not permit a third party to use its Unique Identification Number for a permit for goods not belonging to it. The Director General may at any time vary or add to the conditions of registration.	Complied

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4. INFORMATION ON OUR GROUP *(Cont'd)*

(b) Rotodyne Philippines

Authority	Date of Issuance	Validity	Description	Major Conditions Imposed	Status of Compliance
Securities and Exchange Commission	6 August 1998	A one time registration	Registration of business as a corporation duly recognized by law in accordance with Corporation Code of the Philippines No. 68 and the Foreign Investment Act of 1991 RA No. 7042 as amended.	The company will engage in, conduct, and carry on the business of importing, trading, distributing and marketing at wholesale, insofar as may be permitted by law, of all kinds of goods, commodities, wares and merchandise of every kind and description including, but not limited to, industrial products for the oil, gas, and power industries; to enter into all kinds of contracts for the export, import, purchase, acquisition, sale at wholesale and other disposition for its own account as principal or in representative capacity as manufacturer's representative, merchandise broker, indentor, commission merchant, factors or agents, upon consignment of all kinds of goods, wares, merchandise or products whether natural or artificial.	Complied
Office of the City Mayor, Makati City	28 January 2010	31 December 2010	Business Permit to Operate at the City of Makati where head office is located.	Must be posted on conspicuous place and to be presented upon demand by proper authorities.	Complied
Bureau of Customs	1 June 2009	30 October 2010	Certificate of Accreditation as Importer in accordance with Customs Memorandum Order No. 23-2009 as amended.	Must be posted on conspicuous place and to be presented upon demand by proper authorities.	Complied

4. INFORMATION ON OUR GROUP *(Cont'd)*

(c) Bayu Purnama, our associated company

Authority	Date of Issuance	Validity	Description	Major Conditions Imposed	Status of Compliance
Petroliam Nasional Berhad ("**Petronas**")	16 December 2009	15 December 2010	Licence to supply equipments or to provide services to companies involved in exploration and exploitation of oil and gas in Malaysia	The special conditions contained in the PETRONAS Licence are as follows:- (1) The company shall produce (i) the audited Annual Financial Report for the year ended 31 December 2010 before 1 July 2011 (ii) the audited Annual Financial Report for the year ended 31 December 2009 before 1 July 2010; wherein the position of the shareholders' funds as indicated sub paragraphs (i) and (ii) above shall be positive. (2) The Company shall produce a copy of the following documents below to PETRONAS:- (i) renewal certificate of registration issued by the Energy Commission before 5 July 2011; (ii) HSE Management System documents renewed before 7 February 2011; (iii) Exclusive Agency Agreement from Sundyne Nikkiso Co. Ltd duly certified true copy by a solicitor before 4 July 2011 and in accordance with the format prescribed by PETRONAS;	Complied

4. INFORMATION ON OUR GROUP *(Cont'd)*

Authority	Date of Issuance	Validity	Description	Major Conditions Imposed	Status of Compliance
				(iv) Exclusive Agency Agreement from Shin Nippon Machinery Co. Ltd duly certified true copy by a solicitor before 3 October 2011 in accordance with the format provided by PETRONAS; and (v) Exclusive Agency Agreement which is valid from Nikkiso Co. Ltd and duly certified true copy by a solicitors before 24 October 2011 and in accordance with the format provided by PETRONAS. Failure by the Company to do meet any of the above requirements shall cause the company to be delisted in the LLRC of PETRONAS. General Condition:- (3) The Company shall notify PETRONAS of any change in the equity shareholdings, board of directors and management staff within 14 days from the date of the change. Failure on the part of the Company to do so will result in the revocation of such licence.	

(d) Bayu Manufacturing, our associated company

Authority	Date of Issuance	Validity	Description	Major Conditions Imposed	Status of Compliance
MITI	3 November 2003	A one time registration and valid since 3 November 2003	Licensed manufacturer for pumps and parts thereof.	None	Not applicable
Royal Malaysia Customs	1 June 2009	1 June 2009 to 31 May 2010	Warehouse Manufacturing License ("Gudang Pengilangan Berlesen") under Section 65/65A of the Customs Act, 1967 for activity described as manufacturing of centrifugal pump set.	No goods which have undergone any manufacturing process in the warehouse may be released for export without the prior approval of the Director General.	Complied

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4.17 BRAND NAMES, REGISTRATIONS, PATENTS, TRADEMARKS, LICENCES, TECHNICAL ASSISTANCE AGREEMENTS, FRANCHISES AND OTHER INTELLECTUAL PROPERTY RIGHTS

As at LPD, our Group does not have any patents, trademarks, technical assistance agreement, franchises or any other intellectual property rights.

4.18 STRATEGIES AND MODES OF MARKETING

4.18.1 Marketing Strategies and Activities

We employ the following marketing strategies to sustain and expand our business:-

- Position our Group as a total solutions provider of sales, spares and service for rotating equipment for the oil, gas and petrochemical industries;
- Highlight our regional network of workshops located in Singapore and Philippines, and through our associated company in Malaysia;
- Highlight our regional presence in Singapore, Philippines, Indonesia and Vietnam, and through our associated companies in Malaysia, Thailand and Brunei; and
- Continue to meet the quality expectations and requirements of our customers through strict adherence to our ISO accredited quality management systems.

Some of the promotional and marketing activities undertaken by us include:-

- Proactive sales visits to potential customers;
- Exposing new and existing clients to new technologies; and
- Continuously creating awareness amongst our customers of our range of new and improved equipment.

We have a management committee which oversees our day to day operations, marketing activities, and new business opportunities for our Group. The management committee holds quarterly meetings focusing on strategic issues for our Group.

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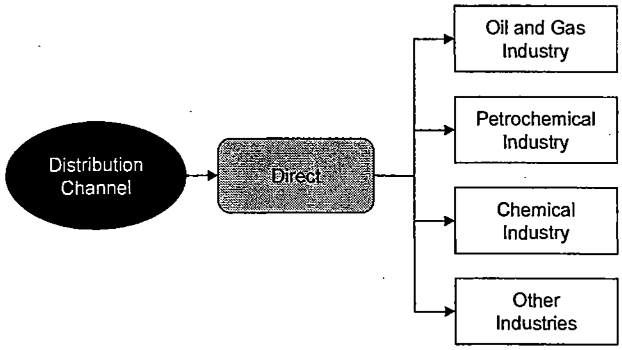
4.18.2 Distribution Channel Strategy

We adopt a direct distribution channel strategy to sell our products and services, as depicted in the figure below:-



Note:-

The "other industries" category includes shipbuilding industry, food industry, power generation industry, pharmaceutical industry and water treatment industry.

Our Distribution Channel Strategy

Our sales are generated through our in-house sales and marketing personnel, and we do not engage any agents or third-party sales representatives. As at LPD, the total number of employees for our Group is thirty five (35) out of which there are nine (9) sales and marketing personnel. Our marketing activities are supported by our subsidiary companies and representative office located in Singapore, Indonesia, Philippines and Vietnam.

4.19 QUALITY MANAGEMENT PROGRAMMES

Quality Assurance Management

Our commitment to product quality is supported by the fact that Turbo-Mech Asia is ISO 9001:2000 certified, as detailed below:-

Certificate	Scope	Address	Issuing Body	Validity Period
ISO 9001:2000	Procurement and stockholding of pumps, compressors, turbines and fans and its associated parts for the oil and gas, petrochemical and pharmaceutical industries.	61, Ubi Crescent, 408598 Singapore	Lloyd's Register Quality Assurance Limited	1 February 2008 to 31 January 2011
ISO 9001:2000	Repair and overhaul of pumps and compressors.	No. 5, Defu Lane 8, 539309 Singapore	Lloyd's Register Quality Assurance Limited	1 February 2008 to 31 January 2011

Due to stringent safety standards and requirements in the oil and gas industry, quality standards are critical in the provision of supporting products and services. Our Group has an experienced quality assurance team that ensures that products and services conform to customer needs and specifications, as well as external quality and safety standards and requirements.

Our workshops are currently recognised by the following equipment manufacturers:-

Manufacturer	Recognition	Scope of Work	Validity Period
Singapore Workshop			
Nikkiso Co Ltd	Certificate of Authorised Workshop	Repair and overhaul of Nikkiso non-seal pumps and metering pumps	2 years from 1 April 2009
Shin Nippon Machinery Co Ltd	Letter of Appointment as Authorised Workshop	Commissioning, repair and overhaul of Shin Nippon Machinery Co Ltd's centrifugal pumps and steam turbines	From 24 November 2004
Sundyne Nikkiso Company	Certificate of Authorization as an Authorised Service Centre	Overhaul and repair works for Sundyne and Sunflo pumps and compressors	From 7 August 2008
Philippines Workshop			
Sundyne Nikkiso Company	Certificate	Warranty services for Sundyne and Sunflo pumps and compressors	From 3 April 2007

Our associated company, Bayu Purnama's workshop is recognised by the following equipment manufacturers:-

Manufacturer	Recognition	Scope of Work	Validity Period
Nikkiso Co Ltd	Certificate of Authorised Workshop	Repair and overhaul of Nikkiso non-seal pumps and metering pumps	2 years from 1 September 2009
Shin Nippon Machinery Co Ltd	Letter of Appointment as Authorised Workshop	Commissioning, repair and overhaul of Shin Nippon Machinery Co Ltd's centrifugal pumps and steam turbines in Malaysia	From 7 September 2009
Sundyne Nikkiso Company	Certificate of Authorization as an Authorised Service Centre	Overhaul and repair works for Sundyne and Sunflo pumps and compressors	From 11 May 2009

4.20 DEPENDENCY ON PATENTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS OR NEW MANUFACTURING PROCESSES

(a) Dependency on Registrations, Patents and Intellectual Rights

Our Group is not dependent on any other registrations, patents and intellectual rights for our business operations.

(b) Dependency on Major Licences

Save for the major licences disclosed in Section 4.16, our Group is not dependent on any other major licences.

(c) Dependency on Industrial, Commercial and Financial Contracts

There are no material agreements or contracts (including informal arrangements or understanding or understandings), as at LPD, which have been entered into by our Company and/ or our subsidiary companies which Turbo-Mech Group is highly dependent upon.

4.21 RESEARCH AND DEVELOPMENT

Due to our Group's non-manufacturing nature of business, our Group does not engage in research and development activities. Our Group, however, strives to continuously develop and enhance the quality of our services through staff training and development programmes, attend external conferences and participate in trade fairs to keep abreast with the latest development in the oil and gas industry. Our Group will adopt the appropriate latest technologies, if need be, to maintain our competitiveness.

4.22 INTERRUPTIONS IN BUSINESS IN THE PAST TWELVE (12) MONTHS

There have been no interruptions to the business of our Group that significantly impaired our Group's business performance during the past twelve (12) months.

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4.23 MAJOR CUSTOMERS

Our major customers who individually contributed more than 10% of our Group's total turnover for each of the last three (3) FYEs 2007 to 2009 are as follows:-

FYE 2009

No.	Name of Customer	Contribution to total turnover (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Shell Eastern Petroleum Pte Ltd	53.2*	11	Singapore	Sales of Sundyne and Sunflo pump and spares parts

Note:-

* *The increase in contribution to the total turnover from 14.7% in FYE 2008 to 53.2% in FYE 2009 is mainly due to a one-off order from an expansion project named Bukom Refinery Modification Project ("**BRM**") in Singapore in FYE 2009.*

FYE 2008

No.	Name of Customer	Contribution to total turnover (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Titan Petchem (M) Sdn Bhd	16.3	10	Malaysia	Sales of Sundyne pump, Nikkiso metering pump and non-seal pump, Shin Nippon Machinery pump and steam turbines
2	Shell Eastern Petroleum Pte Ltd	14.7	10	Singapore	Sales of Sundyne and Sunflo pump and spares parts
3	Singapore Refining Co Pte Ltd	10.8	10	Singapore	Sales of Nikkiso metering pump, Sundyne pump and spares parts

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FYE 2007

No.	Name of Customer	Contribution to total turnover (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Titan Petchem (M) Sdn Bhd	25.9	9	Malaysia	Sales of Sundyne pump, Nikkiso metering pump and non-seal pump, Shin Nippon Machinery pump and steam turbines

For FYE 2009, Shell Eastern Petroleum Pte Ltd accounted for 53.2% of our total revenue, amounting to approximately RM34.0 million.

For FYE 2008, the top three (3) customers of Turbo-Mech Group represented 41.8% of our Group's proforma revenue, amounting to approximately RM14.4 million.

The average business relationship of the above mentioned three (3) customers for FYE 2008 is approximately ten (10) years, which indicates a long-term and stable business relationship, hence providing a base for continued business relationship. These long-standing relationships with major operators in the South East Asia region oil and gas industry serve as an endorsement for the quality of our Group products and services. More importantly, it indicates that our Group has a stable customer base to sustain and grow the business in the future.

However, our key customers in any one financial year may change depending on the level of activity undertaken by our customers in the oil and gas exploration and production industries.

Any dependency on these customers is mitigated by continuously expanding our customer bases portfolio by developing strong network across the South East Asia region. Our group is also the exclusive sole representative and authorised provider of maintenance services for certain specialised equipment and systems used by Titan Petchem (M) Sdn Bhd, Shell Eastern Petroleum Pte Ltd and Singapore Refining Co Pte Ltd. As a result, there may not be many similar alternatives in the market for the Group's supporting products and services.

4.24 MAJOR SUPPLIERS

Our major suppliers who individually contributed more than 10% of our Group's total purchases for each of the last three (3) FYEs 2007 to 2009 are as follows:-

FYE 2009

No.	Name of Supplier	Contribution to total purchases (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Shin Nippon Machinery Co Ltd	66.4*	11	Japan	Supply of Industrial steam turbines, API Centrifugal pumps
2	Nikkiso Co Ltd	13.5	11	Japan	Supply of metering pump and non-seal pump

Note:-

* *The increase in contribution to total purchases from 19.4% in FYE 2008 to 66.4% in FYE 2009 is mainly due to the BRM project carried out by Shell Eastern Petroleum Pte Ltd.*

FYE 2008

No.	Name of Supplier	Contribution to total purchases (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Shin Nippon Machinery Co Ltd	19.4	10	Japan	Supply of Industrial steam turbines, API Centrifugal pumps
2	Nikkiso Co Ltd	16.7	10	Japan	Supply of metering pump and non-seal pump
3	Sundyne Nikkiso Company	16.2	10	Japan	Supply of Sundyne/ Sunflo pumps and compressor
4	ABB Industry Ltd	11.6	2	Singapore	Supply of motor

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FYE 2007

No.	Name of Supplier	Contribution to total purchases (%)	Length of Relationship (Years)	Country of Origin	Services rendered
1	Shin Nippon Machinery Co Ltd	30.4	9	Japan	Supply of industrial steam turbines, API Centrifugal pumps
2	Nikkiso Co Ltd	16.3	9	Japan	Supply of metering pump and non-seal pump
3	Sundyne Nikkiso Company	15.0	9	Japan	Supply of Sundyne/ Sunflo pumps and compressor
4	Shin Nippon Machinery (M) Sdn Bhd	15.8	2	Malaysia	Supply of Centrifugal pumps and steam turbines

For FYE 2009, the top two (2) suppliers of our Group collectively accounted for 79.9% of total Group purchases.

Meanwhile, the top four (4) suppliers of our Group collectively accounted for 63.9% of total Group purchases for FYE 2008.

Our main suppliers comprise of Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, and Nikkiso Co Ltd, whom are leading international suppliers of rotating equipment that manufacture a comprehensive range of products which cater to the demanding nature of the oil, gas and petrochemical industry.

Our Group generally enjoys a long-term relationship with our suppliers. This is reflected by the fact that the three (3) main suppliers have been dealing with our Group for over ten (10) years.

4.25 INDUSTRY OVERVIEW

The following summary is extracted from the Independent Assessment of the Rotating Equipment Industry in Singapore prepared by Vital Factor Consulting Sdn Bhd found in Section 11 of this Prospectus.

4.25.1 Background and Introduction

Our Group's business is focused on the sales of rotating equipment* and spare parts and the provision of maintenance and overhaul services for rotating equipment.

The large majority of our Group's revenue is earned from Singapore, which provides the focus of this industry overview.

Note:-

* *A general classification of machinery and equipment designed to generate movement or motion, which is then used to move or agitate materials. Examples of rotating equipment include, among others, pumps, compressors, turbines, motors, engines and fans.*

4.25.2 Economic Performance of Singapore

Singapore's real GDP grew at an average annual rate of 6.1% between 2004 and 2008. In 2008, however real GDP growth slowed down to 1.1%.

Singapore's real GDP is estimated to have contracted by 2.1% in 2009. There was some growth momentum during the first three quarters of 2009, with real GDP increasing from quarter to quarter. However, real GDP for each quarter was lower than the corresponding period in 2008.

Based on advance estimates, economic activity slowed down in the fourth quarter of 2009. This was primarily due to a slowdown in the manufacturing sector, which contracted by 38.4% on a seasonally adjusted quarter-on-quarter annualised basis. The electronics, chemicals and precision engineering clusters continued to grow, while the biomedical manufacturing and transport engineering clusters contracted. In contrast, the construction sector grew moderately, expanding by 4.3% on a seasonally adjusted quarter-on-quarter annualised basis.

The services sector continued to grow, but at a more moderate pace compared to the third quarter. The services sector grew by 7.2% on a seasonally adjusted quarter-on-quarter annualised basis. Growth in the wholesale and retail trade industries was lower compared to strong growth in the third quarter. Other industries such as financial services continued to grow.

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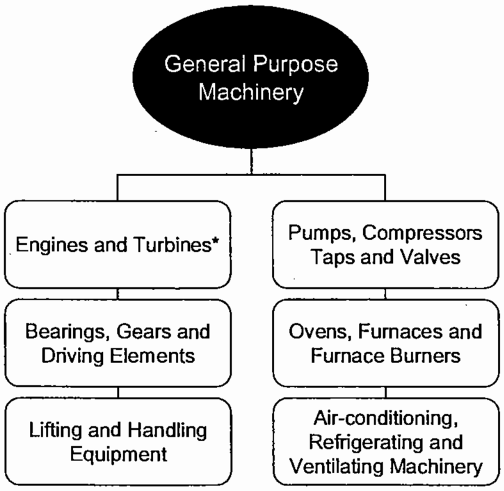
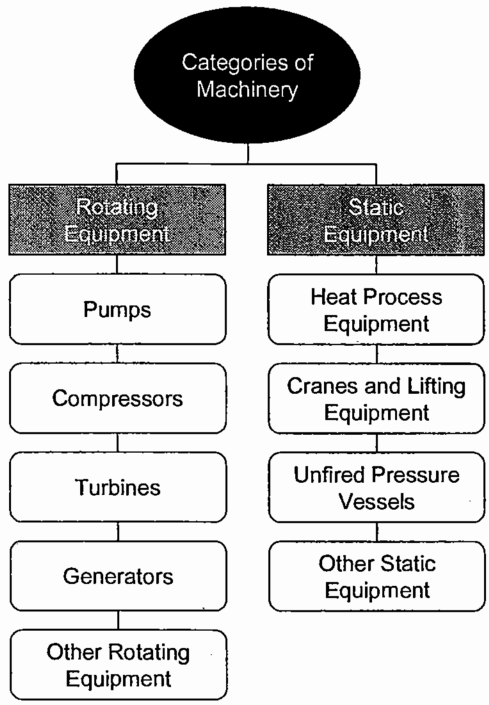
4.25.3 Overall Industry Structure

Rotating equipment falls within the overall general machinery industry. The machinery industry may be further categorised into general purpose and special purpose machinery.

The structure of the general purpose machinery industry is depicted in the diagram below.



*Note: * Excludes aircraft, vehicle and cycle engines and turbines.*



The pumps, compressors, taps and valves category includes various types of pumps and compressors for:-

- moving liquids, gases and slurries;
- hydraulic and pneumatic engines and motors; and
- various types of valves and taps for controlling the flow of liquids, gases and slurries.

The air-conditioning, refrigeration and ventilating machinery category includes machinery and equipment for cooling, freezing and extraction/replacement/circulation of air or other gases.

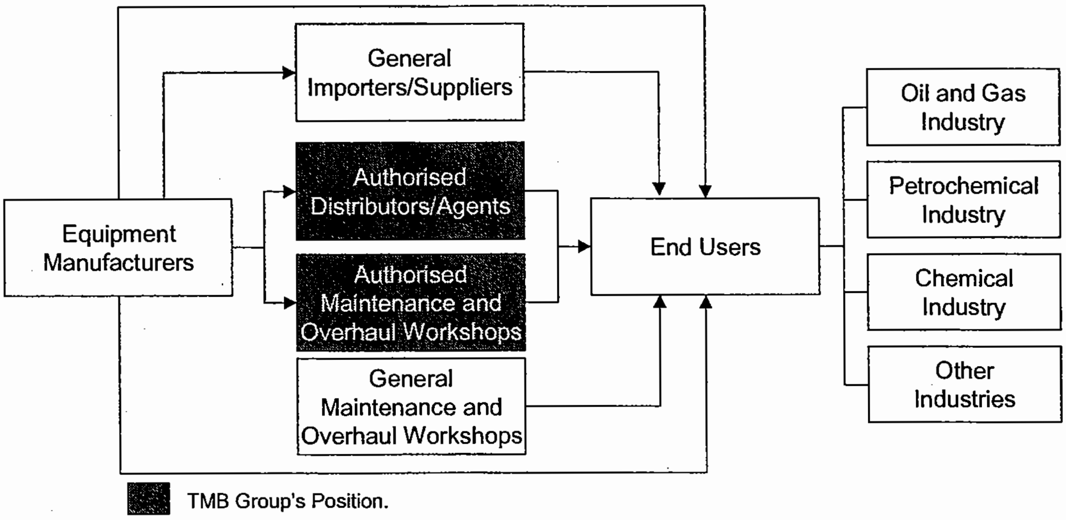
In general, pumps and compressors of the type supplied by our Group fall under the pumps, compressors, taps and valves category of the overall general purpose machinery industry, while industrial cooling fans supplied by the Group fall under the air-conditioning, refrigerating and ventilating machinery category.

Machinery may also be categorised into the following two broad categories, as depicted in figures above.

In general, pumps, compressors and industrial cooling fans of the type supplied by our Group are categorised as rotating equipment.

4.25.4 Our Group's Positioning

Our Group's positioning within the supply chain of the rotating equipment industry is depicted in the diagram below:



Turbo-Mech Group's Position in the Supply Chain

Our Group is currently positioned as an authorised sales representative and workshop for a number of rotating equipment manufacturers in Singapore.

4.25.5 Substitute Products

In general, while a user may choose between different equipment manufacturers, and between different types of pumps and compressors, there are no practical substitutes for rotating equipment as a whole for most of the applications in which they are currently used.

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4.25.6 Supply and Supply Dependency

The supply of rotating equipment comprises locally manufactured and imported rotating equipment.

Local Production

Between 2004 and 2008, the output value of the manufacture of pumps declined at an average annual rate of 16.8%, and in 2008, the output value increased by 10.9% to SGD23.8 million.

Between 2004 and 2008, the output value of the manufacture of taps, cocks, valves and other related products increased at an average annual rate of 4.5%, and in 2008, the output value increased by 3.4% to reach SGD192.4 million.

Imports

Between 2007 and 2009, the import value of all types of pumps increased at an average annual rate of 10.6%. In 2008, the import value of all types of pumps declined by 6.6% to SGD1,029.5 million.

The largest source of imports was the United States, which accounted for 23.4% of all imports by value. The second and third largest sources of imports were Germany and Japan, which accounted for 12.9% and 9.4% of imports by value respectively.

Import data for more specific categories of pumps of the type supplied by our Group are as follows:-

- Between 2007 and 2009, the import value of centrifugal pumps increased at an average annual rate of 13.0%. In 2009, import value declined by 15.5% to SGD250.2 million.

- Between 2007 and 2009, the import value of pumps with measuring devices increased at an average annual rate of 4.5%. In 2009, import value declined by 31.1% to SGD33.7 million.

- Between 2007 and 2009, the import value of spare parts for pumps declined at an average annual rate of 0.8%. In 2009, import value declined by 9.6% to SGD294.2 million.

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4.25.7 Demand and Demand Dependency

The demand for rotating equipment comes from local consumption and exports. As there were no statistics on production provided for 2008, demand will focus on exports.

The demand for rotating equipment is dependent on user industries. The rotating equipment supplied by our Group is used by the following user industries:-

- Petroleum refining industry;
- Petrochemical industry;
- Chemical industry; and
- Pharmaceutical industry.

The demand dependencies of the rotating equipment industry will focus on the performance of these specific user industries in Singapore. The continuing growth in the user industries will ultimately create demand for rotating equipment.

4.25.8 Nature of Competition in the Industry

Operators in the rotating equipment industry in Singapore face normal competitive conditions, which are similar to a free enterprise environment where there is no undue government regulations or licensing requirements, there are many operators, operators may enter and leave the industry with relative ease, and no one operator is large enough to dictate product pricing. In such an environment, the industry is also subjected to normal supply and demand conditions moderated by the price mechanism. Operators compete based on product and service differentiations, and other factors of competition.

Factors of competition

As with most free enterprise environment, the factors that are used to compete and to differentiate one operator from another include the following:-

- Quality of the products and services offered;
- Facilities recognition as authorised workshops by equipment manufacturers;
- Extensiveness of geographic coverage; and
- Track record.

Impact of Factors of Competition on our Group

- **Quality of products and services offered**

  The quality of products and services offered are an important consideration for industrial users, particularly those that operate in the oil and gas, petrochemical and chemical industries. Rotating equipment breakdown in these industries can result in costly plant shut-down and even hazardous industrial accidents.

  Users in the oil, gas and petrochemical industries generally require rotating equipment that complies with stringent standards set by the API. As such, manufacturers and suppliers of equipment that do not comply with API Standards are unable to compete in the oil, gas and petrochemical industries.

  All of the pumps currently supplied by our Group comply with API Standards, and are suitable for use in the oil, gas and petrochemical industries.

- **Facilities recognition as authorised workshops by equipment manufacturer**

  Some equipment manufacturers require users of their rotating equipment to engage authorised workshops to maintain or overhaul their rotating equipment. The equipment manufacturer may not recognise the warranty of rotating equipment that has been overhauled at an unauthorised workshop. In addition, equipment manufacturers also support their authorised workshops by providing technical and other assistance.

  Our Group's workshop in Singapore has received ISO 9001:2000 quality management system certification for the scope "Repair and overhaul of pumps and compressors". The Singapore workshop is also recognised as an authorised workshop to provide maintenance and overhaul services for rotating equipment manufactured by Nikkiso Co Ltd, Sundyne Nikkiso Company and Shin Nippon Machinery Co Ltd.

