

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2012 RM'000	Preceding Year Corresponding Quarter 31 Dec 2011 RM'000	Current Year-To-Date 31 Dec 2012 RM'000	Preceding Year Corresponding Period 31 Dec 2011 RM'000
Revenue	11,884	13,267	45,979	46,197
Cost of sales	(7,871)	(9,543)	(32,280)	(32,573)
Gross profit	4,013	3,724	13,699	13,624
Other operating income	155	486	460	1,018
Other operating expenses	(2,210)	(1,894)	(8,439)	(7,206)
Profit from operations	1,958	2,316	5,720	7,436
Finance costs	-	-	-	-
Share of results of associate	1,315	1,064	4,095	3,991
Profit before tax	3,273	3,380	9,815	11,427
Tax expense	(242)	(190)	(1,307)	(1,102)
Net profit for the period	3,031	3,190	8,508	10,325
Attributable to :				
Equity holders of the parent	3,044	3,068	8,443	10,124
Non-controlling Interests	(13)	122	65	201
	3,031	3,190	8,508	10,325
Earning per share (sen)				
Equity holders of the parent :				
Basic	2.82	2.84	7.82	9.37
Diluted	N/A	N/A	N/A	N/A

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2012
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2012 RM'000	Preceding Year Corresponding Quarter 31 Dec 2011 RM'000	Current Year-To-Date 31 Dec 2012 RM'000	Preceding Year Corresponding Period 31 Dec 2011 RM'000
Net Profit for the Period	3,031	3,190	8,508	10,325
Other comprehensive income:				
Foreign currency translation	875	-627	896	628
Total comprehensive income for the period	3,906	2,563	9,404	10,953
Total comprehensive income for the period attributable to:				
Owners of the parent	3,841	2,441	9,339	10,752
Non-controlling Interests	65	122	65	201
	3,906	2,563	9,404	10,953

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 FOURTH QUARTER ENDED 31 DECEMBER 2012
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 31 Dec 2012 RM'000	Audited As At 31 Dec 2011 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	6,464	6,031
Land use rights	3,288	3,366
Investment in associates	21,097	14,616
Deferred tax assets	12	18
Membership rights	61	61
Total non-current assets	30,922	24,092
CURRENT ASSETS		
Inventories	1,536	3,381
Trade and other receivables	11,609	10,131
Dividend receivables	1,917	1,913
Prepayments	51	36
Cash and cash equivalents	31,819	36,325
Total current assets	46,932	51,786
TOTAL ASSETS	77,854	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	8,657	5,613
Foreign currency translation	2,627	1,732
	70,048	66,109
Non-controlling Interest	654	589
Total equity	70,702	66,698
NON-CURRENT LIABILITIES		
Deferred tax liabilities	66	75
Finance lease under obligations	-	3
Total non-current liabilities	66	78
CURRENT LIABILITIES		
Trade and other payables	5,284	5,707
Other current liabilities	621	1,990
Current tax payables	1,181	1,398
Finance lease under obligations	-	7
Total current liabilities	7,086	9,102
Total liabilities	7,152	9,180
TOTAL EQUITY AND LIABILITIES	77,854	75,878
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)		
	0.65	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 FOURTH QUARTER ENDED 31 DECEMBER 2012
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 31 Dec 2012 RM'000	Preceding Year Corresponding Period 31 Dec 2011 RM'000
Cash flows from operating activities		
Profit before taxation	9,816	11,427
Adjustments for non-cash flow:		
Non-cash items	(2,694)	(3,583)
Operating profit before changes in working capital	7,122	7,844
Changes in working capital		
Net change in inventories	1,680	(1,180)
Net change in trade and other receivables	(1,888)	(2,079)
Net change in trade and other payables	(1,921)	481
Cash generated from operations	4,993	5,066
Tax paid	(1,618)	(1,577)
Net cash from operating activities	3,375	3,489
Cash flows from investing activities		
Interest received	111	123
Dividend received from associate	2,130	850
Investment in associate	(4,449)	-
Proceeds from disposal of property, plant and equipment	16	-
Acquisition of Land use rights	-	(312)
Purchase of property, plant and equipment	(1,312)	(2,763)
Net cash used in investing activities	(3,504)	(2,102)
Cash flows from financing activities		
Fixed deposit pledged	1,032	(285)
Dividend paid on share capital	(5,400)	(8,100)
Repayment of obligations under finance leases	(10)	(6)
Net cash used in financing activities	(4,378)	(8,391)
Net decrease in cash and cash equivalents	(4,507)	(7,004)
Cash and cash equivalents at beginning of period	25,892	32,414
Effect of exchange rate changes	1,034	482
Cash and cash equivalents at end of period	22,419	25,892
Cash & cash equivalents comprise the following		
Cash & Bank balances	16,020	14,703
Fixed Deposit with Licensed Banks	15,799	21,622
	31,819	36,325
Less: Fixed deposit pledged	(9,400)	(10,433)
Cash and cash equivalents at end of period	22,419	25,892

