

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013  
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2013 RM'000	Preceding Year Corresponding Quarter 30 Sep 2012 RM'000	Current Year To Date 30 Sep 2013 RM'000	Preceding Year Corresponding Period 30 Sep 2012 RM'000
Revenue	8,909	10,306	25,470	34,095
Cost of sales	(5,436)	(7,288)	(15,952)	(24,409)
Gross profit	3,473	3,018	9,518	9,686
Other operating income	142	50	505	305
Other operating expenses	(1,936)	(2,235)	(5,943)	(6,229)
Profit from operations	1,679	833	4,080	3,762
Finance costs	0	0	0	0
Share of results of associate	1,279	641	2,839	2,780
Profit before tax	2,958	1,474	6,919	6,542
Tax expense	(433)	(443)	(894)	(1,065)
Net profit for the period	2,525	1,031	6,025	5,477
Attributable to :				
Equity holders of the parent	2,519	1,005	6,076	5,399
Non-controlling Interest	6	26	(51)	78
	2,525	1,031	6,025	5,477
Earning per share (sen)				
Equity holders of the parent :				
Basic	2.33	0.93	5.63	5.00
Diluted	N/A	N/A	N/A	N/A

**Note:**

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

(863263 - D)  
(Incorporated in Malaysia)

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013  
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Sep 2013 RM'000	Preceding Year Corresponding Quarter 30 Sep 2012 RM'000	Current Year-To-Date 30 Sep 2013 RM'000	Preceding Year Corresponding Period 30 Sep 2012 RM'000
Net Profit for the Period	2,525	1,031	6,025	5,477
<b>Other comprehensive (expense)/income:</b>				
Foreign currency translation	750	876	1,276	897
<b>Total comprehensive (expense)/income</b>	<b>3,275</b>	<b>1,907</b>	<b>7,301</b>	<b>6,374</b>
<b>Total comprehensive (expense)/income</b>				
Owners of the parent	3,269	1,881	7,352	6,296
Non-controlling Interest	6	26	(51)	78
	<b>3,275</b>	<b>1,907</b>	<b>7,301</b>	<b>6,374</b>

**Note:**

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

	Attributable to equity holders of the parent							Non controlling Interest RM'000	Total Equity RM'000
	Share capital RM'000	Share premium RM'000	Translation reserves RM'000	Non-Distributable Capital reserves RM'000	Merger reserves RM'000	Distributable Retained profits RM'000	Total RM'000		
<b>At 1 January 2013</b>	54000	0	2627	4764	0	8587	69978	661	70639
Profit for the year	0	0	0	0	0	6076	6076	(51)	6025
Other comprehensive income for the year	0	0	1276	0	0	0	1276	0	1276
Total comprehensive income	0	0	1276	0	0	6076	7352	(51)	7301
Dividends paid on shares capital						(5400)	(5400)	0	(5400)
<b>At 30 SEPTEMBER 2013</b>	54000	0	3903	4764	0	9263	71930	610	72540
<b>At 1 January 2012</b>	54000	0	1732	4764	0	5613	66109	589	66698
Profit for the year	0	0	0	0	0	5399	5399	78	5477
Other comprehensive income for the year	0	0	897	0	0	0	897	0	897
Total comprehensive income	0	0	897	0	0	5399	6296	78	6374
Dividend paid on ordinary shares						(5400)	(5400)		(5400)
<b>At 30 SEPTEMBER 2012</b>	54000	0	2629	4764	0	5612	67005	667	67672

