



(863263 - D)

(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2012 RM'000	Preceding Year Corresponding Quarter 30 Sep 2011 RM'000	Current Year-To-Date 30 Sep 2012 RM'000	Preceding Year Corresponding Period 30 Sep 2011 RM'000
Revenue	10,306	8,989	34,095	32,930
Cost of sales	(7,288)	(6,231)	(24,409)	(23,030)
Gross profit	3,018	2,758	9,686	9,900
Other operating income	50	357	305	532
Other operating expenses	(2,235)	(1,436)	(6,229)	(5,312)
Profit from operations	833	1,679	3,762	5,120
Finance costs	-	-	-	-
Share of results of associate	641	987	2,780	2,927
Profit before tax	1,474	2,666	6,542	8,047
Tax expense	(443)	(278)	(1,065)	(912)
Net profit for the period	1,031	2,388	5,477	7,135
Attributable to :				
Equity holders of the parent	1,005	2,374	5,399	7,056
Non-controlling Interests	26	14	78	79
	1,031	2,388	5,477	7,135
Earning per share (sen)				
Equity holders of the parent :				
Basic	0.93	2.20	5.00	6.35
Diluted	N/A	N/A	N/A	N/A

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2012 RM'000	Preceding Year Corresponding Quarter 30 Sep 2011 RM'000	Current Year-To-Date 30 Sep 2012 RM'000	Preceding Year Corresponding Period 30 Sep 2011 RM'000
Net Profit for the Period	1,031	2,388	5,477	7,135
Other comprehensive income:				
Foreign currency translation	<u>876</u>	<u>200</u>	<u>897</u>	<u>1,255</u>
Total comprehensive income for the period	<u><u>1,907</u></u>	<u><u>2,588</u></u>	<u><u>6,374</u></u>	<u><u>8,390</u></u>
Total comprehensive income for the period attributable to:				
Owners of the parent	1,829	2,574	6,296	8,311
Non-controlling Interests	<u>78</u>	<u>14</u>	<u>78</u>	<u>79</u>
	<u><u>1,907</u></u>	<u><u>2,588</u></u>	<u><u>6,374</u></u>	<u><u>8,390</u></u>

Note:

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year-To-Date 30 Sep 2012 RM'000	Preceding Year Corresponding Period 30 Sep 2011 RM'000
Cash flows from operating activities		
Profit before taxation	6,542	8,047
Adjustments for non-cash flow:		
Non-cash items	(1,539)	(2,299)
Operating profit before changes in working capital	<u>5,003</u>	<u>5,748</u>
Changes in working capital		
Net change in inventories	883	(4)
Net change in trade and other receivables	780	2,705
Net change in trade and other payables	(149)	(2,640)
Cash generated from operations	<u>6,517</u>	<u>5,809</u>
Tax paid	(1,343)	(1,458)
Net cash from operating activities	<u>5,174</u>	<u>4,351</u>
Cash flows from investing activities		
Interest received	68	75
Dividend received from associate	-	850
Proceeds from disposal of property, plant and equipment	13	-
Acquisition of Land use rights	-	(312)
Purchase of property, plant and equipment	(1,316)	(2,109)
Net cash used in investing activities	<u>(1,235)</u>	<u>(1,496)</u>
Cash flows from financing activities		
Fixed deposit pledged	1,041	(315)
Dividend paid on share capital	(5,400)	(5,400)
Repayment of obligations under finance leases	(10)	(5)
Net cash used in financing activities	<u>(4,369)</u>	<u>(5,720)</u>
Net decrease in cash and cash equivalents	<u>(430)</u>	<u>(2,865)</u>
Cash and cash equivalents at beginning of period	<u>25,892</u>	<u>32,414</u>
Effect of exchange rate changes	1,006	594
Cash and cash equivalents at end of period	<u><u>26,468</u></u>	<u><u>30,143</u></u>
Cash & cash equivalents comprise the following		
Cash & Bank balances	20,075	19,576
Fixed Deposit with Licensed Banks	15,786	21,021
	<u>35,861</u>	<u>40,597</u>
Less: Fixed deposit pledged	(9,393)	(10,454)
Cash and cash equivalents at end of period	<u><u>26,468</u></u>	<u><u>30,143</u></u>

Note:

