

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2019 RM'000	Preceding Year Corresponding Quarter 31 Dec 2018 RM'000	Current Year To Date 31 Dec 2019 RM'000	Preceding Year Corresponding Period 31 Dec 2018 RM'000
Revenue	21,243	13,127	48,698	40,935
Cost of sales	(16,086)	(7,808)	(34,922)	(25,488)
Gross profit	5,157	5,319	13,776	15,447
Other operating income	659	906	1,819	1,581
Other operating expenses	(4,474)	(4,028)	(13,018)	(12,028)
Profit/(Loss) from operations	1,342	2,197	2,577	5,000
Finance costs	-	(2)	(2)	(4)
Share of results of associate	944	1,220	1,331	2,078
Share of results of JV	(13)	145	96	241
Profit/(Loss) before tax	2,273	3,560	4,002	7,315
Tax expense	(749)	(256)	(962)	(768)
Net profit/(loss) for the period	1,524	3,304	3,040	6,547
Attributable to :				
Equity holders of the parent	1,526	3,303	3,039	6,546
Non-controlling Interest	(2)	1	1	1
	1,524	3,304	3,040	6,547
Earning per share (sen)				
Equity holders of the parent :				
Basic	1.41	3.06	2.81	6.06
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.

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2019 RM'000	Preceding Year Corresponding Quarter 31 Dec 2018 RM'000	Current Year-To-Date 31 Dec 2019 RM'000	Preceding Year Corresponding Period 31 Dec 2018 RM'000
Net Profit/(Loss) for the Period	1,524	3,304	3,040	6,547
Other comprehensive income/(expense):				
Remeasurement of defined benefit obligation	(48)	19	(48)	19
Foreign currency translation	160	159	1,271	37
Total comprehensive income/(expense)	1,636	3,482	4,263	6,603
Total comprehensive income/(expense)				
Owners of the parent	1,636	3,482	4,259	6,601
Non-controlling Interest	-	-	4	2
	1,636	3,482	4,263	6,603

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 FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Unaudited As At 31 Dec 2019 RM'000	Audited As At 31 Dec 2018 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	23,614	28,318
Investment properties	3,700	1,421
Land use rights	2,877	2,946
Investment in associates	17,867	17,944
Investment in JV	355	440
Deferred tax assets	-	-
Membership rights	23	23
Right of use asset	2,526	-
Total non-current assets	50,962	51,092
CURRENT ASSETS		
Inventories	3,656	1,855
Trade and other receivables	19,845	12,245
Contract asset	1,861	1,967
Dividend receivables	1,403	2,550
Prepayments	330	112
Tax recoverable	-	10
Cash and cash equivalents	45,137	42,747
Total current assets	72,232	61,486
TOTAL ASSETS	123,194	112,578
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the Company		
Share capital	54,000	54,000
Capital reserves	4,764	4,764
Retained profits	33,038	32,159
Retirement benefit obligation reserve	(35)	13
Statutory reserve	109	109
Foreign currency translation	16,340	15,072
	108,216	106,117
Non-controlling Interest	35	31
Total equity	108,251	106,148
NON-CURRENT LIABILITIES		
Deferred tax liabilities	172	78
Loans and borrowings	4	22
Retirement benefit obligation	272	201
Lease liability	2,386	-
Total non-current liabilities	2,834	301
CURRENT LIABILITIES		
Loans and borrowings	19	23
Trade and other payables	8,022	4,862
Contract liabilities	3,082	261
Lease liability	178	-
Current tax payables	808	983
Total current liabilities	12,109	6,129
Total liabilities	14,943	6,430
TOTAL EQUITY AND LIABILITIES	123,194	112,578
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)	1.00	0.98

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 2019
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	Translation reserves RM'000	Capital reserves RM'000	Retirement benefit obligation reserves RM'000	Statutory reserves RM'000	Retained profits RM'000	Statutory reserves RM'000		
At 1 January 2019	54,000	15,072	4,764	13	109	32,159	106,117	31	106,148
Profit for the year	-	-	-	-	-	3,039	3,039	1	3,040
Other comprehensive income for the year	-	1,268	-	(48)	-	-	1,220	3	1,223
Total comprehensive income	-	1,268	-	(48)	-	3,039	4,259	4	4,263
Transactions with owners - Dividends paid on ordinary shares	-	-	-	-	-	(2,160)	(2,160)	-	(2,160)
At 31 December 2019	54,000	16,340	4,764	(35)	109	33,038	108,216	35	108,251
At 1 January 2018	54,000	15,036	4,764	(6)	109	26,634	100,537	3,697	104,234
Profit for the year	-	-	-	-	-	6,546	6,546	1	6,547
Other comprehensive income for the year	-	36	-	19	-	-	55	1	56
Total comprehensive income	-	36	-	19	-	6,546	6,601	2	6,603
Transaction with owners - Dividends paid on ordinary shares	-	-	-	-	-	(1,080)	(1,080)	-	(1,080)
- Arising from the acquisition of additional shares in a subsidiary	-	-	-	-	-	59	59	(3,668)	(3,609)
At 31 December 2018	54,000	15,072	4,764	13	109	32,159	106,117	31	106,148

