

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE SECOND QUARTER ENDED 30 JUNE 2020
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2020 RM'000	Preceding Year Corresponding Quarter 30 Jun 2019 RM'000	Current Year To Date 30 Jun 2020 RM'000	Preceding Year Corresponding Period 30 Jun 2019 RM'000
Revenue	12,079	8,424	23,462	16,314
Cost of sales	(8,485)	(5,575)	(16,285)	(11,552)
Gross profit	3,594	2,849	7,177	4,762
Other operating income	471	352	1,999	552
Other operating expenses	(3,163)	(3,141)	(5,945)	(6,265)
Profit/(Loss) from operations	902	60	3,231	(951)
Finance costs	1	-	(1)	(1)
Share of results of associate	299	(22)	75	182
Share of results of JV	20	(7)	26	58
Profit/(Loss) before tax	1,222	31	3,331	(712)
Tax expense	(453)	(2)	(692)	(39)
Net profit/(loss) for the period	769	29	2,639	(751)
Attributable to :				
Equity holders of the parent	768	28	2,638	(752)
Non-controlling Interest	1	1	1	1
	769	29	2,639	(751)
Earning per share (sen)				
Equity holders of the parent :				
Basic	0.71	0.03	2.44	(0.70)
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 SECOND QUARTER ENDED 30 JUNE 2020
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30 Jun 2020 RM'000	Preceding Year Corresponding Quarter 30 Jun 2019 RM'000	Current Year-To-Date 30 Jun 2020 RM'000	Preceding Year Corresponding Period 30 Jun 2019 RM'000
Net Profit/(Loss) for the Period	769	29	2,639	(751)
Other comprehensive income/(expense):				
Foreign currency translation	2,816	1,975	1,051	1,411
Total comprehensive income/(expense)	3,585	2,004	3,690	660
Total comprehensive income/(expense)				
Owners of the parent	3,583	2,002	3,689	657
Non-controlling Interest	2	2	1	3
	3,585	2,004	3,690	660

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 SECOND QUARTER ENDED 30 JUNE 2020
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 30 Jun 2020 RM'000	Audited As At 31 Dec 2019 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	2,206	2,602
Investment properties	3,656	3,700
Land use rights	2,870	2,877
Investment in associates	17,944	17,867
Investment in JV	263	355
Deferred tax assets	-	-
Membership rights	15	15
Right of use asset	23,141	23,537
Total non-current assets	50,095	50,953
CURRENT ASSETS		
Inventories	8,594	3,556
Trade and other receivables	22,161	19,733
Contract asset	-	1,877
Dividend receivables	-	1,403
Prepayments	269	354
Tax recoverable	-	109
Cash and cash equivalents	48,797	45,154
Total current assets	79,821	72,186
TOTAL ASSETS	129,916	123,139
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	35,636	32,998
Retirement benefit obligation reserve	(36)	(36)
Statutory reserve	109	109
Foreign currency translation	17,401	16,350
	111,874	108,185
Non-controlling Interest	36	35
Total equity	111,910	108,220
NON-CURRENT LIABILITIES		
Deferred tax liabilities	174	172
Loans and borrowings	1	4
Retirement benefit obligation	284	272
Lease liability	2,412	2,386
Total non-current liabilities	2,871	2,834
CURRENT LIABILITIES		
Loans and borrowings	10	19
Trade and other payables	12,140	8,037
Contract liabilities	1,441	3,082
Lease liability	128	178
Current tax payables	1,416	769
Total current liabilities	15,135	12,085
Total liabilities	18,006	14,919
TOTAL EQUITY AND LIABILITIES	129,916	123,139
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)		
	1.04	1.00

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 SECOND QUARTER ENDED 30 JUNE 2020
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	Distributable Retained profits RM'000	Equity Attributable to Owners of the Parent RM'000		
At 1 January 2020	54,000	16,350	4,764	(36)	109	32,998	108,185	35	108,220
Profit for the year	-	-	-	-	-	2,638	2,638	1	2,639
Other comprehensive income for the year	-	1,051	-	-	-	-	1,051	-	1,051
Total comprehensive income	-	1,051	-	-	-	2,638	3,689	1	3,690
Transactions with owners - Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-
At 30 June 2020	54,000	17,401	4,764	(36)	109	35,636	111,874	36	111,910
At 1 January 2019	54,000	15,073	4,764	13	109	32,160	106,119	31	106,150
Profit for the year	-	-	-	-	-	(752)	(752)	1	(751)
Other comprehensive income for the year	-	1,409	-	-	-	-	1,409	2	1,411
Total comprehensive income	-	1,409	-	-	-	(752)	657	3	660
Transaction with owners - Dividends paid on ordinary shares	-	-	-	-	-	(2,160)	(2,160)	-	(2,160)
At 30 June 2019	54,000	16,482	4,764	13	109	29,248	104,616	34	104,650

