10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST

10.1 RELATED PARTY TRANSACTIONS

Under the Listing Requirements, a 'related party transaction' is a transaction entered into by a listed corporation or its subsidiaries that involves the interests, direct or indirect, of a related party. A 'related party' of a listed corporation is:

(i) a director having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or

(ii) a major shareholder being a person who has an interest or interests in one or more voting shares in a corporation and the nominal amount of that share or the aggregate of the nominal amounts of those shares is:

(a) 10% or more of the aggregate of the nominal amounts of all the voting shares in the corporation; or

(b) 5% or more of the aggregate of the nominal amounts of all the voting shares in the corporation where such person is the largest shareholder of the corporation, or

(iii) a person connected with such director or major shareholder.

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10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

10.1.1 Existing and Proposed Related Party Transactions

Save as disclosed below and the transactions undertaken pursuant to the Pre-IPO Reorganisation, there are no other existing or proposed related party transactions (inclusive of recurrent related party transactions) which have been entered into or are to be entered into by our Group during the past 3 FYE 31 December 2015 to FYE 31 December 2017:

No.	Transacting Parties	Related Party and Nature of Relationship	Nature of Transaction	FYE 31 December 2015	FYE 31 December 2016	FYE 31 December 2017	FYE 31 December 2018 (estimate)
				RM	RM	RM	RM
(i)	Landbridge Haulage and Landbridge Warehouse	Dato' Hew and Datin Sam are both direct shareholders and directors of Landbridge Warehouse	Interest payable to Landbridge Warehouse for the advances by Landbridge Warehouse to Landbridge Haulage as working capital	-	46,469	-	-
(ii)	Tri-Mode and Kassim Tadin, Wai & Co.	Wai Wah Kwan @ Wai Ah Har is a partner of Kassim Tadin, Wai & Co.	Provision of legal services in relation to the acquisition of Pulau Indah Land by Kassim Tadin, Wai & Co. to Tri-Mode	-	34,450	-	-
(iii)	Tri-Mode and Dato' Hew	Dato' Hew is a direct shareholder and a Director of Tri-Mode	Disposal of used motor vehicle by Tri-Mode to Dato' Hew	120,000	-	24,000	-
(iv)	Tri-Mode and Landbridge Warehouse	Dato' Hew and Datin Sam are both direct shareholders and directors of Landbridge Warehouse	Provision of warehousing services by Landbridge Warehouse to Tri-Mode	2,858	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

No.	Transacting Parties	Related Party and Nature of Relationship	Nature of Transaction	FYE 31 December 2015 RM	FYE 31 December 2016 RM	FYE 31 December 2017 RM	FYE 31 December 2018 (estimate) RM
(v)	Tri-Mode and PT Oriental Logistics Indonesia	Dato' Hew is a direct shareholder of PT Oriental Logistics Indonesia	Provision of sea freight, freight forwarding and container haulage services by Tri-Mode to PT Oriental Logistics Indonesia	513	28,205	32,283	50,000
			Provision of sea freight, air freight, freight forwarding, container haulage and warehousing services by PT Oriental Logistics Indonesia to Tri-Mode	1,283	4,227	2,320	10,000
(vi)	Tri-Mode Penang and PT Oriental Logistics Indonesia	Dato' Hew is a direct shareholder of PT Oriental Logistics Indonesia	Provision of sea freight and container haulage services by PT Oriental Logistics Indonesia to Tri-Mode Penang	3,768	-	-	5,000
(vii)	Tri-Mode and Oriental Logistics Group Inc.	Dato' Hew is a direct shareholder of Oriental Logistics Group Inc.	Provision of sea freight and air freight services by Tri-Mode to Oriental Logistics Group Inc.	11,189	17,367	12,803	25,000

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

No.	Transacting Parties	Related Party and Nature of Relationship	Nature of Transaction	FYE 31 December 2015 RM	FYE 31 December 2016 RM	FYE 31 December 2017 RM	FYE 31 December 2018 (estimate) RM
			Provision of sea freight, container haulage and warehousing services by Oriental Logistics Group Inc. to Tri-Mode	-	6,059	-	10,000
(viii)	Tri-Mode and Oriental Logistics Group (Thailand) Co. Ltd.	Dato' Hew is a direct shareholder of Oriental Logistics Group (Thailand) Co. Ltd	Provision of sea freight services by Oriental Logistics Group (Thailand) Co. Ltd. to Tri-Mode	-	1,178	-	10,000
(ix)	Tri-Mode Penang and Oriental Logistics Group (Thailand) Co. Ltd.	Dato' Hew is a direct shareholder of Oriental Logistics Group (Thailand) Co. Ltd	Provision of sea freight services by Oriental Logistics Group (Thailand) Co. Ltd. to Tri-Mode Penang	-	1,447	-	10,000
(x)	NV Freights and Dato' Hew	Dato' Hew is our major shareholder and Director	Disposal of NV Container Lines Sdn Bhd to Dato' Hew	-	-	2	-
(xi)	Tri-Mode and Dato' Hew	Dato' Hew is our major shareholder and Director	Disposal of Tri-Mode Lines Sdn Bhd to Dato' Hew	-	-	2	-

10. RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST *(Cont'd)*

Our Board, having considered all aspects of the related party transactions (inclusive of recurrent related party transactions), is of the opinion that the above related party transactions (inclusive of recurrent related party transactions) are not detrimental to our Group and our non-interested shareholders and is in our Group's best interests. The non-recurrent related party transactions as stated in item (i) to (iii) as well as (x) and (xi) above are not expected to continue post-Listing.

Upon Listing, our Board, through our Audit Committee, will ensure that any related party transactions (inclusive of recurrent related party transactions) are carried out on normal commercial terms which are not more favourable to the related parties than those generally available to third parties dealing at arm's length and are not to our detriment or the detriment of our non-interested shareholders.

In addition, we will be required to seek our shareholders' approval each time we enter into a material related party transaction exceeding the requisite percentage ratio in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

Save as disclosed above and the transactions undertaken pursuant to the Pre-IPO Reorganisation, and as at the LPD, there are no other existing or proposed related party transactions (inclusive of recurrent related party transactions) which have been entered into or are to be entered into by our Group during the past 3 FYE 31 December 2015 to FYE 31 December 2017 and FYE 31 December 2018 until our next annual general meeting for 2019 which is anticipated to be held on or before 30 June 2019.

The recurrent related party transactions as stated in item (v) to (ix) above are expected to continue post-Listing and is not expected to have any material impact to our Group as the transaction value is expected to remain minimal.

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10.2 INTERESTS IN SIMILAR BUSINESSES AND OTHER CONFLICT OF INTEREST

Save for Dato' Hew's involvement in Oriental Logistics Group Inc, USA, PT Oriental Logistics Indonesia and Han & Jun (Cambodia) Transport Co. Ltd., and Oriental Logistics Group (Thailand) Co. Ltd., as disclosed in Section 8.2.5 of this Prospectus ("**Conflict of Interest**"), our Board is of the opinion that there is no conflict of interest situation arising from the interests of our substantial shareholders in other businesses or corporations carrying on a trade similar to that of our Group.

The Conflict of Interest is mitigated after considering the following:

(i) localised logistics services are necessary due to the nature and process of the provision of logistics services. The said businesses' operations are based outside of Malaysia while our Group's operations are based in Malaysia. As such, the customers of the said businesses are different from that of our Group's due to geographical location and the need for localised logistics services and hence are not expected to give rise to any direct competition to our Group;

(ii) Dato' Hew does not have controlling interest (i.e., above 33%) in the said businesses;

(iii) Dato' Hew has ceased all his directorships in the said businesses and does not have any directorship in the said businesses moving forward;

(iv) the said businesses are managed by the directors appointed by the other major shareholders; and

(v) Dato' Hew is not involved in the day-to-day operations of the said businesses and will not affect his responsibilities and commitment to our Group.