  Our Group's workshop in the Philippines is authorised to provide maintenance and overhaul services for rotating equipment manufactured by Sundyne Nikkiso Company.

- **Extensiveness of geographic coverage**

  Operators that have a wide geographic footprint will be better able to serve the needs of industrial users. This is particularly true of maintenance and overhaul services, as a large proportion of the service has to be provided on-site at the customer's facility.

  Our Group has established a wide network of operations that covers a number of South East Asia countries. Our Group's subsidiaries currently operate in Singapore, Philippines, and Indonesia, while our Group's associated companies operate in Malaysia, Thailand and Brunei. Our Group also has a representative office in Vietnam.

  Our Group currently operates workshops in Singapore and Philippines to provide maintenance and overhaul services for our customers. One of our Group's associated companies operates a workshop in Malaysia.

- **Track record**

  Customers would normally select suppliers of industrial products and providers of maintenance and overhaul services that possess a strong track record.

  Turbo-Mech Asia has been operating for approximately ten (10) years and has a successfully track record for after-sales maintenance and overhaul service, reliability and quality. Our Group can use our track record to win new customers and expand into new markets.

Competitive Intensity

Competition among operators in the rotating equipment industry in Singapore is based on the following observations:-

- As users in the oil and gas industry and petrochemical industry may choose to purchase rotating equipment that comply with API standards from a number of different equipment manufacturers, competition is primarily between equipment manufacturers and their representatives in Singapore.

- Users in other industries who do not require rotating equipment that comply with stringent API standards are free to choose from a larger pool of equipment manufacturers.

Operators in the Industry

Equipment manufacturers of rotating equipment, including rotating equipment that complies with API Standards and rotating equipment that does not comply with API Standards, include the following (in alphabetical order):

Equipment Manufacturer ^	API Standard Rotating Equipment	Representative in Singapore
Bran+Luebbe (a brand of SPX Process Equipment)	√	Exion Asia Pte Ltd SPX Process Equipment Pte Ltd Unity Scientific Asia Pacific (Singapore Branch)
Clyde Union Ltd	√	Clyde Union Ltd Singapore representative office
EBARA Corporation	√	Ebara Engineering Singapore Pte Ltd Elliott Ebara Singapore Pte Ltd
Flowserve Corporation	√	Flowserve Pte Ltd
HERMETIC-Pumpen GmbH	√	Oakwell Engineering Limited SWTS Pte Ltd
Howden Group Ltd	√	Howden Singapore Pte Ltd
Liquiflo Equipment Company	√	Mectron Engineering Pte Ltd
Marley Engineered Products (a brand of SPX Process Equipment)	*	SPX Process Equipment Pte Ltd Stolz Engineering Pte Ltd
Milton Roy Company (A division of Hamilton Sundstrand, which is a company under United Technologies Company)	√	I M Kinetic Asia Pte Ltd Milton Roy Asia Pacific Pte Ltd
Sterling SIHI GmbH	√	SIHI Pumps (Singapore)
Sulzer Corporation	√	Sulzer Pumps Asia Pacific Pte Ltd (Sales office and Service and Repair Centre)
Standart Pompa ve Hidrofor Sistemleri	*	None
Teikoku Electric Mfg. Co., Ltd	√	Teikoku South Asia Pte Ltd
The Weir Group PLC	√	None

Notes:-

^ *This is a not an exhaustive list.*
√ *Rotating equipment that complies with API Standards*
* *No information available.*

(Source: Primary and Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

4.25.9 Barriers to Entry

The barriers to entry to our Group's industry include the following:-

- Set-up costs;
- Technical expertise;
- Track record; and
- Access to technology.

4.25.10 Reliance on and Vulnerability to Imports

In general, operators in the rotating equipment industry in Singapore are reliant on imports, as many of the products supplied by the industry are manufactured in other countries. In 2008 (the most recent year for which data on both domestic production and imports are available), the import value of all types of pumps totalled SGD1,102.5 million, compared to the output value of pumps manufactured in Singapore of SGD23.8 million. The export value of all types of pumps totalled SGD966.0 million in 2008.

Thus, as most operators in the industry rely on imported rotating equipment, they are equally vulnerable to events and conditions relating to imports.

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4.25.11 Industry Outlook

In general, the outlook for the rotating equipment industry in Singapore is dependent on the performance of its user industries and overseas demand for rotating equipment.

The performance of the rotating equipment industry's user industries is summarised by the following observations:-

- In general, the petroleum refining industry in Singapore expanded between 2004 and 2008, with the output value of refined petroleum products increasing at an average annual rate of 20.8%. In 2008, the output value increased by 24.6% to reach SGD59.6 billion.

- Singapore imported a large quantity of crude petroleum in 2009, totalling 29.1 million tonnes.

- In general, the petrochemical and chemical industries expanded between 2004 and 2008. The output value of the manufacture of petrochemicals and petrochemical products increased at an average annual rate of 10.3% between 2004 and 2008, although output value declined by 3.1% in 2008 to SGD26.7 billion. Between 2004 and 2008, the output value of the manufacture of chemicals and chemical products increased at an average annual rate of 8.4%, with output value increasing by 9.2% in 2008 to SGD25.15 billion.

- Although the pharmaceutical industry's output declined in 2008, its value was higher than it was in 2004 due to growth during the preceding years. Between 2004 and 2008, the output value of the manufacture of pharmaceuticals and biological products increased at an average annual rate of 4.4%. However, the output value of the manufacture of pharmaceuticals and biological products declined by 16.9% in 2008 to SGD17.2 billion.

The large size of the overall oil, gas and petrochemical industries in Singapore would contribute positively to the outlook of the rotating equipment industry that focuses on the oil, gas, petrochemical and chemical industries.

In general, overseas demand for pumps has been encouraging. In 2008, the export (including re-exports) value of all types of pumps increased by 13.6% to reach SGD966.0 million.

Short-term growth may be encouraged by the improving prospects of the economy as a whole as the global economy emerges from the global financial crisis. Singapore's real GDP is estimated to have contracted by 2.1% in 2009. There was some growth momentum during the first three quarters of 2009, with real GDP increasing from quarter to quarter. However, real GDP for each quarter was lower than the corresponding period in 2008. As at the first half of March 2010, the global market price of crude oil is approximately USD80 per barrel, which should help sustain the development of the oil and gas industry.

In the medium-term, growth of the rotating equipment industry will be affected by the global economic outlook moving forward. The International Monetary Fund ("**IMF**") forecasts that the global economy will grow at a real rate of 3.1% in 2010 and 4.2% in 2011, which is significantly better than the real growth rate of 3.0% recorded in 2008, and the contraction of 1.1% expected for 2009. (*Source:- IMF*). The growth of the global economy should improve the prospects of the rotating equipment industry in Singapore by stimulating its user industries.

4.25.12 Areas of Growth and Opportunity

The areas of growth and opportunity of our Group's industry include the following:-

- Product diversification;
- Export markets;
- The Singapore market; and
- Sustained high price of hydrocarbons.

4.25.13 Drivers of Growth

The drivers of growth of our Group's industry include the following:-

- Market price of hydrocarbons sustained at a high level;
- Economic growth and demand for end-user industries; and
- Growth of the oil and gas industry.

4.25.14 Critical Success Factors

The critical success factors of our Group's industry include the following:-

- Relationship with equipment manufacturers;
- Product and service quality; and
- Established track record.

4.25.15 Market Size and Share

In 2009, the market size based on apparent consumption for all types of pumps in Singapore is estimated at SGD200 million.

(Sources:- Vital Factor Consulting Sdn Bhd)

Note:-
Apparent consumption is production plus imports less exports. The latest available statistics for production in Singapore is SGD23.8 million in 2008. Assuming production for 2009 is equal to 2008, apparent consumption for 2009 = SGD21.5 (production) + SGD1,029.5 million (imports) – SGD855.7 million (exports) = SGD197.6 million, which was rounded to SGD200 million

In 2008, our Group's market share based on apparent consumption of all types of pumps in Singapore is estimated at 7%.

(Sources:- Vital Factor Consulting Sdn Bhd)

Note:-
For FYE 2008, our Group's revenue derived from the sales of pumps to customers in Singapore amounted to SGD13.6 million. Thus, our Group's market share = SGD13.6 million (revenue from pumps to customers in Singapore)/SGD200 million (market size for pumps) = 7%.

4.25.16 Government regulations, policies and incentives

Registration of factories - Singapore

An entity operating a factory or a workshop in Singapore is required to obtain a Certificate of Registration of a factory under The Workplace Safety and Health (Registration of Factories).

Turbo-Mech Asia has obtained a Certificate of Registration of a factory for its workshop at Defu Lane 8, Singapore.

Environmental regulations

Turbo-Mech Asia has engaged an agent licensed by the Director-General of Environmental Protection Singapore to handle the discharge of trade effluent in relation to its business, and has proper storage facilities for its industrial waste.

Our Group's normal business operations are not subjected to any environmental regulations in the Philippines and Indonesia.

4.26 FUTURE PLANS, STRATEGIES AND PROSPECTS

Our future plans are focused in the following key areas:-

Overview of Our Future Plans

4.26.1 New Facilities

We plan to set up a new workshop in Indonesia to provide maintenance, repair and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment. We expect to enhance our ability to serve our customers in Indonesia with the establishment of the new workshop. The new workshop will be equipped with machinery and equipment that is similar to what is currently installed at our workshops in Singapore and the Philippines. We intend to set up the new workshop in Indonesia in 2010.

We also plan to set up a light fabrication yard in Rayong, Thailand. We intend to fabricate a range of Skid Mounted Equipment. The capability to fabricate Skid Mounted Equipment will help diversify our business and to provide growth. We intend to set up the light fabrication yard in Thailand in 2010.

4.26.2 Geographic Expansion

As part of our future plans, we intend to increase the scope of our business activities in Indonesia, Thailand and Vietnam. We hope to secure new customers and increase revenue contribution from these countries.

We intend to establish new sales offices in Balikpapan and Pekanbaru in Indonesia. Our business expansion in Indonesia will also be supported by our plans to establish a new workshop in the country, which will help us provide maintenance, repair and overhaul services to customers in that country.

Similarly, our business expansion in Thailand will be supported by our plans to set up a light fabrication yard in Rayong, Thailand. We also intend to increase the paid-up capital in our associated company, Turbo-Mech Thailand and increase our equity stake in the company to above the 51% level. This will allow us to consolidate the results of Turbo-Mech Thailand as a subsidiary company. We plan to implement this in 2010.

In Vietnam, we plan to establish a joint venture company with a local partner to enhance our ability to carry out our business activities in the country. We currently have a representative office in Vietnam.

4.26.3 Future Plan Milestones

The following table indicates the timing for the commercialisation and operation of our future plans:-

Future Plan	FYE 2010
New Facilities	
- Workshop in Indonesia	√
- Light fabrication yard in Thailand	√
Geographic Expansion	
- Indonesia	√
- Thailand	√
- Vietnam	√

4.27 PROSPECTS OF OUR GROUP

The prospects of our Group are favourable in light of the following factors:-

- Our competitive advantages;
- Our expansion plans to provide growth; and
- We operate in oil, gas and petrochemical industries.

4.27.1 Our Competitive Advantages

We have significant competitive advantages that will enable us to compete successfully as well as provide us with growth prospects. Our competitive advantages are as follows:-

- We provide total solutions for rotating equipment;
- We are authorised sales representatives for a number of rotating equipment manufacturers;
- We have a network of workshops and sales offices ;
- Our workshops are authorised by equipment manufacturers;
- We have a wide and established distribution network; and
- We have successful track record with suppliers and customers.

4.27.2 Our Expansion Plans to Provide Growth

Our expansion plans will provide us with growth opportunities and business diversity. All these factors will contribute to the favourable prospects of our Group.

We plan to set up a new workshop in Jakarta, Indonesia to provide maintenance, repair and overhaul services for pumps, compressors, industrial cooling fans, steam turbines and other industrial equipment. We also plan to set up a light fabrication yard in Rayong, Thailand. We intend to fabricate a range of Skid Mounted Equipment at the light fabrication yard, which will help us diversify our business and provide business growth.

We also intend to increase the scope of our business activities in Indonesia, Thailand and Vietnam. We hope to secure new customers and increase revenue contribution from these countries.

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4.27.3 We operate in oil, gas and petrochemical industries

The oil, gas and petrochemical industries in Singapore are as indicated in the table below:-

	2008 Output (SGD billion)
Manufacture of refined petroleum products	59.6
Manufacture of petrochemical products	26.7

Note:-
Latest available statistics

Our large target market size provides us with significant growth opportunities for our products and services.

Given the favourable outlook in the oil and gas industries as set out in Section 4.25 of this Prospectus, our Group's competitive strengths and advantages as set out in Section 4.12 of this Prospectus together with our Group's management commitment and dedication to implement the expansion plans and strategies set out in Section 4.26 of this Prospectus, the Directors of our Group believe that the prospects of our Group are favourable and as such would be able to stand in good stead in the face of competition.

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5. INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT

5.1 PROMOTERS

5.1.1 Particulars and Shareholdings

The details of the Promoters of our Company and their shareholdings in our Company before and after the IPO are as follows:-

Name	Country of incorporation/ Nationality	No. of Shares Held Before the IPO #				No. of Shares Held After the IPO ^*			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Mosgan	Malaysia	38,651,124	43.0	18,971,424(1)	21.1	38,651,124	35.8	19,271,424(1)	17.8
Gan Ching Lai	Malaysian	2,179,574	2.4	55,442,974(2)	61.7	2,279,574	2.1	55,642,974(2)	51.5
Gan Kok Ten	Malaysian	16,791,850	18.7	40,830,698(3)	45.4	16,891,850	15.6	41,030,698(3)	38.0
Gan Kok Tin	Malaysian	-	-	57,622,548(3)	64.1	100,000	0.1	57,822,548(3)	53.5

Notes:-

(1) *Deemed interested by virtue of Gan Ching Lai, Gan Kok Ten and Gan Kok Tin's shareholdings in Turbo-Mech pursuant to Section 6A of the Act.*
(2) *Deemed interested by virtue of his shareholdings in Mosgan and the shareholdings of his sons pursuant to Section 6A of the Act.*
(3) *Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.*

^ *Including their respective entitlements for the pink form allocation pursuant to the IPO.*
# *Based on the issued and paid-up share capital of 89,932,000 Shares after Acquisitions and before the IPO.*
* *Based on the issued and paid-up share capital of 108,000,000 Shares after the IPO.*

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5.1.2 Profiles of Promoters

The profiles of promoters are as follows:-

(i) Mosgan

a) Background and History

Mosgan was incorporated in Malaysia on 21 February 1997 under the name of Mosgan Holdings Sdn Bhd.

Mosgan is a family investment holding company.

b) Directors

The Directors of Mosgan are Gan Ching Lai, Lim Gee Keow and Gan Kok Ten.

c) Substantial Shareholders

The substantial shareholders of Mosgan as at LPD are as follows:-

Name	Nationality	Direct		Indirect	
		No of shares	%	No of shares	%
Gan Ching Lai	Malaysian	2,468,868	99.99	1	*

Note:-

* *Less than 0.01%*

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d) Share Capital

Authorised Share Capital

Types of Shares	No. of shares	Par value (RM)	Total (RM)
Ordinary shares	5,000,000	1.00	5,000,000
Non-convertible non-cumulative redeemable preference shares	5,000,000	1.00	5,000,000

Issued and Paid-up Share Capital

Types of Shares	No. of shares	Par value (RM)	Total (RM)
Ordinary shares	2,468,869	1.00	2,468,869
Non-convertible non-cumulative redeemable preference shares	4,176,000	1.00	4,176,000

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(ii) Gan Ching Lai

Gan Ching Lai, aged 60, is the Executive Chairman of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He obtained a certificate in Mechanical Engineering specialising in automotive and diesel from Polytechnic Ungku Omar, Ipoh in 1971.

He was initially attached to the Government Public Works Department in 1971 where he was in charge of a maintenance workshop for engine overhauls. Subsequently, he joined Malaysian Rock Products Sdn Bhd in 1973 as an Assistant Maintenance Superintendent and Purchasing Manager before moving on in 1977 to become the General Manager/Director of MKS Sdn Bhd. He joined SAAG Consolidated (M) Berhad in 1984 and served in the capacity of a Director of SAAG Consolidated (M) Berhad from 1984 to 1989 before being appointed as a Director of SAAG Singapore Pte Ltd in 1989 and SAAG Brunei in 1992. He subsequently resigned from the Board of Directors of SAAG Consolidated (M) Berhad in 1997.

In 1998, Gan Ching Lai, via Mosgan, acquired Turbo-Mech Asia with the intention of developing and growing the business as a trading company specialising in rotating equipment. He was appointed as the Executive Chairman of Turbo-Mech Asia in 1998.

He is responsible for the formulation and execution of the overall business strategies of our Group. He plays a key role in the growth, development and the strategic direction of our Group, including implementing management policies and overseeing marketing and sales activities.

(iii) Gan Kok Ten

Gan Kok Ten, aged 35, is the Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009. He obtained a degree in Commerce from Griffith University, Australia in 1999.

He started his career with Apex Health Care Berhad in 2000 as a Sales Executive in the pharmaceutical division. In 2002, he moved to Turbo-Mech Asia as a Manager, where he was responsible for sales of the Singapore region. In 2003, Gan Kok Ten was appointed a Director in charge of the Singapore and Brunei markets. Subsequently, in 2007, his responsibility was expanded to the Indonesia and Vietnam region.

As an Executive Director of Turbo-Mech Asia Group, he is responsible for the overall performance of Turbo-Mech Asia Group and its overseas subsidiaries. He has a hands-on role in monitoring the sales performance of these companies through regular visits to these countries. In addition, Gan Kok Ten is also in charge of business development activities of the Group and identifying new business opportunities for our Group.

(iv) Gan Kok Tin

Gan Kok Tin, aged 31, is a Non-Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He obtained a Bachelor Degree in Accounting and Finance from University of Manchester, United Kingdom in 2001 before proceeding on to obtain a Master Degree in Computer Science from University College London, United Kingdom in 2002. He is a Certified Chartered Accountant and a member of the Association of Certified Chartered Accountants. He is also a Certified Information Systems Auditor and Certified Information Security Manager and a member of Information Systems Audit and Control Association.

He started his career in Ernst & Young with the Technology and Security Risk Services Group from 2003 until 2005. He then joined PricewaterhouseCoopers Hong Kong as a Manager in the Systems and Process Assurance Groups from 2006 until 2008. He has extensive experience in providing assurance and advisory services in the area of statutory audit, compliance and regulatory review, internal audit, corporate governance, data assurance, investigative and fault-finding related engagements.

He recently started up an IT business in Hong Kong, Compare4U, which provides a web based media for merchants' advertising and has user search and comparison features.

5.1.3 Significant Changes in Promoters' Shareholdings in our Company for the past three (3) years

As at LPD, there are no other significant changes in our Promoters' shareholdings in our Company for the past three (3) years.

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5.2 SUBSTANTIAL SHAREHOLDERS

5.2.1 Particulars and Shareholdings

The details of the substantial shareholders of our Company and their shareholdings in our Company before and after the IPO are as follows:-

Name	Country of incorporation/ Nationality	No. of Shares Held Before the IPO #				No. of Shares Held After the IPO ^*			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Mosgan	Malaysia	38,651,124	43.0	18,971,424[1]	21.1	38,651,124**	35.8	19,271,424[1]	17.8
Gan Kok Ten	Malaysian	16,791,850	18.7	40,830,698[2]	64.1	16,891,850**	15.6	41,030,698[2]	38.0
Salmiah binti Jantan	Malaysian	8,944,688	10.0	-	-	8,944,688	8.3	100,000[3]	0.1
Leong Khai Cheong	Malaysian	7,846,468	8.7	1,453,050[4]	1.6	7,846 ,468	7.3	1,553,050[4]	1.4
Boo Lee Kiang	Singaporean	4,504,454	5.01	-	-	4,504,454	4.17	-	-
Gan Ching Lai	Malaysian	2,179,574	2.4	55,442,974[5]	61.7	2,279,574	2.1	55,642,974[5]	51.5
Mohamed Said bin Ibrahim	Malaysian	-	-	8,944,688[6]	10.0	100,000	0.1	8,944,688[6]	8.3
Gan Kok Tin	Malaysian	-	-	57,622,548[7]	64.1	100,000	0.1	57,822,548[7]	53.5
Leong Khai Wah	Malaysian	1,453,050	1.6	7,846,468[8]	8.7	1,553,050	1.4	7,846 ,468[8]	7.3

Notes:-

(1) Deemed interested by virtue of Gan Ching Lai's, Gan Kok Ten's and Gan Kok Tin's shareholdings in Turbo-Mech pursuant to Section 6A of the Act.
(2) Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.
(3) Deemed interested by virtue of the shareholdings of her spouse pursuant to Section 6A of the Act.
(4) Deemed interested by virtue of the shareholdings of his brother pursuant to Section 6A of the Act.
(5) Deemed interested by virtue of his shareholdings in Mosgan and the shareholdings of his sons pursuant to Section 6A of the Act.
(6) Deemed interested by virtue of the shareholdings of his spouse pursuant to Section 6A of the Act.
(7) Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.
(8) Deemed interested by virtue of the shareholdings of his brother pursuant to Section 6A of the Act.

5. INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

^ *Including their respective entitlements for the pink form allocation pursuant to the IPO.*
# *Based on the issued and paid-up share capital of 89,932,000 Shares after Acquisitions and before the IPO.*
* *Based on the issued and paid-up share capital of 108,000,000 Shares after the IPO.*
** *Major shareholders pursuant to Bursa Securities' Listing Requirements.*

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5.2.2 Profiles of Substantial Shareholders

Save for the profiles of Mosgan, Gan Ching Lai, Gan Kok Ten which are set out in Section 5.1.2 herein, the profiles of the other substantial shareholders are as follows:-

(i) Leong Khai Cheong

Leong Khai Cheong, aged 59, is a Fellow of the Association of Chartered Certified Accountants from the United Kingdom, a Certified Public Accountant from Singapore, as well as a member of the Malaysian Institute of Accountants. He holds associate membership of the Chartered Institute of Management Accountants and the Institute of Chartered Secretaries and Administrators.

He held various senior positions in George Kent (M) Bhd and United Engineers Limited, which are companies listed on the Bursa Securities and Singapore Stock Exchange respectively. He is currently a Director of PVT Sdn Bhd, a private Malaysian company involved in the manufacture and assembly of engineering and other equipment and provision of engineering services for the water industries. He was appointed an Independent Non-Executive Director on the Boards of Apex Health Care Berhad in 2000 and Ogawa World Berhad in 2007.

(ii) Salmiah binti Jantan

Salmiah binti Jantan, aged 54, is the Director of Bayu Purnama, a 42.5% associate to our Group. She attained Sijil Pelajaran Malaysia in 1973.

She was appointed as a Director on the Board of Bayu Purnama in 1998 and assumes the role until today. She plays a key role in the execution of decisions made by the Board of Directors as she is a key authorised signatory.

5.2.3 Significant Changes in Substantial Shareholders' Shareholdings in our Company for the past three (3) years

As at LPD, there are no other significant changes in our Substantial Shareholders' shareholdings in our Company for the past three (3) years.

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5.3 DIRECTORS

5.3.1 Particulars and Shareholdings

The details of the Directors and their shareholdings in our Company before and after the IPO are as follows:-

Name	Designation	No. of Shares Held Before the IPO #				No. of Shares Held After the IPO ^*			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Gan Ching Lai	Executive Chairman	2,179,574	2.4	55,442,974(1)	61.7	2,279,574	2.1	55,642,974(1)	51.5
Gan Kok Ten	Executive Director	16,791,850	18.7	40,830,698(2))	64.1	16,891,850	15.6	41,030,698(2)	38.0
Nasaruddin bin Mohamed Ali	Non-Independent Non-Executive Director	406,576	0.5	-	-	506,576	0.5	-	-
Gan Kok Tin	Non-Independent Non-Executive Director	-	-	57,622,548(3)	64.1	100,000	0.1	57,822,548(3)	53.5
Mohamed Said bin Ibrahim	Non-Independent Non-Executive Director	-	-	8,944,688(4)	10.0	100,000	0.1	8,944,688(4)	8.3
Zulkifli bin Mohd Ali	Independent Non-Executive Director	-	-	-	-	100,000	0.1	-	-
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director	-	-	-	-	100,000	0.1	-	-
Leong Khai Wah	Independent Non-Executive Director	1,453,050	1.6	7,846,468(5)	8.7	1,553,050	1.4	7,846 ,468(5)	7.3

Notes:-

(1) *Deemed interested by virtue of his shareholdings in Mosgan and the shareholdings of his sons pursuant to Section 6A of the Act.*
(2) *Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.*
(3) *Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.*
(4) *Deemed interested by virtue of the shareholdings of his spouse pursuant to Section 6A of the Act*
(5) *Deemed interested by virtue of the shareholdings of his brother pursuant to Section 6A of the Act.*
^ *Including their respective entitlements for the pink form allocation pursuant to the IPO.*
# *Based on the issued and paid-up share capital of 89,932,000 Shares after Acquisitions and before the IPO.*
* *Based on the issued and paid-up share capital of 108,000,000 Shares after the IPO.*

5. INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

5.3.2 Profiles of Directors

Save for the profiles of Gan Ching Lai, Gan Kok Ten and Gan Kok Tin which are set out in Section 5.1.2 herein, the profiles of the other Directors are as follows:-

(i) Nasaruddin bin Mohamed Ali

Nasaruddin bin Mohamed Ali, aged 46, is the Non-Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He obtained Bachelor of Science in Mechanical Engineering from University of Texas, United States in 1987. He was a registered member with the Board of Engineers, Malaysia.

He started his career in 1988 as process engineer in Intel Technology Sdn Bhd. Later he was promoted as Senior Engineer, Process and Equipment. Subsequently, in 1993 he joined Johnson Controls (M) Sdn Bhd as Manager, Technical Sales until 1996. From 1996 until 1998 he worked with SAAG Oil and Gas Sdn Bhd as Manager, Sales and Marketing.

From 1998 until present he was the Executive Director of Bayu Purnama.

(ii) Mohamed Said bin Ibrahim

Mohamed Said bin Ibrahim, aged 60, is the Non-Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He obtained Bachelor (Hons) in Mechanical Engineering from Polytechnic of Central London (currently known as University of Central London) in 1972.

He started his career in George Kent (M) Bhd in 1973 until 1993. He was a Division Manager for sales and marketing when he left the company. He joined Flowco Malaysia Sdn Bhd in 1994, a company that provides equipment and services to the petroleum retail industries. He is currently the Executive Director of the company. He also holds directorships in Bayu Purnama group including Bayu SME since 2000 and Bayu Manufacturing since 2003.