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 SECOND QUARTER ENDED 30 JUNE 2020
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 30 Jun 2020 RM'000	Preceding Year Corresponding Period 30 Jun 2019 RM'000
Cash flows from operating activities		
Profit/Loss before taxation	3,331	(712)
Adjustments for non-cash flow:		
Depreciation of Property, plant and equipment	688	1,322
Amortisation of prepaid lease payments	38	38
Depreciation of investment properties	59	58
Depreciation of right-of-use asset	397	-
(Gain)/Loss on disposal of property, plant and equipment	(9)	-
Impairment of investment in club membership	-	-
Unrealised loss/(gain) on foreign currency	(603)	377
Interest income	(68)	(111)
Allowances for impairment loss on trade receivables	-	-
Inventories written down	-	-
Reversal of inventories written down	-	-
Share of results of associates	(75)	(182)
Share of joint venture	(26)	(58)
Retirement benefit obligation	-	-
Finance costs	-	2
Operating profit before changes in working capital	3,732	734
Changes in working capital		
Net change in inventories	(5,038)	(1,135)
Net change in trade and other receivables	1,039	6,758
Net change in trade and other payables	2,471	923
Cash (used in)/generated from operations	2,204	7,280
Tax (paid)/recoverable	(45)	(637)
Interest paid	-	(2)
Net cash generated from operating activities	2,159	6,641
Cash flows from investing activities		
Interest received	68	111
Proceeds from disposal of property, plant and equipment	-	5
Purchase of property, plant and equipment	(264)	(145)
Acquisition of additional interest in subsidiary	-	-
Net cash (used in)/generated from investing activities	(196)	(29)
Cash flows used in financing activities		
Fixed deposit pledge	(1,190)	(2,034)
Dividend received from JV	122	-
Repayment of obligation under finance lease	(3)	(5)
Repayment of lease liabilities	(24)	-
Dividend paid	-	(2,160)
Net cash (used in)/generated from financing activities	(1,095)	(4,199)
Net (decrease)/increase in cash and cash equivalents	868	2,413
Cash and cash equivalents at beginning of period	31,875	34,859
Effect of exchange rate changes	1,585	678
Cash and cash equivalents at end of period	34,328	37,950
Cash & cash equivalents comprise the following		
Cash & Bank balances	19,478	23,019
Fixed Deposit with Licensed Banks	29,319	24,852
	48,797	47,871
Less: Long term fixed deposits with licensed bank	(14,469)	(9,921)
Cash and cash equivalents at end of period	34,328	37,950

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.

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 24 August 2020.

A2. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the second quarter ended 30 June 2020, 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 2019.

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 2019.

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 2019 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 2020

Revised Conceptual Framework for Financial Reporting
Amendment to MFRS 3: Definition of Business
Amendment to MFRS 101: Definition of Material

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Amendment to MFRS 108: Definition of Material
Amendment to MFRS 7: Interest Rate Benchmark Reform
Amendment to MFRS 9: Interest Rate Benchmark Reform
Amendment to MFRS 139: Interest Rate Benchmark Reform

Effective for financial periods beginning on or after 1 January 2021

MFRS 17: Insurance Contracts

Effective for financial periods beginning on or after 1 January 2022

Amendment to MFRS 101: Classification of Liabilities as Current or Non-current

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 2019 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 2019.

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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.

Segment analysis for the period ended 30 June 2020 is set out below:

	Malaysia	Singapore	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Sales	-	19,306	4,156	-	23,462
Inter-segment Sales	-	1,119	-	(1,119)	-
	-	20,425	4,156	(1,119)	23,462
Results					
Profit/(Loss) from Operation	(366)	3,230	367	-	3,231
Finance cost					(1)
Share of Results of associates					75
Share of Results of JV					26
Profit before taxation					3,331
Taxation					(692)
Profit after taxation					2,639

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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.

