

**UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2018
CONDENSED CONSOLIDATED INCOME STATEMENTS**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000	Current Year To Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
Revenue	13,127	13,243	40,935	45,161
Cost of sales	(7,808)	(8,208)	(25,488)	(28,662)
Gross profit	5,319	5,035	15,447	16,499
Other operating income	551	984	1,226	1,985
Other operating expenses	(3,673)	(4,870)	(11,673)	(15,370)
Profit from operations	2,197	1,149	5,000	3,114
Finance costs	(1)	(169)	(4)	(344)
Share of results of associate	1,219	1,047	2,078	1,193
Share of results of JV	145	14	241	61
Profit before tax	3,560	2,041	7,315	4,024
Tax expense	(257)	(652)	(769)	(902)
Net profit for the period	3,303	1,389	6,546	3,122
Attributable to :				
Equity holders of the parent	3,303	1,455	6,546	3,096
Non-controlling Interest	1	(66)	1	26
	3,304	1,389	6,547	3,122
Earning per share (sen)				
Equity holders of the parent :				
Basic	3.06	1.35	6.06	2.87
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 2018
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31 Dec 2018 RM'000	Preceding Year Corresponding Quarter 31 Dec 2017 RM'000	Current Year-To-Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
Net Profit for the Period	3,304	1,389	6,547	3,122
Other comprehensive (expense)/income:				
Remeasurement of defined benefit obligation	19	(6)	19	(6)
Foreign currency translation	159	(2,392)	60	(2,070)
Total comprehensive (expense)/income	3,482	(1,009)	6,626	1,046
Total comprehensive (expense)/income				
Owners of the parent	3,482	(1,060)	6,624	1,047
Non-controlling Interest	-	51	2	(1)
	3,482	(1,009)	6,626	1,046

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 2018
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Unaudited As At 31 Dec 2018 RM'000	Audited As At 31 Dec 2017 RM'000
ASSETS		
NON-CURRENT ASSETS		
Property, plant and equipment	22,961	30,230
Investment properties	6,778	1,610
Land use rights	2,946	3,028
Investment in associates	17,900	18,417
Investment in JV	440	197
Deferred tax assets	-	6
Membership rights	31	31
Total non-current assets	51,056	53,519
CURRENT ASSETS		
Inventories	1,855	1,495
Trade and other receivables	14,214	15,552
Dividend receivables	2,550	-
Prepayments	112	82
Tax recoverable	-	4
Cash and cash equivalents	42,747	39,905
Total current assets	61,478	57,038
TOTAL ASSETS	112,534	110,557
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	32,100	26,635
Retirement benefit obligation reserve	13	(6)
Statutory reserve	109	109
Foreign currency translation	15,096	15,036
	106,082	100,538
Non-controlling Interest	31	3,696
Total equity	106,113	104,234
NON-CURRENT LIABILITIES		
Deferred tax liabilities	78	116
Loans and borrowings	22	45
Retirement benefit obligation	200	117
Total non-current liabilities	300	278
CURRENT LIABILITIES		
Loans and borrowings	23	21
Trade and other payables	5,124	5,302
Other current liabilities	-	-
Current tax payables	973	722
Total current liabilities	6,120	6,045
Total liabilities	6,420	6,323
TOTAL EQUITY AND LIABILITIES	112,533	110,557
NET ASSETS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT (RM)		
	0.98	0.93

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 2018
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	Retirement benefit obligation reserves	Statutory reserves	Retained profits RM'000	Total RM'000		
At 1 January 2018	54,000	-	15,036	4,764	(6)	109	26,635	100,538	3,696	104,234
Profit for the year	-	-	-	-	-	-	6,546	6,546	1	6,547
Other comprehensive income for the year	-	-	60	-	19	-	-	79	2	81
Total comprehensive income	-	-	60	-	19	-	6,546	6,625	3	6,628
Transactions with owners										
- Dividends paid on ordinary shares	-	-	-	-	-	-	(1,080)	(1,080)	-	(1,080)
- Acquisition of subsidiary's share	-	-	-	-	-	-	-	-	(3,668)	(3,668)
At 31 December 2018	54,000	-	15,096	4,764	13	109	32,101	106,083	31	106,114
At 1 January 2017	54,000	-	17,079	4,764	-	109	23,539	99,491	3,697	103,188
Profit for the year	-	-	-	-	-	-	3,096	3,096	26	3,122
Other comprehensive income for the year	-	-	(2,043)	-	(6)	-	-	(2,049)	(27)	(2,076)
Total comprehensive income	-	-	(2,043)	-	(6)	-	3,096	1,047	(1)	1,046
Transaction with owners										
- Dividends paid on ordinary shares	-	-	-	-	-	-	-	-	-	-
At 31 December 2017	54,000	-	15,036	4,764	(6)	109	26,635	100,538	3,696	104,234