In addition, we plan to adopt a comprehensive corporate governance framework that meets best practice principles to mitigate any potential conflict of interest situation and intend for the framework to be guided by the Listing Requirements and the Malaysian Code on Corporate Governance upon our Listing. The procedures which may form part of the framework include, amongst other things, the following:

(i) our Board shall ensure that at least one-third of our Board's members are independent directors and will undertake an annual assessment of our Independent Directors;

(ii) our Directors will be required to immediately make full disclosure of any direct or indirect interests that they may have in any business enterprise that is engaged in or proposed to be engaged in a transaction with our Group, whether or not they believe it is a material transaction. Upon such disclosure, the interested Director shall be required to abstain from deliberation and voting on any resolution related to the related party transactions;

(iii) all existing or potential related party transactions would have to be disclosed by the interested party for management reporting. Our management will propose the transactions to our Audit and Risk Management Committee for evaluation and assessment who would in turn, make a recommendation to our Board; and

(iv) all related party transactions would be thoroughly reviewed by our Audit and Risk Management Committee to ensure that they are in the best interest of our Company. In reviewing the related party transactions, the following, amongst other things, will be considered:

    (a) the rationale and the cost/benefit to our Company is first considered;

    (b) where possible, comparative quotes will be taken into consideration;

(c) that the transactions are based on normal commercial terms and not more favourable to the related parties than those generally available to third parties dealing on an arm's length basis; and

(d) that the transactions are not detrimental to our Company's minority shareholders.

10.3 OTHER TRANSACTIONS

Our Directors have confirmed that our Group does not have any transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which we were a party to during the past 3 FYE 31 December 2015 to 31 December 2017.

Our Directors have confirmed that our Group does not have any outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of our related parties for the past 3 FYE 31 December 2015 to 31 December 2017, save for the following:

(i) a corporate guarantee amounting to RM1,000,000 given by our Company to a licenced bank for the benefit of Atama (our associate company), since 3 December 2015. The said corporate guarantee given by our Company has been discharged on 17 October 2017, prior to the date of this Prospectus; and

(ii) a short term working capital advances by our Company to Atama which is unsecured, non-interest bearing and repayable on demand, with the following details:

	FYE 31 December 2015	**FYE 31 December 2016**	**FYE 31 December 2017**	**As at the LPD**
	RM	**RM**	**RM**	**RM**
Advances outstanding	5,744,880	5,289,320	5,287,000	-

On 16 March 2018, the amount owing by Atama to our Company of RM5,287,000 was set off against the equivalent amount owing by Landbridge Haulage to Atama. As a result of this set-off, Landbridge Haulage completed the Landbridge Haulage Capitalisation in settlement of the equivalent amount owing by Landbridge Haulage to our Company. Our Group will not provide any short tern working capital to Atama subsequent to our Listing.

Our Directors are of the opinion that all the above transactions are carried out on arm's length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to public and are not to our detriment or the detriment of our minority shareholders.

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10.4 DECLARATIONS BY OUR ADVISERS ON CONFLICT OF INTEREST

10.4.1 TA Securities

TA Securities confirms that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Managing Underwriter, Joint Underwriter and Placement Agent for our IPO.

10.4.2 ZJ Advisory

ZJ Advisory Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Financial Adviser for our IPO, which includes:

(a) To conceptualise and advise our Company on an appropriate group structure for our Company and its identified affiliates for the Listing;

(b) To prepare the listing scheme including the method, size and price of offering;

(c) To attend to general matters incidental to the Listing;

(d) To provide assistance in resolving relevant issues pertaining to the Listing;

(e) To oversee the entire process of the Listing and IPO on behalf of our Company;

(f) To review the submission to the relevant authorities and other regulatory or non-regulatory agencies or bodies ("**Submissions**") and to satisfy themselves that there are no false or misleading statements or material omissions to the extent that it falls within the scope of the Financial Adviser's responsibilities;

(g) To attend the verification meetings to verify the relevant contents and completeness of the Submissions and together with the Legal Adviser, approve the verification notes to the Submissions to the extent it falls within the scope of the Financial Adviser's responsibilities;

(h) To ensure its representative(s) in the due diligence working group sign(s) off their responsibility or approval (as the case may be) on the due diligence planning memorandum and any other documentation pertaining to the Submission and any inquiry which requires his/their approval in the form of sign-offs. To perform a walkthrough to identify the key risks, corresponding controls and areas for improvement in the existing process flow or standard operating procedures;

(i) To co-ordinate efforts with other professionals, where necessary, to provide advice on their specific areas of expertise in respect of the Listing and IPO;

(j) To ensure where the Financial Adviser becomes aware of any information which raises concerns relating to the Listing and IPO, the scope of the due diligence must ensure such concerns are addressed;

(k) To coordinate placements process on behalf of our Company with the Placement Agent (as appropriate and only in the capitacity as Financial Adviser to our Company, and does not include any roles and responsibilities that are generally performed by Placement Agent) in relation to the Listing; and

(l) To assist in the placement documentation including:

(i) preparation of and organising investor "road shows" and press/ analyst briefings; and

(ii) draft and review of communications materials such as press releases or investor updates.

10.4.3 Wong Beh & Toh

Wong Beh & Toh confirms that there is no existing or potential conflict of interest in its capacity as the Legal Adviser for our IPO.

10.4.4 UHY Chartered Accountants

UHY Chartered Accountants confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

10.4.5 Smith Zander International Sdn Bhd

Smith Zander International Sdn Bhd confirms that there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

10.4.6 Kenanga Investment Bank Berhad

Kenanga Investment Bank Berhad confirms that there is no existing or potential conflict of interest in its capacity as the Joint Underwriter for our IPO.

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11. HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

Our audited combined financial information has been extracted from the Accountants' Report as set out in Section 13 of this Prospectus and compiled using the bases and accounting policies consistent with those currently adopted by our Group.

The financial statements used in the preparation of the Accountants' Report were prepared in accordance with the Malaysian Financial Reporting Standards ("**MFRS**") and International Financial Reporting Standards ("**IFRS**"). There has been no audit qualification on our audited combined financial statements for the past 3 FYE 31 December 2015 to FYE 31 December 2017, as reported in the Accountants' Report. Any adjustments which were dealt with when preparing our Pro forma Consolidated Financial Information have been disclosed in Section 11.3 of this Prospectus.

Our historical and pro forma financial information disclosed below should be read together with the following:

(i) the Reporting Accountants' Letter on the Compilation of Pro forma Consolidated Financial Information as at 31 December 2017 as set out in Section 11.3 of this Prospectus;

(ii) the 'Management Discussion and Analysis of Financial Condition and Results of Operations' as set out in Section 12 of this Prospectus; and

(iii) the Accountants' Report as set out in Section 13 of this Prospectus.