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 FOURTH QUARTER ENDED 31 DECEMBER 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	66,109	589	66,698
Profit for the year	-	-	-	-	8,443	8,443	65	8,508
Other comprehensive income for the year	-	-	896	-	-	896	-	896
Total comprehensive income	-	-	896	-	8,443	9,339	65	9,404
Dividends paid on ordinary shares	-	-	-	-	(5,400)	(5,400)	-	(5,400)
At 31 December 2012	54,000	-	2,628	4,764	8,656	70,048	654	70,702
At 1 January 2011	54,000	-	1,104	4,764	3,589	63,457	388	63,845
Profit for the year	-	-	-	-	10,124	10,124	201	10,325
Other comprehensive income for the year	-	-	628	-	-	628	-	628
Total comprehensive income	-	-	628	-	10,124	10,752	201	10,953
Dividends paid on ordinary shares	-	-	-	-	(8,100)	(8,100)	-	(8,100)
At 30 December 2011	54,000	-	1,732	4,764	5,613	66,109	589	66,698

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 25 February 2013.

A2. Basis of Preparation

These condensed consolidated interim financial statements, for the period ended 31 December 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 as at 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 31 December 2012 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
Revenue					
External Sales	3,104	39,056	3,819	-	45,979
Inter-segment Sales	7,546	755	-	(8,301)	-
	<u>10,650</u>	<u>39,811</u>	<u>3,819</u>	<u>(8,301)</u>	<u>45,979</u>
Interest Income					110
Results					
Profit/(Loss) from Operation					5,610
Finance cost					-
Share of Profit of associates	-	-	-	-	4,095
Profit Before Taxation	-	-	-	-	9,815
Taxation	-	-	-	-	(1,307)
Profit after taxation	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,508</u>

Sales derived from a single customer in Singapore segment accounted for 16.3% of the group's total sales. However, our key customers who contributed more than 10% of the total Group revenue each period may change depending on level of activity undertaken by each of our customers.

A12. Subsequent Event

There is no subsequent event reported during the financial quarter under review.

A13. Change in the composition of the Group

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

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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 31 December 2012.

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 31 December 2012 RM'000
Ultra Sol Engineering & Trading Sdn. Bhd.and Bayu Purnama Sdn. Bhd.	Provision of tools, equipment and labour for fabrication services	2,149
Turbo-Mech Asia Pte. Ltd. and Bayu Purnama Sdn. Bhd.	Sales Of parts	34.9

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Turbo-Mech Asia	Reimbursement of expenses	147.8
Pte. Ltd. and	by Related party	
Bayu Purnama		
Sdn. Bhd.		

Turbo-Mech Asia	Purchase of Services charges	14.8
Pte. Ltd. and	from Related party	
Bayu Purnama		
Sdn. Bhd.		

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 84.1% or RM10.0 million of total revenue.

The Malaysia segment contributed 6.75% to the Group's revenue with the remaining being contributed by Philippines and Indonesia under the Others segment.

In the current quarter, the revenue has declined by RM1.4 million as compared to its preceding year corresponding quarter. However there is an improvement in the gross profit by RM0.3 million or 5.7% in the gross profit margin for the current quarter as compared with preceding year corresponding quarter. The Singapore segment had contributed for RM3.1 million of the total gross profit for the current quarter. For the cumulative quarter, the revenue had slightly decline by RM 0.07 million as compared with the million preceding year corresponding period.

