

## **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 2024.

#### **A2. Basis of preparation**

The condensed consolidated interim financial statements of the Group for the fourth quarter ended 31 December 2023, 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 2022.

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 2022.

#### **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 2022 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 2024

- Amendments to MFRS 101 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101 Presentation of Financial Statements: Non-current Liabilities with Covenants
- Amendments to MFRS 16 Leases: Lease Liability in a Sale and Leaseback

Effective for financial periods to be announced

- Amendments to MFRS 10 Consolidated Financial Statements: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Amendments to MFRS 128 Investment in Associates and Joint Ventures: 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 2022 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 2022.

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 1.0 sen per ordinary shares, amounting to a dividend payable of RM1,080,000 for the financial year ended 31 December 2023 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 2024.

#### 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 2023 is set out below:

|                                | <b>Malaysia</b><br>RM'000 | <b>Singapore</b><br>RM'000 | <b>Others</b><br>RM'000 | <b>Elimination</b><br>RM'000 | <b>Group</b><br>RM'000 |
|--------------------------------|---------------------------|----------------------------|-------------------------|------------------------------|------------------------|
| <b>Revenue</b>                 |                           |                            |                         |                              |                        |
| External Sales                 | -                         | 29,469                     | 11,921                  | -                            | 41,390                 |
| Inter-segment Sales            | -                         | 2,438                      | -                       | (2,438)                      | -                      |
|                                | -                         | 31,907                     | 11,921                  | (2,438)                      | 41,390                 |
| <b>Results</b>                 |                           |                            |                         |                              |                        |
| Profit/(Loss) from Operation   | (806)                     | 2,518                      | 1,790                   | (249)                        | 3,253                  |
| Finance cost                   |                           |                            |                         |                              | (89)                   |
| Share of results of associates |                           |                            |                         |                              | 894                    |
| Share of results of JV         |                           |                            |                         |                              | 4                      |
| Profit before taxation         |                           |                            |                         |                              | 4,062                  |
| Taxation                       |                           |                            |                         |                              | (1,240)                |
| Profit after taxation          |                           |                            |                         |                              | 2,822                  |

Registration No.: 200901020166 (863263-D)

**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 the 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 financial quarter under review.

| Related parties                                  | Nature of transactions                     | Transaction for  | Transaction for  |
|--|--|------------------|------------------|
|  |  | the period ended | the period ended |
|  |  | 31 Dec 2023      | 31 Dec 2022      |
|  |  | 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 | 154              | 17               |

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

### B1. Analysis of performance

|   | INDIVIDUAL QUARTER   |                                      |         |       |
|---|----------------------|--------------------------------------|---------|-------|
|   | Current Year Quarter | Preceding Year Corresponding Quarter | Changes |       |
|   | 31 Dec 2023          | 31 Dec 2022                          | RM'000  | %     |
|   | RM'000               | RM'000                               | RM'000  | %     |
| Revenue   | 20,081               | 14,729                               | 5,352   | 36%   |
| Segment revenue                                     |                      |                                      |         |       |
| - Singapore   | 13,960               | 8,051                                | 5,909   | 73%   |
| - Others  | 6,121                | 6,678                                | (557)   | -8%   |
| Gross profit  | 8,625                | 4,152                                | 4,473   | 108%  |
| Profit from operations                              | 4,302                | 670                                  | 3,632   | 542%  |
| Profit before tax                                   | 4,880                | 880                                  | 4,000   | 455%  |
| Profit after tax                                    | 3,657                | 281                                  | 3,376   | 1201% |
| Profit attributable to equity holders of the parent | 3,651                | 279                                  | 3,372   | 1209% |

|   | CUMULATIVE QUARTER   |                                      |         |      |
|---|----------------------|--------------------------------------|---------|------|
|   | Current Year To Date | Preceding Year Corresponding Quarter | Changes |      |
|   | 31 Dec 2023          | 31 Dec 2022                          | RM'000  | %    |
|   | RM'000               | RM'000                               | RM'000  | %    |
| Revenue   | 41,390               | 49,246                               | (7,856) | -16% |
| Segment revenue                                     |                      |                                      |         |      |
| - Singapore   | 29,469               | 33,944                               | (4,475) | -13% |
| - Others  | 11,921               | 15,302                               | (3,381) | -22% |
| Gross profit  | 15,100               | 13,701                               | 1,399   | 10%  |
| Profit from operations                              | 3,253                | 2,626                                | 627     | 24%  |
| Share of results of associate                       | 4,062                | 2,712                                | 1,350   | 50%  |
| Profit after tax                                    | 2,822                | 1,754                                | 1,068   | 61%  |
| Profit attributable to equity holders of the parent | 2,817                | 1,752                                | 1,065   | 61%  |

Registration No.: 200901020166 (863263-D)

The Group recorded revenue of RM20 million for the current quarter, an increase of RM5.4 million or approximately 36% from the revenue recorded during the preceding year corresponding quarter of RM14.7 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 RM8.6 million during the current quarter as compared with RM4.2 million registered in preceding year corresponding quarter. The gross profit margin for this quarter of 42.9% is higher than the gross profit margin of 28.2% achieved during the preceding year corresponding quarter mainly due to the shift in the products assortment and a generally higher selling price of products in the Singapore division.