**Note:**

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

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2013  
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 30 Sep 2013 RM'000	Preceding Year Corresponding Period 30 Sep 2012 RM'000
Cash flows from operating activities		
Profit before taxation	6,919	6,542
Adjustments for non-cash flow:		
Non-cash items	(1,967)	(1,539)
Operating profit before changes in working capital	4,952	5,003
Changes in working capital		
Net change in inventories	16	883
Net change in trade and other receivables	8,857	780
Net change in trade and other payables	(2,379)	(149)
Cash generated from operations	11,446	6,517
Tax paid	(1,125)	(1,343)
Interest paid	-	-
Net cash from operating activities	10,321	5,174
Cash flows from investing activities		
Interest received	62	68
Dividend received from associate	-	-
Acquisition of Land Use Rights	-	-
Investment in associate	-	-
Proceeds from disposal of property, plant and equipment	34	13
Purchase of property, plant and equipment	(51)	(1,316)
Net cash used in investing activities	45	(1,235)
Cash flows used in financing activities		
Fixed deposit pledge	(358)	1,041
Dividend paid on share capital	(5,400)	(5,400)
Repayment of obligations under finance leases	-	(10)
Net cash used in financing activities	(5,758)	(4,369)
Net increase in cash and cash equivalents	4,608	(430)
Cash and cash equivalents at beginning of period	22,418	25,892
Effect of exchange rate changes	1,219	1,006
Cash and cash equivalents at end of period	28,245	26,468
Cash & cash equivalents comprise the following		
Cash & Bank balances	15,180	20,075
Fixed Deposit with Licensed Banks	22,824	15,786
	38,004	35,861
Less: Fixed deposit pledged	(9,759)	(9,393)
Cash and cash equivalents at end of period	28,245	26,468

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 2013  
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 30 Sep 2013 RM'000	Audited As At 31 Dec 2012 RM'000
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	5,625	6,464
Land use rights	3,265	3,288
Investment in associates	20,982	18,122
Deferred tax assets	12	12
Membership rights	61	61
<b>Total non-current assets</b>	<b>29,945</b>	<b>27,947</b>
<b>CURRENT ASSETS</b>		
Inventories	1,502	1,536
Trade and other receivables	6,650	11,602
Dividend receivables	959	4,891
Prepayments	78	51
Cash and cash equivalents	38,004	31,819
<b>Total current assets</b>	<b>47,193</b>	<b>49,899</b>
<b>TOTAL ASSETS</b>	<b>77,138</b>	<b>77,846</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to equity holders of the Company</b>		
Share capital	54,000	54,000
Capital reserves	4,764	4,764
Retained profit	9,263	8,587
Foreign currency translation	3,903	2,627
	71,930	69,978
<b>Non-controlling Interest</b>	610	661
<b>Total equity</b>	<b>72,540</b>	<b>70,639</b>
<b>NON-CURRENT LIABILITIES</b>		
Deferred tax liabilities	67	66
Finance lease under obligations	-	-
<b>Total non-current liabilities</b>	<b>67</b>	<b>66</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,317	5,276
Other current liabilities	258	678
Current tax payables	956	1,187
Finance lease under obligations	-	-
<b>Total current liabilities</b>	<b>4,531</b>	<b>7,141</b>
<b>Total liabilities</b>	<b>4,598</b>	<b>7,207</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>77,138</b>	<b>77,846</b>
<b>NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)</b>		
	<b>0.67</b>	<b>0.65</b>

**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.

## **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 18 November 2013.

#### **A2. Basis of Preparation**

The condensed consolidated interim financial statements of the Group for the third quarter ended 30 September 2013, have been prepared in accordance with MFRS 134 *Interim Financial Reporting* and paragraph 9.22 of the Listing Requirements of the Bursa Malaysia Securities Berhad. These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The condensed consolidated interim financial statements should read in conjunction with the audited financial statements for the year ended 31 December 2012.

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 2012.

#### **A3. Significant accounting policies**

The significant accounting policies and methods of computation adopted for the condensed consolidated interim financial statements are consistent with those of the audited financial statements for the year ended 31 December 2012 except for the adoption of the following new or revised Malaysian Financial Reporting Standards (“MFRS”) below.