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 2018
CONDENSED CONSOLIDATED CASH FLOW STATEMENTS**

	Current Year-To-Date 31 Dec 2018 RM'000	Preceding Year Corresponding Period 31 Dec 2017 RM'000
Cash flows from operating activities		
Profit before taxation	7,315	4,024
Adjustments for non-cash flow:		
Depreciation of Property, plant and equipment	2,476	2,331
Amortisation of prepaid lease payments	75	78
Depreciation of investment properties	175	128
(Gain)/Loss on disposal of property, plant and equipment	(46)	-
Impairment of investment in club membership	-	14
Unrealised loss/(gain) on foreign currency	(356)	1,294
Interest income	(293)	(309)
Allowances for impairment loss on trade receivables	116	242
Inventories written down	102	106
Reversal of inventories written down	-	-
Share of results of associates	(2,078)	(1,193)
Share of joint venture	(241)	(61)
Retirement benefit obligation	-	111
Finance costs	4	343
Operating profit before changes in working capital	7,249	7,108
Changes in working capital		
Net change in inventories	(462)	1,079
Net change in trade and other receivables	(1,357)	(3,125)
Net change in trade and other payables	1,003	(1,026)
Cash (used in)/generated from operations	6,433	4,036
Tax (paid)/recoverable	(550)	(450)
Interest paid	(4)	(344)
Net cash generated from operating activities	5,879	3,242
Cash flows from investing activities		
Interest received	293	309
Proceeds from disposal of property, plant and equipment	1	41
Purchase of property, plant and equipment	(742)	(1,460)
Dividend receivables from associate	2,550	-
Acquisition of additional interest in subsidiary	(3,668)	-
Net cash (used in)/generated from investing activities	(1,566)	(1,110)
Cash flows used in financing activities		
Fixed deposit pledge	1,452	139
(Placement)/drawdown of fixed deposit	(2,293)	6,154
(Repayment) of term loan	-	(11,221)
Repayment of obligation under finance lease	(21)	(24)
Dividend paid	(1,080)	-
Net cash (used in)/generated from financing activities	(1,942)	(4,952)
Net (decrease)/increase in cash and cash equivalents	2,371	(2,820)
Cash and cash equivalents at beginning of period	21,392	26,676
Effect of exchange rate changes	710	(2,464)
Cash and cash equivalents at end of period	24,473	21,392
Cash & cash equivalents comprise the following		
Cash & Bank balances	18,382	16,431
Fixed Deposit with Licensed Banks	24,365	23,474
	42,747	39,905
Less: Fixed deposit pledged	(11,512)	(12,964)
Less: Long term fixed deposits with licensed bank	(6,762)	(5,549)
Cash and cash equivalents at end of period	24,473	21,392

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 25 February 2019.

A2. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2018, 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 2017.

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 2017.

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 2017 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 2018

(Company No.: 863263 – D)

Amendments to MFRS 1: First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 2: Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4: Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts
Amendments to MFRS 128: Investments in Associates and Joint Ventures (Annual Improvements to MFRSs 2014–2016 Cycle)
Amendments to MFRS 140: Transfers of Investment Property
MFRS 9: Financial Instruments (IFRS issued by IASB in July 2014)
MFRS 15: Revenue from Contracts with Customers
MFRS 15: Clarification of Revenue from Contracts with Customers
IC Interpretation 22: Foreign Currency Transactions and Advance Consideration

Effective for financial periods beginning on or after 1 January 2019

Amendments to MFRS 3: Business Combinations (Annual improvements to MFRSs 2015–2017 Cycle)
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 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 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 2017 was not subject to any qualification.

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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 2017.

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 2.0 sen per ordinary shares, amounting to a dividend payable of RM2,160,000 for the financial year ended 31 December 2018 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 2019.

