

**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 23 May 2022.

A2. Basis of Preparation

The condensed consolidated interim financial statements of the Group for the first quarter ended 31 March 2022, 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 2021.

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 2021.

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 2021 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 April 2021

Amendments to MFRS 16: COVID-19 Related Rent Concessions beyond 30 June 2021

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Effective for financial periods beginning on or after 1 January 2022

Amendments to MFRS 1: Subsidiary as a First-time Adopter (Annual Improvement to MFRSs 2018-2020 Cycle)

Amendments to MFRS 3: Reference to the Conceptual Framework

Amendments to MFRS 9: Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Annual Improvement to MFRSs 2018-2020 Cycle)

Amendments to MFRS 16: Illustrative Example accompanying MFRS 16 Leases (Annual Improvement to MFRSs 2018-2020 Cycle)

Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use

Amendments to MFRS 137: Onerous Contract - Cost of Fulfilling a Contract

Amendments to MFRS 141: Taxation in Fair Value Measurements (Annual Improvement to MFRSs 2018-2020 Cycle)

Effective for financial periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contract

Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Classification of Liabilities as Current and Non-current

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Effective for financial periods to be announced

Amendments 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 2021 was not subject to any qualification.

A5. Seasonal or cyclical factors

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

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A6. Unusual items due to nature of size or incidence

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

A7. Change in estimates

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

A8. Carrying amount of revalued assets

The valuation of property, plant and equipment has been brought forward without amendment from the audited financial statements as at 31 December 2021.

A9. Debt and equity security

The Group did not undertake any issuance and/or repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial quarter under review.

A10. Dividends

There was no dividend declared during the financial quarter under review.

A11. Segment information

Segment information are presented in respect of the Group's geographical segment, which is based on the company's management reporting structure where discrete Financial information is available and regularly 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 March 2022 is set out below:

	Malaysia	Singapore	Others	Elimination	Group
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
External Sales	-	8,766	2,119	-	10,885
Inter-segment Sales	-	1,258	-	(1,258)	-
	-	10,024	2,119	(1,258)	10,885
Results					
Profit/(Loss) from Operation	(158)	220	60	114	236
Finance cost					-
Share of Results of associates					(290)
Share of Results of JV					132
Profit before taxation					78
Taxation					(37)
Profit after taxation					41

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 Mar 2022 RM'000	Transaction for the period ended 31 Mar 2021 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	17	8

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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		
	31 Mar 2022	31 Mar 2021	RM'000	%	31 Mar 2022	31 Mar 2021	RM'000	%
Revenue	10,885	6,522	4,363	67%	10,885	6,522	4,363	67%
Segment revenue								
- Singapore	8,765	4,886	3,879	79%	8,766	4,886	3,880	79%
- Others	2,120	1,636	484	30%	2,119	1,636	483	30%
Gross profit	2,916	1,962	954	49%	2,916	1,962	954	49%
Profit/(Loss) from operations	236	(252)	488	-194%	236	(252)	488	-194%
Profit/(Loss) before tax	78	(500)	578	-116%	78	(500)	578	-116%
Profit/(Loss) after tax	41	(526)	567	-108%	41	(526)	567	-108%
Profit/(Loss) attributable to equity holders of the parent	41	(526)	567	-108%	41	(526)	567	-108%

The Group achieved revenue of RM10.9 million for the current quarter, an increase of RM4.4 million compared to the RM6.5 million achieved during the preceding year corresponding quarter. The increase in revenue was mainly due to general increase in sales activities in Singapore region.

The Group achieved gross profit of RM2.9 million during the current quarter as compared with RM2 million achieved in preceding year corresponding quarter. The gross profit margin for this quarter is 26.8% which is lower than the gross profit margin of 30% 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 RM41 thousand, compared against the preceding year corresponding quarter loss after tax of RM0.5 million due to higher sales during the quarter.

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B2. Comparison between the current Quarter and Immediate Preceding Quarter

	INDIVIDUAL QUARTER		Changes	
	31 Mar 2022 RM'000	31 Dec 2021 RM'000	RM'000	%
Revenue	10,885	13,654	(2,769)	-20%
Segment revenue				
- Singapore	8,765	10,149	(1,385)	-14%
- Others	2,120	3,505	(1,385)	-40%
Profit/(Loss) from operations	236	1,911	(1,675)	-88%
Profit/(Loss) before tax	78	3,201	(3,123)	-98%
Profit/(Loss) after tax	41	2,895	(2,854)	-99%
Profit/(Loss) attributable to equity holders of the parent	41	2,893	(2,852)	-99%

The Group achieved revenue of RM10.9 million for the current quarter, a decrease of RM2.8 million or 20% as compared to the RM13.7 million achieved during the previous quarter.

The Group recorded a profit before tax of RM78 thousand during the current quarter, compared to the profit of RM3.2 million during the previous quarter. This is due to decrease in sales and lower gross profit margin as compared with previous quarter.

For the current quarter, the Group recorded a profit after tax of RM41 thousand, compared against the previous quarter profit after tax of RM2.9 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.

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B5. Income Tax Expenses

	Current Quarter		Cumulative Quarter	
	31 Mar 2022	31 Mar 2021	31 Mar 2022	31 Mar 2021
	RM'000	RM'000	RM'000	RM'000
Current tax				
- Malaysian income tax	-	-	-	-
- Foreign income tax	37	26	37	26
(Over)/Under provision in respect prior years	-	-	-	-
Deferred income tax:				
Origination and reversal of temporary difference	-	-	-	-
Total	37	26	37	26

The Group's effective tax rate for the current year is 47% which is higher than the statutory tax rate of 25% reflective of the mix effect of the significant improvement in the taxable profit in some subsidiaries and no tax charge for subsidiaries at loss making position during the quarters.

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.

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B10. Dividend

There was no dividend declared during the financial quarter under review.

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 Mar 2022 RM'000	Corresponding Quarter 31 Mar 2021 RM'000
Profit/(loss) net of tax attributable to owners of the Parent	41	(526)
Weighted average number of ordinary Shares	108,000	108,000
Basic earnings/(loss) per share(Sen)	0.04	(0.49)

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

B12. Auditors report of preceding Annual Financial Statements

The audit report on the Group's financial statements for the financial year ended 31 December 2021 was not subject to qualification.

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B13. Profit/(loss) before taxation

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

	Current Quarter 31 Mar 2022 RM'000	Cumulative Quarter 31 Mar 2022 RM'000
Interest Income	5	5
Foreign exchange gain/(Loss) net	(159)	(159)
Investment income*	-	-
Depreciation and Amortisation	(569)	(569)
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.