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 30 Sep 2012 RM'000	Audited As At 31 Dec 2011 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,683	6,031
Land use rights	3,314	3,366
Investment in associates	17,459	14,616
Deferred tax assets	19	18
Membership rights	61	61
Total non-current assets	27,536	24,092
CURRENT ASSETS		
Inventories	2,321	3,381
Trade and other receivables	10,789	10,131
Dividend receivables	-	1,913
Prepayments	78	36
Cash and cash equivalents	35,861	36,325
Total current assets	49,049	51,786
TOTAL ASSETS	76,585	75,878
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	54,000	54,000
Capital reserves	4,764	4,764
Retained profit	5,612	5,613
Foreign currency translation	2,629	1,732
	67,005	66,109
Non-controlling Interest	667	589
Total equity	67,672	66,698
NON-CURRENT LIABILITIES		
Deferred tax liabilities	304	75
Finance lease under obligations	-	3
Total non-current liabilities	304	78
CURRENT LIABILITIES		
Trade and other payables	6,946	5,707
Other current liabilities	730	1,990
Current tax payables	933	1,398
Finance lease under obligations	-	7
Total current liabilities	8,609	9,102
Total liabilities	8,913	9,180
TOTAL EQUITY AND LIABILITIES	76,585	75,878
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)		
	0.62	0.61

Note:

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

UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2012
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	← Attributable to equity holders of the parent →						Non controlling Interest RM'000	Total Equity RM'000
	← Non-Distributable →			← Distributable →				
	Share capital RM'000	Share premium RM'000	Translation reserves RM'000	Capital reserves RM'000	Retained profits RM'000	Total RM'000		
At 1 January 2012	54,000	-	1,732	4,764	5,613	68,109	589	66,698
Profit for the year	-	-	-	-	5,399	5,399	78	5,477
Other comprehensive income for the year	-	-	897	-	-	897	-	897
Total comprehensive income	-	-	897	-	5,399	6,296	78	6,374
Dividends paid on ordinary shares	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 30 September 2012	54,000	-	2,629	4,764	5,612	67,005	667	67,672
At 1 January 2011	54,000	-	1,104	4,764	3,590	63,458	388	63,846
Profit for the year	-	-	-	-	7,056	7,056	79	7,135
Other comprehensive income for the year	-	-	1,255	-	-	1,255	-	1,255
Total comprehensive income	-	-	1,255	-	7,056	8,311	79	8,390
Dividends paid on ordinary shares	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 30 September 2011	54,000	-	2,359	4,764	5,246	66,369	467	66,836

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART 1-Explanatory Notes Pursuant to FRS 134

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

These condensed consolidated interim financial statements were approved by Board of Directors on 5 November 2012.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 30 September 2012, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board. For the periods up to and including the year ended 31 December 2011, the Group prepared its financial statements in accordance with Financial Reporting Standards ("FRS").

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

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

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2011.

In preparing its opening MFRS Statement of Financial Position as at 1 January 2012 (which is also the date of transition), there are no adjustment required on the amounts previously reported in financial statements prepared in accordance with FRS. The transition from FRS to MFRS has not had a material impact on the statement of cash flows.

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A3. Changes in Accounting Policies

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

Business combination

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

Acquisition before date of transition

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

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

A4. Auditors report of preceding Annual Financial Statements

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

A5. Seasonal or cyclical factors

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

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A6. Unusual items due to nature of size or incidence

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

A7. Change in estimates

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

A8. Carrying amount of revalued assets

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements for the financial period 31 December 2011.

A9. Debt and equity security

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

A10. Dividends

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

A11. Segment information

Segment information are presented in respect of the Group's geographical segment, which is based on the company's management reporting structure where discrete Financial information is available and regularly review by the Chief Operation Decision Maker.

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

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Segment analysis for the cumulative period ended 30 Sept 2012 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue					
External Sales	2,751	29,064	2,280	-	34,095
Inter-segment Sales	1,137	629	-	(1,766)	-
	<u>3,888</u>	<u>29,693</u>	<u>2,280</u>	<u>(1,766)</u>	<u>34,095</u>
Interest Income					68
Results					
Profit/(Loss) from Operation					3,762
Finance cost					-
Share of Profit of associates	-	-	-	-	2,780
Profit Before Taxation	-	-	-	-	6,542
Taxation	-	-	-	-	(1,065)
Profit after taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,477</u>

Sales derived from a single customer in Singapore segment accounted for 14.8% of the group's total sales. However, our key customers who contributed more than 10% of the total Group revenue each period may change depending on level of activity undertaken by each of our customers.