11.1 HISTORICAL COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The following table sets out our audited combined statements of profit or loss and other comprehensive income for the past 3 FYE 31 December 2015 to FYE 31 December 2017 which have been prepared for illustration purpose only assuming that our Group had been existence throughout the financial years under review:

		Audited	
FYE 31 December	**2015**	**2016**	**2017**
	RM	**RM**	**RM**
Revenue	78,693,180	71,381,312	85,505,271
Cost of sales	(61,801,965)	(53,609,134)	(66,050,940)
Gross profit	**16,891,215**	**17,772,178**	**19,454,331**
Other income	538,894	444,618	600,701
Administration expenses	(11,829,273)	(11,661,008)	(11,159,822)
Finance costs	(903,524)	(878,596)	(1,078,644)
Share of results of associate companies	613,439	544,768	183,078
PBT	5,310,751	6,221,960	7,999,644
Taxation	(2,051,625)	(1,554,332)	(2,002,589)
Net profit for the financial year, representing total comprehensive income for the financial year	**3,259,126**	**4,667,628**	**5,997,055**
Net profit attributable to common controlling shareholders of the combining entities	**3,259,126**	**4,667,628**	**5,997,055**

		Audited	
FYE 31 December	**2015**	**2016**	**2017**
EBITDA (RM)[(1)]	9,140,319	9,172,866	11,390,770
GP margin (%)[(2)]	21.5	24.9	22.8
PBT margin (%)[(3)]	6.7	8.7	9.4
Net profit margin (%)[(4)]	4.1	6.5	7.0
Effective tax rate (%)	38.6	25.0	25.0
Number of Shares in issue before our IPO	122,793,000	122,793,000	122,793,000
Net EPS (sen)[(5)]	2.65	3.80	4.88
Enlarged number of Shares assumed in issue after our IPO	166,000,000	166,000,000	166,000,000
Diluted net EPS (sen)[(6)]	1.96	2.81	3.61

Notes:

(1) *Computation of the audited EBITDA is as set out below:*

		Audited	
FYE 31 December	***2015***	***2016***	***2017***
	RM	***RM***	***RM***
Net profit	*3,259,126*	*4,667,628*	*5,997,055*
Add:			
Finance costs	*903,524*	*878,596*	*1,078,644*
Taxation	*2,051,625*	*1,554,332*	*2,002,589*
Depreciation of property, plant and equipment	*3,044,031*	*2,119,185*	*2,385,649*
Less:			
Interest income	*(117,987)*	*(46,875)*	*(73,167)*
EBITDA	***9,140,319***	***9,172,866***	*11,390,770*

(2) *Calculated based on GP divided by revenue.*

(3) *Calculated based on PBT divided by revenue.*

(4) *Calculated based on PAT divided by revenue.*

(5) *Calculated based on PAT divided by our enlarged number of Shares in issue before our IPO.*

(6) *Calculated based on PAT divided by our enlarged number of Shares assumed in issue after our IPO.*

There were no exceptional or extraordinary items throughout the financial years under review.

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11.2 HISTORICAL COMBINED STATEMENTS OF FINANCIAL POSITION

The following table summarised our historical combined statements of financial position for the past 3 FYE 31 December 2015 to 31 December 2017 which have been prepared for illustration purpose only assuming that our Group had been existence throughout the financial years under review:

		Audited	
FYE 31 December	**2015**	**2016**	**2017**
	RM	**RM**	**RM**
Non-current assets	40,407,210	57,275,485	60,886,190
Current assets	19,464,412	17,305,418	21,200,825
Total assets	**59,871,622**	**74,580,903**	**82,087,015**
Non-current liabilities	13,039,646	18,196,210	19,015,881
Current liabilities	17,796,535	27,621,624	28,311,010
Total Liabilities	**30,836,181**	**45,817,834**	**47,326,891**
Equity			
Share capital	8,260,000	8,260,000	8,260,000
Acquisition reserve	(368,741)	(368,741)	(368,741)
Retained earnings	21,144,182	20,871,810	26,868,865
Total issued capital and reserves	**29,035,441**	**28,763,069**	**34,760,124**
Net assets	**29,035,441**	**28,763,069**	**34,760,124**

For further details of the historical combined statements of financial position, please refer to Accountants' Report in Section 13 of this Prospectus.

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11.3 REPORTING ACCOUNTANTS' LETTER ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

UHY

UHY (AF1411)
Chartered Accountants
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The Gardens South Tower
Mid Valley City
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3 APR 2018

The Board of Directors
Tri-Mode System (M) Berhad
25-27, Lorong Berembang
Off Jalan Kem
Taman Seri Berembang
42000 Port Klang
Selangor Darul Ehsan

Dear Sirs,

TRI-MODE SYSTEM (M) BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Financial Information of Tri-Mode System (M) Berhad ("Tri-Mode" or "the Company") and its subsidiary companies (hereinafter collectively referred as "Tri-Mode Group"). The Pro Forma Consolidated Financial Information consists of Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 together with the accompanying notes thereon (as set out in the Notes to the Pro Forma Consolidated Financial Information which we have stamped for the purpose of identification) prepared by the Directors of the Company ("Directors").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Financial Information are as disclosed in Notes to the Pro Forma Consolidated Financial Information and in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The Pro Forma Consolidated Financial Information of the Tri-Mode Group has been compiled by the Directors, for illustrative purposes only, for the inclusion in the Prospectus in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of Tri-Mode on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing").

UHY

TRI-MODE SYSTEM (M) BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The Directors are responsible for compiling the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

Reporting Accountants' Independence and Other Ethical Requirements

We are independent of the Tri-Mode Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the Pro Forma Consolidated Financial Information has been compiled, in all material aspects, by the Directors based on the Applicable Criteria.

We conducted our engagement in accordance with International Standards on Assurance Engagement (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material aspects, the Pro Forma Consolidated Financial Information based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Consolidated Financial Information, nor have we, in the course of this engagement, perform an audit or review of the financial information used in compiling the Pro Forma Consolidated Financial Information.

The purpose of the Pro Forma Consolidated Financial Information included in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occured or the transaction had been undertaken at an earlier date selected for the purpose of illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

UHY

TRI-MODE SYSTEM (M) BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

Reporting Accountants' Responsibilities (Cont'd)

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Financial Information has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Financial Information of the Tri-Mode Group in reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

(a) the related pro forma adjustments give appropriate effect to those criteria; and

(b) the Pro Forma Consolidated Financial Information reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the event or transaction in respect of which the Pro Forma Consolidated Financial Information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion:

(a) the Pro Forma Consolidated Financial Information of Tri-Mode Group as set out in the accompanying notes, which is provided for illustrative purposes only, has been prepared based on the audited combined financial statements of Tri-Mode Group as at 31 December 2017 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group and after taking into account adjustments appropriate for the purposes of the Pro Forma Consolidated Financial Information as set out in the accompanying notes; and

(b) each material adjustments made to the information used in the preparation of the Pro Forma Consolidated Financial Information of the Tri-Mode Group is appropriate for the purposes of preparing the Pro Forma Consolidated Financial Information.

UHY

TRI-MODE SYSTEM (M) BERHAD
REPORTING ACCOUNTANTS' LETTER ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

Other Matters

This letter has been prepared for inclusion in the Prospectus of Tri-Mode in connection with the Listing. As such, this letter should not be used, circulated, quoted or otherwise referred to in any document or used for any purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

UHY
Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

TRI-MODE SYSTEM (M) BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

1. Introduction

The Pro Forma Consolidated Financial Information of Tri-Mode System (M) Berhad ("Tri-Mode" or "the Company") and its subsidiary companies ("hereinafter collectively referred to as the "Tri-Mode Group") has been compiled by the Directors of the Company, for illustrative purposes only, for inclusion in the prospectus of Tri-Mode in connection with the initial public offering ("IPO") and the listing and quotation of the entire enlarged share capital of Tri-Mode on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

2. Basis of Preparation

2.1 The Pro Forma Consolidated Financial Information of Tri-Mode Group as at 31 December 2017 has been compiled based on the audited combined financial statements of Tri-Mode Group for the financial year ended 31 December 2017 and is presented on a basis consistent with both the format and accounting policies normally adopted by the Group. The audited combined financial statements of the Group for the financial year ended 31 December 2017 were prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

2.2 The Pro Forma Consolidated Financial Information of Tri-Mode Group, of which the Directors of Tri-Mode are solely responsible, have been prepared to illustrate that the Pro Forma Consolidated Statement of Financial Position of the Tri-Mode Group as at 31 December 2017 have been adjusted for based on the assumption that the Pre-IPO Reorganisation and the Public Issue as disclosed in Notes 3 and 4 have occurred on 31 December 2017 to the Pro Forma Consolidated Financial Information and the utilisation of proceeds from the IPO as disclosed in Note 5.