During the current quarter, the Group's profit after tax was RM3.7 million, which represents an increase of RM3.4 million or 1201% from RM0.3 million profit registered for the corresponding quarter of the preceding year. This is mainly due to general increase in sales activities and gross profit margin against prior year corresponding period.

## B2. Comparison between the current quarter and immediate preceding quarter

|  | INDIVIDUAL QUARTER    |                       | Changes |       |
|--|-----------------------|-----------------------|---------|-------|
|  | 31 Dec 2023<br>RM'000 | 30 Sep 2023<br>RM'000 | RM'000  | %     |
| Revenue  | 20,081                | 6,630                 | 13,451  | 203%  |
| Segment revenue  |                       |                       |         |       |
| - Singapore  | 13,960                | 4,793                 | 9,167   | 191%  |
| - Others   | 6,121                 | 1,837                 | 4,284   | 233%  |
| Profit/(Loss) from operations                              | 4,302                 | (1,202)               | 5,504   | -458% |
| Profit/(Loss) before tax                                   | 4,880                 | (1,111)               | 5,991   | -539% |
| Profit/(Loss) after tax                                    | 3,657                 | (747)                 | 4,404   | -590% |
| Profit/(Loss) attributable to equity holders of the parent | 3,651                 | (747)                 | 4,398   | -589% |

The Group recorded revenue of RM20 million for the current quarter, an increase of RM13.5 million or 203% from the revenue recorded for the immediate preceding quarter of RM6.6 million. The increase in revenue was mainly due to general increase in sales activities across the region as the Group completed backlog deliveries.

The Group recorded a profit before tax of RM4.9 million during the current quarter, compared to the loss before tax of RM1.1 million registered for the immediate preceding quarter. The increase was mainly attributable to the higher sales and gross profit margin achieved during the current quarter.

For the current quarter, the Group recorded a profit after tax of RM3.7 million, compared against the previous quarter loss after tax of RM0.7 million primarily

Registration No.: 200901020166 (863263-D)

attributable to the higher sales and gross profit margin achieved during the current quarter.

### 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<br>2023     | 31 Dec<br>2022 | 31 Dec<br>2023     | 31 Dec<br>2022 |
|   | RM'000             | RM'000         | RM'000             | RM'000         |
| Current tax   |                    |                |                    |                |
| - Malaysian income tax                              | -                  | -              | -                  | -              |
| - Foreign income tax                                | (1,223)            | (599)          | (1,240)            | (958)          |
| (Over)/Under provision<br>in respect prior years    | -                  | -              | -                  | -              |
| Deferred income tax:                                |                    |                |                    |                |
| Origination and reversal<br>of temporary difference | -                  | -              | -                  | -              |
| <b>Total</b>  | <b>(1,223)</b>     | <b>(599)</b>   | <b>(1,240)</b>     | <b>(958)</b>   |

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.

Registration No.: 200901020166 (863263-D)

**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 2023 are as set out below:

|                                 | <b>Maturity</b> | <b>31 Dec 2023</b> |
|---------------------------------|-----------------|--------------------|
|                                 |                 | <b>RM</b>          |
| <b>Current</b>                  |                 |                    |
| Secured:                        |                 |                    |
| Obligations under finance lease | 2024            | 34,655             |
|                                 |                 | <u>34,655</u>      |
| <b>Non-current</b>              |                 |                    |
| Secured:                        |                 |                    |
| Obligations under finance lease | 2025            | 21,137             |
|                                 |                 | <u>21,137</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.



Registration No.: 200901020166 (863263-D)

#### **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 2023 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 2024.

#### **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.

|   | <b>Current<br/>Quarter<br/>31 Dec 2023<br/>RM'000</b> | <b>Corresponding<br/>Quarter<br/>31 Dec 2022<br/>RM'000</b> |
|---|---|---|
| Profit after tax attributable to owners of the Parent | 3,651   | 279   |
| Weighted average number of ordinary Shares            | 108,000   | 108,000   |
| Basic earnings per share (Sen)                        | 3.38  | 0.26  |

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

Registration No.: 200901020166 (863263-D)

## B12. Profit/(Loss) before taxation

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

|   | <b>Current<br/>Quarter<br/>31 Dec<br/>2023<br/>RM'000</b> | <b>Cumulative<br/>Quarter<br/>31 Dec<br/>2023<br/>RM'000</b> |
|---|---|--|
| Interest income   | 186   | 477  |
| Foreign exchange gain/(loss)  | (809)   | (838)  |
| Investment income*  | -   | -  |
| Interest expense*   | (28)  | (89)   |
| Depreciation and amortisation                                       | (762)   | (2,234)  |
| Allowance for impairment loss on trade receivables*                 | (477)   | (477)  |
| Receivable written off*   | -   | -  |
| Inventories written down  | (560)   | (560)  |
| 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.*