A12. Subsequent Event

Turbo-Mech (Thailand) Co., Ltd. (TMT), an associated company of Turbo-Mech Asia Pte. Ltd. (TMA) (which is a wholly-owned subsidiary of the Company), has increased its Paid-up Capital to RM9,948,100 (THB100,000,000) from the existing RM895,329 (THB9,000,000) Share Capital.

On 9th October 2012, TMA further subscribed an additional 445,909 new ordinary shares of RM9.9481 (THB100.00) each in TMT for a cash consideration of RM4,435,947.32 (THB 44,590,900) proportionate to its shareholding.

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The equity interest of the Group in TMT remained unchanged at 49% after the increase.

A13. Change in the composition of the Group

There were no changes in the composition of the Group for the period under review.

A14. Contingent Liabilities

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

A15. Capital Commitment

The Group has no capital commitments, either contracted upon or otherwise as at 30 Sept. 2012.

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A16. Significant related party transaction

The significant related party transactions below were carried out in the ordinary course of business during the quarter under review.

Related parties	Nature of transactions	Transaction for the period ended 30 Sept. 2012 RM'000
Ultra Sol and Bayu Purnama Sdn. Bhd.	Provision of tools, equipment and labour for fabrication services	1,816
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Sales Of parts	19.8
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Reimbursement of expenses by Related party	77.9
Turbo-Mech Asia and Bayu Purnama Sdn. Bhd.	Purchase of Services charges from Related party	14.6

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

B1. Analysis of Performance

The group was segmented into different geographical regions, namely Malaysia, Singapore and the Others. The Singapore segment includes the results of Brunei, Vietnam and Thailand. Singapore segment has traditionally been the major contributor to the Group's revenue. In this quarter, its contribution of Group's revenue was at 89.7% which is RM9.242 million of total revenue.

The Malaysia segment contributed 6.2% to the Group's revenue in the current quarter with the remaining being contributed by Philippines and Indonesia under the Others segment. In the current quarter, the Others segment has recorded a revenue of RM0.423 million.

In the current quarter, the revenue has improved by RM1.317 million as compared to its preceding year corresponding quarter and this had translated into better gross profit of RM3.018 million, an improvement of RM0.26 million, representing an improvement of 0.8%, despite slightly lower gross profit margin. The higher revenue is primarily attributed to Singapore Segment. The revenue of current cumulative quarter improved by RM1.165 million, representing 13.0% increase as compared to preceding year corresponding cumulative quarter.

The gross profit margins for the current and cumulative comparisons were consistently maintained around 28.4% to 30.1%. In the current cumulative quarter, gross profit margin recorded of 28.4% was 1.7% lower than preceding year corresponding period comparison.

The Other operating income has dropped by RM0.307 million and RM0.227 million for the current and cumulative quarter respectively. The drop in both comparisons was due to decrease in unrealised foreign exchange gain recognised.

In the current and cumulative quarter, the other operating expenses have increased by RM0.799 million and RM0.917 million respectively. This was mainly due to increase in unrealised foreign exchange loss on retranslation of foreign currencies accounts and depreciation expenses.

The share of results of associated company recorded RM0.641 million profit, a drop of 35.0% in the current quarter as compared to preceding year corresponding quarter. However, as far as the cumulative current year to date quarter was concern, the share of results of associated companies had reduced by 5.0%.

The tax expenses increased by RM0.165 million in the current quarter as compared to preceding year corresponding quarter despite the drop in profit in

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the current quarter. This was due to provision of deferred tax amounted to RM0.227 million on share of withholding tax payable in an associated company.

As a result, the Group had recorded a current quarter profit after tax of RM1.031 million. In the current cumulative quarter, the Group recorded a Profit after tax of RM5.477million which was 23.2% lower than preceding year corresponding period.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	Current Quarter 30 Sept 2012 RM'000	Preceding Quarter 30 June 2012 RM'000
Revenue	10,306	14,585
Profit before Tax	1,474	3,110

In the current quarter, revenue dropped by RM4.279 million as compared to the preceding quarter of RM14.585 million, representing a drop of 29%. This was mainly due to drop in revenue recognised from sales of pumps derived from projects amounted to RM4.111 million (SGD1.668 million) as compared to preceding quarter.