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 FOURTH QUARTER ENDED 31 DECEMBER 2019
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS

	Current Year-To-Date 31 Dec 2019 RM'000	Preceding Year Corresponding Period 31 Dec 2018 RM'000
Cash flows from operating activities		
Profit/Loss before taxation	4,002	7,315
Adjustments for non-cash flow:		
Depreciation of Property, plant and equipment	2,555	2,537
Amortisation of prepaid lease payments	76	75
Depreciation of investment properties	180	114
(Gain)/Loss on disposal of property, plant and equipment	-	(46)
Impairment of investment in club membership	-	7
Unrealised loss/(gain) on foreign currency	85	(356)
Interest income	(412)	(293)
Allowances for impairment loss on trade receivables	-	161
Inventories written down	-	102
Reversal of inventories written down	-	(114)
Share of results of associates	(1,331)	(2,078)
Share of joint venture	(96)	(241)
Retirement benefit obligation	25	103
Finance costs	3	4
Operating profit before changes in working capital	5,087	7,290
Changes in working capital		
Net change in inventories	(1,801)	(348)
Net change in trade and other receivables	(7,702)	1,262
Net change in trade and other payables	5,978	(207)
Cash (used in)/generated from operations	1,562	7,997
Tax (paid)/recoverable	(1,046)	(546)
Interest paid	(3)	(4)
Net cash generated from operating activities	513	7,447
Cash flows from investing activities		
Interest received	412	293
Proceeds from disposal of property, plant and equipment	6	47
Purchase of property, plant and equipment	(184)	(742)
Acquisition of additional interest in subsidiary	-	(3,607)
Net cash (used in)/generated from investing activities	234	(4,009)
Cash flows used in financing activities		
Fixed deposit pledge	(1,964)	-
(Placement)/drawdown of fixed deposit	-	(2,339)
Dividend received from Associate	2,550	-
Dividend received from JV	184	-
Repayment of obligation under finance lease	(5)	(21)
Net impact on recognition of MFRS 16	38	-
Dividend paid	(2,160)	(1,080)
Net cash (used in)/generated from financing activities	(1,357)	(3,440)
Net (decrease)/increase in cash and cash equivalents	(610)	(2)
Cash and cash equivalents at beginning of period	34,859	34,356
Effect of exchange rate changes	1,037	505
Cash and cash equivalents at end of period	35,286	34,859
Cash & cash equivalents comprise the following		
Cash & Bank balances	17,659	18,382
Fixed Deposit with Licensed Banks	27,478	24,365
	45,137	42,747
Less: Long term fixed deposits with licensed bank	(9,851)	(7,888)
Cash and cash equivalents at end of period	35,286	34,859

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.

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NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART 1-Explanatory Notes Pursuant to MFRS 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 2020.

A2. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2019, 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 2018.

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 2018.

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 2018 except for the adoption of the following new or revised Malaysian Financial Reporting Standards ("MFRS") below.

3.1 Changes in Accounting Policies

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards and interpretations, if applicable when they become effective.

Effective for financial periods beginning on or after 1 January 2019

Amendments to MFRS 3: Business Combinations (Annual improvements to MFRSs 2015–2017 Cycle)

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Amendments to MFRS 9: Prepayment Features with Negative Compensation
Amendments to MFRS 11: Joint Arrangements (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 112: Income Taxes (Annual improvements to MFRSs 2015–2017 Cycle)
Amendments to MFRS 119: Plan Amendment, Curtailment or Settlement
Amendments to MFRS 123: Borrowing Costs (Annual improvements to MFRSs 2015–2017 Cycle)
MFRS 16: Leases
MFRS 128: Long-term interests in Associates and Joint Ventures
IC Interpretation 23: Uncertainty over Income Tax Treatments

Effective for financial periods beginning on or after 1 January 2020

Amendments to MFRS 3: Definition of a Business
Amendments to MFRS 101: Definition of Material
Amendments to MFRS 108: Definition of Material

Effective for financial periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts

Effective for financial periods to be announced

Amendment to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

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 2018 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.

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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 2018.

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

At the forthcoming Annual General Meeting, a final single-tier dividend of 1.0 sen per ordinary shares, amounting to a dividend payable of RM1,080,000 for the financial year ended 31 December 2019 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

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 reviewed 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 period ended 31 December 2019 is set out below:

	Malaysia	Singapore	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Sales	-	33,023	15,675	-	48,698
Inter-segment Sales	-	5,079	-	(5,079)	-
	-	38,102	15,675	(5,079)	48,698
Results					
Profit/(Loss) from Operation	(608)	2,640	773	(228)	2,577
Finance cost					(2)
Share of Results of associates					1,331
Share of Results of JV					96
Profit before taxation					4,002
Taxation					(962)
Profit after taxation					3,040

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 last report.