2.3 The audited combined financial statements of the Group for the financial year were reported without any modifications and were not subject to any audit qualifications.

2.4 The Group is regarded as a continuing entity resulting from the reorganisation exercise as this business combination involves entities or business which are ultimately controlled by the same parties before and after the business combination. The Pro Forma Consolidated Financial Information of the Tri-Mode Group has been applied the merger method of accounting on a restrospective basis and restated its comparative as if the consolidation had taken place before the start of the earliest period presented in the financial statements.

Under the merger method,

(i) If the cost of merger is lower than the nominal value of the share capital of the subsidiary companies, a credit balance will arise and be treated as acquisition reserve under the Pro Forma Consolidated Statement of Financial Position.

(ii) If the cost of merger is exceeded the nominal value of the share capital of the subsidiary companies, a debit balance will arise and be treated as merger deficit under the Pro Forma Consolidated Statement of Financial Position.

2.5 The Pro Forma Consolidated Financial Information of the Tri-Mode Group has been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Tri-Mode Group and does not purport to predict the future financial position and results of the Tri-Mode Group.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation**

To facilitate the Listing, the Group have undertaken the following corporate exercises:

(i) Subscription by Dato' Hew;
(ii) Share Split;
(iii) Landbridge Haulage Capitalisation;
(iv) NV Freight Capitalisation;
(v) Subscription by Third Party; and
(vi) Acquisitions.

Further details of the Pre-IPO Reorganisation are as follows:

(i) The subscription by Dato' Hew which was completed on 30 January 2018, entails the subscription of 4,000,000 new ordinary shares in Tri-Mode ("Tri-Mode Shares" or "Shares) ("Subscription") by Dato' Hew Han Seng ("Dato' Hew") for a cash consideration of RM2,000,000 at an issue price of RM0.50 each ("Subscription by Dato' Hew") in order to strengthen the share capital base of the Company. The cash consideration was funded via personal wealth of Dato' Hew. The proceeds from the Subscription by Dato' Hew was utilised as working capital for the Group. Upon completion of the Subscription by Dato' Hew, share capital of the Company increased from 5,000,000 Shares to 9,000,000 Shares;

(ii) The share split which was completed on 31 January 2018, entails the subdivision of every 2 Tri-Mode Shares as at 31 January 2018 into 21 Tri-Mode Shares, after the completion of the Subscription by Dato' Hew ("Share Split"), in order to enlarge the share capital base (in terms of number of shares) to achieve a more affordable price per share for the IPO. The number of Shares held by the Promoters before and after the completion of the Share Split are as follows:

	No. of Tri-Mode Shares held after the Subscription by Dato' Hew		No. of Tri-Mode Shares held after the Share Split	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Hew	5,986,950	66.5	62,862,975	66.5
Datin Sam	3,013,050	33.5	31,637,025	33.5
Total	**9,000,000**	**100.0**	**94,500,000**	**100.0**

(iii) The capitalisation of Landbridge Haulage (M) Sdn Bhd ("Landbridge Haulage"), which was completed on 16 March 2018, after the Share Split, involving the following:

(a) the capitalisation of RM1,213,000 amount owing by Landbridge Haulage to Dato' Hew via the issuance of 1,213,000 new ordinary shares in Landbridge Haulage ("Landbridge Haulage Shares") to the Company and in return for issuance of 2,426,000 Tri-Mode Shares to Dato' Hew at an issue price of RM0.50 each, in order to strengthen the share capital base of Landbridge Haulage and the Company as well as to settle the shareholder's advances provided by Dato' Hew. The said amount owing by Landbridge Haulage of RM1,213,000 was originally advanced by Dato' Hew to fund the container haulage operations; and

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(iii) The capitalisation of Landbridge Haulage (M) Sdn Bhd ("Landbridge Haulage"), which was completed on 16 March 2018, after the Share Split, involving the following: (Cont'd)

(b) the capitalisation of RM5,287,000 owing by Landbridge Haulage to the Company via the issuance of 5,287,000 new Landbridge Haulage Shares to the Company, in order to strengthen the share capital base of Landbridge Haulage. The said amount owing by Landbridge Haulage of RM5,287,000 was recorded pursuant to the settlement of amount owing by Landbridge Haulage to Atama Logistics (M) Sdn Bhd ("Atama") (being the former holding company of Landbridge Haulage prior to the Pre-IPO Reorganisation) against the amount owing by Atama to the Company. The said amount owing by Landbridge Haulage of RM5,287,000 was originally advanced by Atama to fund the container haulage operations, while concurrently there was cash advance by Tri-Mode to Atama for the said purpose as well as for Atama's working capital;

The share capital of Landbridge Haulage before and after the Landbridge Haulage Capitalisation is as follows:

	No. of Landbridge Haulage Shares held before the Landbridge Haulage Capitalisation		No. of Landbridge Haulage Shares held after the Landbridge Haulage Capitalisation	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Atama	2,190,000	73.0	2,190,000	23.1
Dato' Hew	810,000	27.0	810,000	8.5
Tri-Mode	-	-	6,500,000	68.4
Total	**3,000,000**	**100.0**	**9,500,000**	**100.0**

(Collectively referred to as "Landbridge Haulage Capitalisation")

Upon completion of the Landbridge Haulage Capitalisation, share capital of the Company increased from 94,500,000 Shares to 96,926,000 Shares. In addition, the Landbridge Haulage Capitalisation had resulted in Tri-Mode holding approximately 68.4% of the enlarged issued share capital of Landbridge Haulage prior to the Acquisition of Landbridge Haulage as sets out in Note 3(vi)(e) below.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(iv) The NV Freights (M) Sdn Bhd ("NV Freights")' capitalisation which entails the capitalisation of RM4,049,000 amount owing by the Company to Datin Sam Choi Lai ("Datin Sam") via the issuance of 8,098,000 new Tri-Mode Shares to Dato' Hew, being the nominee of Datin Sam to receive such new Tri-Mode Shares, at an issue price of RM0.50 each which was completed on 16 March 2018. RM4,049,000 became amount owing by the Company to Datin Sam pursuant to a settlement between the Company, NV Freights and Datin Sam whereby amount owing by the Company to NV Freights was contra against the equivalent amount owing by NV Freights to Datin Sam ("NV Freights Capitalisation"). The amount owing by NV Freights to Datin Sam arose from the dividend payable by NV Freights to Datin Sam which was declared on 30 December 2016, amounting to RM4,049,960;

The NV Freights Capitalisation was undertaken to strengthen the share capital base of NV Freights. Upon completion of the NV Freights Capitalisation, share capital of the Company increased from 96,926,000 Shares to 105,024,000 Shares;

(v) The subscription by third party which was completed on 20 March 2018 entails the issuance of 1,000 new Shares for a cash consideration of RM500 at an issue price of RM0.50 each to Loo Soo Woi, being an independent individual i.e. not a person connected to the Promoters/ substantial shareholders ("Subscription by Third Party"). The Subscription by Third Party was undertaken to facilitate the acquisitions, after the Share Split;

Pursuant to the Companies Act, 2016 ("Act"), the approval of non-interested shareholder of the Company is required for the implementation of the Pre-IPO Reorganisation, particularly in relation to the Acquisitions. In compliance with Sections 228(2)(b) and 228(4) of the Act, Dato' Hew and Datin Sam, being the interested shareholders, shall abstain from voting in the relevant shareholders' resolution pertaining to the Pre-IPO Reorganisation. Loo Soo Woi, being the independent shareholder, has on 21 March 2018 approved the implementation of the abovesaid transactions.