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(iii) Zulkifli bin Mohd Ali

Zulkifli bin Mohd Ali, aged 60, is an Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He holds a Master of Science Degree from the University of British Columbia, Canada 1975 and an MBA Degree from Dalhousie University, Canada 1984.

He has held the position of Corporate Planning Manager at Island & Peninsular Berhad and Group Administration Controller at Austral Enterprises Berhad. From 1993 to 2005, he worked at Public Bank Group in Malaysia as a Director of Corporate Planning/Corporate Structure. He represented the Public Bank group as a Director in PB Securities Sdn Bhd and Bancorp Holdings Ltd, its merchant bank subsidiary in New Zealand.

He was later appointed as a Commissioner of PT Bank Lippo Tbk in 2005 until 2008. Subsequently, in 2008 he was appointed as a Commissioner of PT Bank CIMB Niaga Tbk until present.

(iv) Dato' Ng Ah Hock @ Ng Soon Por

Dato' Ng Ah Hock @ Ng Soon Por, aged 60, is an Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He is a member of Malaysia Institute of Accountants, a Fellow Member of the Association of Chartered and Certified Accountants of United Kingdom, and also a member of the Malaysia Institute of Chartered Secretaries & Administrators.

He obtained his professional qualifications from Tunku Abdul Rahman College in 1974. From 1974 to 1977, he joined the audit firm Turquand, Youngs & Co./Azman, Wong, Salleh & Co. as an Auditor. In 1977, he joined Spicers International Ltd, as a Finance Manager. In 1982, he left Spicers International Ltd when he was elected as Selangor State Legislative Assemblyman for Sungei Pelek constituency, and held the position until 1995. During his tenure as an assemblyman, he was also a Selangor Executive councilor ("**EXCO**") from 1990 to 1995. Subsequently in 1995, he joined Paper Converting Industries Sdn Bhd as its Finance Director until 2005. He was also a member of Suruhanjaya Perkhidmatan Awam Negeri Selangor (Selangor Public Service Commission) from 2002 to 2007. He is currently an Independent Director of Xingquan International Sports Holdings Limited, a public company listed on the Main Market of Bursa Securities.

(v) Leong Khai Wah

Leong Khai Wah, aged 63, is an Independent Non-Executive Director of Turbo-Mech. He was appointed to our Board on 15 October 2009.

He is a Member of the Chartered Tax Institute of Malaysia. He holds an Honours Degree in Economics (Business Administration) from University of Malaya in 1971.

In 1971 to 1983, he served with the Malaysian Inland Revenue Board in various senior positions.

He moved to Deloitte Malaysia in 1983 where he gained tax experience in providing local and international enterprises with tax planning and advice concerning tax efficient business models, transfer pricing, tax audit and investigation matter. In 2007 he left Deloitte Malaysia as an Executive Director. In 2007 until present, he is a Senior Tax Advisor in Advent Tax Consultants Sdn Bhd.

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5.3.3 Principal Business Activities Performed Outside our Company for the past five (5) years

Save as disclosed below, none of the Directors nor the Executive Chairman of our Company have/had performed any principal business activities outside the Company for the past five (5) years up to LPD:-

Name	Directorships	Involvement in business activities other than as a Director
Gan Ching Lai	*Present directorship* • Bayu Manufacturing • Mosgan	• • Shareholder in Mosgan
Gan Kok Tin	Nil	• Shareholder in Moneysavers Limited
Gan Kok Ten	*Present directorship* • Mosgan • Rotodyne Brunei	• Shareholder in Rotodyne (M) Sdn Bhd
Mohamed Said bin Ibrahim	*Present directorship* • Bayu Manufacturing • Central All Star Sdn Bhd • Flowco Automation (M) Sdn Bhd • Flowco Engineering Sdn Bhd • Flowco Malaysia Sdn Bhd • HIMS Enterprises (M) Sdn Bhd • Mawar Karya Sdn Bhd • Rotodyne (M) Sdn Bhd	• Shareholder and Chief Executive Officer of Flowco Malaysia Sdn Bhd
Nasaruddin bin Mohamed Ali	*Present directorship* • Bayu Purnama • Bayu Manufacturing	Nil
Zulkifli bin Mohd Ali	*Present directorship* • PT CIMB Niaga Tbk	Nil
Dato' Ng Ah Hock @ Ng Soon Por	*Present directorship* • Dignified Landmark (M) Sdn Bhd • Tiwanas Sdn Bhd • Xingquan International Sports Holdings Limited	Nil
Leong Khai Wah	Nil	Senior tax adviser in Advent Tax Consultants Sdn Bhd

5.3.4 Directors' and Chief Executive's Remuneration and Benefits

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to the Directors and Chief Executive of our Company on an individual basis for services rendered in all capacities to our Group for FYE 2009 and proposed for FYE 2010 are as follows:-

	FYE 2009 **Remuneration Band (RM)**	**Proposed for FYE 2010** **Remuneration Band (RM)**
Gan Ching Lai	200,000 - 250,000	250,000 - 300,000
Gan Kok Ten	150,000 - 200,000	150,000 - 200,000
Nasaruddin bin Mohamed Ali	Nil	0 - 50,000
Gan Kok Tin	Nil	0 - 50,000
Mohamed Said bin Ibrahim	Nil	0 - 50,000
Zulkifli bin Mohd Ali	Nil	0 - 50,000
Dato' Ng Ah Hock @ Ng Soon Por	Nil	0 - 50,000
Leong Khai Wah	Nil	0 - 50,000

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5.4 COMMITTEES

5.4.1 Audit Committee

An Audit Committee provides the Board with assurance of the quality and reliability of financial information used by the Board and of the financial information issued publicly by our Company. It provides an additional and more specialised oversight of the financial reporting process by facilitating the discharge of our Board's responsibility in respect of the timely preparation and issuance of financial statements. The main functions of the Audit Committee which fall within the ambit of the Listing Requirements, include assessing the risks, (including the levels of authority delegated to the management by the Board) and control environment, the review of audit plans and audit reports with our Group's auditors, review of the auditors' evaluation of internal controls, program and review of the scope of internal audit procedures, reviewing conflict of interest situations and related party transactions, and candid discussions with management, internal and external auditors and nomination of the auditors. The Audit Committee comprises the following individuals:-

Name	Designation	Directorship
Dato' Ng Ah Hock @ Ng Soon Por	Chairman	Independent Non-Executive Director
Leong Khai Wah	Member	Independent Non-Executive Director
Gan Kok Tin	Member	Non-Independent Non-Executive Director

5.4.2 Remuneration Committee

The Remuneration Committee is principally responsible for reviewing and recommending to our Board the terms of employment of our Directors, to develop a policy on the remuneration of Executive Directors and propose balanced packages to these Directors so as to attract, retain and motivate Executive Directors with a mix of skills to participate with the appropriate levels of experience and knowledge, and align the interests of Directors and shareholders in promoting our Company's progress. The Remuneration Committee comprises the following members:-

Name	Designation	Directorship
Gan Kok Tin	Chairman	Non-Independent Non-Executive Director
Mohamed Said bin Ibrahim	Member	Non-Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Member	Independent Non-Executive Director

5.4.3 Nomination Committee

The Nomination Committee is principally responsible for recommending to our Board the appointment of new Directors of our Company and committee members. It should annually review our Board's required mix of skills and experience and other qualities including core competencies which the Non-Executive Directors should bring to our Board and assess the effectiveness of the Board as a whole, the committees of our Board and the contribution of each individual Director. It should work with our Board to ensure a succession plan including appointing, training, fixing the compensation of and, where appropriate, replacing senior management. The Nomination Committee comprises the following members:-

Name	Designation	Directorship
Dato' Ng Ah Hock @ Ng Soon Por	Chairman	Independent Non-Executive Director
Leong Khai Wah	Member	Independent Non-Executive Director
Gan Kok Tin	Member	Non-Independent Non-Executive Director

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5.5 BOARD PRACTICES

As at the date of this Prospectus, the respective Directors' term of office are as shown below:-

Name	Designation	Length of Service as Director of our Company as at date of this Prospectus	Date of expiration of current term of office
Gan Ching Lai	Executive Chairman	*	At the first Annual General Meeting of our Company
Gan Kok Ten	Executive Director	*	At the first Annual General Meeting of our Company
Nasaruddin bin Mohamed Ali	Non-Independent, Non-Executive Director	*	At the first Annual General Meeting of our Company
Gan Kok Tin	Non-Independent, Non-Executive Director	*	At the first Annual General Meeting of our Company
Mohamed Said bin Ibrahim	Non-Independent, Non-Executive Director	*	At the first Annual General Meeting of our Company
Zulkifli bin Mohd Ali	Independent Non-Executive Director	*	At the first Annual General Meeting of our Company
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director	*	At the first Annual General Meeting of our Company
Leong Khai Wah	Independent Non-Executive Director	*	At the first Annual General Meeting of our Company

Note:-

* *All our Directors were appointed on 15 October 2009.*

Our Memorandum and Articles of Associations provide that an election of Directors shall take place each year. At the annual general meeting of our Company in each year one third (1/3) of the Directors for the time being or if their number is not three or a multiple of three, the number nearest one-third shall retire from office. Additionally all Directors shall retire from office once at least in each three (3) years. A retiring Director shall be eligible for re-election.

The Directors to retire in every year shall be those who have been longest in office since their last election, but as between persons who become Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

5.6 KEY MANAGEMENT

5.6.1 Particulars and Shareholdings

The details of the key management of our Group and their shareholdings in our Group before and after the IPO are as follows:-

Name	Designation	No. of Shares Held Before the IPO #				No. of Shares Held After the IPO ^*			
		Direct	(%)	Indirect	(%)	Direct	(%)	Indirect	(%)
Gan Ching Lai	Executive Chairman	2,179,574	2.4	55,442,974(1)	61.7	2,279,574	2.1	55,642,974(1)	51.5
Gan Kok Ten	Executive Director	16,791,850	18.7	40,830,698(2)	64.1	16,891,850	15.6	41,030,698(2)	38.0
Nasaruddin bin Mohamed Ali	Non-Executive Director and Management Committee	406,576	0.5	-	-	506,576	0.5	-	-
Tay Hwee Leck	Management Committee	726,524	0.8	-	-	826,524	0.8	-	-
Lai Yew Fong	Management Committee	3,487,320	3.9	-	-	3,587,320	3.3	-	-
Mohd Zaid bin Nasir	Management Committee	-	-	-	-	100,000	0.1	-	-

Notes:-

(1) *Deemed interested by virtue of his shareholdings in Mosgan and the shareholdings of his sons pursuant to Section 6A of the Act.*
(2) *Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.*

^ *Including their respective entitlements for the pink form allocation pursuant to the IPO.*
# *Based on the issued and paid-up share capital of 89,932,000 Shares after Acquisitions and before the IPO.*
* *Based on the issued and paid-up share capital of 108,000,000 Shares after the IPO.*

5.6.2 Profiles of Key Management

Save for the profiles of Gan Ching Lai and Gan Kok Ten which are set out in Section 5.1.2 and the profile of Nasaruddin bin Mohamed Ali which is set out in Section 5.3.2 herein, the profiles of the other key management are as follows:-

(i) Tay Hwee Leck

Tay Hwee Leck, aged 43, is a member of the management committee of our Group. He graduated from Singapore Polytechnic with Diploma in Mechanical Engineering in 1987. He then attained degree in Bachelor of Engineering with Honours (Mechanical) from Aberdeen University in 1996.

He started his career in 1990 at Asahi Electronics (Singapore) Pte Ltd as Engineering Assistant. In 1997, he joined SAAG Singapore Pte Ltd as a Sales and Service Engineer. One year later, in 1998, he joined Turbo-Mech Asia as a Sales and Service Engineer. In 2002 he was promoted to the position of Senior Sale and Service Engineer where he was involved in amongst others handling a team of sales engineers and troubleshooting any technical problems pertaining to the subjected rotating equipment at site. Thereafter, in 2005, he was promoted as a Technical Service Manager where he was responsible to lead a group of sales and service engineers and technicians. He was appointed to the steering committee of ISO 9001:2000 implementing the procedures and work instruction for the quality management system. In 2008, he was promoted as a Senior Manager of Turbo-Mech Asia.

(ii) Lai Yew Fong

Lai Yew Fong, aged 55, is a member of the management committee of our Group. He graduated from Monash University, Australia in 1977 with a Bachelor of Mechanical Engineering degree before proceeding on to obtain a graduate diploma in Production Management from the Royal Melbourne Institute of Technology in Australia in 1980.

He has been with SAAG Sdn Bhd from 1984 until 1998 and he last served as Operation Manager. He has previously gained experience in the oil and gas industry while attached as a Sales Engineer at MKS Sdn Bhd from 1980 until 1984. After being with SAAG Sdn Bhd for 15 years, he joined Rotodyne (M) Sdn Bhd until now.

He was later appointed as a Director of Turbo-Mech Asia. He is responsible for the management of the overseas subsidiaries of Turbo-Mech Asia which included Rotodyne Philippines and Turbo-Mech Indonesia.

(iii) Mohd Zaid bin Nasir

Mohd Zaid bin Nasir, aged 40, is a member of the management committee of our Group. He obtained Bachelor of Chemical Engineering degree from University Malaya in 1994.

He started his career in Hualon (M) Sdn Bhd in 1994 until 1996 as a Maintenance Engineer responsible for the maintenance activities of the production equipment/machineries, supervision of maintenance technicians and upgrading/enhancing performance of equipment uptime. He then joined SAAG Oil and Gas Sdn Bhd as a Sales Engineer from 1997 until 1998.

In August 1998 he joined Bayu Purnama as a Senior Sales Engineer and later in 1999 was promoted to Sales Manager. He is currently appointed as a Senior Manager of Bayu Purnama where he is responsible for the sales and marketing activities Bayu Purnama. He is accountable for the sales budget forecasts for his division.

5.7 INVOLVEMENT OF EXECUTIVE DIRECTORS/KEY MANAGEMENT IN OTHER BUSINESSES/ CORPORATIONS

As at LPD and save as disclosed below, none of the Executive Directors and/or key management of our Group are involved in other businesses or corporations.

(a) Gan Ching Lai

Name of Company/ Business	Position (Director / Shareholder)	Principal Activities of Company/ Nature of Business
Mosgan	Director and Shareholder	Investment holding
Rotodyne Brunei	Director	Sales of rotating equipment and spare parts
Turbo-Mech Thailand	Director	Sales of rotating equipment and spare parts
Bayu Manufacturing	Director	Fabrication of skid mounted pump sets and chemical injection packages

Gan Ching Lai's involvement in the above businesses and corporations do not require his involvement in the day-to-day activities and operations of these companies as they are managed by well qualified and experienced managers. He allocates a substantial portion of his time to the affairs to our Group. He serves as a representative of our Company on the board of Rotodyne Brunei, Turbo-Mech Thailand, Bayu SME and Bayu Manufacturing.

As such, his involvements in such other businesses or corporations do not negatively impact his ability to act as an Executive Chairman of our Group.

5. INFORMATION ON PROMOTERS/SUBSTANTIAL SHAREHOLDERS/DIRECTORS AND KEY MANAGEMENT *(Cont'd)*

(b) Gan Kok Ten

Name of Company/ Business	Position (Director / Shareholder)	Principal Activities of Company/ Nature of Business
Mosgan	Director	Investment holding
Rotodyne Brunei	Director	Sales of rotating equipment and spare parts
Rotodyne (M) Sdn Bhd	Shareholder	Management services

Gan Kok Ten's involvement in the above businesses and corporations do not require his involvement in the day-to-day activities and operations of these companies as they are managed by well qualified and experienced managers. He allocates a substantial portion of his time to the affairs to our Group. He serves as a representative of our Company on the board of Rotodyne Brunei.

As such, his involvements in such other businesses or corporations will neither affect his contribution to our Group nor negatively impact his ability to act as an Executive Director of our Group.

(c) Lai Yew Fong

Name of Company/ Business	Position (Director / Shareholder)	Principal Activities of Company/ Nature of Business
Rotodyne (M) Sdn Bhd	Director	Management services
Turbo-Mech Thailand	Director	Sales of rotating equipment and spare parts

Lai Yew Fong's involvement in the above businesses and corporations do not require his involvement in the day-to-day activities and operations of these companies as they are managed by well qualified and experienced managers. He allocates a substantial portion of his time to the affairs to our Group. He serves as a representative of our Company on the board of Turbo-Mech Thailand.

As such, his involvements in such other businesses or corporations will neither affect his contribution to our Group nor negatively impact his ability to act as a member of our Management Committee.

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(d) Nasaruddin bin Mohamed Ali

Name of Company/ Business	Position (Director / Shareholder)	Principal Activities of Company/ Nature of Business
Bayu Purnama	Executive Director	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services
Bayu Manufacturing	Director	Fabrication of skid mounted pump sets and chemical injection packages

Nasaruddin bin Mohamed Ali, a Non-Independent Non-Executive Director and a member of the management committee of our Group, is involved in the day-to-day activities of Bayu Purnama Group, which are the associated companies of our Group. Notwithstanding his involvement in the above businesses and companies, his qualification and experience is important in the alignment of our Group's business strategies with our associated companies.

As the Management Committee's role is mainly confined to advising on strategic issues of our Group, Nasaruddin bin Mohamed Ali's involvement in such other businesses and corporations will neither affect his contribution to our Group nor negatively impact his ability to act as a member of our Management Committee.

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5.8 DECLARATION OF PROMOTERS, DIRECTORS AND KEY MANAGEMENT

None of our Promoters, Directors, key management or person nominated to become a director or key management is or has been involved in any of the following events:-

(a) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;

(b) Disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;

(c) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;

(d) Any judgment was entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or

(e) The subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

5.9 FAMILY RELATIONSHIPS

Save as disclosed below, there are no family relationships/association between our substantial shareholders, Promoters, Directors and key management.

(i) Gan Ching Lai is the father of Gan Kok Ten and Gan Kok Tin;

(ii) Salmiah binti Jantan is the spouse of Mohamed Said bin Ibrahim; and

(iii) Leong Khai Cheong and Leong Khai Wah are siblings.

5.10 EXISTING OR PROPOSED SERVICE AGREEMENTS

There are no existing or proposed service agreements between the Directors and key management personnel of our Group with the Company and/or its subsidiaries.

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5.11 EMPLOYEES

The number of employees in our Group as at 31 December 2007, 2008 and 2009 is as follows:-

Category	Number of Employees		
	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009
Managerial and professional	7	7	7
Technical and supervisory	10	9	9
Clerical and related occupations	6	6	6
General workers	13	13	13
TOTAL	36	35	35

Our Group employees by geographical location as at 31 December 2007, 2008 and 2009 are as follows:-

Subsidiary	Number of Employees		
	As at 31 December 2007	As at 31 December 2008	As at 31 December 2009
Singapore	20	20	20
Philippines	15	14	14
Indonesia	1	1	1
TOTAL	36	35	35

In FYE 2009, on average, our Group had employed five (5) contractual/temporary employees.

As at LPD, none of our employees are members of any labour union and in this regard, there are no industrial disputes involving our Group.

Training and Development

Our management views our employees as key assets that play a pivotal role in our continuous growth, and views sound human resource management as one of our critical success factors. We believe that a well-trained, well-motivated and well-managed workforce is essential for efficient operations, and the success of our business. As such, our management proactively cultivates a positive working culture by having good working relationships with our employees, promotes camaraderie by organising dinners during festive periods and recreational events such as sports activities, and places great emphasis on a clean and comfortable working environment for our employees.

We believe in developing our human capital. It is our policy to develop and train employees to improve their skill sets and professionalism, in order to enhance productivity and operational efficiencies. As training and development is a continuing process, we encourage our employees to continually increase their skills and knowledge through hands-on training.

All new employees are required to undergo orientation programs to familiarise themselves with our working environment, products, operations and safety procedures. New recruits also undergo on-the-job training to equip themselves with the requisite skills for performing their specific functions.

Employees of Bayu Manufacturing, which is a wholly owned subsidiary of Bayu Purnama and an associated company of our Group, are involved in manufacturing and production processes. They are required to undergo in-house operational training sessions to familiarise themselves with Bayu Purnama's our operational procedures, policies and practices. Our training regime aims to equip the staff with knowledge pertaining to quality assurance, the mechanics of the manufacturing processes and safety awareness.

Management Succession Plans

We seek to ensure continuity in our management team, in order to ensure continuity and maintain our competitiveness. It is our policy to groom outstanding junior level employees for more job responsibilities and supervisory roles, and groom exceptional middle-management staff to gradually assume the responsibilities of senior management. Our Executive Chairman together with Executive Directors and senior managers are involved in the process of selection and identifying key competencies and requirements for managerial and more senior positions. Job candidate profiles are developed for management positions in line with our business goals, strategies and culture.

Our Group takes a continuous and proactive approach towards addressing talent management. This is to ensure our Group has talent readily available from a capability perspective to undertake leadership positions throughout our Group. Our middle management are constantly exposed to various aspects of our business activities in order to ensure that they have a full understanding of the responsibilities and the decision making process and are equipped with the knowledge necessary for them to succeed to senior management positions.

6. APPROVALS AND CONDITIONS

6.1 APPROVALS AND CONDITIONS

The SC had approved our Listing Scheme, under Section 212(5) of the CMSA via its letter dated 15 January 2010. The conditions imposed by the SC and the status of compliance are as follows:-

Conditions Imposed By SC	Status of Compliance
(i) AmInvestment Bank/Turbo-Mech should fully comply with the requirements of the SC's Equity and Prospectus Guidelines pertaining to the implementation of the Listing Scheme.	Will be complied with, where applicable

In the same letter dated 15 January 2010, the SC has taken note of the notification by AmInvestment Bank on our behalf in relation to the equity requirements for public companies.

The SC has, via its letter dated 18 September 2009, approved certain exemptions sought from having to comply with certain requirements under the SC's Prospectus Guidelines. The details of the approved exemptions sought and the accompanying conditions imposed by the SC are as follows:-

Paragraph under the Prospectus Guidelines for which exemptions were sought	Details of the exemption granted and conditions (if applicable)
(i) Paragraph 12.10	Waiver to allow the inclusion of unaudited interim financial statements which are not more than six (6) months prior to the submission of the registrable prospectus. **Conditions**:- (i) Disclosure in the registrable prospectus that the interim financial statements are unaudited and may be subject to further changes; and (ii) Material deviations, if any, between the unaudited interim and audited financial statements are highlighted and clarified to the SC.
(ii) Paragraph 13.11	Waiver to allow Turbo-Mech to not fully comply with paragraph 13.11 whereby waiver is sought from complying paragraph 12.10. **Conditions:-** Please refer Conditions as per Waiver (i) above.
(iii) Paragraph 13.13(b)(i)	Waiver to allow the inclusion of unaudited interim financial statements. **Conditions:-** Please refer Conditions as per Waiver (i) above.

Paragraph under the Prospectus Guidelines for which exemptions were sought	Details of the exemption granted and conditions (if applicable)
(iv) Paragraph 12.15	Waiver to allow the interim proforma consolidated financial statements (i.e. income statement, balance sheet and cash flow statements) to be prepared based on the unaudited results, in the submission of the registrable prospectus. **Conditions:-** (i) Disclosure in the registrable prospectus that the interim proforma financial statements are prepared based on unaudited results and may be subject to further changes; and (ii) Material deviations, if any, between the unaudited interim proforma and audited interim proforma financial statements are highlighted and clarified to the SC.
(v) Paragraph 12.16	Waiver to allow the interim proforma consolidated financial statements (i.e. income statement, balance sheet and cash flow statements) to be prepared based on the unaudited financial period ended 31 July 2009, in the submission of the registrable prospectus. **Conditions:-** Please refer Conditions as per Waiver (iv) above.

Bursa Securities had via its letter dated 23 March 2010, approved in-principle the following, subject to certain conditions:-

The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:-

Conditions Imposed by Bursa Securities	Status of Compliance
(i) Make relevant announcements pursuant to paragraphs 8.1 and 8.2 of PN21 of the Listing Requirements ("LR"); and	Will be complied
(ii) Furnsh the Exchange a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire issued and paid up share capital of Turbo on the first day of listing.	Will be complied

The MITI had approved the IPO via its letter dated 7 January 2010. There are no conditions imposed by the MITI for the IPO.

6.2 MORATORIUM ON SHARES

In accordance with the SC Guidelines, our Promoters will not be allowed to sell, transfer or assign their entire shareholdings in our Company for six (6) months from the date of admission.

Upon admission, our Promoters' shareholdings, which will be subjected to the moratorium, are as set out below:-

Name	No. of Shares held upon Admission ^			
	Direct	%	Indirect	%
Mosgan	38,651,124	35.8	-	-
Gan Ching Lai	2,279,574	2.1	55,642,974 (1)	51.5
Gan Kok Ten	16,891,850	15.6	41,030,698 (2)	38.0
Gan Kok Tin	100,000	0.1	57,822,548 (2)	53.5

Notes:-

(1) *Deemed interested by virtue of his shareholdings in Mosgan and the shareholdings of his sons pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of the shareholdings of his father, brother and Mosgan pursuant to Section 6A of the Act.*

^ *Including their respective entitlements for the pink form allocation pursuant to the IPO.*

The ultimate shareholders of Mosgan, namely Gan Ching Lai and Lim Gee Keow, have furnished a letter of undertaking prior to the listing to the SC that they will not sell, transfer or assign any of their entire shareholdings in Mosgan as at the date of listing of our Company, for six (6) months from the date of listing on Bursa Securities.

The moratorium is specifically endorsed on the Share certificates representing the shareholdings of our Promoters to ensure that our registrars do not register any transfer not in compliance with the moratorium restrictions. In compliance with the restrictions, Bursa Depository will, on our registrars' instructions in the prescribed forms, ensure that trading of these shares are not permitted in the moratorium period.

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7. RELATED PARTY TRANSACTIONS/CONFLICTS OF INTEREST

7.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

Save as disclosed below and in Section 7.4 of this Prospectus, our Group does not have any other existing and/or proposed material related party transactions or other subsisting contracts of arrangement entered into by our Group which involved the interest, direct or indirect, of the Directors, substantial shareholders of our Company and/or key management and/or persons connected to them as defined under the Listing Requirements of Bursa Securities for the past three (3) FYEs 2007 to 2009:-

Related Party	Interested Promoter/ Director/ Substantial Shareholder/ Key Management	Nature of Transactions	Transaction Value (RM'000)		
			FYE 2007	FYE 2008	FYE 2009
Rotodyne (M) Sdn Bhd	Mohamed Said bin Ibrahim, Lai Yew Fong, Gan Kok Ten	Sales of goods chemical injection skids	326	-	-
PT Turbo Mechin	Achmad Atim Kasmanto[(1)]	Sales of goods industrial cooling fans	313	773	1,392

Note:-

(1) Achmad Atim Kasmanto is deemed as a related party by virtue of him being a director of TMI as well as a director and shareholder of PT Turbo Mechin.

