

TURBO-MECH BERHAD (863263-D)

INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2010

EXPLANATORY NOTES IN COMPLIANCE WITH FINANCIAL REPORTING STANDARDS ("FRS") 134 INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial statements are unaudited and have been prepared in compliance with FRS 134: Interim Financial Reporting and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

This is the first interim financial report on the consolidated results for the third quarter ended 30 September 2010 announced by the Company in compliance with the Listing Requirements and as such, there are no comparative figures for the preceding corresponding period.

The interim financial statements should be read in conjunction with the proforma consolidated financial information and the Accountants' Report for the financial year ended 31 December 2009 as disclosed in the Prospectus of the Company dated 13 April 2010 and the accompanying explanatory notes attached to the interim financial report.

These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

A2. Changes in Accounting Policies

The accounting policies and method of computation adopted by the Group in these quarterly financial statements are consistent with those adopted in the proforma consolidated financial information for the financial year ended 31 December 2009 as disclosed in the Prospectus of the Company dated 13 April 2010 except for the adoption of the following new and amended Financial Reporting Standards ("FRS") and Issue Committee ("IC") Interpretation effective for financial period beginning 1 January 2010 as follows:

FRS 7: Financial Instruments: Disclosures

FRS 8: Operating Segments

FRS 101: Presentation of Financial Statements (revised)

FRS 139: Financial Instruments: Recognition and Measurement

Amendments to FRS 1: First-time Adoption of Financial Reporting Standards and FRS 127: Consolidated and Separate Financial Statements: Cost of an Investments in a Subsidiary, Jointly Controlled Entity or Associate.

Amendments to FRS 132: Financial Instruments: Presentation

Amendments to FRS 139: Financial Instruments: Recognition and Measurement, FRS 7: Financial Instruments: Disclosures and IC interpretation 9: Reassessment of Embedded Derivatives.

Amendments to FRSs 'Improvements to FRSs (2009)'

IC Interpretation 10: Interim Financial Reporting and Impairment

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The principal effects of the changes in presentation, changes in methods of computation and in accounting policies resulting from the adoption of the new and revised FRSs, IC Interpretations and Amendments are set out below

a) FRS 101: Presentation of Financial Statements (Revised)

The revised FRS 101 separates owner and non-owner changes in equity. Therefore, the consolidated statement of changes in equity only includes details of transactions with owners. All non-owner changes in equity, if any, will be presented as a single line labelled as total comprehensive income. In addition, the consolidated balance sheet was renamed as the consolidated statement of financial position in the interim financial report. This standard did not have any impact on the financial position and results of the Group.

The effects of the change in presentation are as follows:

- 1) The gains and losses that were recognized directly in the statement of income and taken into equity, in the preceding year corresponding period are presented as components in other comprehensive income in the statement of comprehensive income. The total comprehensive income for the preceding year corresponding period is presented separately.

For the period ended 31 December 2009	Income statement as previously reported RM'000	Effects of adopting FRS 101 RM'000	Statement of comprehensive income As restated RM'000
Profit for the period	6,716		6,716
Other comprehensive income		400	400
Total comprehensive profit			7,116

- 2) The total comprehensive profit for the period is presented as a one-line item in the statement of changes in equity.

b) Amendments for FRSs 'Improvements to FRSs (2009) – FRS 117: Lease

FRS 117 clarifies on the classification of leases of land and buildings. The resulting effect of this Standard taking effect was the reclassification of prepaid leases on land back into property, plant and equipment, rather than being separately classified under prepaid lease payments on the consolidated statement of financial position.

31 December 2009	As previously reported	Effect of changes in accounting policy	As restated
Property, plant and equipment	3,244	2,924	6,168
Prepaid land lease payments	2,924	(2,924)	-

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Changes in Accounting Policies (cont'd)

- c) FRS 139: Financial Instruments: Recognition and Measurement, and Amendments to FRS 139: Financial Instruments: Recognition and Measurement

The new Standard on FRS 139 established principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. In accordance with the requirement of this standard, financial derivatives are stated at fair value which is equivalent to the marking of the financial derivatives to market, using prevailing market rates. Financial derivatives with positive market values (unrealized gains) are included under current assets and financial derivative with negative market values (unrealized losses) are included under current liabilities in the statement of financial position. Any gains or losses arising from changes in fair value on financial derivatives during the financial period that do not qualify for hedge accounting and the ineffective portion of effective hedge, are taken directly to the statement of comprehensive income.

The adoption of other interpretations and revisions to existing FRSs, IC Interpretations and Amendments mandatory for annual periods beginning on or after 1 January 2010 did not result in significant changes in the reporting profit or equity or on the disclosures in the financial statements.

A3. Auditors' report of preceding annual financial statements

The auditors' report for the audited annual financial statements for the year ended 31 December 2009 was not qualified.

A4. Seasonal or cyclical factors

The business operations of the Group are affected by the cycles of capital and repair/maintenance programs implemented by major players in the oil, gas, and petrochemical sector.

A5. Unusual item affecting assets, liabilities, equity, net income or cash flow

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the financial quarter under review.

A6. Material changes in estimates

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

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A7. Carrying Amount of Revalued Assets

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements for the financial year ended 31 December 2009.

A8. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and/or equity securities, share buy-backs, share cancellations, shares held under treasury shares and resales of treasury shares for the financial period under review.

A9. Dividends

There was no dividend paid during the financial quarter under review.

A10. Operating segment

Segmental information is presented in respect of the Group's geographical segments, which is based on the Company's management reporting structure.

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

	Singapore	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000
Revenue				
External sales	25,678	2,606		28,284
Intersegment sales	612		(612)	-
	26,290	2,606	(612)	28,284
Results				
Profit from operations	6,759	432	(38)	7,153
Finance cost				-
Share of profit of associates				2,083
Profit before taxation				9,236
Taxation				(1,472)
Profit after taxation				7,764

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A11. Subsequent Material Events

On 1 October 2010, the Company had entered into an agreement with Ultra Sol Engineering & Trading Sdn Bhd ("Ultra Sol") for the proposed subscription of 600,000.00 ordinary shares of RM1.00 each in Ultra Sol representing 60% of the enlarged issued and paid up capital of Ultra Sol for a cash subscription sum of RM800,000.00

Other than the above, there were no material events subsequent to the reporting period up to 4 November 2010 which have not been reflected in the financial statements for the quarter under review.

A12. Effect of changes in the composition of the Group

There were no changes in the composition of the Group during the quarter under review.

A13. Changes in Contingent liabilities and Contingent Assets

The contingent liabilities for the financial quarters are as follows:

As at 30.09.10
 RM'000

Warranty given to customers in the form of bank guarantee in respect of products supplied/services rendered

3,440

A14. Capital commitments

There were no material capital commitments provided for the financial quarter ended 30 September 2010.

A15. Related party transactions

The Company entered into the following transaction in the normal course of business with related parties during the financial quarter under review.

Related parties	Nature of transaction	Interest of substantial /major shareholders/director	RM'000 (as at 30.09.10)
PT Turbo Mechin	Sales of industrial cooling fans	Achmad Atim Kasmanto	1,392
Bayu Purnama Sdn Bhd	Sales/Purchase of sundyne nikkiso spare	Salmiah binti Jantan Nasaruddin bin Mohd Ali Gan Kok Ten	41