Upon completion of the Subscription by Third Party, share capital of the Company increased from 105,024,000 Shares to 105,025,000 Shares;

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(vi) Pursuant to the acquisitions as mentioned below, the Company has on 12 September 2017 entered into 6 share purchase agreements to acquire the equity interest in Tri-Mode System (Penang) Sdn Bhd ("Tri-Mode Penang"), Tri-Mode System (JB) Sdn Bhd ("Tri-Mode Johor"), Tri-Mode Logistics (M) Sdn Bhd ("Tri-Mode Logistics"), NV Freights, Landbridge Haulage and Atama. The purchase consideration for the acquisitions will be satisfied entirely via issuance of new Tri-Mode Shares. The details of the acquisitions are as follows:

(a) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 10,000 ordinary shares in Tri-Mode Penang ("Tri-Mode System Penang Shares") (representing 10.0% of the issued share capital in Tri-Mode Penang) from Dato' Hew, for a purchase price of RM209,000 satisfied entirely via the issuance of 418,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 10.0% of the audited NA of Tri-Mode Penang of RM208,545 as at 31 December 2016, which is equivalent to approximately 10% of the existing net book value ("NBV") of the assets of Tri-Mode Penang. The audited net assets ("NA") of Tri-Mode Penang as at 31 December 2016 is RM2,085,445. The Company has held the remaining 90% of the issued share capital in Tri-Mode Penang prior to 2017;

(b) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 20,000 ordinary shares in Tri-Mode Johor ("Tri-Mode Johor Shares") (representing 40.0% of the issued share capital in Tri-Mode Johor) from Dato' Hew, for a purchase price of RM240,000 satisfied entirely via the issuance of 480,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 40.0% of the audited NA of Tri-Mode Johor of RM239,160 as at 31 December 2016, which is equivalent to approximately 40% of the existing NBV of the assets of Tri-Mode Johor. The audited NA of Tri-Mode Johor as at 31 December 2016 is RM597,900. The Company has held the remaining 60% of issued share capital in Tri-Mode Johor prior to 2017;

(c) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 2,000 ordinary shares in Tri-Mode Logistics ("Tri-Mode Logistics Shares") (representing 20.0% of the issued share capital in Tri-Mode Logistics) from Dato' Hew, for a purchase price of RM175,000 satisfied entirely via the issuance of 350,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 20.0% of the audited NA of Tri-Mode Logistics of RM174,783 as at 31 December 2016, which is equivalent to approximately 20% of the existing NBV of the assets of Tri-Mode Logistics. The audited NA of Tri-Mode Logistics as at 31 December 2016 is RM873,916. The Company has held the remaining 80% of the issued share capital in Tri-Mode Logistics prior to 2017;

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(vi) The details of the acquisitions are as follows: (Cont'd)

(d) The Company has entered into a conditional share purchase agreement with Dato' Hew and Datin Sam to acquire 100,000 ordinary shares in NV Freights, representing the entire issued share capital in NV Freights from Dato' Hew and Datin Sam, for a total purchase price of RM1,500,000 satisfied entirely via the issuance of 3,000,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share, details of which are set out below:

Vendors	No. of NV Freights Shares acquired	% of issued share capital in NV Freights	Purchase price RM	No. of Tri-Mode Shares issued
Dato' Hew	1	0.001	15	30
Datin Sam	99,999	99.999	1,499,985	2,999,970[(1)]
	100,000	100.000	1,500,000	3,000,000

Note:

(1) Pursuant to a letter of nomination dated 18 September 2017, Datin Sam has nominated Dato' Hew to receive 959,970 new Tri-Mode Shares out of the 2,999,970 new Tri-Mode Shares to be issued to Datin Sam by the Company. With the nomination arrangement, the new Tri-Mode Shares which the Company will issue as consideration for the Acquisition of NV Freights will be issued to Dato' Hew and Datin Sam in the following proportion:

Vendors	***No. of Tri-Mode Shares***
Dato' Hew	*960,000*
Datin Sam	*2,040,000*

The purchase price represents approximately 1.0 time of the audited NA of NV Freights of RM1,441,983 as at 31 December 2016, which is approximately equivalent to the existing net book value of the assets of NV Freights.

(e) The Company has entered into a conditional share purchase agreement with Dato' Hew and Atama to acquire of 3,000,000 Landbridge Haulage Shares (representing approximately 31.6% of the enlarged issued share capital in Landbridge Haulage) by the Company from Dato' Hew and Atama for a total purchase price of RM6,300,000 satisfied entirely via the issuance of 12,600,000 new Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share ("Consideration Shares"), details of which are set out below:

Vendors	No. of Landbridge Haulage Shares acquired	% of issued share capital of Landbridge Haulage [(1)]	% of issued share capital of Landbridge Haulage [(2)]	Purchase price RM	No. of Tri-Mode Shares issued
Dato' Hew	810,000	27.0	8.5	1,701,000	3,402,000
Atama	2,190,000	73.0	23.1	4,599,000	9,198,000 [(3)]
	3,000,000	**100.0**	**31.6**	**6,300,000**	**12,600,000**

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(vi) The details of the acquisitions are as follows: (Cont'd)

Notes:

(1) Based on the issued share capital in Landbridge Haulage after the Landbridge Haulage Capitalisation.

(2) Based on the issued share capital in Landbridge Haulage after the Landbridge Haulage Capitalisation of RM9,500,000 as disclosed in Note 3.1(iii).

(3) Pursuant to the share purchase agreement, 6,570,000 Tri-Mode Shares out of the Atama's Consideration Shares had been issued to the following as nominated by Atama, in proportion to their respective shareholdings in Atama prior to the completion of the acquisition of Atama:

Shareholders	*No. of Atama Shares held*	*% of Atama Shares held*	*No of Tri-Mode Shares*
Dato' Hew	*93,100*	*49.0*	*3,219,300*
Murni Binti Osman	*19,000*	*10.0*	*657,000*
Muzlina Binti Abdul Hamid	*19,000*	*10.0*	*657,000*
Yahya Suban Bin Talib	*58,900*	*31.0*	*2,036,700*
Total	***190,000***	***100***	***6,570,000***

The remaining Atama's Consideration Shares of 2,628,000 Tri-Mode Shares were retained by Atama. Atama has informed of its intention to distribute or allocate such number of Tri-Mode Shares to its employees, the details of which is yet to be determined.

The purchase price represents approximately 1.0 time of 31.6% of the proforma NA of Landbridge Haulage of RM6,293,992 as at 31 December 2016* after completion of the Landbridge Haulage Capitalisation, (which resulted in Tri-Mode holding approximately 68.4% of the enlarged issued share capital in Landbridge Haulage), details of which are out in Note 3(iii) above. The proforma audited NA of Landbridge Haulage as at 31 December 2016 and after completion of the Landbridge Haulage Capitalisation is RM19,917,696, which is equivalent to approximately 68.4% of the proforma NBV of the assets of Landbridge Haulage; and

Note:

* *Based on the audited accounts of Landbridge Haulage for the FYE 31 December 2016 dated 16 June 2017 and prior to the prior year adjustments effected subsequently in the audited account of Landbridge Haulage in respect of the net carrying amounts and depreciation expenses of prime movers and trailers when accounted for the change in respective useful lives and residual values of the prime movers and trailers in Landbridge Haulage occurred during the FYE 31 December 2015.*

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

3. **Pre-IPO Reorganisation (Cont'd)**

(vi) The details of the acquisitions are as follows: (Cont'd)

(f) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 93,100 Atama Shares (representing approximately 49.0% of the issued share capital in Atama) by the Company from Dato' Hew for a purchase price of RM460,000 satisfied entirely via the issuance of 920,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 49.0% of the audited NA of Atama of RM455,207 as at 31 December 2016, which is equivalent to approximately 49% of the existing NBV of the assets of Atama. The audited NA of Atama as at 31 December 2016 of RM928,993.