##### **3.1 Changes in Accounting Policies**

On 1 January 2013, the Group adopted the following new and amended MFRSs and IC Interpretation mandatory for the annual financial periods beginning on or after 1 January 2013:

##### **Effective for financial periods beginning on or after 1 January 2013**

MFRS 3: Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)

MFRS 10: Consolidated Financial Statements

MFRS 11: Joint Arrangements

MFRS 12: Disclosure of Interests in Other Entities  
MFRS 13: Fair Value Measurement  
MFRS 119: Employee Benefits  
MFRS 127: Separate Financial Statements  
MFRS 127: Consolidated and Separate Financial Statements (IAS 27 as revised by IASB in December 2003)  
MFRS 128: Investments in Associates and Joint Ventures  
IC Interpretation 20: Stripping Costs in the Production Phase of a Surface Mine  
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards – Government Loans  
Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities  
Amendment to MFRS 10: Consolidated Financial Statements: Transition Guidance  
Amendment to MFRS 11: Joint Arrangements: Transition Guidance  
Amendment to MFRS 12: Disclosure of Interests in Other Entities: Transition Guidance  
Amendments to MFRS 101: Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 116: Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 132: Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)  
Amendments to MFRS 134: Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)  
Amendments to IC Interpretation 2 Members' Shares in Co-operative Entities and Similar Instruments (Annual Improvements 2009-2011 Cycle)

**Effective for financial periods beginning on or after 1 January 2014**

Amendments to MFRS 10, MFRS 12 and MFRS 127: Investment Entities  
Amendments to MFRS 132: Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities

**Effective for financial periods beginning on or after 1 January 2015**

MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2009)  
MFRS 9: Financial Instruments (IFRS 9 issued by IASB in October 2010)

The directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application.

**A4. Auditors report of preceding Annual Financial Statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2012 was not subject to any qualification.

**A5. Seasonal or cyclical factors**

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

**A6. Unusual items due to nature of size or incidence**

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

**A7. Change in estimates**

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

**A8. Carrying amount of revalued assets**

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements as at 31 December 2012.

**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**

A final tax exempt (single tier) dividend of 5 sen per ordinary share of 50 sen in respect of the financial year ended 31 December 2012 on 108,000,000 ordinary shares, amounting to a dividend payable of RM 5.4 million was approved at the Annual General Meeting held on 17 May 2013 and subsequently paid on 17 June 2013.

**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.



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

Segment analysis for the cumulative period ended 30 September 2013 is set out below:

	Malaysia RM'000	Singapore RM'000	Others RM'000	Elimination RM'000	Group RM'000
<b>Revenue</b>					
External Sales	636	23,080	1,754	-	25,470
Inter-segment Sales	184	928	-	(1,112)	-
	<u>820</u>	<u>24,008</u>	<u>1,754</u>	<u>(1,112)</u>	<u>25,470</u>
<b>Results</b>					
Profit/(Loss) from Operation	(701)	4,225	791	(235)	4,080
Share of Profit of associates					<u>2,839</u>
Profit Before Taxation					6,919
Taxation					<u>(894)</u>
Profit after taxation					<u>6,025</u>

#### 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.

#### A14. Contingent Liabilities

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

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#### A15. Capital Commitments

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

#### A16. Significant related party transaction

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

Related parties	Nature of transactions	Transaction for the period ended 30 September 2013 RM'000	Transaction for the period ended 30 September 2012 RM'000
Ultra Sol Engineering & Trading Sdn Bhd and Bayu Purnama	Provision of tools, equipment and labour for fabrication services	492	1,816
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Sales of parts	-	19.8
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Reimbursement of expenses by Related party	-	77.9
Turbo-Mech Asia Pte Ltd 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 achieved revenue of RM8.91 million for the current quarter, a drop of RM1.4 million or 13.6% as compared to the RM10.31 million achieved during the preceding year corresponding quarter. The decrease in revenue was mainly from the drop in revenue from the Singapore and Malaysia segment.

The Group achieved gross profit of RM3.47 million during the current quarter, an increase of RM0.45 million or 15.1% as compared to the RM3.02 million achieved during the preceding year corresponding quarter. The gross profit margin for this quarter is 39.0% which is higher than the gross profit margin of 29.3% achieved during the preceding year corresponding quarter. The increase was mainly due to 89% of the sales for the current quarter was derived from pumps spares, which attracts a higher profit margin as compared to 61% during the preceding year corresponding quarter.

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For the current quarter, the Group recorded a profit after tax of RM2.53 million, an increase of RM1.49 million or 144.9% as compared against the preceding year corresponding quarter profit after tax of RM1.03 million. The increase was mainly due to better gross profit margin and the impact of the results of associates.

