

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

PART A – 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 (“Bursa Securities”).

These condensed consolidated interim financial statements were approved by Board of Directors on 27 February 2023.

A2. Basis of preparation

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2022, have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 *Interim Financial Reporting* issued by Malaysian Accounting Standards Board and paragraph 9.22 of the Main Market Listing Requirements of Bursa Securities. 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 be 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. Changes in 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 MFRSs.

Standards and interpretations that are issued but not yet effective

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

Registration No.: 200901020166 (863263-D)

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 Board of Directors expects 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 audited financial statements of the Group 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.

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.

Registration No.: 200901020166 (863263-D)

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 during the current financial quarter under review.

A10. Dividends

At the forthcoming Annual General Meeting, a final single-tier dividend of 0.5 sen per ordinary shares, amounting to a dividend payable of RM540,000 for the financial year ended 31 December 2022 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 2023.

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.

Registration No.: 200901020166 (863263-D)

Segment analysis for the period ended 31 December 2022 is set out below:

| | Malaysia | Singapore | Others | Elimination | Group |
|--------------------------------|-----------------|------------------|---------------|--------------------|---------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | | | | | |
| External Sales | - | 34,357 | 15,302 | - | 49,659 |
| Inter-segment Sales | - | 2,693 | - | (2,693) | - |
| | - | 37,050 | 15,302 | (2,692) | 49,659 |
| Results | | | | | |
| Profit/(Loss) from Operation | (737) | 156 | 2,123 | 1,105 | 2,647 |
| Finance cost | | | | | (86) |
| Share of results of associates | | | | | 68 |
| Share of results of JV | | | | | 104 |
| Profit before taxation | | | | | 2,733 |
| Taxation | | | | | (958) |
| Profit after taxation | | | | | 1,775 |

A12. Subsequent material event

There is no material event reported subsequent to the current 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.

Registration No.: 200901020166 (863263-D)

A16. Significant related party transaction

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

| Related parties | Nature of transactions | Transaction for | Transaction for |
|--|--|------------------|------------------|
| | | the period ended | the period ended |
| | | 31 Dec 2022 | 31 Dec 2021 |
| | | RM'000 | 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 | 29 |

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

B1. Analysis of performance

| | INDIVIDUAL QUARTER | | Changes | |
|--|--------------------|-----------------------|---------|------|
| | Current Year | Preceding Year | | |
| | Quarter | Corresponding Quarter | | |
| | 31 Dec 2022 | 31 Dec 2021 | RM'000 | |
| Revenue | 15,142 | 13,654 | 1,488 | 11% |
| Segment revenue | | | | |
| - Singapore | 8,464 | 10,149 | (1,685) | -17% |
| - Others | 6,678 | 3,505 | 3,173 | 91% |
| Gross profit | 4,151 | 4,013 | 138 | 3% |
| Profit/(Loss) from operations | 691 | 1,911 | (1,220) | -64% |
| Profit/(Loss) before tax | 901 | 3,201 | (2,300) | -72% |
| Profit/(Loss) after tax | 302 | 2,895 | (2,593) | -90% |
| Profit/(Loss) attributable to equity holders of the parent | 300 | 2,893 | (2,593) | -90% |

| | CUMULATIVE QUARTER | | Changes | |
|--|--------------------|-----------------------|---------|------|
| | Current Year | Preceding Year | | |
| | To Date | Corresponding Quarter | | |
| | 31 Dec 2022 | 31 Dec 2021 | RM'000 | |
| Revenue | 49,659 | 42,728 | 6,931 | 16% |
| Segment revenue | | | | |
| - Singapore | 34,357 | 33,001 | 1,356 | 4% |
| - Others | 15,302 | 9,727 | 5,575 | 57% |
| Gross profit | 13,700 | 14,127 | (427) | -3% |
| Profit/(Loss) from operations | 2,647 | 5,249 | (2,602) | -50% |
| Share of results of associate | 2,733 | 5,959 | (3,226) | -54% |
| Profit/(Loss) before tax | 1,775 | 5,046 | (3,271) | -65% |
| Profit/(Loss) after tax | | | | |
| Profit/(Loss) attributable to equity holders of the parent | 1,773 | 5,044 | (3,271) | -65% |

Registration No.: 200901020166 (863263-D)

The Group recorded revenue of RM15.1 million for the current quarter, an increase of RM1.4 million or approximately 10.9% from the revenue recorded during the preceding year corresponding quarter of RM13.7 million. The increase in revenue was mainly due to general increase in sales activities across the region.

The Group registered a higher gross profit of RM4.2 million during the current quarter as compared with RM4.0 million registered in preceding year corresponding quarter. However, the gross profit margin for this quarter of 27.4% is lower than the gross profit margin of 29.4% achieved during the preceding year corresponding quarter. This is due to the change in product mix and continuing margin pressure from clients.