After completion of the Pre-IPO Reorganisation, Atama will become the associate company of Tri-Mode Group only. In accordance with the requirements imposed by the Customs on the licence held by Atama as a forwarding agent, the Bumiputera's participation in Atama shall not in any event less than 51% (i.e. shareholders, directors, key management and support staffs). As such, any further increase of Tri-Mode's shareholdings in Atama will result in a non-compliance by Atama of its 51% Bumiputera's equity condition imposed by the said licence.

(Collectively referred to as "Acquisitions")

The above Pre-IPO Reorganisation is not conditional upon the approval of the listing scheme by the relevant authorities. The Acquisitions were completed on 26 March 2018 subsequent to the fulfilment of conditions precedent pursuant to the share purchase agreements as disclosed in Section 14.4 of the Prospectus. Please refer to Section 14.4 of the Prospectus for the salient terms of the Acquisitions.

Upon completion of the Acquisitions, Tri-Mode Penang, Tri-Mode Johor, Tri-Mode Logistics, NV Freights and Landbridge Haulage became the wholly-owned subsidiaries, while Atama and Container Connections (M) Sdn Bhd ("Container Connections") became the associate companies.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

4. **Listing Scheme**

(i) **Public Issue**

A total of 43,207,000 Tri-Mode Shares representing approximately 26.03% of the enlarged issued share capital ("IPO Shares") are offered at institutional price to be determined by way of bookbuilding and retail price of RM0.61 per share payable in full upon application and subject to refund of the difference between the retail price and final retail price to be paid by investors pursuant to the retail offering, if that the final retail price is less than the retail price. The Public Issue is subject to the terms and conditions of the Prospectus. The IPO Shares will be allocated in the following manner:

(a) Malaysian Public

8,300,000 IPO Shares (representing 5.00% of the enlarged total number of Shares) will be made available for application by the Malaysian Public through a balloting process, of which 4,150,000 IPO Shares are to be allocated to Bumiputera individuals, companies, societies, co-operatives and institutions. Any IPO Shares not subscribed by the Bumiputera investors will be made available for subscription by Malaysian Public.

(b) Eligible Persons

4,197,000 IPO Shares (representing 2.53% of the enlarged total number of Shares) will be made available for application by the Directors and eligible employees.

(c) Private placement to institutional and selected investors

24,900,000 IPO Shares (representing 15.00% of the enlarged total number of Shares) will be made available by way of private placement to institutional and selected investors.

(d) Bumiputera investors approved by Ministry of International Trade and Industry ("MITI").

5,810,000 IPO Shares (representing 3.50% of the enlarged total number of Shares) will be placed to Bumiputera investors approved by MITI.

The Public Issue will increase the share capital to RM47,502,770 comprising 166,000,000 Shares.

(ii) **Listing of and Quotation for Tri-Mode Shares on the ACE Market of Bursa Securities**

In conjunction with the IPO, the Company would seek the listing of and quotation for its entire enlarged issued share capital of RM47,502,770 comprising 166,000,000 ordinary shares in Tri-Mode Shares on the ACE Market of Bursa Securities.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

5. **Utilisation of Proceeds from IPO**

The gross proceeds from the IPO of RM26,356,270 are intended to be utilised as follows:

Details of the utilisation of proceeds	**Amount of proceeds**		**Estimated timeframe for utilisation from the date of Listing**
	RM	**%**	
Business expansion			
• Construction of Proposed headquarters and Distribution Hub	15,000,000	56.9	Within 30 months
• Purchase of prime movers and trailers	500,000	1.9	Within 24 months
Repayment of bank borrowings	5,000,000	19.0	Within 6 months
Working capital	2,356,270	8.9	Within 12 months
Estimated listing expenses	3,500,000	13.3	Within 3 months
Total	26,356,270	100.0	

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TRI-MODE SYSTEM (M) BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Statement of Financial Position as at 31 December 2017

The pro forma consolidated statement of financial position of the Tri-Mode Group as at 31 December 2017 have been prepared for illustrative purposes only and after making such adjustments as considered necessary assuming that the Tri-Mode Group had been in existence on 31 December 2017 and the Listing completed on that date.

	Note	Tri-Mode - Combined Group level 31.12.2017 RM	Proforma I After Pre-IPO Reorganisation RM	Proforma II After proforma I and IPO and Public Issue RM	Proforma III After proforma II and Utilisation of Proceeds RM
NON-CURRENT ASSETS					
Property, plant and equipment	6.2	58,693,301	58,693,301	58,693,301	74,193,301
Other investments		175,000	175,000	175,000	175,000
Investment in associate companies	6.3	2,017,889	2,477,889	2,477,889	2,477,889
		60,886,190	61,346,190	61,346,190	76,846,190
CURRENT ASSETS					
Inventories		74,956	74,956	74,956	74,956
Trade receivables		15,232,500	15,232,500	15,232,500	15,232,500
Other receivables		2,633,982	2,633,982	2,633,982	2,633,982
Tax recoverable		3,100	3,100	3,100	3,100
Fixed deposits with licensed banks		2,074,417	2,074,417	2,074,417	2,074,417
Cash and bank balances	6.4	1,181,870	3,182,370	29,538,640	5,538,640
		21,200,825	23,201,325	49,557,595	25,557,595
TOTAL ASSETS		82,087,015	84,547,515	110,903,785	102,403,785
EQUITY					
Invested equity	6.5	8,260,000	21,146,500	47,502,770	47,502,770
Acquisition reserves	6.6	(368,741)	(5,532,741)	(5,532,741)	(5,532,741)
Retained earnings	6.7	26,868,865	26,868,865	26,868,865	23,368,865
Total equity		34,760,124	42,482,624	68,838,894	65,338,894
NON-CURRENT LIABILTIES					
Finance lease liabilities		7,464,181	7,464,181	7,464,181	7,464,181
Bank borrowings	6.8	6,983,654	6,983,654	6,983,654	5,483,654
Deferred tax liabilities		4,568,046	4,568,046	4,568,046	4,568,046
		19,015,881	19,015,881	19,015,881	17,515,881

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. **Pro Forma Consolidated Statement of Financial Position as at 31 December 2017 (Cont'd)**

	Note	Tri-Mode - Combined Group level 31.12.2017 RM	Proforma I After Pre-IPO Reorganisation RM	Proforma II After proforma I and IPO and Public Issue RM	Proforma III After proforma II and Utilisation of Proceeds RM
CURRENT LIABILTIES					
Trade payables		4,712,688	4,712,688	4,712,688	4,712,688
Other payables		2,634,118	2,634,118	2,634,118	2,634,118
Amount due to associate companies		3,741,146	3,741,146	3,741,146	3,741,146
Amount due to Directors	6.9	7,276,231	2,014,231	2,014,231	2,014,231
Finance lease liabilities		4,388,594	4,388,594	4,388,594	4,388,594
Bank borrowings	6.8	5,474,577	5,474,577	5,474,577	1,974,577
Tax payable		83,656	83,656	83,656	83,656
		28,311,010	23,049,010	23,049,010	19,549,010
TOTAL LIABILITIES		47,326,891	42,064,891	42,064,891	37,064,891
		82,087,015	84,547,515	110,903,785	102,403,785
No of ordinary shares assumed to be in issued ^		5,000,000	122,793,000	166,000,000	166,000,000
Net assets ("NA")		34,760,124	42,482,624	68,838,894	65,338,894
NA per share (RM)		6.95	0.35	0.41	0.39
Borrowings		24,311,006	24,311,006	24,311,006	19,311,006
Gearing (times)		0.70	0.57	0.35	0.30

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^ Pursuant to Section 74 of the Companies Act, 2016 (the "Act"), all shares issued before or upon the commencement of this Act shall have no par or nominal value.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information

Pro forma I

Pro forma I incorporates the effects of the Pre-IPO Reorganisation by Tri-Mode as disclosed in Note 3 to the Pro Forma Consolidated Financial Information.