For the first 9 months of year 2013, the Group recorded a pre-tax profit of RM6.92 million on revenue of RM25.47 million, an improvement of about 5.7% in respect of pre-tax profit. This is mainly due to the positive impact of the 3<sup>rd</sup> quarter result.

**B2. Comparison between the current Quarter and Immediate Preceding Quarter**

	<b>Current Quarter 30 September 2013 RM'000</b>	<b>Preceding Quarter 30 June 2013 RM'000</b>
Revenue	8,909	6,514
Profit before Tax	2,958	2,218

The Group achieved revenue of RM8.91 million for the current quarter, an increase of RM2.40 million or 36.8% as compared to the RM6.51 million achieved during the previous quarter.

The Group achieved a gross profit of RM3.47 million during the current quarter, an increase of RM0.36 million or 11.6%, compared to the RM3.11 million achieved during the previous quarter. The gross profit margin for this quarter is 38.9%, which is lower than the gross profit margin of 47.8% achieved during the previous quarter. Despite a lower profit margin, the Group recorded a higher pre-tax profit due to the increase in revenue and better contributions from associates.

For the current quarter, the Group recorded a profit after tax of RM2.53 million, an increase of RM0.58 million or 29.6% compared against the previous quarter profit after tax of RM1.95 million.

**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 no significant changes 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 2013	30 Sept 2012	30 Sept 2013	30 Sept 2012
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	-	21	-	65
- Foreign income tax	433	195	904	773
(Over)/Under provision in respect prior years		-	(10)	-
Deferred income tax:				
Origination and reversal of temporary difference	-	227	-	227
<b>Total</b>	<b>433</b>	<b>443</b>	<b>894</b>	<b>1,065</b>

The Group's effective tax rate for the current quarter is 14.6%, which is lower than the statutory tax rate of 25% principally due to deferred income tax provision on withholding tax in a related company, lower tax regime from foreign income tax utilisation of business loss and share of associated company results which is net of tax.

**B6. Status of Corporate Proposals**

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

**B7. Group Borrowing**

There is no group borrowing for the current quarter under review.

**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**

A final tax exempt (single tier) dividend of 5 sen per ordinary share of 50 sen in respect of the financial year ended 31 December 2012 on 108,000,000 ordinary shares, amounting to a dividend payable of RM 5.4 million was approved at the Annual General Meeting held on 17 May 2013 and subsequently paid on 17 June 2013.

No interim dividend was proposed for the financial quarter under review.

**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.

	<b>Current Quarter 30 Sept 2013 RM'000</b>	<b>Corresponding Quarter 30 Sept 2012 RM'000</b>
Profit net of tax attributable to owners of the Parent	2,519	1,005
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings per share(Sen)	2.33	0.93

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

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**B12. Auditors report of preceding Annual Financial Statements**

The audit report on the Group's financial statements for the financial year ended 31 December 2012 was not subject to qualification.

**B13. Realised and Unrealised Profits of the Group**

The retained profits as at 30 Sept 2013 is analysed as follows:-

	<b>Current Quarter 30 Sept 2013 RM'000</b>	<b>Corresponding Quarter 30 Sept 2012 RM'000</b>
Total retained profits of the Group and its subsidiaries:		
- Realised profits	16,578	11,059
- Unrealised profits/(loss)	(300)	(749)
Total share of retained profits from associated companies:		
- Realised profits	10,764	14,537
- Unrealised profits/(loss)	240	254
Less : Consolidated adjustments	(18,019)	(19,489)
<b>Total Group retained profits as per consolidated accounts</b>	<b>9,263</b>	<b>5,612</b>

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):

	<b>Current Quarter 30 Sept 2013 RM'000</b>	<b>Cumulative Quarter 30 Sept 2013 RM'000</b>
Interest Income	14	62
Foreign exchange gain/(Loss) net	(130)	(154)
Investment income*	-	-
Depreciation and Amortisation	172	557
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	7	19
Inventory Write Off*	-	-
Impairment of asset*	-	-
Gain/Loss on disposal of quoted or unquoted investment*	-	-
Gain/Loss on Derivatives*	-	-
Exceptional Expenses*	-	-

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