During the current quarter, the Group's profit after tax was RM0.3 million, which represents a decrease from RM2.9 million registered for the corresponding quarter of the preceding year. This was primarily due to an unrealised foreign exchange loss incurred during the current quarter, in contrast to an unrealised foreign exchange gain recorded in the corresponding quarter of the preceding year.

B2. Comparison between the current quarter and immediate preceding quarter

| | INDIVIDUAL QUARTER | | Changes | |
|--|-----------------------|-----------------------|---------|------|
| | 31 Dec 2022 RM'000 | 30 Sep 2022 RM'000 | RM'000 | % |
| Revenue | 15,142 | 14,246 | 896 | 6% |
| Segment revenue | | | | |
| - Singapore | 8,464 | 11,210 | (2,745) | -24% |
| - Others | 6,678 | 3,036 | 3,642 | 120% |
| Profit/(Loss) from operations | 691 | 2,130 | (1,439) | -68% |
| Profit/(Loss) before tax | 901 | 2,428 | (1,527) | -63% |
| Profit/(Loss) after tax | 302 | 2,075 | (1,773) | -85% |
| Profit/(Loss) attributable to equity holders of the parent | 300 | 2,076 | (1,776) | -86% |

The Group recorded revenue of RM15.1 million for the current quarter, an increase of RM0.9 million or 6.3% from the revenue recorded for the immediate preceding quarter of RM14.2 million.

The Group recorded a profit before tax of RM0.9 million during the current quarter, compared to the profit before tax of RM2.4 million registered for the immediate preceding quarter. The decrease was mainly attributable to substantial drop in gross profit margin and unrealised foreign exchange loss incurred during the current quarter.

For the current quarter, the Group recorded a profit after tax of RM0.3 million, compared against the previous quarter profit after tax of RM2.1 million.

Registration No.: 200901020166 (863263-D)

B3. Prospects

The market sentiments remain challenging due to the uncertainties arising from the current global economic and political headwinds.

As a supplier of equipment and instruments to both upstream and downstream segments of the petrochemical industries, the demand for our products and services is determined by the demand for petrochemical industries products which is influenced by the market and economic conditions.

The Group does not foresee any significant change in clients' business plan in the short and medium terms, thus it is expected that margin pressure from clients will continue. Nevertheless, the Group will continue to focus on maintenance and services and will stay relevant in the industry.

B4. Notes on variance in actual profit and shortfall in profit guarantee

The Group did not issue any profit forecast or profit guarantee for the current financial quarter under review.

B5. Income tax expenses

| | Individual Quarter | | Cumulative Quarter | |
|---|--------------------|----------------|--------------------|----------------|
| | 31 Dec 2022 | 31 Dec 2021 | 31 Dec 2022 | 31 Dec 2021 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Current tax | | | | |
| - Malaysian income tax | - | - | - | - |
| - Foreign income tax | 599 | 306 | 958 | 913 |
| (Over)/Under provision in respect prior years | - | - | - | - |
| Deferred income tax: | | | | |
| Origination and reversal of temporary difference | - | - | - | - |
| Total | 599 | 306 | 958 | 913 |

The effective tax rate of the Group for the current quarter exceeds the statutory tax rate of 24% primarily because of the rise in non-deductible expenses and increase in contributions from countries with higher tax regimes. Additionally, the share of associate company results (net of tax) in the current quarter is relatively lower compared to the corresponding period of the previous quarter.

B6. Status of corporate proposals

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

Registration No.: 200901020166 (863263-D)

B7. Group borrowing

The Group does not have any borrowings as at 31 December 2022.

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 0.5 sen per ordinary shares, amounting to a dividend payable of RM540,000 for the financial year ended 31 December 2022 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 2023.

B11. Earnings per share

The basic earnings per share is 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.

| | Current Quarter 31 Dec 2022 RM'000 | Corresponding Quarter 31 Dec 2021 RM'000 |
|---|---|---|
| Profit after tax attributable to owners of the Parent | 300 | 2,893 |
| Weighted average number of ordinary Shares | 108,000 | 108,000 |
| Basic earnings per share (Sen) | 0.28 | 2.68 |

Registration No.: 200901020166 (863263-D)

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 audited financial statements of the Group for the financial year ended 31 December 2021 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 2022 RM'000 | Cumulative Quarter 31 Dec 2022 RM'000 |
|---|---|--|
| Interest income | 54 | 116 |
| Foreign exchange gain/(loss) | (464) | (330) |
| Investment income* | - | - |
| Interest expense* | - | - |
| Depreciation and amortisation | (593) | (2,331) |
| Provision for write off of receivable* | - | - |
| Receivable written off* | - | - |
| Provision for inventory | (288) | (288) |
| Inventory written off* | - | - |
| Impairment of asset* | - | - |
| Gain/Loss on disposal of quoted or unquoted investment or property* | - | - |
| Gain/Loss on derivatives* | - | - |
| Exceptional expenses* | - | - |

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