Profit before tax recorded for the quarter under review was RM1.474 million which was RM1.636 million lower as compared to preceding comparatives quarter, a drop of 52.6%. Despite an improvement in gross profit margin achieved of 5.2% in current quarter as compared to preceding quarter, the lower gross profit, other operating income, share of results of associate and higher operating expenses resulted in the decline in Profit before tax. The higher operating expenses were mainly due to increase in unrealised foreign exchange loss of RM0.386 million in current quarter on retranslation of foreign currency accounts.

As the result, the current quarter results gave a net profit margin before tax of 14.3%, which was lower than the preceding quarter by 7.0%.

B3. Prospects

The demand for petrochemical industries products are influenced by the market economic conditions. As a supplier of pumps and compressors to both upstream as well as downstream of petrochemical industries, the demand for our products and services will inevitably be affected as well.

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The Company will stay focused on maintenance and services in which we should expect an insignificant growth in this area.

B4. Notes on variance in actual profit and shortfall in profit guarantee

The Group has not issued any profit forecast or profit guarantee for the current financial quarter under review.

B5. Income Tax Expenses

	Current Quarter		Cumulative Quarter	
	30 Sept 2012	30 Sept 2011	30 Sept 2012	30 Sept 2011
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	21	22	65	63
- Foreign income tax	195	311	773	904
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	227	(55)	227	(55)

The Group's effective tax rate for the current quarter is 30.0%, which is higher than the statutory tax rate of 25% principally due to deferred income tax provision on withholding tax in an associated company. This percentage increase had been mitigated by income subjected to different tax regimes, utilisation of business loss and share of associated company results which is net of tax.

B6. Status of Corporate Proposals

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

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B7. Group Borrowing

	Current Quarter 30 Sept 2012 RM'000	Corresponding Quarter 30 Sept 2011 RM'000
Unsecured		
Long term borrowings	-	-
Obligations under finance lease	-	5
Unsecured		
Short term borrowings	-	-
Obligations under finance lease	-	7

B8. Gains/Losses from Fair Value changes of Financial Liabilities

There were no gains/losses arising from fair value changes of the financial liabilities for the current quarter and financial period.

B9. Material litigation

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

B10. Dividend

The directors have not declared any dividends for the quarter ended 30 September 2012 (Third Quarter 2012: 2.50 sen)

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B11. Earnings per Share

The basic earnings per share have been calculated by dividing the Group's profit for the financial quarter under review attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial quarter under review.

	Current Quarter 30 Sept 2012 RM'000	Corresponding Quarter 30 Sept 2011 RM'000
Profit net of tax attributable to owners of the Parent	1,005	2,374
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	0.93	2.20

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

B12. Auditors report of preceding Annual Financial Statements

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

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B13. Realised and Unrealised Profits of the Group

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

	Current Quarter 30 Sept 2012 RM'000	Corresponding Quarter 30 Sept 2011 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	11,059	15,723
- unrealised profits/ (loss)	(749)	339
Total share of retained profits from associated companies:		
- realised profits	14,537	6,355
- unrealised (loss)/ profits	254	-
Less: Consolidation adjustments	(19,489)	(17,172)
Total Group retained profits as per consolidated accounts	5,612	5,245

The determination of realised and unrealised profits is made based on the Guidance on Special Matter No. 1, determination of Realised and Unrealised Profits or Loss in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants on 20 December 2010.

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B14. Profit Before Taxation

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

	Current Quarter 30 Sept 2012 RM'000	Cumulative Quarter 30 Sept 2012 RM'000
Interest Income	24	68
Foreign exchange gain/(Loss)	(392)	(580)
Investment income*	-	-
Depreciation and Amortisation	200	512
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	33	96
Inventory Write Off*	-	-
Impairment of asset*	-	-
Gain/Loss on disposal of quoted or unquoted investment*	-	-
Gain/Loss on Derivatives*	-	-
Exceptional Expenses*	-	-

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