The Directors of our Company have confirmed that our Group had previously transacted with Rotodyne (M) Sdn Bhd and PT Turbo Mechin and may transact with Rotodyne (M) Sdn Bhd and PT Turbo Mechin in the future, whereby the nature of the transactions will be revenue in nature and required for our day-to-day operations. Our Directors will ensure that the nature and terms of the transaction will comply with the Listing Requirements of Bursa Securities as set out in Section 7.6 of this Prospectus.

The Directors of our Company are of the opinion that all business transactions between our Group and the Directors and substantial shareholders of our Company and/or persons connected to them are entered into on arm's length basis and on terms not more favourable to the related parties than those generally available to the public. The Audit Committee will supervise the terms of related party transactions to ensure that they will be carried out based on arm's length basis, and the Directors of our Company will report related party transactions, if any, annually in our Company's annual report.

Saved as disclosed above and in Section 7.4 of this Prospectus, our Directors and substantial shareholders have no direct and indirect interests in:-

(i) other businesses and corporations carrying on a similar trade as our Group; and
(ii) other businesses and corporations which are the customers or suppliers of our Group.

7.2 TRANSACTIONS UNUSUAL IN THEIR NATURE OR CONDITIONS

Save as disclosed in Section 7.1 of this Prospectus, our Directors have confirmed that to the best of their knowledge and belief, there are no transactions that are unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which we or any of our subsidiaries was a party in respect of the past three (3) FYEs up to 31 December 2009 and up to LPD.

7.3 OUTSTANDING LOANS MADE BY CORPORATION OR ANY OF ITS PARENT OR SUBSIDIARIES TO/FOR THE BENEFIT OF RELATED PARTIES

The Directors of our Company have confirmed that to the best of their knowledge and belief, there are no outstanding loans (including guarantees of any kind) made by us or any of our subsidiaries to or for the benefit of our related parties in respect of the past three (3) FYEs up to 31 December 2009 and up to LPD.

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7. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST *(Cont'd)*

7.4 INTEREST IN SIMILAR BUSINESS

Save as disclosed below and the involvement of our Directors and substantial shareholders which are set out in Section 5.7 herein, to the best knowledge and belief of the Directors and substantial shareholders of our Company, none of the Directors or substantial shareholders of our Company are interested, directly or indirectly, in any business carrying on a similar or competing trade as our Group:-

Name of Company	Nature of Business	Affected Person	Position (Director / shareholder)	Direct		Indirect		Mitigating Factors
				No of shares	%	No of shares	%	
Rotodyne Brunei	Sales of rotating equipment and spare parts	Gan Ching Lai	Director	-	-	20,000[(1)]	20.0	Note (a)
		Gan Kok Ten	Director	-	-	20,000[(2)]	20.0	
Turbo-Mech Thailand	Sales of rotating equipment and spare parts	Gan Ching Lai	Director and shareholder	9	*	44,082[(1)]	49.0	Note (b)
Bayu Purnama	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services	Salmiah binti Jantan	Director and shareholder	2,550,000	51.0	-	-	Note (c)
		Nasaruddin bin Mohamed Ali	Director	-	-	-	-	
Bayu Manufacturing	Fabrication of skid mounted pump sets and chemical injection packages	Gan Ching Lai	Director	-	-	-	-	Note (d)
		Nasaruddin bin Mohamed Ali	Director	-	-	-	-	
		Mohamed Said bin Ibrahim	Director	-	-	-	-	

Notes:-

(1) *Deemed interested by virtue of his shareholdings in Mosgan which in turn has shareholdings in Turbo-Mech Asia pursuant to Section 6A of the Act.*

(2) *Deemed interested by virtue of his father's shareholdings in Mosgan which in turn has shareholdings in Turbo-Mech Asia pursuant to Section 6A of the Act.*

* *Less than 0.01%*

7. RELATED PARTY TRANSACTIONS / CONFLICTS OF INTEREST *(Cont'd)*

(a) *Rotodyne Brunei is involved in the sales of rotating equipment and spare parts in Brunei and does not directly compete with our Group's principal geographic markets of operation.*

(b) *Turbo-Mech Thailand is involved in the sales of rotating equipment and spare parts in Thailand and does not directly compete with our Group's principal geographic markets of operation. In addition, Turbo-Mech Thailand is a 49.0% associated company of our Company.*

(c) *Bayu Purnama is involved in the sales of rotating equipment and spare parts and provision of maintenance and overhaul services in Malaysia and does not directly compete with our Group's principal geographic markets of operation. In addition, Bayu Purnama is a 42.5% associated company of our Company.*

(d) *Bayu Manufacturing is involved in the fabrication of skid mounted pump sets and chemical injection packages in Malaysia and does not directly compete with our Group as Bayu Manufacturing is principally involved in a different business segment and geographic market as compared with our Group. In addition, Bayu Manufacturing is a wholly owned subsidiary of Bayu Purnama which in turn is a 42.5% associated company of our Company.*

The Directors and substantial shareholders of our Company are aware that the interests held by the Directors and substantial shareholders of our Company in other businesses and corporations which have similar businesses to our Group may give rise to a conflict of interest situation with our Group's businesses.

Our Board confirms that all dealings between the affected businesses and corporations above will be on an arm's length basis, to be transacted on normal commercial terms and not to the detriment of the minority shareholders of our Group.

In view of their interests in such companies, interested Directors and interested shareholders will be required to abstain from deliberations and voting on decisions and resolutions in relation to matters and/or transactions with the affected businesses and corporations. At the same time, the Audit Committee and Independent Directors will ensure proper disclosure and corporate governance in all business dealings with the affected businesses and corporations.

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7.5 CONTRACTS OR ARRANGEMENTS IN WHICH THE DIRECTORS OR SUBSTANTIAL SHAREHOLDERS ARE INTERESTED AND WHICH IS SIGNIFICANT IN RELATION TO THE BUSINESS OF OUR GROUP

Save as disclosed in Section 7.1 of this Prospectus, none of our Directors and/or substantial shareholders of our Company have interest in any contracts or arrangements, which is significant in relation to the business of our Group.

7.6 RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

Pursuant to Paragraph 10.09 of the Listing Requirements, a listed issuer may seek a shareholder's mandate in respect of related party transactions involving recurrent transactions of revenue or trading in nature subject to the following:-

(a) the transactions are in the ordinary course of business and are on terms not more favourable to the related party than those generally available to the public;

(b) the shareholders' mandate is subject to annual renewal and disclosure is made in the annual report of the aggregate value of transactions conducted pursuant to the shareholders' mandate during the financial year where the aggregate value is equal to or more than the applicable prescribed threshold under Paragraph 10.09(1) of the Listing Requirements; and

(c) in a meeting to obtain shareholders' mandate, the interested Director, interested major shareholder or interested person connected with a Director or major shareholder; and where it involves the interest of an interested person connected with a Director or major shareholder, such Director or major shareholder, must not vote on the resolution approving the transactions. An interested Director or interested major shareholder must ensure that persons connected with him abstain from voting on the resolution approving the transactions.

Our Group would, in the ordinary course of our business, enter into transactions, including but not limited to the transactions described in related party transactions set out in Section 7.1 herein, with persons which are considered "related party" as defined in Chapter 10 of the Listing Requirements. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to the time-sensitive nature of commercial transactions, the shareholders mandate will enable our Company, in our normal course of business, to enter into the categories of related party transactions, provided such interested person transactions are made at arm's length and on normal commercial terms.

An application will be made to Bursa Securities to obtain a waiver to allow our Company to ratify any recurrent related party transactions entered into by our Company or any of its subsidiary companies with the Directors or substantial shareholders of our Company or persons connected with such Directors or substantial shareholders at the extraordinary general meeting or annual general meeting of our Company, whichever is earlier, commencing after listing date of our Company.

7.7 DECLARATION BY ADVISERS

AmInvestment Bank hereby confirms that there is no conflict of interest in respect of their capacity as the Adviser to our Group for the IPO.

Messrs Azman Davidson & Co hereby confirms that there is no conflict of interest in respect of their capacity as Solicitors to our Group for the IPO.

Messrs Ernst & Young hereby confirms that there is no conflict of interest in respect of their capacity as Auditors and Reporting Accountants to our Group for the IPO.

Vital Factor Consulting Sdn Bhd hereby confirms that there is no conflict of interest in respect of their capacity as Independent Market Researcher to our Group for the IPO.

CitiLegal LLC hereby confirms that there is no conflict of interest in respect of their capacity as Solicitors for the Legal Opinion to our Group for the IPO.

Messrs Hechanova Bugay & Vilchez hereby confirms that there is no conflict of interest in respect of their capacity as Solicitors for the Legal Opinion to our Group for the IPO.

Messrs SS&R Legal Consultants hereby confirms that there is no conflict of interest in respect of their capacity as Solicitors for the Legal Opinion to our Group for the IPO.

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8. OTHER INFORMATION CONCERNING THE GROUP

8.1 INFORMATION ON PROPERTY, PLANT AND EQUIPMENT

As at LPD, the material tangible fixed assets, including leased properties of our Group are as follows:-

No.	Company	Description and Existing Use	Property Address	Tenure of Property / Date of Expiry of Lease	Land area / Built up Area (Sq feet)	Restriction in Interest / Major Encumbrances	Audited Net Book Value as at 31.12.2009 (RM'000)
1.	Turbo-Mech Asia	Turbo-Mech Asia's 4-storey landed terrace head office and warehouse	61, Ubi Crescent, Ubi Techpark, Singapore 408598	Leasehold for 60 years / Expiring on 4 July 2057	4,524 / 11,312.40	Legal Mortgage I/36738R in favour of United Overseas Bank Limited	5,316

As at LPD, our Group is in compliance with the relevant land rules and building regulations.

There is no valuation undertaken on our Group's property in respect of the listing exercise.

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8.2 REGULATORY REQUIREMENT AND ENVIRONMENTAL ISSUE

The existing Singapore laws impose environmental protection laws and regulations for the discharge of industrial waste in unauthorised places.

Pursuant to Section 15 of the Environmental Protection and Management Act (Chapter 94A) ("**Act 94A**"), any person who discharged any trade effluent, oil, chemical, sewage or other polluting matters into any drain or land without a licence from the Director-General of Environmental Protection ("**Director-General**") shall be guilty of an offence. Before the trade effluent is discharged into any drain or land in pursuant to the licence granted under Section 15 of Act 94A, the occupier of the premises shall treat any effluent discharged therefrom in such manner as may be prescribed. A person using, working or operating any plant for the purpose of treating any trade effluent shall use, work or operate and maintain such plant in such manner as the Director-General may require. Any person who fails to comply with such requirements, shall be guilty of fine or imprisonment..

In addition, Section 24 of the Environmental Public Health Act (Chapter 95) ("**Act 95**") prohibit against disposal of industrial waste in unauthorized places. Act 95 requires the occupier of any work place where industrial waste is being produced to be kept or stored before disposal in a proper and efficient manner so as not to create a nuisance or to cause any risk, harm or injury to persons or animals or is likely to pollute the environment.

Turbo-Mech Asia has engaged an agent licenced by the Director-General to handle the discharge of the trade effluent relating to our business and Turbo-Mech Asia has proper storage facilities for its industrial waste. As such, our Company believes that it is in compliance with the environmental regulations in relation to our Group's business.

8.3 MATERIAL PLANS TO CONSTRUCT, EXPAND OR IMPROVE FACILITIES

As at LPD, our Group has no immediate plans to construct, expand or improve on existing facilities, save as disclosed in Sections 2.7 and 4.26.1 of this Prospectus.

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9. FINANCIAL INFORMATION

9.1 REPORTING ACCOUNTANTS' LETTER ON THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

(Prepared for inclusion in the Prospectus)

ERNST & YOUNG

Ernst & Young
AF : 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Mail address: P.O. Box 11040
50734 Kuala Lumpur, Malaysia
Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
www.ey.com

(Prepared for inclusion in this Prospectus)

29 March 2010

The Board of Directors
Turbo-Mech Berhad
(Formerly known as Turbo-Mech Sdn Bhd)
39-5, Jalan PJU 1/41, Block D1,
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Turbo-Mech Berhad ("Turbo-Mech") (formerly known as Turbo-Mech Sdn Bhd)
Reporting accountants' letter on the proforma consolidated financial information

We report on the proforma consolidated financial information of Turbo-Mech and its subsidiaries ("Turbo-Mech Group") for the five (5) financial years ended 31 December 2009 as set out in the attached Notes, which we have stamped for the purpose of identification. The proforma consolidated financial information have been prepared based on audited financial statements of Turbo-Mech Asia Pte Ltd ("Turbo-Mech Asia") and its subsidiaries for the past five (5) years ended 31 December 2009 and the audited financial statements of Turbo-Mech from the date of incorporation to 31 December 2009 for illustrative purposes only on the basis of assumptions as set out in the Notes and after making certain adjustments to show what:

(a) the financial results of Turbo-Mech Group for the five (5) financial years ended 31 December 2009 would have been, if the Group structure as at the date of the Prospectus had been in existence throughout the financial years reported thereon;

(b) the financial position of Turbo-Mech Group as at 31 December 2009 would have been, if the Group structure as at the date of the Prospectus had been in place on that date, adjusted for the acquisition of the subsidiaries and associates, the proceeds from the public issue, the payment of the estimated listing expenses and utilisation of listing proceeds; and

(c) the cash flows of Turbo-Mech Group for the financial year ended 31 December 2009 would have been, if the Group structure as at the date of the Prospectus had been in existence throughout the financial year ended 31 December 2009 adjusted for the acquisition of the subsidiaries and associates, the proceeds from the public issue, the payment of the estimated listing expenses and utilisation of listing proceeds.

The proforma consolidated financial information, because of its nature, may not be reflective of Turbo-Mech Group's actual financial results, financial position and cash flows.

ERNST & YOUNG

Turbo-Mech Berhad ("Turbo-Mech") (formerly known as Turbo-Mech Sdn Bhd)
Reporting accountants' letter on the proforma consolidated financial information (contd.)

It is solely the responsibility of the Board of Directors of Turbo-Mech to prepare the proforma consolidated financial information. Our responsibility is to form an opinion on the proforma consolidated financial information and to report our opinion to you based on our work.

Our work, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the proforma consolidated financial information to the audited financial statements of Turbo-Mech Asia and its subsidiaries for the five (5) financial years ended 31 December 2009 and the audited financial statements of Turbo-Mech from the date of incorporation on 6 July 2009 to 31 December 2009, considering the evidence supporting the adjustments and discussing the proforma consolidated financial information with the Directors of Turbo-Mech.

In our opinion:

(i) the proforma consolidated financial information has been properly prepared under merger accounting principles based on the audited financial statements of Turbo-Mech and the audited financial statements of its subsidiaries which have been prepared in accordance with the Singapore Financial Reporting Standards based on International Financial Reporting Standards and in a manner consistent with both the format of the financial statements and the accounting policies adopted by Turbo-Mech; and

(ii) each material adjustment made to the information used in the preparation of the proforma consolidated financial information is appropriate for the purposes of preparing the proforma consolidated financial information.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Kua Choh Leang
No. 2716/01/11(J)
Chartered Accountant

Kuala Lumpur, Malaysia

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

TURBO-MECH BERHAD
(Formerly known as Turbo-Mech Sdn Bhd)
(Incorporated in Malaysia)

NOTES TO THE PROFORMA CONSOLIDATED FINANCIAL INFORMATION

1.0 Introduction

The proforma consolidated financial information, comprising the proforma consolidated income statements for the five (5) financial years ended 31 December 2009, the proforma consolidated balance sheet as at 31 December 2009, and the proforma consolidated cash flow statement for the financial year ended 31 December 2009 have been prepared for Turbo-Mech Berhad ("Turbo-Mech") (formerly known as Turbo-Mech Sdn Bhd) for the inclusion in the Prospectus in connection with the listing of Turbo-Mech on the Main Market of the Bursa Malaysia Securities Berhad.

2.0 Abbreviations

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Bayu Manufacturing	Bayu Manufacturing Sdn Bhd
Bayu Purnama	Bayu Purnama Sdn Bhd
Bayu SME	Bayu SME Sdn Bhd
FYE	Financial year ended 31 December
Rotodyne Philippines	Rotodyne Phils., Inc.
Rotodyne Brunei	Rotodyne Sendirian Berhad
Scallop	Scallop (S) Pte Ltd
Turbo-Mech Asia	Turbo-Mech Asia Pte Ltd
Turbo-Mech Asia Group	Turbo-Mech Asia and its subsidiaries, namely Rotodyne Philippines, Scallop and Turbo-Mech Indonesia and associates, Rotodyne Brunei and Turbo-Mech Thailand
Turbo-Mech	Turbo-Mech Berhad (formerly known as Turbo-Mech Sdn Bhd)
Turbo-Mech Indonesia	PT Turbo-Mech Indonesia
Turbo-Mech Thailand	Turbo-Mech (Thailand) Co Ltd
Turbo-Mech Group	Turbo-Mech and its subsidiaries, namely Turbo-Mech Asia, Rotodyne Philippines, Scallop and Turbo-Mech Indonesia, and associates, Bayu Manufacturing, Bayu Purnama, Bayu SME, Rotodyne Brunei and Turbo-Mech Thailand

3.0 Listing Scheme

As part of the listing scheme, Turbo-Mech undertook the following:

3.1 Acquisitions

Acquisitions by Turbo-Mech of:

(i) 8,000,000 shares in Turbo-Mech Asia representing 100% equity interest in Turbo-Mech Asia; and

(ii) 2,125,000 shares in Bayu Purnama representing 42.5% equity interest in Bayu Purnama

from the respective vendors of the Acquiree Companies for an aggregate purchase consideration of RM44,965,998 to be satisfied by way of issuance of 89,931,996 new ordinary shares of RM0.50 each in Turbo-Mech ("Turbo-Mech Shares") at an issue price of RM0.50 per share.

3.2 Public Issue

Public issue of 18,068,000 new Turbo-Mech Shares ("Public Issue Shares") representing approximately 16.7% of the enlarged issued and paid-up share capital of Turbo-Mech, at an indicative Initial Public Offering ("IPO") price of RM0.63 per Turbo-Mech Share, payable in full on application.

The Public Issue is to be allocated and allotted in the following manner:

(i) Malaysian public via balloting

6,000,000 Public Issue Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of Turbo-Mech, to be allocated via balloting, will be made available for application by the Malaysian public.

(ii) Eligible Directors, employees and business associates of the Group

4,500,000 Public Issue Shares, representing approximately 4.2% of the enlarged issued and paid-up share capital of Turbo-Mech, will be made available for application by eligible Directors, employees and business associates of the Group.

(iii) Selected investors via placement

7,568,000 Public Issue Shares, representing approximately 7.0% of the enlarged issued and paid-up share capital of Turbo-Mech, by way of private placement to selected investors.

3.3 Listing

Upon completion of the Public Issue, Turbo-Mech will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of the Turbo-Mech Shares on the Main Market of the Bursa Malaysia Securities Berhad.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

3.4 Rate of Exchange

In preparing the proforma financial statements, we have converted all profit and loss and balance sheet figures in Singapore Dollar ("SGD") to Ringgit Malaysia ("RM") using the average rate and closing rate respectively.

The applied rates of exchange are as follows:

		Average rate	Closing rate
		RM	RM
31 December 2005	1 SGD:	2.2724	2.2714
31 December 2006	1 SGD:	2.3124	2.2983
31 December 2007	1 SGD:	2.2817	2.3033
31 December 2008	1 SGD:	2.3656	2.4139
31 December 2009	1 SGD:	2.4279	2.4452

4.0 Basis of Preparation of Proforma Consolidated Financial Information

4.1 The proforma consolidated financial information has been prepared to illustrate:

(a) the financial results of the Group for the past five (5) financial years ended 31 December 2009 would have been if the Group structure as of the date of the Prospectus had been in existence throughout the financial years under review;

(b) the financial position of the Group as at 31 December 2009 would have been, if the Group structure as of the date of the Prospectus had been in place on that date, adjusted for the acquisition of the subsidiaries and associates, the proceeds from the public issue, the payment of the estimated listing expenses and utilisation of listing proceeds; and

(c) the cash flows of the Group for the financial year ended 31 December 2009 would have been, if the Group structure as of the date of the Prospectus had been in existence throughout the financial year ended 31 December 2009, adjusted for the acquisition of the subsidiaries and associates, the proceeds from the public issue, the payment of the estimated listing expenses and utilisation of listing proceeds.

The above proforma consolidated financial information has been accounted for as a merger. Further information on the merger accounting is disclosed in Section 6.1.

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4.0 Basis of Preparation of Proforma Consolidated Financial Information (Contd.)

4.2 The proforma financial information have been prepared for illustrative purposes, based on the audited financial statements of the subsidiaries to be acquired by Turbo-Mech for the past five (5) financial years ended 31 December 2009 and the audited financial statements of Turbo-Mech from the date of incorporation on 6 July 2009 to 31 December 2009 using the bases and accounting principles consistent with those adopted in the audited financial statements, after giving effect to the proforma adjustments which is considered appropriate.

The audited financial statements of the Turbo-Mech Group for the past five (5) financial years ended 31 December 2009 have been prepared in accordance with the Singapore Financial Reporting Standards based on International Financial Reporting Standards.

4.3 The auditors' reports on the respective financial statements included in this report, where applicable, were not subject to any qualifications or modifications.

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Chartered Accountants, Kuala Lumpur
For identification purposes only

5.0 Proforma Consolidated Income Statements of Turbo-Mech Group

5.1 The proforma consolidated income statements for the past five (5) financial years ended 31 December 2009, which have been prepared for illustrative purposes to show the aggregate results of the Group, are based on accounting policies consistent with those adopted in the preparation of the audited financial statements of the subsidiaries to be acquired by Turbo-Mech on the assumption that the current structure of the Group existed throughout the financial years under review.

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Revenue	36,865,259	30,591,161	28,613,950	34,521,981	63,871,735
Other income	311,676	190,948	523,188	384,704	489,126
Changes in inventories of trading goods	1,743,050	954,789	(1,423,747)	4,956,466	(4,755,140)
Purchases	(28,369,519)	(20,918,809)	(16,517,951)	(26,842,761)	(44,870,789)
Employee benefits expenses	(3,287,225)	(3,221,233)	(3,345,780)	(2,988,840)	(2,973,994)
Depreciation and amortisation expenses	(571,367)	(461,188)	(433,988)	(493,192)	(428,297)
Other operating expenses	(2,391,242)	(1,883,993)	(1,758,991)	(1,976,395)	(3,315,080)
Finance cost	(74,294)	(3,580)	-	(1,091)	(408)
	4,226,338	5,248,095	5,656,681	7,560,872	8,017,153
Share of (loss)/profit of associates	(323,643)	1,622,118	2,951,873	1,948,757	2,092,359
Profit before tax	3,902,695	6,870,213	8,608,554	9,509,629	10,109,512
Income tax expense	(1,219,707)	(1,317,516)	(1,016,927)	(1,202,396)	(1,157,893)
Profit for the year	2,682,988	5,552,697	7,591,627	8,307,233	8,951,619
Profit before tax attributable to:					
Equity holders of the Company	3,139,578	6,863,171	8,588,365	9,515,855	10,109,512
Minority interests	763,117	7,042	20,189	(6,226)	-
	3,902,695	6,870,213	8,608,554	9,509,629	10,109,512
Profit for the year attributable to:					
Equity holders of the Company	2,175,543	5,549,721	7,578,925	8,307,020	8,951,619
Minority interests	507,445	2,976	12,702	213	-
	2,682,988	5,552,697	7,591,627	8,307,233	8,951,619
Profit before tax is analysed as follows:					
Profit before depreciation, amortisation and interest expense	4,548,356	7,334,981	9,042,542	10,003,912	10,538,216
Depreciation	(514,758)	(403,581)	(377,147)	(434,261)	(367,812)
Amortisation	(56,609)	(57,607)	(56,841)	(58,931)	(60,484)
Interest expense	(74,294)	(3,580)	-	(1,091)	(408)
Profit before tax	3,902,695	6,870,213	8,608,554	9,509,629	10,109,512

5.0 Proforma Consolidated Income Statements of Turbo-Mech Group (Contd.)

5.2 The performance indices of the Group based on the proforma consolidated income statements for the past five (5) financial years ended 31 December 2009 are as follows:

	2005	2006	2007	2008	2009
Number of ordinary shares assumed in issue α	89,932,000	89,932,000	89,932,000	89,932,000	89,932,000
Revenue (RM)	36,865,259	30,591,161	28,613,950	34,521,981	63,871,735
Gross profit (RM)	10,238,790	10,627,141	10,672,252	12,635,686	14,245,806
Profit before tax (RM)	3,902,695	6,870,213	8,608,554	9,509,629	10,109,512
Profit for the year (RM)	2,682,988	5,552,697	7,591,627	8,307,233	8,951,619
Gross profit margin (%)	27.77	34.74	37.30	36.60	22.30
Profit before tax margin (%)	10.59	22.46	30.09	27.55	15.83
Profit for the year margin (%)	7.28	18.15	26.53	24.06	14.01
Gross earnings per share (RM) *	0.03	0.08	0.10	0.11	0.11
Net earnings per share (RM) ^	0.02	0.06	0.08	0.09	0.10
Diluted earnings per share (RM) #	0.02	0.06	0.08	0.09	0.10

α Based on the number of ordinary shares in issue after the completion of the Acquisition but before the Public Issue.

* The gross earnings per share is computed based on the profit before tax attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.

^ The net earnings per share is computed based on the profit for the year attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.

The diluted earnings per share is computed based on the profit for the year attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue. There are no dilutive effect.

5.3 Notes to the Proforma Consolidated Income Statements

The proforma consolidated income statements for the past five (5) financial years ended 31 December 2009 are prepared based on the audited income statements of Turbo-Mech Asia Group and Bayu Purnama Group for the financial years ended 31 December 2005 to 31 December 2009 and the audited income statements of Turbo-Mech from the date on incorporation on 6 July 2009 to 31 December 2009.

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
For identification purposes only

6.0 Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets of the Group as set out below are prepared solely for illustrative purposes only to show the effects of the Acquisitions and Public Issue ("IPO") referred to in Section 3 had these transactions been effected on 31 December 2009.