Pro forma II

Pro forma II incorporates the effects of Pro forma I and after the IPO and Public Issue as disclosed in Note 4 to the Pro Forma Consolidated Financial Information.

Pro forma III

Pro forma III incorporates the effects of Pro forma II and incorporation of the utilisation of proceeds from the IPO as disclosed in Note 5 to the Pro Forma Consolidated Financial Information.

The gross proceeds arising from the IPO will be utilised by the Tri-Mode Group in the following manner:

Details of the utilisation of proceeds	Notes	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
		RM	%	
Business expansion				
• Construction of Proposed headquarters and Distribution Hub	(a)(i)	15,000,000	56.9	Within 30 months
• Purchase of prime movers and trailers	(a)(ii)	500,000	1.9	Within 24 months
Repayment of bank borrowings	(b)	5,000,000	19.0	Within 6 months
Working capital	(c)	2,356,270	8.9	Within 12 months
Estimated listing expenses	(d)	3,500,000	13.3	Within 3 months
Total		26,356,270	100.0	

Further details of the utilisation of proceeds are set out in the ensuing paragraphs:

(a) Business expansion

The Group intends to utilise approximately RM15.5 million or 58.8% of the proceeds arising from the Public Issue to defray the cost to be incurred for the Group business expansion for the next 30 months, which includes the following:

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(a) Business expansion (Cont'd)

(i) Construction of the Proposed HQ and Distribution Hub

The Group intends to utilise RM15.0 million or 56.9% of the proceeds from the Public Issue to fund the estimated cost of construction of the Proposed HQ and Distribution on the Pulau Indah Land. The remaining funds of RM5 million required for the construction of the Proposed HQ and Distribution Hub will be financed through internally generated funds and/or bank borrowings.

The construction of the Proposed HQ and Distribution Hub is targeted to commence by 3rd quarter of 2019 and it is estimated to be completed by 3rd quarter of 2020. Please refer to Section 6.17.1 of the Prospectus for further details.

Generally, the Proposed HQ and Distribution Hub will enable the Group to consolidate the business operations under one roof which will result in cost saving and improved efficiency. The distribution hub is also expected to enable the Group to generate additional source of income from the expansion of warehousing services (i.e, value-added warehouse services and bonded warehouse services) and e-commerce logistics services. With the combination of cost saving and new stream of revenue, the Proposed HQ and Distribution Hub is expected to contribute positively to the Group's future earnings.

The Proposed HQ and Distribution Hub is intended to include the following:
(a) Prime movers and trailers parking area of approximately 7 acres from existing parking area of approximately 4 acres (aggregate of existing 2 yards);
(b) New mechanical workshops for container haulage operations to cater for more in-house minor repairs and maintenance works such as fuel or engine oil change; and
(c) A modernised warehouse equipped with bar-coding inventory monitoring and racking system.

The rationale for undertaking the Proposed HQ and Distribution Hub is mainly due to the following:
(a) To centralise operations where practicable to achieve cost savings as described in the following paragraphs;
(b) To cater for the expansion of container haulage operational capacity. With the growing numbers of prime movers and trailers, the current yards will not have sufficient space for parking; and
(c) To expand the warehousing functions by providing distribution services at the Proposed HQ and Distribution Hub. The Proposed HQ and Distribution Hub will enable the Group to increase their capacity to facilitate the future growth of the business including the e-commerce logistics business.

With the Proposed HQ and Distribution Hub, the Group's warehouse functions can be expanded, in addition to its current operations, to include the following:
(a) to act as warehouse and distribution center;
(b) to provide value-added warehouse services such as re-labelling, repacking and sorting of consignments;
(c) to provide door delivery distribution services for e-commerce related activities; and
(d) to provide bonded warehouse services (subject to the Group procuring the relevant licences to operate such warehouse) which enable the Group to provide central storage for the distribution of bonded goods whereby the Customs' duties and taxes have not been paid.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(a) Business expansion (Cont'd)

(i) Construction of the Proposed HQ and Distribution Hub (Cont'd)

The financial benefits of the Proposed HQ and Distribution Hub are expected to include the following:

(a) Cost saving from:

- *centralisation of operational head quarter via reduced number of administrative staff;*
- *elimination of costs to maintain 2 yards for Landbridge Haulage's operations;*
- *elimination of transportation costs incurred by staff to travel between Landbridge Haulage's office/ container haulage's yards and head office; and*
- *reduction in administrative costs (such as despatch cost, telephone charges, photocopy cost) for coordination and movement of documents between Landbridge Haulage's office/ container haulage's yards and head office.*

(b) Positive contribution from new stream of revenue from the expansion of warehousing services.

The capacity and utilisation rates of the Group is expected to change with the completion of the Proposed HQ & Distribution Hub as follows:

	As at the LPD	***With the Proposed HQ & Distribution Hub***
Office space in headquarters	• *Capacity: approximately 17,737 sq ft* (1) • *Utilisation rate: 100%* (2)	• *Capacity: approximately 25,000 to 30,000 sq ft* • *Utilisation rate: The number of the Group's employees is not expected to change significantly upon completion of the construction, however, it is expected to increase with the business expansion and consequently increases the utilisation rate of the office space.*
Prime movers and trailers parking space	• *Capacity: approximately 4 acres* • *Utilisation rate: 100%* (3)	• *Capacity: approximately 7 acres* • *Utilisation rate: Given the Group current number of prime movers and trailers, the parking space utilisation rate is expected to be at least 60% upon completion of the construction and is expected to increase with the Group growing number of prime movers and trailers.*

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(a) Business expansion (Cont'd)

(i) Construction of the Proposed HQ and Distribution Hub (Cont'd)

(b) Positive contribution from new stream of revenue from the expansion of warehousing services.(Cont'd)

	As at the LPD	*With the Proposed HQ & Distribution Hub*
Warehouse size	• *Capacity: approximately 11,804 sq ft*	• *Capacity: Approximately 50,000 to 55,000 sq ft in addition to existing free trade zone warehouse's capacity of approximately 11,804 sq ft.*
	• *Utilisation rate: Up to 100% as the goods storage is fast-moving in nature and hence the storage utilisation rate will fluctuate along with the demand for warehousing services*	• *Utilisation rate: Currently, the Group is not able to be ascertained of the utilisation rate as further feasibility studies are necessary to be carried out and the layout plan of the warehouse is yet to be finalised at this juncture.*

Notes:

(1) The office space includes rented office space by Atama of 3,200 sq ft. and excludes the office space located in Penang and Johor.

(2) The utilisation rate is considered 100% as office space in the headquarters is fully-occupied and for the fact that Tri-Mode is renting space used for document storage in addition to its owned commercial shop lots.

(3) There will be insufficient parking space if all of the prime movers and trailers were to be stationed at Yard 1 and Yard 2.