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 June 2020 RM'000	Transaction for the period ended 30 June 2019 RM'000
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Sales of parts	-	-
Turbo-Mech Asia Pte Ltd and Bayu Purnama Sdn Bhd	Reimbursement of expenses by Related party	74	22

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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 Year	Preceding Year	Changes		Current Year	Preceding Year	Changes	
	Quarter	Corresponding Quarter			To Date	Corresponding Period		
	30 Jun 2020	30 Jun 2019			30 Jun 2020	30 Jun 2019		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	12,079	8,424	3,655	43%	23,462	16,314	7,148	44%
Segment revenue								
- Singapore	10,356	7,803	2,553	33%	20,424	13,967	6,457	46%
- Others	1,723	621	1,102	177%	3,038	2,347	691	29%
Gross profit	3,594	2,849	745	26%	7,177	4,762	2,415	51%
Profit/(Loss) from operations	902	60	842	1403%	3,231	(951)	4,182	-440%
Profit/(Loss) before tax	1,222	31	1,191	3842%	3,331	(712)	4,043	-568%
Profit/(Loss) after tax	769	29	740	2552%	2,639	(751)	3,390	-451%
Profit/(Loss) attributable to equity holders of the parent	768	28	740	2643%	2,638	(752)	3,390	-451%

The Group achieved revenue of RM12 million for the current quarter, an increase of RM3.6 million compared to the RM8.4 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 RM3.6 million during the current quarter compared with RM2.8 million achieved in preceding year corresponding quarter. The gross profit margin for this quarter is 29.8% which is lower than the gross profit margin of 33.8% 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 RM0.7 million, compared against the preceding year corresponding quarter profit after tax of RM0.03 million. The increase in profit was mainly due to increase in sales, a Singapore government aids for jobs support scheme due to outbreak of Covid-19 amounting RM0.5 million and improved in contribution from associates during the quarter.

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B2. Comparison between the current Quarter and Immediate Preceding Quarter

	INDIVIDUAL QUARTER		Changes	
	30 Jun 2020 RM'000	31 Mar 2020 RM'000	RM'000	%
Revenue	12,079	11,383	696	6%
Segment revenue				
- Singapore	10,356	10,068	288	3%
- Others	1,723	1,315	408	31%
Profit from operations	902	2,329	(1,427)	-61%
Profit before tax	1,222	2,109	(887)	-42%
Profit after tax	769	1,870	(1,101)	-59%
Profit attributable to equity holders of the parent	768	1,870	(1,102)	-59%

The Group achieved revenue of RM12 million for the current quarter, an increase of RM0.7 million or 6% as compared to the RM11.3 million achieved during the previous quarter.

The Group recorded a profit before tax of RM1.2 million during the current quarter, compared to the profit of RM2.1 million during the previous quarter. This is due to lower gross profit margin from the sales and higher operating expenses during the quarter.

For the current quarter, the Group recorded a profit after tax of RM0.7 million, compared against the previous quarter profit after tax of RM1.9 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 detect any significant 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	
	30 June 2020	30 June 2019	30 June 2020	30 June 2019
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	-	-	-	-
- Foreign income tax	453	2	692	39
(Over)/Under provision	-	-	-	-
in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-
Total	453	2	692	39

The Group's effective tax rate for the current year is 20.7%, 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 30 June 2020 are as set out as below:

	Maturity	30 June 2020 RM
Current		
Secured:		
Obligations under finance lease	2021	1,014
		<u>1,014</u>
Noncurrent		
Secured:		
Obligations under finance lease	2022	9,659
		<u>9,659</u>

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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 30 June 2020 RM'000	Corresponding Quarter 30 June 2019 RM'000
Profit/(loss) net of tax attributable to owners of the Parent	768	28
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings/(loss) per share(Sen)	0.71	0.03

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 2019 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 30 June 2020 RM'000	Cumulative Quarter 30 June 2020 RM'000
Interest Income	32	68
Foreign exchange gain/(Loss) net	(403)	490
Investment income*	-	-
Depreciation and Amortisation	(740)	(1,462)
Provision for Trade Receivable	-	-
Trade Receivable Write off*	-	-
Provision for Inventory	-	-
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.