	Company Balance Sheet as at 31 December 2009 RM	Adjustments for Acquisitions RM	(I) Proforma Group after Acquisitions RM	Subscription of IPO and Utilisation of Funds RM	(II) Proforma Group after Proforma (I) and Subscription of IPO and Utilisation of Funds RM
ASSETS					
Non-current assets					
Property, plant and equipment	-	3,244,257	3,244,257	4,000,000	7,244,257
Prepaid land lease payments	-	2,923,870	2,923,870	-	2,923,870
Investments in associates	-	11,481,483	11,481,483	-	11,481,483
Other investments	-	61,441	61,441	-	61,441
Deferred tax assets	-	17,943	17,943	-	17,943
	-		17,728,994		21,728,994
Current assets					
Inventories	-	2,111,912	2,111,912	-	2,111,912
Trade and other receivables	-	6,998,879	6,998,879	-	6,998,879
Deposits, cash and bank balances	2	23,382,249	23,382,251	4,882,840	28,265,091
	2		32,493,042		37,375,882
TOTAL ASSETS	2		50,222,036		59,104,876

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6.0 Proforma Consolidated Balance Sheets (Contd.)

	Company Balance Sheet as at 31 December 2009 RM	Adjustments for Acquisitions RM	(I) Proforma Group after Acquisitions RM	Subscription of IPO and Utilisation of Funds RM	(II) Proforma Group after Proforma (I) and Subscription of IPO and Utilisation of Funds RM
EQUITY AND LIABILITIES					
Equity					
Share capital	2	44,965,998	44,966,000	9,034,000	54,000,000
Share premium	-	-	-	-	-
Foreign currency translation reserve	-	1,761,708	1,761,708	-	1,761,708
Accumulated losses	(6,080)	(548,777)	(554,857)	(151,160)	(706,017)
Total equity	(6,078)		46,172,851		55,055,691
Non-current liabilities					
Deferred tax liabilities	-	48,268	48,268	-	48,268
Finance lease	-	10,016	10,016	-	10,016
	-		58,284		58,284

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6.0 Proforma Consolidated Balance Sheets (Contd.)

	Company Balance Sheet as at 31 December 2009 RM	Adjustments for Acquisitions RM	(I) Proforma Group after Acquisitions RM	Subscription of IPO and Utilisation of Funds RM	(II) Proforma Group after Proforma (I) and Subscription of IPO and Utilisation of Funds RM
Current liabilities					
Trade and other payables	6,080	2,855,701	2,861,781	-	2,861,781
Finance lease	-	13,732	13,732	-	13,732
Current tax payable	-	1,115,388	1,115,388	-	1,115,388
	6,080		3,990,901		3,990,901
Total liabilities	6,080		4,049,185		4,049,185
TOTAL EQUITY AND LIABILITIES	2		50,222,036		59,104,876
Number of ordinary shares in issue	4		89,932,000		108,000,000
Net tangible (liabilities)/assets (RM)	(6,078)		46,172,851		55,055,691
Net tangible (liabilities)/assets per share (RM)	(1,520)		0.51		0.51

6.1 Notes to the Proforma Consolidated Balance Sheets

The proforma consolidated balance sheets include, on a proforma basis, the following transactions assuming they were effected on 31 December 2009:

Proforma (I)

Turbo-Mech was incorporated on 6 July 2009 with an authorised share capital of 200,000 ordinary shares of RM0.50 each and paid up share capital of 4 ordinary shares of RM0.50 each.

On 23 September 2009, the Company increased its authorised ordinary share capital from RM100,000 to RM100,000,000 through the creation of 199,800,000 ordinary shares of RM0.50 each.

For the purpose of the proforma consolidated balance sheets, the financial statements are based on the financial year ended 31 December 2009.

Proforma (I) incorporates the Acquisitions as set out in Section 3.1 above.

The Acquisitions of subsidiaries meet the criteria of business combination involving entities under common control and accordingly have been accounted for using the merger method. Accordingly, the following items have been effected:

(i) the results of entities or businesses under common control are presented as if the merger had been effected throughout the current and previous years or from the date when these entities came under the control of the common controlling party;

(ii) the assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer;

(iii) the retained earnings and other equity balances recognised in the consolidated balance sheets represent the retained earnings and other equity balances of Turbo-Mech Asia Group before the merger;

(iv) the merger deficit has been set off against retained earnings of the combined group; and

	RM
Turbo-Mech Asia's share capital as at 31 December 2009	18,505,550
Less: Purchase consideration for the acquisition of Turbo-Mech Asia Group	(36,326,243)
Merger deficit arising from acquisition of Turbo-Mech Asia Group	(17,820,693)
Less: Amount set off against retained earnings	17,820,693
	-
Retained earnings arising from acquisition of Turbo-Mech Asia Group	17,271,916
Less: Amount of merger deficit set off against retained earnings	(17,820,693)
	(548,777)

6.1 Notes to the Proforma Consolidated Balance Sheets (Contd.)

Proforma (I) (Contd.)

(v) the equity structure appearing in the consolidated balance sheets (i.e the value, number and type of equity instruments issued) reflects the equity structure of Turbo-Mech, including the equity instruments issued by Turbo-Mech to effect the merger.

Proforma (II)

Proforma (II) incorporates the effects of Proforma (I) and the Public Issue of 18,068,000 new Turbo-Mech shares of RM0.50 each at an indicative Initial Public Offering ("IPO") price of RM0.63 per share and proposed utilisation of the gross proceeds from the Public Issue as follows:

	RM
Additions of property, plant and machinery	4,000,000
Working capital	4,882,840
Estimated listing expenses	2,500,000
	11,382,840
Share premium arising from Public Issue	2,348,840
Less: Estimated listing expenses	(2,348,840)
	-

The estimated listing expenses relating to the flotation exercise of RM2,500,000 of which RM2,348,840 are charged to the available share premium account and the balance of RM151,160 are charged to retained earnings. For the purpose of this proforma, these expenses have been settled using the proceeds from the Public Issue.

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6.2 Proforma Consolidated Balance Sheets

The following is a proforma consolidated balance sheets of the Group prepared based on the audited financial statements of Turbo-Mech Asia Group and Bayu Purnama Group as at 31 December 2009 and the audited financial statements of Turbo-Mech from the date of incorporation on 6 July 2009 to 31 December 2009.

The proforma consolidated balance sheet is prepared for illustrative purposes only, to show the effects of all the transactions stated in Note 7(a) to the financial statements.

	Note	Proforma Group After Acquisitions and Subscription of IPO and Utilisation of Funds RM
ASSETS		
Non-current assets		
Property, plant and equipment	**6.3(a)**	7,244,257
Prepaid land lease payments	**6.3(b)**	2,923,870
Investments in associates	**6.3(c)**	11,481,483
Other investments	**6.3(d)**	61,441
Deferred tax assets	**6.3(k)**	17,943
		21,728,994
Current assets		
Inventories	**6.3(e)**	2,111,912
Trade and other receivables	**6.3(f)**	6,998,879
Deposits, cash and bank balances	**6.3(g)**	28,265,091
		37,375,882
TOTAL ASSETS		59,104,876
EQUITY AND LIABILITIES		
Equity		
Share capital	**6.3(h)**	54,000,000
Share premium	**6.3(i)**	-
Foreign currency translation reserve	**6.3(j)**	1,761,708
Accumulated losses		(706,017)
Total equity		55,055,691

6.2 Proforma Consolidated Balance Sheets (Contd.)

	Note	Proforma Group After Acquisitions and Subscription of IPO and Utilisation of Funds RM
Non-current liabilities		
Deferred tax liabilities	**6.3(k)**	48,268
Finance lease under obligations	**6.3(l)**	10,016
		58,284
Current liabilities		
Trade and other payables	**6.3(m)**	2,861,781
Finance lease under obligations	**6.3(l)**	13,732
Current tax payable		1,115,388
		3,990,901
Total liabilities		4,049,185
TOTAL EQUITY AND LIABILITIES		59,104,876

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6.3 Notes to the Financial Statements

(a) Property, plant and equipment

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	22,234	(20,474)	1,760
Computers	310,093	(298,104)	11,989
Furniture and fittings	92,654	(77,090)	15,564
Land improvements	55,208	(23,924)	31,284
Leasehold buildings	3,224,578	(614,853)	2,609,725
Motor vehicles	552,402	(376,715)	175,687
Office equipment	231,145	(208,952)	22,193
Plant, machinery and instruments	5,279,103	(1,482,204)	3,796,899
Renovation	1,086,694	(507,538)	579,156
	10,854,111	(3,609,854)	7,244,257

As at 31 December 2009, a leasehold property with net carrying amounts of RM2,392,257 is pledged as securities for banking facilities.

6.3 Notes to the Financial Statements (Contd.)

(b) Prepaid land lease payments

	RM
At 31 December 2009	2,923,870

As at 31 December 2009, a leasehold property with net carrying amounts of RM2,923,870 is pledged as securities for banking facilities.

(c) Investments in associates

	RM
Unquoted shares, at cost	9,120,439
Share of post-acquisition reserves	2,361,044
	11,481,483

(d) Other investments

	RM
Club memberships, at cost	61,441

(e) Inventories

	RM
Trading goods	2,111,912

6.3 Notes to the Financial Statements (Contd.)

(f) Trade and other receivables

	RM
Trade receivables	
Third parties	5,291,237
Related parties	895,354
Associate	4,132
	6,190,723
Less: Provision for doubtful debts	(944)
Trade receivables, net	6,189,779
Other receivables	
Due from related parties	90,323
Due from associates	52,149
Staff advances	29,944
Deposits	48,091
Interest receivables	28,416
Advance to supplier	1,340
Prepayment	131,461
Sundry receivables	427,376
	809,100
	6,998,879

The credit terms granted to the customers range from 30 days to 90 days. The amount due from related companies is unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

(g) Deposits, cash and bank balances

	RM
Fixed deposits with licensed banks	11,206,273
Cash at bank and on hand	17,058,818
	28,265,091

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6.3 Notes to the Financial Statements (Contd.)

(h) Share capital

	Number of ordinary shares of RM0.50 each	RM
Authorised share capital		
Ordinary shares of RM0.50 each	200,000,000	100,000,000
Issued and fully paid		
Ordinary shares of RM0.50 each	4	2
Issued pursuant to the acquisition	89,931,996	44,965,998
Public issue	18,068,000	9,034,000
	108,000,000	54,000,000

(i) Share premium

	RM
Arising from Public Issue	2,348,840
Less: Estimated listing expenses	(2,348,840)
	-

(j) Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of Turbo-Mech Asia group whose functional currency is different from that of the Group's presentation currency.

(k) Deferred tax

	RM
Deferred income tax as at 31 December 2009 relates to the following:	
Deferred tax liabilities	
Excess of net book value over tax written down value of property, plant and equipment	48,796
Other deferred tax liabilities	(528)
	48,268
Deferred tax assets	
Other deferred tax assets	(17,943)
Subtotal	(17,943)
Total	30,325

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6.3 Notes to the Financial Statements (Contd.)

(l) Finance lease under obligations

	RM
Present value of minimum lease payments:	
Not later than one year	13,732
Later than one year but not later than five years	10,016
	23,748

(m) Trade and other payables

	RM
Trade payables	
Third parties	1,940,256
Advance billings to customers	357,741
	2,297,997
Other payables	
Advance from customers	24,650
Accruals	377,411
Sundry payables	17,185
GST payables	93,668
Related companies	50,870
	563,784
	2,861,781

Trade payables are non-interest bearing and are normally settled on 30 to 60 days terms.

Amount due to related companies is unsecured, non-interest bearing and repayable on demand.

(n) Operating lease commitments

	RM
Not later than one year	146,866
Later than one year but not later than five years	72,366
	219,232

7.0 Summary of Significant Accounting Policies

(a) Basis of Preparation

The financial statements have been prepared on the historical cost basis and comply with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

Listing Scheme

As part of the listing scheme, Turbo-Mech undertook the following:

(i) Acquisitions

Acquisitions by Turbo-Mech of:

(i) 8,000,000 shares in Turbo-Mech Asia representing 100% equity interest in Turbo Mech Asia; and

(ii) 2,125,000 shares in Bayu Purnama representing 42.5% equity interest in Bayu Purnama

from the respective vendors of the Acquiree Companies for an aggregate purchase consideration of RM44,965,998 to be satisfied by way of issuance of 89,931,996 new ordinary shares of RM0.50 each in Turbo-Mech ("Turbo-Mech shares") at an issue price of RM0.50 per share.

(ii) Public Issue

Public issue of 18,068,000 new Turbo-Mech Shares ("Public Issue Shares") representing approximately 16.7% of the enlarged issued and paip-up share capital of Turbo-Mech, at an indicative Initial Public Offering ("IPO") price of RM0.63 per Turbo-Mech Share, payable in full on application.

The Public Issue is to be allocated and alloted in the following manner:

(i) Malaysian public via balloting

6,000,000 Public Issue Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of Turbo-Mech, to be allocated via balloting, will be made available for application by the Malaysian public.

(ii) Eligible Directors, employees and business associates of the Group

4,500,000 Public Issue Shares, representing approximately 4.2% of the enlarged issued and paid-up share capital of Turbo-Mech, will be made available for application by eligible Directors, employees and business associates of the Group.

(iii) Selected investors via placement

7,568,000 Public Issue Shares, representing approximately 7.0% of the enlarged issued and paid-up share capital of Turbo-Mech, by way of private placement to selected investors.

7.0 Summary of Significant Accounting Policies (Contd.)

(a) Basis of Preparation (Contd.)

(iii) Listing

Upon completion of the Public Issue, Turbo-Mech will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of the Turbo-Mech Shares on the Main Market of the Bursa Malaysia Securities Berhad.

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions, are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Business combinations involving entities under common control are accounted for by applying the pooling of interest method. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company. Any difference between the consideration paid and the share capital of the "acquired" entity is reflected within equity as merger reserve. The income statement reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control. The merger reserve has been written off to the retained earnings.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

7.0 Summary of Significant Accounting Policies (Contd.)

(c) Transactions with Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(d) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

(e) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associate are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

7.0 Summary of Significant Accounting Policies (Contd.)

(f) Foreign Currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange ruling at that balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

(g) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Leasehold buildings	over the lease period of 20 – 57 years
Air conditioner	5 years
Computers	3 – 5 years
Furniture and fittings	2 – 10 years
Motor vehicles	7 – 10 years
Office equipment	2 – 10 years
Plant, machinery and instruments	5 years
Renovation	5 years

7.0 Summary of Significant Accounting Policies (Contd.)

(g) Property, Plant and Equipment and Depreciation (Contd.)

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

(h) Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

7.0 Summary of Significant Accounting Policies (Contd.)

(i) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(j) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

A loan and receivable is derecognised when the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

7.0 Summary of Significant Accounting Policies (Contd.)

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(l) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets Carried at Cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

7.0 Summary of Significant Accounting Policies (Contd.)

(n) Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in income statement. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Leases

(a) As Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

7.0 Summary of Significant Accounting Policies (Contd.)

(p) Leases (Contd.)

(a) As Lessee

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(q) Employee Benefits

(a) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as expense in the period in which the related service is performed.

(b) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of Services

Revenue from services rendered are recognised upon services performed.

7.0 Summary of Significant Accounting Policies (Contd.)

(s) Income Taxes

(a) Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except to the extent that tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

(b) Deferred Taxation

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

7.0 Summary of Significant Accounting Policies (Contd.)

(s) Income Taxes (Contd.)

(b) Deferred Taxation (Contd.)

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside income statement is recognised outside income statement. Deferred taxes are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

7.0 Summary of Significant Accounting Policies (Contd.)

(t) Financial Risk Management Objectives and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and foreign currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arising from the inability of a customer to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Group.

It is the Group's policy to sell to a diverse group of customers who have been assessed for their credit worthiness to reduce credit risk.

Exposure to Credit Risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the balance sheets.

Credit Risk Concentration Profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	RM	% of total
By country:		
Singapore	4,168,110	67%
Malaysia	217,608	4%
Philippines	331,867	5%
Indonesia	891,151	14%
Others	581,043	10%
	6,189,779	100%

7.0 Summary of Significant Accounting Policies (Contd.)

(t) Financial Risk Management Objectives and Policies (Contd.)

Foreign Currency Risk

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Japanese Yen ("JPY") and United States Dollar ("USD"). The Group's trade receivable and payable balances at the balance sheet date have similar exposures.

Cash and cash equivalents are denominated in the following currencies:

	RM
Singapore Dollars	12,256,563
United States Dollars	3,067,675
Japanese Yen	7,746,787
Ringgit Malaysia	4,882,842
Others	311,224
	28,265,091

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Trade and other receivables are denominated in the following currencies:

	RM
Singapore Dollars	2,887,092
United States Dollars	1,856,220
Japanese Yen	1,768,816
Philippines Peso	485,790
Others	961
	6,998,879

Trade and other payables are denominated in the following currencies:

	RM
Singapore Dollars	818,831
United States Dollars	743,818
Japanese Yen	1,137,143
Malaysia Ringgit	15,956
Euro Dollars	102,471
Others	43,562
	2,861,781

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

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Chartered Accountants, Kuala Lumpur
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7.0 Summary of Significant Accounting Policies (Contd.)

(t) Financial Risk Management Objectives and Policies (Contd.)

Sensitivity Analysis for Foreign Currency Risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the JPY, USD and Euro dollar ("EUR") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		RM Profit net of tax
JPY/RM	- strengthened 5%	+171,378
	- weakened 5%	–171,378
USD/RM	- strengthened 4%	+74,247
	- weakened 4%	–74,247
EUR/RM	- strengthened 4%	+2,058
	- weakened 4%	-2,058

8.0 Audited Financial Statements

No audited financial statements of Turbo-Mech or of the Group have been prepared in respect of any period subsequent to 31 December 2009.

9.0 Significant Post Balance Sheet Event

There were no material events which have arisen subsequent to the balance sheet date, which requires disclosure in this Report.

10.0 Proforma Consolidated Cash Flow Statement

The proforma consolidated cash flow statement of the Group for the financial year ended 31 December 2009, which has been prepared for illustrative purposes are based on the audited financial statements of the subsidiaries of Turbo-Mech in accordance with accounting policies consistent with those adopted in the preparation of the audited financial statements and on the assumption that the current structure of the Group existed throughout the financial year under review.

	After the Acquisitions and Subscription of IPO and Utilisation of Funds RM
Cash Flows from Operating Activities	
Profit before tax	10,109,512
Adjustments for:	
Gain on disposal of property, plant and equipment	(2,595)
Inventories written down	184,735
Reversal of inventories written down	(73,321)
Depreciation of property, plant and equipment	367,812
Amortisation of prepaid land lease payments	60,484
Interest income	(75,613)
Share of profit of associates	(2,092,359)
Interest expense	408
Operating profit before working capital changes	8,479,063
Inventories	4,700,012
Receivables	2,990,910
Payables	(6,702,074)
Cash generated from operations	9,467,911
Tax paid	(1,398,686)
Interest expense	(408)
Net cash generated from operating activities	8,068,817
Cash Flows from Investing Activities	
Purchase of property, plant and equipment	(4,213,838)
Proceeds from disposal of property, plant and equipment	2,624
Interest received	75,613
Net cash used in investing activities	(4,135,601)

ERNST & YOUNG (AF: 0039)
Chartered Accountants, Kuala Lumpur
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10.0 Proforma Consolidated Cash Flow Statement (Contd.)

	After the Acquisitions and Subscription of IPO and Utilisation of Funds RM
Cash Flows from Financing Activities	
Proceeds from issue of shares	11,382,840
Repayment of hire purchase payables	(43,767)
Estimated listing expenses	(2,500,000)
Net cash generated from financing activities	8,839,073
Net effect of exchange rate changes in consolidating subsidiaries	287,900
Net increase in cash and cash equivalents	13,060,189
Cash and cash equivalents at beginning of the year	15,204,902
Cash and cash equivalents at end of the year	28,265,091

9.2 HISTORICAL FINANCIAL INFORMATION

The table below sets out a summary of our proforma consolidated results for the past five (5) FYEs 2005 to 2009. The proforma consolidated results were prepared on the assumption that our Group has been in existence throughout the years under review. The proforma consolidated results are prepared for illustrative purposes only and should be read in conjunction with the accompanying notes and assumptions included in the proforma consolidated financial information set out in Section 9.1 of this Prospectus.

	Audited FYE				
	2005 RM'000	2006 RM'000	2007 RM'000	2008 RM'000	2009 RM'000
Revenue	36,865	30,591	28,614	34,522	63,872
Gross profit	10,239	10,627	10,672	12,636	14,246
Other income	312	191	523	385	489
Operating expenses	(6,250)	(5,566)	(5,538)	(5,459)	(6,717)
Finance costs	(74)	(4)	-	(1)	-
Share of (losses) and profits of associates[@]	(324)	1,622	2,952	1,949	2,092
PBT	3,903	6,870	8,609	9,510	10,110
Tax expense	(1,220)	(1,317)	(1,017)	(1,203)	(1,158)
PAT	2,683	5,553	7,592	8,307	8,952
PBT Attributable to:					
- Equity holders of our Company	3,140	6,863	8,589	9,516	10,110
- MI	763	7	20	(6)	-
PAT Attributable to:					
- Equity holders of our Company	2,176	5,550	7,579	8,307	8,952
- MI	507	3	13	-	-
EBITDA	4,548	7,335	9,043	10,004	10,538
Number of shares in Turbo-Mech had Turbo-Mech Group been in existence ('000)[α]	89,932	89,932	89,932	89,932	89,932
Gross profit margin (%)	27.77	34.74	37.30	36.60	22.30
PBT margin (%)	10.59	22.46	30.09	27.55	15.83
PAT margin (%)	7.28	18.15	26.53	24.06	14.01
Gross EPS (RM)*	0.03	0.08	0.10	0.11	0.11
Net EPS (RM)^	0.02	0.06	0.08	0.09	0.10
Diluted EPS (RM)[#]	0.02	0.06	0.08	0.09	0.10

Notes:-

α — *Based on the number of ordinary shares in issue after completion of the Acquisitions but before the Public Issue.*

* — *Gross earnings per share is computed based on the PBT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.*

^ — *Net earnings per share is computed based on the PAT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue.*

— *Diluted earnings per share is computed based on the PAT attributable to equity holders of the Company divided by the number of ordinary shares in issue after the completion of the Acquisitions but before the Public Issue. There is no dilutive effect.*

@ — *Our Group does not have any joint-venture entity/company.*

The proforma consolidated results of our Group are extracted from the audited financial statements of our Group for FYEs 2005 to 2009 , which have been prepared in accordance with the Singapore Financial Reporting Standards based on International Financial Reporting Standards and after incorporating adjustments that are appropriate for the preparation of the proforma consolidated financial information.

Turbo-Mech was incorporated on 6 July 2009 and does by itself have an audited financial statement prepared for the period from 6 July 2009 (date of incorporation) to 31 December 2009.

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9.3 CAPITALISATION AND INDEBTEDNESS

The following table summarises our cash and cash equivalents, capitalisation and indebtedness:-

(i) as at 31 December 2009 based on our proforma consolidated financial statements after the Acquisitions; and
(ii) as adjusted for the net proceeds arising from the issue of 18,068,000 IPO Shares pursuant to our IPO and the utilisation of proceeds as set out in Section 2.7 of this Prospectus.

	Proforma Consolidated as at 31 December 2009 after the Acquisitions (RM'000)	**After the IPO and utilisation of proceeds (RM'000)**
Cash and cash equivalents	23,382	28,265
Indebtedness		
Short term indebtedness:		
Hire purchase (secured and guaranteed)	14	14
Total short term indebtedness	14	14
Long term indebtedness		
Hire purchase (secured and guaranteed)	10	10
Total long term indebtedness	10	10
Total indebtedness	24	24
Total proforma shareholders' equity	46,173	55,056
Gearing ratio	*	*

Note:-

* *Less than 0.01%*

The indirect and contingent liabilities of our Group are as set out in Section 9.4.8 of this Prospectus.

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9.4 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

The following management's discussion and analysis of our Group's past financial performances and results of operations should be read in conjunction with the proforma consolidated financial information and the related notes thereon for the past five (5) FYEs 2005 to 2009 included in Section 10 of this Prospectus. Detailed segment information of our Group are detailed in Section 9.4.2 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 3 of this Prospectus.

9.4.1 Overview of Operations

Our Group's principal businesses are sales of rotating equipment and spare parts and provision of maintenance and overhaul services for offshore and petrochemical industries. Since the acquisition of Turbo-Mech Asia by Mosgan in 1998, we have expanded our business extensively throughout the South East Asia region.

Through our subsidiaries and associates, our Group has established an overseas customer base covering seven (7) countries involved in offshore and petrochemical industries, namely Singapore, Malaysia, Indonesia, Philippines, Thailand, Vietnam and Brunei.

We offer a comprehensive range of rotating equipment to our customers, such as pumps, gas compressors, steam turbines and cooling fans. In addition to the sales, installation and commissioning of such rotating equipment, we also offer complete after sales service to our customers encompassing the servicing, overhaul and repair of such equipment. Our engineers also perform on-site maintenance of equipment at customers' offshore and onshore premises.

From FYEs 2005 to 2009, our PBT has increased by almost 160% from approximately RM3.9 million to RM10.1 million.

In the short term future, we plan to further expand our businesses in Indonesia and Thailand via the setting up of a workshop and light fabrication yard respectively. These new facilities will help us to serve our customers better and promote growth.

Revenue

We are a provider of total solutions for rotating equipment particularly for the oil, gas and petrochemical industries.

Our Group's core revenue stream is mainly derived from the selling, installation and commissioning of rotating equipment and replacement parts ("**Rotating Equipment**"). We also undertake after-sales service, trouble-shooting, provision of spare parts, overhaul and maintenance of all our equipment ("**Maintenance and Overhaul**").

We are the appointed sales representative for a range of equipment including pumps, gas compressors, steam turbines and cooling fans. The main brands distributed by our Group include Shin Nippon Machinery Co Ltd, Sundyne Nikkiso Company, Nikkiso Co Ltd and Hudson Products Corporation.

Our prices are determined by a cost plus basis. Our costs include the cost of materials and ancillary overhead costs. As our suppliers are mainly foreign, our billings may be denominated in foreign currency such as JPY and USD.

Our gross margin and operating margin are substantially affected by the different products, spare parts and services that we offer to our customers. In general, a larger proportion of our revenue is derived from the sales of Rotating Equipment as compared to Maintenance and Overhaul.

For Rotating Equipment, in view of the demanding nature of the oil and gas industry, the equipment we supply are tailor made for each application based on their exact specifications. Once an order has been placed by our customers, our suppliers will generally require six (6) to twelve (12) months to manufacture, depending on specifications. Revenue is only recognised when the goods are delivered to the customers, which is taken to be the point in time when the customers have accepted the goods and the related risks and rewards of ownership. Sales of Rotating Equipment are generally on a project basis.

Further information on our business processes are as detailed in Section 4.9 and Section 4.15 of this Prospectus. Please refer to Section 4.23 of this Prospectus for further information on our Group's major customers.

The main factors affecting our revenue are as detailed in Section 9.4.3 of this Prospectus.

On average, financial arrangements with customers are based on trading terms ranging from thirty (30) days to ninety (90) days.