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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 31 December 2018 is set out below:

	Malaysia	Singapore	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Sales	-	33,158	7,777	-	40,935
Inter-segment Sales	-	1,033	-	(1,033)	-
	-	34,191	7,777	(1,033)	40,935
Results					
Profit/(Loss) from Operation	(769)	4,006	779	984	5,000
Finance cost					(4)
Share of Results of associates					2,078
Share of Results of JV					241
Profit Before Taxation					7,315
Taxation					(780)
Profit after taxation					6,535

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 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 31 Dec 2018 RM'000	Transaction for the period ended 31 Dec 2017 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	71	50

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	RM'000	%	To Date	Corresponding Period	RM'000	%
	31 Dec 2018	31 Dec 2017			31 Dec 2018	31 Dec 2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	13,127	13,243	(116)	-1%	40,935	45,161	(4,226)	-9%
Segment revenue								
- Singapore	10,232	12,767	(2,535)	-20%	34,191	41,184	(6,993)	-17%
- Others	2,896	476	2,420	508%	6,745	3,977	2,768	70%
Gross profit	5,319	5,035	284	6%	15,447	16,499	(1,052)	-6%
Profit from operations	2,197	1,149	1,048	91%	5,000	3,114	1,886	61%
Profit before tax	3,560	2,041	1,519	74%	7,315	4,024	3,291	82%
Profit after tax	3,292	1,389	1,903	137%	6,535	3,122	3,413	109%
Profit attributable to equity holders of the parent	3,291	1,455	1,836	126%	6,534	3,096	3,438	111%

The Group achieved revenue of RM13.1 million for the current quarter, a decrease of RM0.1 million compared to the RM13.2 million achieved during the preceding year corresponding quarter. The decrease in revenue was mainly due to general decrease in sales activities across the region.

The Group achieved gross profit of RM5.3 million during the current quarter. This represented an increase of RM0.3 million or 6% as compared to the RM5.0 million achieved during the preceding year corresponding quarter. The gross profit margin for this quarter is 40.5% which is higher than the gross profit margin of 38% 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 RM3.3 million, compared against the preceding year corresponding quarter profit after tax of RM1.4 million. The increase was mainly due to higher gross profit margin, higher contribution from associates and reduction in operating expenditure.

For the current year, the Group recorded a profit after tax of RM6.5 million, compared against the preceding year profit after tax of RM3.1 million. The increase was mainly due to higher gross profit margin, higher contribution from associates and reduction in operating expenditure.

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B2. Comparison between the current Quarter and Immediate Preceding Quarter

	INDIVIDUAL QUARTER			
	31 Dec 2018	30 Sep 2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	13,127	12,647	480	4%
Segment revenue				
- Singapore	10,232	9,986	246	2%
- Others	2,896	2,661	235	9%
Profit from operations	2,197	2,741	(544)	-20%
Profit/(Loss) before tax	3,560	3,190	370	12%
Profit/(Loss) after tax	3,292	2,712	580	21%
Profit/(Loss) attributable to equity holders of the	3,291	2,713	578	21%

The Group achieved revenue of RM13.1 million for the current quarter, an increase of RM0.5 million or 4% as compared to the RM12.6 million achieved during the previous quarter.

The Group recorded a profit before tax of RM3.6 million during the current quarter, an increase of RM0.4 million compared to the profit of RM3.2 million during the previous quarter. This was due to improvement in sales revenue during the quarter and increase in contributions from associate company.

For the current quarter, the Group recorded a profit after tax of RM3.3 million, compared against the previous quarter profit after tax of RM2.7 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.

Notwithstanding recent improvement in crude oil prices, 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.

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B5. Income Tax Expenses

	Current Quarter		Cumulative Quarter	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	-	-	-	-
- Foreign income tax	268	652	780	902
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-
Total	268	652	780	902

The Group's effective tax rate for the current quarter is 7.5%, 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 2018 are as set out as below:

	Maturity	31 Dec 2018 RM
Current		
Secured:		
Obligations under finance lease	2019	22,881
		<u>22,881</u>
Noncurrent		
Secured:		
Obligations under finance lease	2019-2021	22,416
		<u>22,416</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 2.0 sen per ordinary shares, amounting to a dividend payable of RM2,160,000 for the financial year ended 31 December 2018 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 2019.

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 2018 RM'000	Corresponding Quarter 31 Dec 2017 RM'000
Profit net of tax attributable to owners of the Parent	3,291	1,455
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings/(loss) per share(Sen)	3.05	1.35

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 2017 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 2018 RM'000	Cumulative Quarter 31 Dec 2018 RM'000
Interest Income	187	293
Foreign exchange gain/(Loss) net	(99)	(92)
Investment income*	-	-
Depreciation and Amortisation	(699)	(2,728)
Provision for Trade Receivable	(116)	(116)
Trade Receivable Write off*	-	-
Provision for Inventory	(102)	(102)
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.