The gross profit margins for the current quarter and preceding year corresponding quarter were 33.7% and 28.0% respectively with an increase of 5.7%. For the cumulative current year quarter, the gross profit margins were 29.8% as compared with the preceding year corresponding period of 29.5%.

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The Other operating income has dropped by RM0.3 million and RM0.6 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 RM0.3 million and RM1.2 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 an increase by RM0.3 million and RM 0.1 million profits for the current quarter and cumulative current year to date respectively.

The tax expenses increased by RM0.05 million and RM0.21 million for the current quarter and cumulative year to date respectively despite the drop in profit in the current quarter. This was due to the increase in tax expenses from overseas operations.

As a result, the Group had recorded a profit after tax of RM3.0 million and RM 8.5 million respectively for the current quarter and the year to date.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	Current Quarter 31 Dec 2012 RM'000	Preceding Quarter 30 Sept 2012 RM'000
Revenue	11,884	10,306
Profit before Tax	3,031	1,474

In the current quarter, revenue increased by RM1.6 million as compared to a decline of RM4.3 million for the preceding quarter, representing a net increase of 15%. This was mainly due to increase in revenue recognised from sales of pumps and spares amounted to RM8.276 million (SGD3.341 million) as compared to preceding quarter.

Profit before tax recorded for the quarter under review was RM3.0 million which was RM1.6 million higher as compared to preceding comparative quarter, an increase of 105.0%. The improvement in gross profit margin of 4.4% in current quarter as compared to preceding quarter together with higher other operating income, share of results of associate and lower operating expenses resulted in the increase in Profit before tax.

As the result, the current quarter results gave a net profit margin before tax of 25.5%, which was higher than the preceding quarter by 11.1%.

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B3. Prospects

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

The Company will stay focused on maintenance and services in which we should expect a marginal 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	
	31 Dec 2012	31 Dec 2011	31 Dec 2012	31 Dec 2011
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	(83)	(10)	(18)	53
- Foreign income tax	553	297	1,326	1,201
(Over)/Under provision in respect prior years	3	(185)	3	(185)
Deferred income tax:	-	-	-	-
Origination and reversal of temporary difference	(231)	88	(4)	33
Total	242	190	1,307	1,102

The Group's effective tax rate for the current quarter is 7.4%, which is lower than the statutory tax rate of 25% principally due to deferred income tax provision on withholding tax in a related company, lower tax regime from foreign income tax, utilisation of business loss and share of associated company results which is net of tax.

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 31 Dec 2012 RM'000	Corresponding Quarter 31 Dec 2011 RM'000
Unsecured		
Long term borrowings	-	-
Obligations under finance lease	-	3
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 Board of Directors is pleased to recommend a final tax exempt (single-tier) dividend of 5 sen per ordinary share of 50 sen in respect of financial year ended 31 December 2012 (Q4FY2011: 5 sen, FY2011: 7.5 sen, FY2012: 5 sen), subject to approval of the shareholders at the forthcoming Fourth Annual General Meeting, the date of which will be announced later. The entitlement date in respect of the final dividend and the date of payment will be announced at a later date.

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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 31 Dec 2012 RM'000	Corresponding Quarter 31 Dec 2011 RM'000
Profit net of tax attributable to owners of the Parent	3,044	3,068
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	2.82	2.84

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.

B13. Realised and Unrealised Profits of the Group

The retained profits as at 31 Dec 2012 is analysed as follows:-

	Current Quarter 31 Dec 2012 RM'000	Corresponding Quarter 31 Dec 2011 RM'000
Total retained profits of the Group and its subsidiaries:		
- realised profits	19,394	21,372
- unrealised profits/ (loss)	(1,231)	108
Total share of retained profits from associated companies:		
- realised profits	13,724	5,393

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- unrealised (loss)/ profits	255	103
Less: Consolidation adjustments	(23,485)	(21,363)
Total Group retained profits as per consolidated accounts	8,657	5,613

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.

B14. Profit Before Taxation

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

	Current Quarter 31 Dec 2012 RM'000	Cumulative Quarter 31 Dec 2012 RM'000
Interest Income	42	110
Foreign exchange gain/(Loss)	(594)	(1,174)
Investment income*	-	-
Depreciation and Amortisation	212	724
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	(14)	82
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.