Cost of Sales

Our Group's cost of sales comprises mainly of the cost of products which are purchased for resale and the shipping and handling costs in connection with the shipping of our products to our customers located in the South East Asia region. We usually deliver our goods to local customers by truck. Our overseas deliveries are primarily made by ship or by air in circumstances requiring urgent delivery. Usually, our products are shipped directly to our customers' premises where our personnel will perform the installation and commissioning.

As an authorised sales representative of rotating equipment, our costs of sales for Rotating Equipment are largely dependent on our customers' specifications for equipment and the demand for such equipment. As our suppliers are foreign, our purchases are mainly denominated in the respective functional currency of suppliers, such as JPY or USD. Please refer to Section 4.24 of this Prospectus for further information on our Group's major suppliers.

On average, our credit terms with our suppliers range from thirty (30) days to sixty (60) days upon delivery.

Operating Expenses

Our Group's operating expenses include employee benefits expenses, depreciation and amortisation expenses and other operating expenses.

Employee benefits expenses

Employee benefits expenses comprise of salaries and benefits to our personnel. Employee benefits expenses accounted for 52.6%, 57.9%, 60.4%, 54.8% and 44.3% of our Group's total operating expenses for FYE 2005, 2006, 2007, 2008 and 2009 respectively.

As a percentage of turnover, it amounted to 8.9%, 10.5%, 11.7%, 8.7% and 4.7% of our Group's turnover for FYE 2005, 2006, 2007, 2008 and 2009 respectively.

Employee benefits expenses have largely remained constant over the years under review as our Group has strived to retain a lean and efficient workforce.

Depreciation and amortisation expenses

Depreciation and amortisation expenses comprise of depreciation charges for our Group's property, plant and equipment. For the last five (5) financial years under review, depreciation and amortisation expenses accounted to less than 10% of our Group's total operating expenses. It also amounted to less than 2% of our Group's total turnover for the past five (5) financial years under review.

Other operating expenses

Other operating expenses comprise mainly of travelling and entertainment expenses incurred by our service personnel in performing Maintenance and Overhaul services outside our workshop.

Other operating expenses accounted for 38.3%, 33.8%, 31.8%, 36.2% and 49.3% of our Group's total operating expenses for FYE 2005, 2006, 2007, 2008 and 2009 respectively.

As a percentage of turnover, it amounted to 6.5%, 6.2%, 6.1%, 5.7% and 5.2% of our Group's turnover for FYE 2005, 2006, 2007, 2008 and 2009 respectively.

Taxation

Our Group's results are mainly derived from our subsidiary Turbo-Mech Asia in Singapore. The statutory tax rates in Singapore for FYE 2005, 2006, 2007, 2008 and 2009 were 20.0%, 20.0%, 18.0%, 18.0% and 18.0% respectively.

For FYE 2005, 2006, 2007, 2008 and 2009, our Group's effective tax rates were 31.3%, 19.2%, 11.8%, 12.6% and 11.5% respectively. The difference in statutory and the aforementioned effective tax rates were the result of tax adjustments such as non-taxable income, non-deductible expenses, over/under provision of taxation and deferred taxation.

REVIEW OF RESULTS OF OPERATIONS

The following table summarises selected financial information of our Group for the years indicated:-

	Audited FYE				
	2005 RM'000	**2006 RM'000**	**2007 RM'000**	**2008 RM'000**	**2009 RM'000**
Revenue	36,865	30,591	28,614	34,522	63,872
% change	-	(17.0)	(6.5)	20.6	85.0
Cost of Sales	26,626	19,964	17,942	21,886	49,626
% change	-	(25.0)	(10.1)	22.0	126.7
Gross Profit	10,239	10,627	10,672	12,636	14,246
% change	-	3.8	0.4	18.4	12.7
Gross Profit Margin (%)	27.8	34.7	37.3	36.6	22.3
Operating Expenses	6,250	5,566	5,538	5,459	6,717
PBT	3,903	6,870	8,609	9,510	10,110
% change	-	76.0	25.3	10.5	6.3
PBT Margin (%)	10.6	22.5	30.1	27.6	15.8
PAT	2,683	5,553	7,592	8,307	8,952
% change	-	107.0	36.7	9.4	7.8

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Revenue

From FYEs 2005 to 2009, our Group's proforma revenue increased by 73.1% from approximately RM36.9 million to RM63.9 million. In summary, revenue dipped slightly by 17.0% and 6.5% in FYEs 2006 and 2007 respectively. Revenue increased by 20.6% from FYEs 2007 to 2008 and 85% from FYEs 2008 to 2009.

Rotating Equipment generally have higher selling prices and cost of sales. From FYEs 2005 to 2009, sales of Rotating Equipment for our Group increased from approximately RM34.1 million to approximately RM60.7 million, in line with strong demand and market acceptance of our products. Our Group's products are well accepted because of our proven track record as set out in Section 4.12.6 of this Prospectus.

On the back of strong sales of Rotating Equipment, revenue from Maintenance and Overhaul remained steady from approximately RM2.6 million to RM2.5 million during the similar period under review. Maintenance and Overhaul services generally have a higher gross margin compared to Rotating Equipment.

Group revenue is dependent on projects for each year and does not necessarily follow any specific trend.

Group revenue decreased in FYE 2006 as well as FYE 2007 as compared to FYE 2005 as a result of our Group's divestment of shareholdings in Turbo-Mech Thailand, resulting in Turbo-Mech Thailand becoming an associated company of our Group. Nevertheless, the decrease in revenue for FYE 2006 was partly mitigated by the increase in sales of pumps of approximately RM6.0 million during the year.

In view of the higher gross margin for Maintenance and Overhaul, our Group had established our workshop facilities in Philippines and Singapore in 2001 and 2003 respectively for the servicing and overhaul of equipment. Following the setting up of our workshop facility, our Group continued to expand and increase the contribution of Maintenance and Overhaul to that of total revenue. Revenue contribution from Maintenance and Overhaul services increased from RM2.6 million (7.1%) to RM5.3 million (15.3%) from FYEs 2005 to 2008.

From FYEs 2007 to 2008, Group revenue increased by 20.6% or approximately RM5.9 million as a result of increased demand and market acceptance of our products, as well as higher Maintenance and Overhaul revenue from strong growth in revenue from Rotating Equipment.

From FYEs 2008 to 2009, our Group recorded a revenue of approximately RM63.9 million in FYE 2009 as compared to RM34.5 million recorded in FYE 2008, representing an increase of approximately RM29.4 million or 85.0%.

The significant increase in revenue is mainly due to the increased sales of Rotating Equipment arising from projects undertaken by our Group with Shell Eastern Petroleum Pte Ltd. During FYE 2009, our Group completed various projects for Shell Eastern Petroleum Pte Ltd valued at approximately RM34.0 million.

However, contribution from Maintenance and Overhaul has decreased significantly from RM5.3 million in FYE 2008 to RM2.5 million or approximately 53.6% in FYE 2009. The decrease in revenue from Maintenance and Overhaul was mainly due to a lower demand for services which could vary periodically due to schedule maintenance timing and external demand for our clients' products.

Cost of Sales

Rotating Equipment. The primary factors driving the cost of sales are the suppliers' prices, and the shipping and handling costs incurred in connection with the shipping of our products to customers. Our costs for Rotating Equipment also include the personnel costs incurred for the installation and commissioning of our products.

Maintenance and Overhaul. The cost of sales for Maintenance and Overhaul mainly consists of the costs of replacement parts and personnel costs. In general, the gross margin on Maintenance and Overhaul services is higher relative to Rotating Equipment.

Overall, from FYEs 2005 to 2009, our Group's cost of sales increased by 86.4% from approximately RM26.7 million to RM49.6 million. Movements in the cost of sales closely mirrored sales trends for the financial years under review. During the same period, our cost of sales as a percentage of revenue increased from 72.2% to 77.7%, in line with significant increase in revenue from the sales of Rotating Equipment.

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Gross Profit and Gross Margin

Our gross profit increased substantially by 39.1% from RM10.2 million in FYE 2005 to RM14.2 million in FYE 2009 in line with our Group's strong increase in revenue.

Although our total revenue decreased in FYEs 2006 and 2007 in line with Turbo-Mech Thailand being an associated company our Group in FYE 2006, there was a marginal increase in our gross profit for the aforementioned financial years. This was due to an increase in Maintenance and Overhaul revenue in proportion to our total revenue.

In FYE 2008, the increase in gross profit of 18.4% mirrors the increase in total revenue during the financial year.

Although Group revenue increased significantly for the similar periods under review, gross profit increased only slightly by RM1.6 million or 12.7% from approximately RM12.6 million in FYE 2008 to approximately RM14.2 million in FYE 2009.

As a result of the change in our sales mix due to the significant revenue from sales of Rotating Equipment, our Group's gross margin reduced from 36.6% to 22.3%.

Operating Expenses

Our operating expenses, which mainly consists of salary, travelling expenses and entertainment expenses have generally remained stable from RM6.3 million in FYEs 2005 to RM6.7 million in FYE 2009. This is due to the fact that our business model is highly scalable and allows us to expand our operations with just a core team of personnel. In addition, our Group's other overheads consists mainly of rental costs which are fixed costs and do not increase with higher business activity.

Notwithstanding Turbo-Mech Thailand being reclassified as an associated company our Group in FYE 2006 (which resulted in an overall decrease in our Group's reported revenue, cost sales and operating costs); we have managed to control our operating costs and overheads even with increased business activity.

PBT

Based on the foregoing, our Group's proforma PBT increased from RM3.9 million to RM10.1 million from FYEs 2005 to 2009. Similarly, PBT margin increased from 10.6% to 15.8% during the same period.

On the back of strong increase in revenue, our Group's PBT for FYE 2009 increased by approximately RM0.6 million or 6.3% compared to our PBT of RM9.5 million for FYE 2008. Nevertheless, PBT margin of the Group decreased from 27.6% to 15.8% in line with the change in sales mix and reduction in our gross profit margin.

9.4.2 SEGMENTAL ANALYSIS

(a) Analysis by Products and Services

Analysis of Revenue by Products and Services

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rotating equipment										
Pumps	4,424	12.0	10,470	34.2	3,751	13.1	9,484	27.5	36,932	57.9
Industrial Cooling Fans	1,540	4.2	262	0.9	1,113	3.9	1,683	4.9	1,746	2.7
Spare Parts	28,127	76.3	16,025	52.4	19,213	67.1	17,224	49.9	21,990	34.4
	34,091	92.5	26,757	87.5	24,077	84.1	28,391	82.3	60,668	95.0
Maintenance and overhaul	2,620	7.1	3,707	12.1	4,351	15.2	5,301	15.3	2,458	3.8
Agency sales of rotating equipment	154	0.4	127	0.4	186	0.7	830	2.4	746	1.2
Total revenue	**36,865**	**100.0**	**30,591**	**100.0**	**28,614**	**100.0**	**34,522**	**100.0**	**63,872**	**100.0**

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9. FINANCIAL INFORMATION *(Cont'd)*

Analysis of Gross Profit by Products and Services

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rotating equipment										
Pumps	664	6.5	2,044	19.2	751	7.0	2,371	18.8	5,511	38.7
Industrial Cooling Fans	418	4.1	39	0.4	103	1.0	119	0.9	259	1.8
Spare Parts	8,068	78.8	7,343	69.1	8,362	78.4	7,925	62.7	6,566	46.1
	9,150	89.4	9,426	88.7	9,216	86.4	10,415	82.4	12,336	86.6
Maintenance and overhaul	935	9.1	1,074	10.1	1,270	11.9	1,391	11.0	1,164	8.2
Agency sales of rotating equipment	154	1.5	127	1.2	186	1.7	830	6.6	746	5.2
Total gross profit	**10,239**	**100.0**	**10,627**	**100.0**	**10,672**	**100.0**	**12,636**	**100.0**	**14,246**	**100.0**

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(b) **Analysis by Geographical Location**

Analysis of Revenue by Geographical Location

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Singapore	16,190	43.9	25,560	83.6	22,104	77.3	23,829	69.0	58,753	92.0
Philippines	1,248	3.4	1,474	4.8	1,872	6.6	1,179	3.4	1,875	2.9
Indonesia	-	-	-	-	401	1.4	860	2.5	1,392	2.2
Brunei	2,034	5.5	1,737	5.7	1,586	5.5	707	2.1	4	*
Thailand	12,046	32.7	-	-	-	-	-	-	-	-
Malaysia	3,864	10.5	1,387	4.5	896	3.1	6,486	18.8	1,003	1.6
Vietnam	1,483	4.0	433	1.4	1,755	6.1	1,461	4.2	845	1.3
Total revenue	**36,865**	**100.0**	**30,591**	**100.0**	**28,614**	**100.0**	**34,522**	**100.0**	**63,872**	**100**

Note:-
* *Less than 0.01%*

Analysis of Gross Profit by Geographical Location

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Singapore	4,618	45.1	8,719	82.0	8,555	80.1	9,210	72.9	12,738	89.4
Philippines	490	4.8	701	6.6	851	8.0	548	4.3	849	6.0
Indonesia	-	-	-	-	17	0.2	48	0.4	180	1.3
Brunei	731	7.1	657	6.2	672	6.3	341	2.7	1	*
Thailand	2,826	27.6	-	-	-	-	-	-	-	-
Malaysia	1,352	13.2	485	4.6	314	2.9	2,270	18.0	351	2.4
Vietnam	222	2.2	65	0.6	263	2.5	219	1.7	127	0.9
Total gross profit	**10,239**	**100.0**	**10,627**	**100.0**	**10,672**	**100.0**	**12,636**	**100.0**	**14,246**	**100.0**

Note:-
* *Less than 0.01%*

9. FINANCIAL INFORMATION *(Cont'd)*

(c) Analysis by Companies

Analysis of Revenue by Companies

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%^	RM'000	%^	RM'000	%^	RM'000	%^	RM'000	%^
Subsidiary companies										
Turbo-Mech Asia	21,601	58.6	27,434	89.7	25,142	87.9	32,518	94.2	62,236	95.0
Scallop	-	-	-	-	-	-	-	-	-	-
Turbo-Mech Indonesia	-	-	-	-	401	1.4	859	2.5	1,392	2.1
Rotodyne Philippines	1,248	3.4	1,474	4.8	1,872	6.5	1,179	3.4	1,875	2.9
Rotodyne Brunei *	2,034	5.5	1,737	5.7	1,586	5.5	707	2.0	-	-
Turbo-Mech Thailand @	12,046	32.7	-	-	-	-	-	-	-	-
	36,929	100.0	30,645	100.0	29,001	100.0	35,263	100.0	65,503	100.0
Consolidation adjustments	(64)	-	(54)	-	(387)	-	(741)	-	(1,631)	-
Total revenue	**36,865**	-	**30,591**	-	**28,614**	-	**34,522**	-	**63,872**	-

Notes:-

^ *Calculated as a percentage of revenue after eliminating inter-company transactions.*

* *In the period under review, Rotodyne Brunei was a subsidiary of Turbo-Mech from FYEs 2005 to 2008 before becoming an associated company of Turbo-Mech beginning from FYE 2009.*

@ *In the period under review, Turbo-Mech Thailand was a subsidiary of Turbo-Mech in FYE 2005 before becoming an associated company of Turbo-Mech beginning from FYE 2006.*

9. FINANCIAL INFORMATION *(Cont'd)*

Analysis of Gross Profit by Companies

	FYE									
	2005		2006		2007		2008		2009	
	RM'000	%^	RM'000	%^	RM'000	%^	RM'000	%^	RM'000	%^
Subsidiary Companies										
Turbo-Mech Asia	6,192	60.5	9,269	87.2	9,132	85.6	11,699	92.6	13,217	92.8
Scallop	-	-	-	-	-	-	-	-	-	-
Turbo-Mech Indonesia	-	-	-	-	17	0.2	48	0.4	180	1.2
Rotodyne Philippines	490	4.8	701	6.6	851	7.9	548	4.3	849	6.0
Rotodyne Brunei *	731	7.1	657	6.2	672	6.3	341	2.7	-	-
Turbo-Mech Thailand @	2,826	27.6	-	-	-	-	-	-	-	-
	10,239	100.0	10,627	100.0	10,672	100.0	12,636	100.0	14,246	100.0
Consolidation adjustments	-	-	-	-	-	-	-	-	-	-
Total gross profit	**10,239**	**100.0**	**10,627**	**100.0**	**10,672**	**100.0**	**12,636**	**100.0**	**14,246**	**100.0**

Notes:-

^ *Calculated as a percentage of gross profit after eliminating inter-company transactions.*

* *In the period under review, Rotodyne Brunei was a subsidiary of Turbo-Mech from FYEs 2005 to 2008 before becoming an associated company of Turbo-Mech beginning from FYE 2009.*

@ *In the period under review, Turbo-Mech Thailand was a subsidiary of Turbo-Mech in FYE 2005 before becoming an associated company of Turbo-Mech beginning from FYE 2006.*

9.4.3 SIGNIFICANT FACTORS MATERIALLY AFFECTING OUR GROUP'S NET REVENUE AND PROFITS

Our results of operations may be affected by a number of factors, the most significant of which are described below:-

(i) Demand and Supply Conditions

Our Group's revenue and profit are dependent on the demand and supply conditions as set out in Sections 4.25 of this Prospectus.

(ii) Product Mix

Our revenue, gross margin and operating margin are substantially affected by our product mix, particularly in respect to Rotating Equipment and Maintenance and Overhaul.

Generally, our total quantum of Rotating Equipment is significantly higher than Maintenance and Overhaul as Rotating Equipment are typically high value equipment which command high selling prices. The revenue stream from Maintenance and Overhaul is dependent on sales of Rotating Equipment as high sales of Rotating Equipment will create new opportunities for us expand our Maintenance and Overhaul services from these new customers.

However, the selling prices of Rotating Equipment are largely dependent on our suppliers, as the cost of sales of Rotating Equipment typically represents a larger proportion of the final selling prices of new equipment. In contrast, there is greater flexibility and variability for the amount charged for services rendered under Maintenance and Overhaul.

Our Group intends to further increase the contribution of Maintenance and Overhaul services by expanding our workshops to accommodate the increased workflow.

(iii) Competition and Contracts Secured

Our Group operates in the oil and gas industry which is a competitive industry. However, we provide a range of rotating equipment and services in support of the industry which includes amongst others, compressors, pumps and steam turbines.

Our Group's products and services are provided to main customers of the industry such as ExxonMobil Asia Pacific, Shell Eastern Petroleum Pte Ltd and Petrochemical Corporation of Singapore, and we share a long term business relationship with these customers which spans over ten (10) years.

With our Group's proven track record, competent personnel, competitive advantages and the continued support of our customers, our Directors and management are confident that we are well positioned to withstand future competition and to secure future projects from our existing and potential customers.

It is also our Group's intention to further expand business in the South East Asia region.

(iv) Effect of Crude Oil Prices

Our Group's customers are involved extensively in the entire value chain of the oil, gas and petrochemical industry, from exploration and development to the production and refining of hydrocarbons.

One of the major factors which may affect the level of oil exploration, development, production and refining activities is the level of crude oil prices. Therefore, it follows that high crude oil prices will spur the activities of the oil and gas industry and vice versa. The level of activity in the oil, gas and petrochemical industries will affect the demand for rotating equipment.

The Organisation of Petroleum Exporting Countries ("**OPEC**") has some influence on the price of hydrocarbons through their control of a sizeable proportion of the world's production capacity and reserves. Although the influence of OPEC over the market price of hydrocarbons is not absolute, OPEC has a vested interest in ensuring that hydrocarbon prices do not collapse, and as such are likely to actively attempt to sustain hydrocarbon prices at an 'acceptable' level.

(v) Taxation

The tax provision has been adequately provided for in all the financial years under review. The tax submission for our Group has been made up to the year of assessment 2008. There were no material matters in dispute with the taxation authorities in the countries where we have business presence in.

9.4.4 EXCEPTIONAL AND EXTRAORDINARY ITEMS

For the past five (5) FYEs 2005 to 2009, there were no exceptional and extraordinary items.

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9.4.5 IMPACT OF FOREIGN EXCHANGE/ INTEREST RATES/COMMODITY PRICES ON OUR GROUP'S OPERATIONS

The functional and reporting currency of our Group is RM.

Nevertheless, due to the nature of the oil and gas industry and also the fact that our Group has operations in the South East Asian region, our Group conducts our operations mainly in SGD as well as other foreign currencies, which mainly include, JPY and USD. Therefore, we maintain our cash accounts in RM, SGD, JPY and USD.

Our costs of sales are mainly denominated in foreign currencies of our suppliers. Therefore, our revenue is also mainly denominated in foreign currencies such as SGD, JPY and USD, whereby, the denomination of revenue billings will usually follow our suppliers' currency.

Our operational expenses, mainly incurred for manpower and travelling expenses are primarily attributable to Turbo-Mech Asia, and hence are mainly denominated in SGD.

For foreign revenue sources and payment of creditors and operational expenses, we would either hedge the transaction forward with banks providing foreign exchange hedging facilities or by natural hedging, whereby we will use our proceeds in a particular foreign currency to pay for expenses in the same foreign currency. By hedging forward or natural hedging, we minimise our foreign exchange exposure risk.

As we are involved in the provision of services and equipment, we are not materially affected by the fluctuations in commodity prices.

9.4.6 IMPACT OF INFLATION ON OUR GROUP'S OPERATIONS

There is no material impact of inflation on our historical profit for the past five (5) FYEs 2005 to 2009.

9.4.7 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES ON OUR GROUP'S OPERATIONS

Risks relating to government, economic, fiscal or monetary policies, which may materially affect our operations, are as set out in Section 3 of this Prospectus.

There are no government, economic, fiscal or monetary policies or factors that have materially impacted our historical profits for the past five (5) FYEs 2005 to 2009.

9.4.8 LIQUIDITY AND CAPITAL RESOURCES

(a) Working Capital

Our internal sources of cash comprise mainly cash generated from our revenue from operations, shareholders' equity, internally generated funds and retained earnings while our external sources of financing are primarily from credit extended to us by our suppliers.

We generally reinvest our internally generated funds into the business and have a healthy cash balance with minimal gearing.

As at 31 December 2009, our Group has total current assets of RM37.3 million and current liabilities of RM4.0 million, amounting to RM33.3 million of net working capital. Net working capital is defined as the difference between current assets and current liabilities. The current assets comprise mainly of trade and other receivables amounting to RM7.0 million and deposits, cash and bank balances amounting to RM28.3 million.

Most of our customers normally settle outstanding bills within the granted credit period. At this juncture, we do not foresee any circumstances which may materially affect the liquidity of our Group.

As we are an authorised sales representative and service provider, we have low capital expenditure requirements. With the current low regime of borrowing, we have yet to fully utilise our borrowing capacity to maximise expansion. However, our insignificant gearing enables us to have the flexibility to take advantage of any new projects or investments as and when the need arises.

Our Directors are of the opinion that after taking into account the existing unutilised sources of liquidity and the net proceeds from the Listing, we have adequate working capital for a period of twelve (12) months from the date of this Prospectus.

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(b) Proforma Cash Flow

A summary of our Group's proforma cash flow for FYE 2009 based on the proforma consolidated cash flow statement as set out in Section 9.1 of this Prospectus, is as follows:-

	Proforma Cash Flow FYE 2009 (RM'000)
Net cash flow from operating activities	8,069
Net cash flow used in investing activities	(4,136)
Net cash flow from financing activities [(1)]	8,839
Net effect of exchange rate changes in consolidating subsidiaries	288
NET INCREASE IN CASH AND CASH EQUIVALENTS	13,060
OPENING BALANCE OF CASH AND CASH EQUIVALENTS	15,205
CLOSING BALANCE OF CASH AND CASH EQUIVALENTS	28,265

Note:-

(1) After adjustments for proceeds from our IPO and the utilisation of proceeds as set out in Section 2.7 of this Prospectus

Net Cash Flows from Operating Activities

For FYE 2009, our proforma net cash inflow from operating activities amounted to RM8.1 million. This was due to our PBT of RM10.1 million recorded for the year adjusted mainly for depreciation and share of profit of associates of RM0.4 million and RM2.1 million respectively.

The increase in working capital was due to cash inflows arising from decrease in receivables and decrease in inventories of RM3.0 million and RM4.7 million respectively, offset by a decrease in payables of RM6.7 million. Our Group paid income tax of RM1.4 million during FYE 2009.

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Net Cash Flows from Investing Activities

Using the cash flow generated from operating activities, our Group acquired equipment of approximately RM0.2 million during FYE 2009. This is offset by interest received by our Group of RM0.1 million.

For proforma purposes, our Group's actual cash flows used in investing activities has been adjusted to take into account the additional RM4.0 million that we are expecting to incur for the expansion of our business facilities in Indonesia and Thailand as set out in Section 2.7 of this Prospectus. Upon completion of the IPO, our net cash used in investing activities would be RM4.1 million.

Net Cash Flows from Financing Activities

In FYE 2009, for proforma purposes, our Group's net cash flows generated from financing activities has been adjusted to RM8.84 million, taking into account the gross proceeds raised via the Public Issue of RM11.4 million. Out of this, approximately RM2.5 million will be used to defray the estimated listing expenses.

Excluding the proceeds raised from the Public Issue, in FYE 2009, our Group's net cash outflows from financing activities amounted to approximately RM0.04 million. This negative cash flow was attributed to the repayment of hire purchase payables incurred by us.

(c) Borrowings

As at 31 December 2009, we do not have any significant borrowings.

As such, the gearing ratio for our Group, computed based on our Group's total interest bearing borrowings as 31 December 2009, divided by our Group's proforma consolidated shareholders' equity as at 31 December 2009 upon completion of the IPO and utilisation of proceeds as set out in Section 2.7 of this Prospectus, is insignificant.

There has been no default on payments of either interest and/or principal sums for any borrowing throughout the past one (1) financial year i.e. FYE 2009.

(d) Breach of Terms and Conditions/Covenants Associated with Credit Arrangements/Bank Loan

To the best of our Directors' knowledge, as at LPD, neither we nor any of our subsidiaries are in breach of any terms and conditions or covenants associated with credit arrangements or bank loans, which can materially affect our financial results or business operations, or the investments by holders of securities in our Company.

(e) Financial Instruments Used

As at LPD, we do not have nor are we using any financial instruments.

(f) **Treasury Policies and Objectives**

We have been financing our operations through a combination of cash generated from operations, share capital, retained profits and credit from our suppliers.

The principal uses of these cash resources are for the purchases of goods and to defray operating expenses as well as other expenses such as employee benefits expenses, upkeep of equipment, transport and travelling expenses. Our funds were also used to finance capital expenditure and extending trade credit to our customers.

Our sales and purchases are denominated in various foreign currencies. Accordingly we hedge our foreign exchange exposure by a combination of natural and forward hedging.