A15. Capital Commitments

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

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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 31 Dec 2019 RM'000	Transaction for the period ended 31 Dec 2019 RM'000
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Sales of parts	681	-
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Reimbursement of expenses by Related party	39	71

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

B1. Analysis of Performance

	INDIVIDUAL QUARTER				CUMULATIVE QUARTER			
	Current	Preceding Year	Changes		Current	Preceding Year	Changes	
	Year	Corresponding			Year	Corresponding		
	Quarter	Quarter			To Date	Period		
	31 Dec 2019	31 Dec 2018			31 Dec 2019	31 Dec 2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	21,243	13,127	8,116	62%	48,698	40,935	7,763	19%
Segment revenue								
- Singapore	14,995	9,986	5,009	50%	38,101	23,959	14,142	59%
- Others	6,248	2,661	3,587	135%	10,597	3,849	6,748	175%
Gross profit	7,139	5,319	1,820	34%	15,758	15,447	311	2%
Profit from operations	1,342	2,197	(855)	-39%	2,577	5,000	(2,423)	-48%
Profit before tax	2,273	3,560	(1,287)	-36%	4,002	7,315	(3,313)	-45%
Profit after tax	1,524	3,304	(1,780)	-54%	3,040	6,547	(3,507)	-54%
Profit attributable to equity holders of the parent	1,526	3,304	(1,778)	-54%	3,039	6,546	(3,507)	-54%

The Group achieved revenue of RM21.2 million for the current quarter, an increase of RM8.1 million compared to the RM13.1 million achieved during the preceding year corresponding quarter. The increase in revenue was mainly due to general increase in sales activities across the region.

The Group achieved gross profit of RM7.1 million during the current quarter compared with RM5.3 million achieved in preceding year corresponding quarter. The gross profit margin for this quarter is 33.5% which is lower than the gross profit margin of 40.5% achieved during the preceding year corresponding quarter due to change in product mix.

For the current quarter, the Group recorded a profit after tax of RM1.5 million, compared against the preceding year corresponding quarter profit after tax of RM3.3 million. The decrease in profit was mainly due to lower gross profit margin and lower contribution from associates during the quarter.

B2. Comparison between the current Quarter and Immediate Preceding Quarter

	INDIVIDUAL QUARTER		Changes	
	31 Dec 2019 RM'000	30 Sep 2019 RM'000	RM'000	%
Revenue	21,243	11,141	10,102	91%
Segment revenue				
- Singapore	14,995	9,139	5,855	64%
- Others	6,248	2,002	4,247	212%
Profit from operations	1,342	2,186	(844)	-39%
Profit before tax	2,273	2,441	(168)	-7%
Profit after tax	1,524	2,267	(743)	-33%
Profit attributable to equity holders of the parent	1,526	2,265	(739)	-33%

The Group achieved revenue of RM21.2 million for the current quarter, an increase of RM10.1 million or 91% as compared to the RM11.1 million achieved during the previous quarter.

The Group recorded a profit before tax of RM2.3 million during the current quarter, compared to the profit of RM2.4 million during the previous quarter. This is due to lower gross profit margin and lower contribution from associates during the quarter.

For the current quarter, the Group recorded a profit after tax of RM1.5 million, compared against the previous quarter profit after tax of RM2.2 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 Group does not experience any increase in operating expenditure and capital expenditure of our oil and gas clients, as such the pressure on the Group would continue. The Company will stay focus on maintenance and services and will stay relevant to the industry.

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 2019	31 Dec 2018	31 Dec 2019	31 Dec 2018
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	-	-	-	-
- Foreign income tax	749	256	962	768
(Over)/Under provision	-	-	-	-
in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-
Total	749	256	962	768

The Group's effective tax rate for the current year is 24%, 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, utilization of business loss, and share of associated company results which is net of tax in current quarter.

B6. Status of Corporate Proposals

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

B7. Group Borrowing

The details of the Group's borrowings as at 31 December 2019 are as set out as below:

	Maturity	31 Dec 2019 RM
Current		
Secured:		
Obligations under finance lease	2020	18,857
		<u>18,857</u>
Noncurrent		
Secured:		
Obligations under finance lease	2021	4,147
		<u>4,147</u>

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

At the forthcoming Annual General Meeting, a final single-tier dividend of 1.0 sen per ordinary shares, amounting to a dividend payable of RM1,080,000 for the financial year ended 31 December 2019 will be proposed for shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2020.

B11. Earnings per Share

The basic earnings/(loss) per share have been calculated by dividing the Group's profit/(loss) 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 2019 RM'000	Corresponding Quarter 31 Dec 2018 RM'000
Profit net of tax attributable to owners of the Parent	1,527	3,304
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings/(loss) per share(Sen)	1.41	3.06

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 2018 was not subject to qualification.

B13. Profit/(loss) before taxation

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

	Current Quarter 31 Dec 2019 RM'000	Cumulative Quarter 31 Dec 2019 RM'000
Interest Income	243	412
Foreign exchange gain/(Loss) net	(813)	(486)
Investment income*	-	-
Depreciation and Amortisation	(823)	(2,948)
Provision for Trade Receivable	(17)	(17)
Trade Receivable Write off*	-	-
Provision for Inventory	(60)	(60)
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.