Further information on our Group's foreign exchange exposure, impact and mitigating factors are as described in Section 9.4.5 above.

(g) **Material Commitment**

As at LPD, our Directors are not aware of any material commitments for capital expenditure, which upon becoming enforceable may have a material effect on the financial position of our Group.

(h) **Material Litigation/Arbitration**

As at LPD, saved as disclosed in Section 14.5 of this Prospectus, our Group and associated companies are not engaged whether as plaintiff or defendant in any legal action, proceedings, arbitration or prosecution for any criminal offence, which has a material effect on the financial position of our Group, and our Directors do not know of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially and adversely affect the financial position of our Group.

(i) **Contingent Liabilities**

As at LPD, our Directors are not aware of any material contingent liabilities, which upon becoming enforceable may have a material effect on the financial position of our Group.

9.4.9 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:-

	FYE				
	2005	**2006**	**2007**	**2008**	**2009**
Trade receivables turnover (months)(1)	1.4	3.8	2.5	3.0	1.2
Trade payables turnover (months)(1)	2.3	2.4	1.7	4.8	0.6
Inventory turnover (months)(1)	1.7	2.0	1.2	3.8	0.5

Note:-

(1) *Based on closing balance as at balance sheet dates.*

9.4.10 TRADE RECEIVABLES

Our Group's audited trade receivables balance (excluding inter-company trade receivables) as at 31 December 2009 and the ageing analysis thereon based on the records of our Group are as follows:-

As at 31 December 2009	**Within normal credit periods**			**Exceeding normal credit periods**		
	0-30 days RM'000	**31-60 days RM'000**	**61-90 days RM'000**	**91-120 days RM'000**	**> 120 days RM'000**	**Total RM'000**
Net Group trade receivables	3,089	477	1,856	296	472	6,190
% of total Group trade receivables	49.9	7.7	30.0	4.8	7.6	100.0

Our Group's normal credit period given to our trade debtors ranges from 30 to 90 days. Other credit terms are assessed and approved on a case-by-case basis after taking into consideration, inter-alia, the background and credit-worthiness of the customers, payment history of the customers and our relationship with the customers.

During the past five (5) FYEs 2005 to 2009, our Group trade receivables turnover period ranges from a low of 1.2 months in FYE 2009 to a high of 3.8 months in FYE 2006.

Despite the fluctuations in our trade receivables turnover period, the majority of our customers will usually settle their accounts at most, within 120 days. Additionally, our Group shares long term relationships with our major customers and has not encountered any significant difficulty in the collection of receivables.

For the five (5) year FYEs 2005 to 2009, our Group made minimal provisions for doubtful debts.

As at LPD, approximately 68.0% or RM4,249,358 of the total trade receivables for FYE 2009 has been subsequently collected. The Directors are of the opinion that all remaining outstanding receivables are recoverable.

9.4.11 TRADE PAYABLES

Our Group's audited trade payables balance (excluding inter-company trade payables) as at 31 December 2009 and the ageing analysis thereon based on the records of our Group are as follows:-

As at 31 December 2009	Within normal credit periods		Exceeding normal credit periods			
	0-30 days RM'000	31-60 days RM'000	61-90 days RM'000	91-120 days RM'000	> 120 days RM'000	Total RM'000
Net Group trade payables	1,802	39	335	-	122	2,298
% of total Group trade payables	78.4	1.7	14.6	-	5.3	100.0

The normal credit terms granted to us by our trade suppliers range from 30 to 60 days. In view of our good relationship with our major suppliers, we are able to enjoy credit periods that are longer than the stipulated period.

During the past five (5) FYEs 2005 to 2009, our Group's trade payables turnover period ranges from a low of 0.6 months in FYE 2009 to a high of 4.8 months in FYE 2008.

As at 31 December 2009, we are not aware of any actions, legal or otherwise, that have been taken against us by the trade suppliers for the recovery of debts due to them.

9.4.12 INVENTORIES TURNOVER

Our inventories consist mainly of trading goods such as rotating equipment spare parts, components, consumables and work-in-progress. To ensure efficient use of working capital, we strive to maintain minimal inventories which are adequate for the efficient day-to-day running of our business.

This is evidenced by the fact that our inventory turnover period for the past five (5) FYEs 2005 to 2009 has been consistently below two (2) months. The only exception was for FYE 2008, where our inventories include a large amount of work-in-progress pending completion.

We are of the view that there are no material slow-moving or obsolete inventories as at 31 December 2009.

9.4.13 TREND INFORMATION

(a) Business and financial prospects

As at LPD, to the best of our Directors' knowledge and belief, our conditions and operations have not been and are not expected to be affected by any of the following:-

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section, Section 3 and Section 4 of this Prospectus;

(ii) material commitment for capital expenditure;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and in Section 3 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 4.25 of this Prospectus and future plans, strategies and prospects as set out in Section 4.26 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 3 of this Prospectus; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this section and in Section 3 of this Prospectus.

The Board of Directors of our Company is optimistic about the future prospect of our Group given the favourable outlook as set out in Section 4.25.12 of this Prospectus, our competitive advantages set out in Section 4.12 of this Prospectus and our Group's dedication to implement the future plans and strategies set out in Section 4.26 of this Prospectus.

(b) Order book

In general, our customers do not place long-term orders with us. As at the LPD, we have confirmed orders on-hand amounting to approximately RM17.9 million*. These orders are however subject to cancellation, deferral or rescheduling by our customers. Accordingly, our order book as at any particular date may not be indicative of our revenue for any succeeding period.

Note:-

* *Converted based on the exchange rate of SGD 1: RM2.4279 as at LPD*

9.5 DIVIDEND POLICY

Declarations of dividends are at the discretion of our Directors and prevailing economic and market conditions. Subject to the factors outlined below, our Directors intend to recommend and distribute gross dividends of not less than 10% of our net profit distributable to our Shareholders with respect to FYE 2010.

The abovementioned intention is in line with our Directors' policy to recommend dividends to allow our Shareholders to participate in profits of our Group. Our Company will declare dividends, if any, in RM and will make payment of the dividends in RM.

Notwithstanding the above, our ability to pay dividends or make other distributions to our Shareholders for FYE 2010 as well as future years post FYE 2010 is subject to various factors, such as having profits and excess funds not required to be retain to fund our business. Our Directors will consider the following factors, amongst other, when recommending dividends for approval by our Shareholders or when declaring any interim dividends:-

(i) the availability of adequate distributable reserves and cash flows of the Company;

(ii) our operating cash flow requirements and financing commitments;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans; and

(iv) any material impact of tax laws and other regulatory requirements.

Any declaration and payment of dividends in the future will be at the discretion of the Board of Directors. There is no assurance on whether dividend distributions will occur as intended, the amount of dividend payment, or timing of such payments.

No inference should or can be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

ERNST & YOUNG

Ernst & Young
AF : 0039
Level 23A, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur, Malaysia
Mail address: P.O. Box 11040
50734 Kuala Lumpur, Malaysia
Tel: +603 7495 8000
Fax: +603 2095 5332 (General line)
+603 2095 9076
+603 2095 9078
www.ey.com

ACCOUNTANTS' REPORT

29 March 2010

The Board of Directors
Turbo-Mech Berhad
(Formerly known as Turbo-Mech Sdn Bhd)
39-5, Jalan PJU 1/41, Block D1,
Dataran Prima
47301 Petaling Jaya
Selangor Darul Ehsan

Dear Sirs

TURBO-MECH BERHAD ("Turbo-Mech") (formerly known as Turbo-Mech Sdn Bhd) ACCOUNTANTS' REPORT

1.0 INTRODUCTION

This report has been prepared by Ernst & Young, an approved company auditor, exclusively for inclusion in this Prospectus of Turbo-Mech to be dated 13 April 2010 in connection with the listing of and quotation of the entire enlarged issued and paid-up share capital of Turbo-Mech and should not be relied upon for any other purposes.

2.0 ABBREVIATIONS

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Bayu Manufacturing	Bayu Manufacturing Sdn Bhd
Bayu Purnama	Bayu Purnama Sdn Bhd
Bayu SME	Bayu SME Sdn Bhd
FPE	Financial period ended 31 December
FYE	Financial year ended 31 December
Rotodyne Philippines	Rotodyne Phils., Inc.
Rotodyne Brunei	Rotodyne Sendirian Berhad
Scallop	Scallop (S) Pte Ltd
Turbo-Mech Asia	Turbo-Mech Asia Pte Ltd
Turbo-Mech Asia Group	Turbo-Mech Asia and its subsidiaries, namely Rotodyne Philippines, Scallop and Turbo-Mech Indonesia and associates, Rotodyne Brunei and Turbo-Mech Thailand
Turbo-Mech	Turbo-Mech Berhad (formerly known as Turbo-Mech Sdn Bhd)
Turbo-Mech Indonesia	PT Turbo-Mech Indonesia
Turbo-Mech Thailand	Turbo-Mech (Thailand) Co Ltd
Turbo-Mech Group	Turbo-Mech and its subsidiaries, namely Turbo-Mech Asia, Rotodyne Philippines, Scallop and Turbo-Mech Indonesia, and associates, Bayu Manufacturing, Bayu Purnama, Bayu SME, Rotodyne Brunei and Turbo-Mech Thailand

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3.0 GENERAL INFORMATION

3.1 Background of Turbo-Mech

Turbo-Mech Corporation Sdn Bhd was incorporated in Malaysia on 6 July 2009 as a private limited liability company. The principal activity of the Company is investment holding. Further details on its subsidiaries are set out in paragraph 3.3 below.

The Company's name was changed to Turbo-Mech Sdn Bhd on 14 July 2009.

On 17 July 2009, the Company was converted into a public limited liability company and changed its name to Turbo-Mech Berhad.

3.2 Share Capital of Turbo-Mech

At the date of incorporation, the authorised share capital of Turbo-Mech was RM100,000 comprising 200,000 ordinary shares of RM0.50 each. At that date, the issued and paid-up share capital of Turbo-Mech was RM2 comprising 4 ordinary shares of RM0.50 each ("Turbo-Mech Shares").

On 23 September 2009, the Company increased its authorised ordinary share capital from RM100,000 to RM100,000,000 through the creation of 199,800,000 ordinary shares of RM0.50 each.

Arising from the Acquisitions as mentioned in Section 4.1 below, the issued and paid-up share capital of Turbo-Mech increased from RM2 to RM44,966,000 by way of the issuance of 89,931,996 Turbo-Mech Shares.

Pursuant to the Public Issue, the issued and paid-up share capital of Turbo-Mech will be increased further to RM54,000,000 comprising 108,000,000 Turbo-Mech Shares.

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3.3 Subsidiaries of Turbo-Mech

The details of the subsidiaries of Turbo-Mech at the date of this report are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
Turbo-Mech Asia	21 January 1989 Singapore	SGD8,000,000	100%	Sales of rotating equipment and spare parts, provision of maintenance and overhaul services
Rotodyne Philippines	6 August 1998 Philippines	PHP10,600,000	100%	Sales of rotating equipment and spare parts, provision of maintenance and overhaul services
Scallop	20 September 1983 Singapore	SGD100,000	75%	Dormant
Turbo-Mech Indonesia	26 June 2002 Indonesia	IDR873,100,000	100%*	Sales of rotating equipment and spare parts

* 5% of the Company's investment in Turbo-Mech Indonesia is registered in the name of a director, held in trust for the Company.

3.4 Associates of Turbo-Mech

The details of the associates of Turbo-Mech at the date of this report are as follows:

Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
# Bayu Manufacturing	8 August 2002 Malaysia	RM5,000,000	42.5%	Fabrication of skid mounted pump sets and chemical injection packages
^ Bayu Purnama	14 August 1992 Malaysia	RM5,000,000	42.5%	Sales of rotating equipment and spare parts, and provision of maintenance and overhaul services
# Bayu SME	22 July 2000 Malaysia	RM300,000	42.5%	Dormant
* Turbo-Mech Thailand	1 February 1999 Thailand	THB9,000,000	49%	Sales of rotating equipment and spare parts
* Rotodyne Brunei	11 August 1998 Negara Brunei Darussalam	BND100,000	20%	Sales of rotating equipment and spare parts

^ held directly by Turbo-Mech
* held directly by Turbo-Mech Asia
# held directly by Bayu Purnama

4.0 LISTING SCHEME

The listing scheme comprises the following transactions:

4.1 Acquisitions

Turbo-Mech had entered into Shares Sales Agreements on 9 October 2009 for the following acquisitions:

(i) 8,000,000 shares in Turbo-Mech Asia representing 100% equity interest in Turbo-Mech Asia; and

(ii) 2,125,000 shares in Bayu Purnama representing 42.5% equity interest in Bayu Purnama

from the respective vendors of the Acquiree Companies for an aggregate purchase consideration of RM44,965,998 to be satisfied by way of issuance of 89,931,996 new ordinary shares of RM0.50 each in Turbo-Mech ("Turbo-Mech Shares") at an issue price of RM0.50 per share.

The acquisitions were completed on 22 February 2010.

4.2 Public Issue

Public Issue of 18,068,000 new Turbo-Mech Shares ("Public Issue Shares") representing approximately 16.7% of the enlarged issued and paid-up share capital of Turbo-Mech, at an indicative Initial Public Offering ("IPO") price of RM0.63 per Turbo-Mech Share, payable in full on application.

The Public Issue is to be allocated and allotted in the following manner:

(i) Malaysian public via balloting

6,000,000 Public Issue Shares, representing approximately 5.5% of the enlarged issued and paid-up share capital of Turbo-Mech, to be allocated via balloting, will be made available for application by the Malaysian public.

(ii) Eligible Directors, employees and business associates of the Group

4,500,000 Public Issue Shares, representing approximately 4.2% of the enlarged issued and paid-up share capital of Turbo-Mech, will be made available for application by eligible Directors, employees and business associates of the Group.

(iii) Selected investors via placement

7,568,000 Public Issue Shares, representing approximately 7.0% of the enlarged issued and paid-up share capital of Turbo-Mech, by way of private placement to selected investors.

4.3 Listing

Upon completion of the Public Issue, Turbo-Mech will seek the listing of and quotation for its entire enlarged issued and paid-up share capital of Turbo-Mech Shares on the Main Market of Bursa Malaysia Securities Berhad.

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5.0 AUDITORS AND AUDITED FINANCIAL STATEMENTS

The auditors of Turbo-Mech and its subsidiary for the relevant financial years are as follows:

Company	FPE/FYE	Auditors	Auditors' Report
Turbo-Mech	Date of incorporation on 6 July 2009 to FPE 2009	Ernst & Young, Malaysia	Appendix I
Turbo-Mech Asia	FYE 2005	Foo Kon Tan Grant Thornton, Singapore	Appendix II
	FYE 2006	Foo Kon Tan Grant Thornton, Singapore	Appendix III
	FYE 2007	Ernst & Young, Singapore	Appendix IV
	FYE 2008	Ernst & Young, Singapore	Appendix V
	FYE 2009	Ernst & Young, Singapore	Appendix VI

For the purpose of this report, the audited financial statements of Turbo-Mech from the date of incorporation on 6 July 2009 to 31 December 2009 are presented.

For the purpose of this report, the audited consolidated financial statements of Turbo-Mech Asia for the five financial years ended 31 December 2009 are presented.

This report is prepared on a basis consistent with the group accounting policies adopted by Turbo-Mech Asia and its subsidiaries as disclosed in Section 8.0 of this report and in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

The auditors' reports on the respective financial statements included in this report, where applicable, were not subject to any qualifications or modifications.

6.0 DIVIDENDS

No dividend has been paid or declared by Turbo-Mech since the date of incorporation.

Details of the dividends paid by Turbo-Mech Asia for the financial years under review are as follows:

Subsidiary	FYE	Rate (%)	Gross dividend (RM)	Net dividend (RM)
Turbo-Mech Asia	31 December 2005	-	-	-
	31 December 2006	-	-	-
	31 December 2007	13.55	1,404,451	1,140,838
	31 December 2008	-	-	-
	31 December 2009	-	-	-

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7.0 HISTORICAL FINANCIAL INFORMATION

7.1 Turbo-Mech

Income Statement of Turbo-Mech

	Date of incorporation on 6 July 2009 to 31 December 2009 RM
Revenue	-
Administrative expenses	(6,080)
Loss before tax	(6,080)
Income tax expense	-
Loss after tax	(6,080)
Loss before tax is analysed as follows:	
Loss before depreciation, amortisation and interest expense	(6,080)
Depreciation	-
Amortisation	-
Interest expense	-
Loss before tax	(6,080)
Weighted average number of ordinary shares in issue	4
Gross loss per share (RM)	(1,520)
Net loss per share (RM)	(1,520)

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7.1 Turbo-Mech (Contd.)

Balance Sheet of Turbo-Mech

	31 December 2009
	RM
ASSETS	
Current assets	
Cash and bank balances	2
TOTAL ASSETS	2
EQUITY AND LIABILITIES	
EQUITY	
Share capital	2
Accumulated losses	(6,080)
TOTAL EQUITY	(6,078)
Current liabilities	
Sundry payables, representing total liabilities	6,080
TOTAL EQUITY AND LIABILITIES	2

Statement of Changes in Equity of Turbo-Mech

	Share capital RM	**Accumulated Losses RM**	**Total RM**
At 6 July 2009 (date of incorporation)	2	-	2
Loss for the period	-	(6,080)	(6,080)
At 31 December 2009	2	(6,080)	(6,078)

Cash Flow Statement of Turbo-Mech

	Date of incorporation on 6 July 2009 to 31 December 2009 RM
Summarised Cash Flow Statement:	
Cash and bank balance at date of incorporation	2

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7.2 Turbo-Mech Asia

Consolidated Income Statements of Turbo-Mech Asia Group

We set out below the audited consolidated income statements of Turbo-Mech Asia Group.

	Note	2005	2006 (Restated)	2007 (Restated)	2008	2009
		RM	RM	RM	RM	RM
Revenue	7.3(a)	36,865,259	30,591,161	28,613,950	34,521,981	63,871,735
Other income	7.3(b)	311,676	190,948	523,188	384,704	489,126
Changes in inventories of trading goods	7.3(c)	1,743,050	954,789	(1,423,747)	4,956,466	(4,755,140)
Purchases	7.3(c)	(28,369,519)	(20,918,809)	(16,517,951)	(26,842,761)	(44,870,789)
Employee benefits expenses		(3,287,225)	(3,221,233)	(3,345,780)	(2,988,840)	(2,973,994)
Depreciation and amortisation expenses		(571,367)	(461,188)	(433,988)	(493,192)	(428,297)
Other operating expenses		(2,391,242)	(1,883,993)	(1,758,991)	(1,976,395)	(3,309,000)
Finance costs	7.3(d)	(74,294)	(3,580)	-	(1,091)	(408)
		4,226,338	5,248,095	5,656,681	7,560,872	8,023,233
Share of profit/(loss) of associates		-	1,013,143	1,182,912	319,100	(142,999)
Profit before tax		4,226,338	6,261,238	6,839,593	7,879,972	7,880,234
Income tax expense	7.3(e)	(1,219,707)	(1,317,516)	(1,016,927)	(1,202,396)	(1,157,893)
Profit for the year		3,006,631	4,943,722	5,822,666	6,677,576	6,722,341
Profit before tax attributable to:						
Equity holders of the Company		3,463,221	6,254,196	6,819,404	7,886,198	7,880,234
Minority interests		763,117	7,042	20,189	(6,226)	-
		4,226,338	6,261,238	6,839,593	7,879,972	7,880,234
Profit for the year attributable to:						
Equity holders of the Company		2,499,186	4,940,746	5,809,964	6,677,363	6,722,341
Minority interests		507,445	2,976	12,702	213	-
		3,006,631	4,943,722	5,822,666	6,677,576	6,722,341
Profit before tax is analysed as follows:						
Profit before depreciation, amortisation and interest expense		4,871,999	6,726,006	7,273,581	8,374,255	8,308,938
Depreciation		(514,758)	(403,581)	(377,147)	(434,261)	(367,812)
Amortisation		(56,609)	(57,607)	(56,841)	(58,931)	(60,484)
Interest expense		(74,294)	(3,580)	-	(1,091)	(408)
Profit before tax		4,226,338	6,261,238	6,839,593	7,879,972	7,880,234
Weighted average number of ordinary shares in issue		2,500,000	2,593,151	4,787,671	6,416,438	8,000,000
Gross profit (RM)		10,238,790	10,627,141	10,672,252	12,635,686	14,245,806
Gross profit margin (%)		27.77	34.74	37.30	36.60	22.30
Profit before tax margin (%)		11.46	20.47	23.90	22.83	12.34
Profit for the year margin (%)		8.16	16.16	20.35	19.34	10.52
Gross earnings per share (RM) *		1.39	2.41	1.42	1.23	0.99
Net earnings per share (RM) ^		1.00	1.91	1.21	1.04	0.84
Diluted earnings per share (RM) #		1.00	1.91	1.21	1.04	0.84

* The gross earnings per share is computed based on the profit before tax attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial years.

^ The net earnings per share is computed based on the profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial years.

The diluted earnings per share is computed based on the profit for the year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial years. There are no dilutive effect.

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7.2 Turbo-Mech Asia (Contd.)

(a) Prior Year Adjustment

During the financial year ended 31 December 2008, Turbo-Mech Asia Group recorded prior year adjustment to reverse the recognition of dividend income of RM190,262 and RM405,999 and their related tax expenses of RM19,027 and RM40,600 in 2006 and 2007 respectively.

The effect to the respective financial years from the above prior year adjustment is as follows:

	As previously reported RM	Effects of prior year adjustment RM	As restated RM
Income statement			
For the financial year ended 31 December 2007			
Other income	929,187	(405,999)	523,188
Other operating expenses	(1,799,591)	40,600	(1,758,991)
Balance sheet			
As at 31 December 2007			
Investment in associate	3,000,274	(365,399)	2,634,875
Retained earnings	8,999,011	(365,399)	8,633,612
Income statement			
For the financial year ended 31 December 2006			
Other income	381,210	(190,262)	190,948
Other operating expenses	(1,903,020)	19,027	(1,883,993)
Balance sheet			
As at 31 December 2006			
Investment in associate	1,826,281	(171,235)	1,655,046
Retained earnings	7,589,921	(171,235)	7,418,686

(b) Comparatives

The following comparative amounts have been adjusted to conform with current year's presentation:

	As previously reported RM	Adjustment RM	As restated RM
Income statement			
For the financial year ended 31 December 2006			
Changes in inventories of trading goods	(1,360,499)	2,315,288	954,789
Purchases	(18,603,522)	(2,315,287)	(20,918,809)
Income statement			
For the financial year ended 31 December 2005			
Changes in inventories of trading goods	(474,459)	2,217,509	1,743,050
Purchases	(26,152,010)	(2,217,509)	(28,369,519)

7.2 Turbo-Mech Asia (Contd.)

Consolidated Balance Sheets of Turbo-Mech Asia Group

We set out below the audited consolidated balance sheets of Turbo-Mech Asia Group.

	Note	2005	2006 (Restated)	2007 (Restated)	2008	2009
		RM	RM	RM	RM	RM
ASSETS						
Non-current assets						
Property, plant and equipment	**7.3(f)**	4,077,429	3,557,290	3,288,778	3,355,048	3,244,257
Prepaid land lease payments	**7.3(g)**	2,942,385	2,919,976	2,868,949	2,946,575	2,923,870
Deferred tax assets	**7.3(o)**	59,170	36,800	36,629	51,124	17,943
Investments in associates	**7.3(h)**	-	1,655,046	2,634,875	2,953,679	2,841,728
Other investments	**7.3(i)**	61,441	61,441	61,441	61,441	61,441
		7,140,425	8,230,553	8,890,672	9,367,867	9,089,239
Current assets						
Inventories	**7.3(j)**	3,863,538	3,313,436	1,784,573	6,923,338	2,111,912
Trade receivables	**7.3(k)**	4,380,400	9,806,764	5,926,822	8,503,359	6,189,779
Other receivables	**7.3(k)**	1,048,846	654,631	331,049	1,486,430	809,100
Deposits, cash and bank balances	**7.3(l)**	3,807,432	5,105,559	10,472,177	15,204,900	23,382,249
		13,100,216	18,880,390	18,514,621	32,118,027	32,493,040
TOTAL ASSETS		20,240,641	27,110,943	27,405,293	41,485,894	41,582,279
EQUITY AND LIABILITIES						
Equity						
Share capital	**7.3(m)**	5,681,750	10,289,950	13,744,150	18,505,550	18,505,550
Foreign currency translation reserve	**7.3(n)**	(96,716)	45,349	244,603	1,361,961	1,761,708
Retained earnings		7,086,140	7,418,686	8,633,612	10,549,575	17,271,916
		12,671,174	17,753,985	22,622,365	30,417,086	37,539,174
Minority interests		765,837	35,552	48,452	-	-
Total equity		13,437,011	17,789,537	22,670,817	30,417,086	37,539,174

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7.2 Turbo-Mech Asia (Contd.)

Consolidated Balance Sheet of Turbo-Mech Asia Group (Contd.)

	Note	2005 RM	2006 (Restated) RM	2007 (Restated) RM	2008 RM	2009 RM
Non-current liabilities						
Deferred tax liabilities	**7.3(o)**	45,835	62,755	45,467	47,650	48,268
Finance lease under obligations	**7.3(p)**	60,328	48,136	35,305	23,444	10,016
		106,163	110,891	80,772	71,094	58,284
Current liabilities						
Trade payables	**7.3(q)**	5,032,221	5,709,738	2,471,478	8,810,564	2,297,997
Other payables	**7.3(q)**	587,560	2,291,306	994,272	753,291	557,704
Finance lease under obligations	**7.3(p)**	12,756	12,907	12,935	44,071	13,732
Term loan	**7.3(r)**	190,539	-	-	-	-
Current tax payable		874,391	1,196,564	1,175,019	1,389,788	1,115,388
		6,697,467	9,210,515	4,653,704	10,997,714	3,984,821
Total liabilities		6,803,630	9,321,406	4,734,476	11,068,808	4,043,105
TOTAL EQUITY AND LIABILITIES		20,240,641	27,110,943	27,405,293	41,485,894	41,582,279

Key financial ratios:

	2005	2006	2007	2008	2009
Inventories turnover period (months)	1.74	1.99	1.19	3.80	0.51
Trade receivables turnover period (months)	1.43	3.85	2.49	2.96	1.16
Trade payables turnover period (months)	2.27	3.43	1.65	4.83	0.56
Current ratio (times)	1.96	2.05	3.98	2.92	8.15
Debt-equity ratio (times)	0.02	0.00	0.00	0.00	0.00
Net tangible assets per share (RM)	5.07	3.95	3.77	3.80	4.69

Notes:

(i) The audited consolidated balance sheets have been re-presented to conform with the format required by IAS 1 Presentation of Financial Statements.

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7.2 Turbo-Mech Asia (Contd.)

Consolidated Statement of Changes in Equity of Turbo-Mech Asia Group

	|---Attributable to Equity Holders of the Company----|					
	Share Capital RM	Foreign Currency Translation Reserve RM	Retained Earnings RM	Total RM	Minority Interests RM	Total Equity RM
As at 1 January 2005	5,681,750	95,340	4,586,954	10,364,044	370,751	10,734,795
Foreign currency translation	-	(192,056)	-	(192,056)	(8,806)	(200,862)
Profit for the year	-	-	2,499,186	2,499,186	507,445	3,006,631
Share issued to minority interests	-	-	-	-	90,243	90,243
Dividends paid to minority interests	-	-	-	-	(193,796)	(193,796)
As at 31 December 2005	5,681,750	(96,716)	7,086,140	12,671,174	765,837	13,437,011
Foreign currency translation	-	142,065	-	142,065	9,051	151,116
Profit for the year	-	-	4,940,746	4,940,746	2,976	4,943,722
Bonus issue	4,608,200	-	(4,608,200)	-	-	-
Dividends paid to minority interests	-	-	-	-	(34,475)	(34,475)
Transfer of net assets to associate	-	-	-	-	(707,837)	(707,837)
As at 31 December 2006	10,289,950	45,349	7,418,686	17,753,985	35,552	17,789,537

7.2 Turbo-Mech Asia (Contd.)

Consolidated Statement of Changes in Equity of Turbo-Mech Asia Group (Contd.)

	|---Attributable to Equity Holders of the Company----|					
	Share Capital RM	Foreign Currency Translation Reserve RM	Retained Earnings	Total RM	Minority Interests RM	Total Equity RM
As at 1 January 2007 as previously stated	10,289,950	45,349	7,589,921	17,925,220	35,552	17,960,772
Prior year adjustment	-	-	(171,235)	(171,235)	-	(171,235)
As at 1 January 2007 as restated	10,289,950	45,349	7,418,686	17,753,985	35,552	17,789,537
Foreign currency translation	-	199,254	-	199,254	198	199,452
Profit for the year	-	-	5,809,964	5,809,964	12,702	5,822,666
Dividends paid	-	-	(1,140,838)	(1,140,838)	-	(1,140,838)
Bonus issue	3,454,200	-	(3,454,200)	-	-	-
As at 31 December 2007	13,744,150	244,603	8,633,612	22,622,365	48,452	22,670,817
As at 1 January 2008 as previously stated	13,744,150	244,603	8,999,011	22,987,764	48,452	23,036,216
Prior year adjustment	-	-	(365,399)	(365,399)	-	(365,399)
As at 1 January 2008 as restated	13,744,150	244,603	8,633,612	22,622,365	48,452	22,670,817
Foreign currency translation	-	1,117,358	-	1,117,358	2,295	1,119,653
Profit for the year	-	-	6,677,363	6,677,363	213	6,677,576
Issue of ordinary shares	4,761,400	-	(4,761,400)	-	-	-
Disposal of a subsidiary	-	-	-	-	(50,960)	(50,960)
As at 31 December 2008	18,505,550	1,361,961	10,549,575	30,417,086	-	30,417,086
Foreign currency translation	-	399,747	-	399,747	-	399,747
Profit for the year	-	-	6,722,341	6,722,341	-	6,722,341
As at 31 December 2009	18,505,550	1,761,708	17,271,916	37,539,174	-	37,539,174

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7.2 **Turbo-Mech Asia (Contd.)**

Consolidated Cash Flow Statements of Turbo-Mech Asia Group

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Summarised Cash Flow Statements					
Net cash generated from operating activities	4,934,746	2,165,323	6,215,856	4,257,528	8,197,692
Net cash (used in)/generated from investing activities	(416,561)	(589,335)	266,886	13,180	(135,063)
Net cash used in financing activities	(452,829)	(240,177)	(1,164,585)	(43,392)	(44,642)
Effect of exchange rate changes in consolidating subsidiaries	359	(37,684)	48,461	505,407	159,362
Net increase in cash and cash equivalents	4,065,715	1,298,127	5,366,618	4,732,723	8,177,349
Cash and cash equivalents at beginning of financial year	(258,283)	3,807,432	5,105,559	10,472,177	15,204,900
Cash and cash equivalents at end of financial year	3,807,432	5,105,559	10,472,177	15,204,900	23,382,249
Cash and cash equivalents comprise:					
Cash at banks and on hand	3,665,258	4,261,306	4,478,951	5,574,646	12,175,976
Fixed deposits with licensed banks	142,174	844,253	5,993,226	9,630,254	11,206,273
	3,807,432	5,105,559	10,472,177	15,204,900	23,382,249

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7.3 Notes to the Financial Statements

(a) Revenue

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Sales of goods	36,424,087	29,902,860	28,035,874	33,821,156	61,759,615
Service income	441,172	688,301	578,076	700,825	2,112,120
	36,865,259	30,591,161	28,613,950	34,521,981	63,871,735

(b) Other income

	2005 RM	2006 (Restated) RM	2007 (Restated) RM	2008 RM	2009 RM
Interest income	9,280	26,228	97,856	123,878	75,613
Rental income	21,815	22,199	152,002	17,032	-
Reversal of write-down of inventories	-	3,392	86,521	58,439	73,321
Net foreign exchange gain	178,661	112,111	172,209	165,104	-
Management fees	-	-	-	-	145,675
Others	101,920	27,018	14,600	20,251	194,517
	311,676	190,948	523,188	384,704	489,126

(c) Cost of sales

Cost of sales comprises cost of goods sold and its associated expenses.

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Changes in inventories of trading goods	1,743,050	954,789	(1,423,747)	4,956,466	(4,755,140)
Purchases	(28,369,519)	(20,918,809)	(16,517,951)	(26,842,761)	(44,870,789)
	(26,626,469)	(19,964,020)	(17,941,698)	(21,886,295)	(49,625,929)

(d) Finance costs

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Bank overdrafts	49,069	-	-	-	-
Term loans	25,225	-	-	-	-
Hire purchase	-	3,580	-	1,091	408
	74,294	3,580	-	1,091	408

(e) Income tax expense

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Income tax:					
Current tax	1,142,797	1,164,072	1,048,450	1,379,222	1,288,049
Under/(over)provision of income tax in prior year	59,202	136,966	(18,376)	(158,606)	(163,763)
Deferred taxation (Note (o))	17,708	16,478	(13,147)	(18,220)	33,607
	1,219,707	1,317,516	1,016,927	1,202,396	1,157,893

7.3 Notes to the Financial Statements (Contd.)

(f) Property, plant and equipment

At 31 December 2005

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	26,017	(23,420)	2,597
Computers	390,222	(281,701)	108,521
Furniture and fittings	191,452	(95,860)	95,592
Land improvements	53,539	(12,493)	41,046
Leasehold buildings	3,011,066	(318,325)	2,692,741
Motor vehicles	435,686	(201,805)	233,881
Office equipment	262,045	(132,218)	129,827
Plant, machinery and instruments	1,359,603	(622,202)	737,401
Renovation	416,660	(380,837)	35,823
	6,146,290	(2,068,861)	4,077,429

At 31 December 2006

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	26,325	(26,325)	-
Computers	293,256	(267,614)	25,642
Furniture and fittings	76,228	(71,289)	4,939
Land improvements	53,833	(15,254)	38,579
Leasehold buildings	3,044,358	(387,098)	2,657,260
Motor vehicles	328,928	(217,038)	111,890
Office equipment	212,292	(144,745)	67,547
Plant, machinery and instruments	1,476,166	(846,367)	629,799
Renovation	421,596	(399,962)	21,634
	5,932,982	(2,375,692)	3,557,290

At 31 December 2007

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	26,382	(26,382)	-
Computers	304,512	(285,155)	19,357
Furniture and fittings	76,516	(72,667)	3,849
Land improvements	60,079	(20,027)	40,052
Leasehold buildings	3,093,588	(467,839)	2,625,749
Motor vehicles	338,976	(258,573)	80,403
Office equipment	211,710	(166,225)	45,485
Plant, machinery and instruments	1,580,202	(1,117,001)	463,201
Renovation	422,512	(411,830)	10,682
	6,114,477	(2,825,699)	3,288,778

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7.3 Notes to the Financial Statements (Contd.)

(f) Property, plant and equipment (Contd.)

At 31 December 2008

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	30,545	(28,228)	2,317
Computers	324,307	(313,819)	10,488
Furniture and fittings	75,147	(71,068)	4,079
Land improvements	54,627	(20,941)	33,686
Leasehold buildings	3,184,173	(539,171)	2,645,002
Motor vehicles	539,048	(307,685)	231,363
Office equipment	231,909	(194,594)	37,315
Plant, machinery and instruments	1,640,523	(1,329,878)	310,645
Renovation	542,975	(462,822)	80,153
	6,623,254	(3,268,206)	3,355,048

At 31 December 2009

	Cost RM	Accumulated Depreciation RM	Net Carrying Amount RM
Air conditioner	22,234	(20,474)	1,760
Computers	310,093	(298,104)	11,989
Furniture and fittings	92,654	(77,090)	15,564
Land improvements	55,208	(23,924)	31,284
Leasehold buildings	3,224,578	(614,853)	2,609,725
Motor vehicles	552,402	(376,715)	175,687
Office equipment	231,145	(208,952)	22,193
Plant, machinery and instruments	1,779,103	(1,482,204)	296,899
Renovation	586,694	(507,538)	79,156
	6,854,111	(3,609,854)	3,244,257

A leasehold property is pledged as securities for banking facilities with net carrying amount as follows:

	RM
31 December 2005	2,407,402
31 December 2006	2,389,069
31 December 2007	2,347,321
31 December 2008	2,410,834
31 December 2009	2,392,257

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7.3 Notes to the Financial Statements (Contd.)

(g) Prepaid land lease payments

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
At 1 January	3,070,796	2,942,385	2,919,976	2,868,949	2,946,575
Amortisation	(56,609)	(57,607)	(56,841)	(58,931)	(60,484)
Exchange differences	(71,802)	35,198	5,814	136,557	37,779
At 31 December	2,942,385	2,919,976	2,868,949	2,946,575	2,923,870

A leasehold property is pledged as securities for banking facilities with net carrying amount as follows:

	RM
31 December 2005	2,942,385
31 December 2006	2,919,976
31 December 2007	2,868,949
31 December 2008	2,946,575
31 December 2009	2,923,870

(h) Investments in associates

	2005 RM	2006 (Restated) RM	2007 (Restated) RM	2008 RM	2009 RM
Unquoted shares, at cost	-	230,789	382,259	480,684	480,684
Share of post-acquisition reserves	-	1,424,257	2,252,616	2,472,995	2,361,044
	-	1,655,046	2,634,875	2,953,679	2,841,728

(i) Other investments

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Club memberships, at cost	61,441	61,441	61,441	61,441	61,441

(j) Inventories

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Other parts	-	140,084	-	-	-
Goods-in-transit	695,487	-	-	-	-
Work-in-progress	-	-	-	5,376,272	-
Trading goods	3,168,051	3,173,352	1,784,573	1,547,066	2,111,912
	3,863,538	3,313,436	1,784,573	6,923,338	2,111,912

Work-in-progress relates to equipment assembled by contractors.

7.3 Notes to the Financial Statements (Contd.)

(k) Trade and other receivables

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Trade receivables					
Third parties	4,288,917	9,826,674	5,524,447	7,675,032	5,291,237
Related parties	110,013	-	407,884	840,474	895,354
Associate	-	-	-	3,070	4,132
	4,398,930	9,826,674	5,932,331	8,518,576	6,190,723
Less: Provision for doubtful debts	(18,530)	(19,910)	(5,509)	(15,217)	(944)
Trade receivables, net	4,380,400	9,806,764	5,926,822	8,503,359	6,189,779
Other receivables					
Due from related parties	-	-	7,725	84,880	90,323
Due from associates	-	90,194	-	100,749	52,149
Due from director-related company	48,631	-	-	-	-
Staff advances	79,971	13,560	5,814	33,551	29,944
Deposits	438,092	83,419	78,727	57,792	48,091
Interest receivables	1,238	7,116	6,353	61,863	28,416
Advance to supplier	253,084	288,418	156,560	266,995	1,340
Prepayment	51,352	49,453	27,895	213,251	131,461
Sundry receivables	176,478	122,471	47,975	667,349	427,376
	1,048,846	654,631	331,049	1,486,430	809,100
	5,429,246	10,461,395	6,257,871	9,989,789	6,998,879

The credit terms granted to the customers range from 30 days to 90 days. The amount due from related companies is unsecured, non-interest bearing, repayable on demand and is to be settled in cash.

(l) Deposits, cash and bank balances

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Fixed deposits with licensed banks	142,174	844,253	5,993,226	9,630,254	11,206,273
Cash at bank and on hand	3,665,258	4,261,306	4,478,951	5,574,646	12,175,976
	3,807,432	5,105,559	10,472,177	15,204,900	23,382,249

(m) Share capital

	Number of ordinary shares	Amount RM
Authorised share capital/Issued and fully paid		
At 1 January 2005/31 December 2005	2,500,000	5,681,750
Bonus issue	2,000,000	4,608,200
At 31 December 2006/1 January 2007	4,500,000	10,289,950
Bonus issue	1,500,000	3,454,200
At 31 December 2007/1 January 2008	6,000,000	13,744,150
Issues of ordinary shares	2,000,000	4,761,400
At 31 December 2008/31 December 2009	8,000,000	18,505,550

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7.3 Notes to the Financial Statements (Contd.)

(n) Foreign currency translation reserve

Foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of Turbo-Mech Asia group whose functional currency is different from that of the Group's presentation currency.

(o) Deferred tax

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
At 1 January	(28,947)	(13,335)	25,955	8,838	(3,474)
Recognised in income statement	17,708	16,478	(13,147)	(18,220)	33,607
Exchange difference	(2,096)	22,812	(3,970)	5,908	192
At 31 December	(13,335)	25,955	8,838	(3,474)	30,325
Deferred income tax as at 31 December relates to the following:					
Deferred tax liabilities					
Excess of net book value over tax written down value of property, plant and equipment	53,358	71,314	45,965	48,171	48,796
Other deferred tax liabilities	(7,523)	(8,559)	(498)	(521)	(528)
	45,835	62,755	45,467	47,650	48,268
Deferred tax assets					
Excess of net book value over tax written down value of property, plant and equipment	838	-	-	-	-
Unabsorbed tax losses	(34,312)	-	-	-	-
Other deferred tax assets	(25,696)	(36,800)	(36,629)	(51,124)	(17,943)
Subtotal	(59,170)	(36,800)	(36,629)	(51,124)	(17,943)
Total	(13,335)	25,955	8,838	(3,474)	30,325

(p) Finance lease under obligations

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Present value of minimum lease payments:					
Not later than one year	12,756	12,907	12,935	44,071	13,732
Later than one year but not later than five years	60,328	48,136	35,305	23,444	10,016
	73,084	61,043	48,240	67,515	23,748

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7.3 Notes to the Financial Statements (Contd.)

(q) Trade and other payables

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Trade payables					
Third parties	4,984,160	3,913,323	2,309,266	6,153,985	1,940,256
Advance billing to customers	-	1,709,273	162,212	2,583,810	357,741
Related companies	-	3,020	-	72,769	-
Associates	48,061	84,122	-	-	-
	5,032,221	5,709,738	2,471,478	8,810,564	2,297,997
Other payables					
Advance from customers	-	-	21,927	96,556	24,650
Accruals	496,607	2,273,241	858,067	429,896	371,331
Sundry payables	86,356	10,485	23,017	98,079	17,185
GST payables	-	7,580	-	53,335	93,668
Related companies	-	-	91,261	75,425	50,870
Associates	4,597	-	-	-	-
	587,560	2,291,306	994,272	753,291	557,704
	5,619,781	8,001,044	3,465,750	9,563,855	2,855,701

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

Amount due to related companies is unsecured, non-interest bearing and repayable on demand.

(r) Term loan

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Due within one year	190,539	-	-	-	-

(s) Operating lease commitments

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Not later than one year	197,407	148,562	144,555	187,521	146,866
Later than one year but not later than five years	134,349	156,461	51,930	97,763	72,366
Later than five years	178,900	179,881	-	-	-
	510,656	484,904	196,485	285,284	219,232

(t) Commitment

	2005 RM	2006 RM	2007 RM	2008 RM	2009 RM
Bank guarantee	132,386	103,633	-	-	-

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared on the historical cost basis and comply with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

In preparing the financial statements, we have converted all profit and loss and balance sheet figures in Singapore Dollar ("SGD") to Ringgit Malaysia ("RM") using the average rate and closing rate respectively.

The applied rates of exchange are as follows:

		Average rate	Closing rate
		RM	RM
31 December 2005	1 SGD:	2.2724	2.2714
31 December 2006	1 SGD:	2.3124	2.2983
31 December 2007	1 SGD:	2.2817	2.3033
31 December 2008	1 SGD:	2.3656	2.4139
31 December 2009	1 SGD:	2.4279	2.4452

(b) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions, are eliminated in full.

Acquisitions of subsidiaries are accounted for by applying the purchase method. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities is recorded as goodwill on the balance sheet. Any excess of the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities over the cost of business combination is recognised as income in the income statement on the date of acquisition. When the Group acquires a business, embedded derivatives separated from the host contract by the acquiree are not reassessed on acquisition unless the business combination results in a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required under the contract.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

(c) Transactions with Minority Interests

Minority interests represent the portion of profit or loss and net assets in subsidiaries not held by the Group and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from parent shareholders' equity.

Transactions with minority interests are accounted for using the entity concept method, whereby, transactions with minority interests are accounted for as transactions with equity holders. On acquisition of minority interests, the difference between the consideration and book value of the share of the net assets acquired is reflected as being a transaction between owners and recognised directly in equity. Gain or loss on disposal to minority interests is recognised directly in equity.

(d) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(e) Associates

An associate is an entity, not being a subsidiary or a joint venture, in which the Group has significant influence. The associate is equity accounted for from the date the Group obtains significant influence until the date the Group ceases to have significant influence over the associate.

The Group's investments in associate are accounted for using the equity method. Under the equity method, the investment in associate is measured in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the associate's identifiable assets, liabilities and contingent liabilities over the cost of the investment is deducted from the carrying amount of the investment and is recognised as income as part of the Group's share of results of the associate in the period in which the investment is acquired.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in the profit and loss.

The financial statements of the associate are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

(f) Foreign Currency

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the income statement except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

The assets and liabilities of foreign operations are translated into Ringgit Malaysia at the rate of exchange ruling at that balance sheet date and their income statements are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity as foreign currency translation reserve. On disposal of a foreign operation, the cumulative amount recognised in foreign currency translation reserve relating to that particular foreign operation is recognised in the income statement.

(g) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(g) Property, Plant and Equipment and Depreciation (Contd.)

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Land improvements	20 years
Leasehold buildings	over the lease period of 20 – 57 years
Air conditioner	5 years
Computers	3 – 5 years
Furniture and fittings	2 – 10 years
Motor vehicles	7 – 10 years
Office equipment	2 – 10 years
Plant, machinery and instruments	5 years
Renovation	5 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the income statement in the year the asset is derecognised.

(h) Intangible Assets

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are measured at cost less any accumulated amortisation and accumulated impairment losses.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the profit or loss when the asset is derecognised.

(i) Impairment of Non-financial Assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount.

Impairment losses are recognised in the income statement except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(i) Impairment of Non-financial Assets (Contd.)

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in the income statement unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(j) Financial Assets

Financial assets are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Such assets are initially recognised at fair value, plus directly attributable transaction costs. Subsequent to initial recognition, they are carried at amortised cost using the effective interest method. Gains and losses are recognised in income statement when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

A loan and receivable is derecognised when the contractual rights to receive cash flows from the asset have expired which usually coincides with receipt of payments for the asset.

(k) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

(l) Impairment of Financial Assets

The Group assesses at each balance sheet date whether there is any objective evidence that a financial asset is impaired.

(a) Assets Carried at Amortised Cost

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in the income statement.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in the income statement.

(b) Assets Carried at Cost

If there is objective evidence that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

(m) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale.

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(n) Financial Liabilities

Financial liabilities are recognised on the balance sheet when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, all financial liabilities are measured at amortised cost using the effective interest method, except for derivatives, which are measured at fair value.

For financial liabilities other than derivatives, gains and losses are recognised in income statement when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of derivatives are recognised in income statement. Net gains or losses on derivatives include exchange differences.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

(o) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(p) Leases

(a) As Lessee

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the income statement.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

(b) As Lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

(q) Employee Benefits

(a) Defined Contribution Plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. Contributions to defined contribution pension schemes are recognised as expense in the period in which the related service is performed.

(b) Employee Leave Entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(r) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of consideration received or receivable.

(a) Sale of Goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Rendering of Services

Revenue from services rendered are recognised upon services performed.

(s) Income Taxes

(a) Current Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the balance sheet date.

Current taxes are recognised in the income statement except to the extent that tax relates to items recognised outside income statement, either in other comprehensive income or directly in equity.

(b) Deferred Taxation

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred income tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognised outside income statement is recognised outside income statement. Deferred taxes are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(s) Income Taxes

(b) Deferred Taxation (Contd.)

Deferred income tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current income tax liabilities and the deferred income taxes to the same taxable entity and the same taxation authority.

(c) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax except:

- Where the goods and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the goods and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of goods and services tax included.

The net amount of goods and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

(t) Financial Risk Management Objectives and Policies

The Group is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk and foreign currency risk. The Group does not hold or issue derivative financial instruments for trading purposes.

The following sections provide details regarding the Group's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. Credit risk arising from the inability of a customer to meet the terms of the Group's financial instrument contracts is generally limited to the amounts, if any, by which the customer's obligations exceed the obligations of the Group.

It is the Group's policy to sell to a diverse group of customers who have been assessed for their credit worthiness to reduce credit risk.

Exposure to Credit Risk

At the balance sheet date, the Group's maximum exposure to credit risk is represented by the carrying amount of trade and other receivables recognised in the balance sheets.

Credit Risk Concentration Profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade at the balance sheet date is as follows:

	2007		2008		2009	
	RM	% of total	RM	% of total	RM	% of total
By country:						
Singapore	2,015,293	34%	5,260,002	62%	4,168,110	67%
Malaysia	2,667,700	45%	1,364,592	16%	217,608	4%
Philippines	330,966	6%	351,406	4%	331,867	5%
Indonesia	278,135	5%	674,803	8%	891,151	14%
Brunei	534,101	9%	-	-	-	-
Others	100,627	1%	852,556	10%	581,043	10%
	5,926,822	100%	8,503,359	100%	6,189,779	100%

No disclosure for credit risk concentration profile was made for the financial year ended 31 December 2005 and 31 December 2006 as they are not readily available from the audited financial statements. This is in view of the fact that such disclosures was not required for the financial statement prepared then, in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Financial Risk Management Objectives and Policies (Contd.)

Foreign Currency Risk

The Group has transactional currency exposures arising from sales and purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily Japanese Yen ("JPY") and United States dollars ("USD").

The Group's trade receivable and payable balances at the balance sheet date have similar exposures.

The Group also hold cash and cash equivalents denominated in foreign currencies for working capital purposes.

Cash and cash equivalents are denominated in the following currencies:

	2007 RM	2008 RM	2009 RM
Brunei Dollars	297,886	-	-
Singapore Dollars	7,528,126	10,637,483	12,256,563
United States Dollars	2,171,289	1,969,660	3,067,675
Japanese Yen	217,888	2,536,043	7,746,787
Others	256,988	61,714	311,224
	10,472,177	15,204,900	23,382,249

No disclosure was made for the financial year ended 31 December 2005 and 31 December 2006 as they are not readily available from the audited financial statements. This is in view of the fact that such disclosures was not required for the financial statement prepared then, in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

Trade and other receivables are denominated in the following currencies:

	2007 RM	2008 RM	2009 RM
Singapore Dollars	4,477,479	4,651,366	2,887,092
United States Dollars	854,644	2,403,474	1,856,220
Japanese Yen	377,813	1,951,544	1,768,816
Philippines Peso	544,622	749,714	485,790
Others	3,313	233,691	961
	6,257,871	9,989,789	6,998,879

No disclosure was made for the financial year ended 31 December 2005 and 31 December 2006 as they are not readily available from the audited financial statements. This is in view of the fact that such disclosures was not required for the financial statement prepared then, in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

Trade and other payables are denominated in the following currencies:

	2007 RM	2008 RM	2009 RM
Singapore Dollars	1,634,152	3,658,809	818,831
United States Dollars	426,382	223,974	743,818
Japanese Yen	1,131,215	3,060,021	1,137,143
Malaysia Ringgit	51,083	123,828	9,876
Euro Dollars	-	2,371,751	102,471
Others	222,918	125,472	43,562
	3,465,750	9,563,855	2,855,701

No disclosure was made for the financial year ended 31 December 2005 and 31 December 2006 as they are not readily available from the audited financial statements. This is in view of the fact that such disclosures was not required for the financial statement prepared then, in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

In addition to transactional exposure, the Group is also exposed to currency translation risk arising from its net investments in foreign operations. The Group's net investments in foreign subsidiaries are not hedged as currency positions are considered to be long-term in nature.

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8.0 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTD.)

(t) Financial Risk Management Objectives and Policies (Contd.)

Sensitivity Analysis for Foreign Currency Risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the JPY, USD and Euro dollars ("EUR") exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		2007 RM Profit net of tax	2008 RM Profit net of tax	2009 RM Profit net of tax
JPY/RM	- strengthened 5%	+15,146	+23,093	+171,378
	- weakened 5%	-15,146	–23,093	–171,378
USD/RM	- strengthened 4%	+47,568	+66,777	+74,247
	- weakened 4%	–47,568	–66,777	–74,247
EUR/RM	- strengthened 4%	–	+39,302	+2,058
	- weakened 4%	–	-39,302	-2,058

No disclosure was made for the financial year ended 31 December 2005 and 31 December 2006 as they are not readily available from the audited financial statements. This is in view of the fact that such disclosures was not required for the financial statement prepared then, in accordance with Singapore Financial Reporting Standards based on International Financial Reporting Standards.

9.0 AUDITED FINANCIAL STATEMENTS

No audited financial statements of Turbo-Mech Asia or of the Group have been prepared in respect of any period subsequent to 31 December 2009.

10.0 SIGNIFICANT POST BALANCE SHEET EVENT

There were no material events which have arisen subsequent to the balance sheet date, which requires disclosure in this Report.

Yours faithfully

Ernst & Young
AF: 0039
Chartered Accountants

Kuala Lumpur, Malaysia

Kua Choh Leang
No. 2716/01/11(J)
Chartered Accountant