(ii) Purchase of prime movers and trailers

The Group intends to utilise approximately RM0.5 million or 1.9% of the proceeds from the Public Issue to fund between 10% to 20% of the purchase price of approximately 10 units of prime movers and 50 units of trailers in the next 24 months as follow:

Type of vehicles	***No. of units***	***Average purchase price per unit***	***Total purchase price***
		RM	***RM***
Prime movers	*10*	*300,000*	*3,000,000*
Trailers	*50*	*35,000*	*1,750,000*
Total	*60*	*N/A*	*4,750,000*

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(a) Business expansion (Cont'd)

(ii) Purchase of prime movers and trailers (Cont'd)

The remaining purchase price of each vehicle is expected to be financed through hire purchase.

For FYE 31 December 2017, the average utilisation rate for the prime movers stood at 88.1%. 1 unit of our prime mover had in February 2018 involved in a road accident and reported a total loss which resulted in the total number of our prime movers to decrease from 100 units to 99 units. The said prime mover is fully insured and we had on 24 February 2018 filed an insurance claim to the insurer. With the acquisition of 10 units of the new prime movers using our IPO proceeds as stated above and 1 addition unit of new prime mover to be purchased and replace the lost prime mover in February 2018 (of which will be funded via a combination of the internally generated funds, bank borrowings and/or insurance claim received from the insurer), the total number of prime movers will increase from 99 units to 110 units, representing a 11.1% increase in the Group's fleet size. As the new addition of the prime movers is expected to take place over a period of 24 months and after considering the prospects of the container haulage business, the Group expect to achieve a similar utilisation rate at around 90.0%.

Please refer to Section 6.12 of the Prospectus for further details on the operating capacity and output of the Group's container haulage operations.

(b) Repayment of bank borrowings

The Group intends to utilise RM5.0 million or 19.0% of our proceeds from the Public Issue to repay part of the bank borrowings as follows:

(i) RM1.5 million to fully repay the Group's term loan facilities obtained from Malayan Banking Berhad and CIMB Bank Berhad for the acquisition of lands held by NV Freights ("NV Freights Term Loans"). As at 31 March 2018, the outstanding term loan for these facilities amounted to approximately RM1.6 million;

(ii) RM3.5 million to repay the Group's bank overdraft facilities obtained from AmBank (M) Berhad, CIMB Islamic Bank Berhad and CIMB Bank Berhad, which were used to finance the Group working capital purposes. Save for the abovesaid banks, the Group do not have any other bank overdraft facilities as at the LPD. As at 31 March 2018, the outstanding bank overdraft facilities amounted to approximately RM3.6 million.

The Group's bank borrowings comprise bank overdrafts and revolving credit used for the Group working capital purposes, as well as NV Freights Term Loans and term loan for the purchase of Pulau Indah Land ("Pulau Indah Land Term Loan"). The repayment of NV Freights Term Loans and bank overdrafts were proposed to be repaid ahead of the remaining bank borrowings such as Pulau Indah Land Term Loan and revolving credit after considering the following:

(i) the NV Freights Term Loans and bank overdraft facilities were free from lock-up restriction, i.e. no penalty on early repayment;

TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(b) Repayment of bank borrowings (Cont'd)

(ii) the Pulau Indah Land Term Loan has not been fully drawn down and is with lock-up restriction where penalty will be imposed by the lender for early repayment;
(iii) the Group will immediately enjoy interest savings from the repayment on the outstanding amount of NV Freights Term Loans and bank overdraft facilities; and
(iv) the Group are able to enjoy higher interest rates saving from repayment of bank overdrafts as compared to other bank borrowings such as revolving credit.

With the full repayment of these term loans facilities, the Group expect to achieve interest savings of approximately RM0.1 million each year. The details of these term loan facilities are as follows:

Lender	:	*Malayan Banking Berhad*	*CIMB Bank Berhad*
Maturity Date	:	*1 February 2024*	*1 April 2024*
Interest Rate	:	*Base lending rate ("BLR") plus 1.25%*	*BLR minus 0.5%*

With the repayment of overdraft facilities, the Group expect to achieve interest savings of approximately RM0.3 million each year. The details of these bank overdraft facilities are as follows:

Lender	:	*Ambank (M) Berhad*	*CIMB Islamic Bank Berhad*	*CIMB Bank Berhad*
Interest Rate	:	*BLR plus 1.0%*	*(i) BLR plus 1.0%* *(ii) BLR plus 1.5%*	*BLR plus 1.5%*

The abovesaid bank overdraft facilities are used to finance the Group working capital for day to day operation.

For the avoidance of doubt, the borrowings incurred within the last 12 months consists of:
(i) bank overdraft and revolving credit which was used to fund our Group's working capital;
(ii) NV Freighs Term Loans which was used for the acquisition of lands held by NV Freights; and
(iii) Pulau Indah Land Term Loans which was used for the purchase of Pulau Indah Land.

(c) Working capital

The Group expect to utilise approximately RM2.4 million or 8.9% of the proceeds arising from the Public Issue as working capital to finance the Group's future operations. The allocation for working capital will be used for day-to-day operations, including but not limited to, fuel purchase, hire purchase instalment, and payment of payroll and administrative expenses.

(d) Estimated listing expenses

The estimated expenses and fees incidental to the Listing amounting to approximately RM3.5 million or 13.3% our proceeds from the Public Issue shall be borne by the Company, the details of which are as follow:

Expenses	***RM***
Professional fees[1]	*2,480,000*
Brokerage, placement fees and underwriting commission	*650,000*
Other fees and expenses such as printing, advertising, travel and roadshow expenses incurred in connection with the Public Issue	*290,000*
Estimated regulatory fees	*80,000*
Total	*3,500,000*

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NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)

6.1 Pro Forma Adjustments to the Pro Forma Consolidated Financial Information (Cont'd)

Pro forma III (Cont'd)

(d) Estimated listing expenses (Cont'd)

Notes:
(1) Includes advisory fees for, among others, the Principal Adviser, Sponsor, Managing Underwriter, Joint Underwriters, Placement Agent, Financial Adviser, Legal Adviser, Auditors and Reporting Accountants and Independent Market Researcher.

(2) The detailed breakdown of the estimated regulatory fees is provided as follows:

Name of authorities	***Regulatory fees***
	RM
Bursa Securities	*50,000*
Securities Commission Malaysia	*15,500*
Companies Commission of Malaysia	*1,000*
Others	*13,500*
Total	***80,000***

Any surplus/shortfall in estimated regulatory fees in relation to the Listing will be adjusted accordingly with the working capital requirements.

The Group will bear all expenses and fees incidental to the Listing, which include underwriting commission, placement fees, brokerage, professional fees, authorities' fees, advertising and other fees, the aggregate of which is estimated to be approximately RM3.5 million. Pursuant to MFRS 132 Financial Instrument: Presentation, a total of RM1,211,000 is assumed to be directly attributable to the IPO and as such will be debited against the retained earnings in equity and the remaining expenses of RM2,289,000 are assumed to be attributable to the Listing and as such, will be expensed off to the statements of profit or loss and other comprehensive income pursuant to MFRS 132 Financial Instruments: Presentation. Any difference arising from the utilisation as set out above will be adjusted accordingly with the working capital requirements.

The exact amount of the gross proceeds to be raised from the Public Issue will depend upon the Institutional Price and Final Retail Price. Depending on the actual proceeds to be raised, the shortfall of proceeds raised from the Public Issue as compared to the abovesaid breakdown will be reduced in the following order:
(i) working capital; and
(ii) business expansion.

Pending the eventual utilisation of the proceeds from the Public Issue for the above intended purposes, the Group intends to place the proceeds raised (including accrued interest, if any) or the balance thereof as deposits with banks or licensed financial institutions in Malaysia.

Upon completion of the IPO, the issued and paid-up share capital of the Company will increase from RM21,146,500 comprising 122,793,000 Tri-Mode Shares to RM47,502,770 comprising 166,000,000 Tri-Mode Shares.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. **Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)**

6.2 **Property, Plant and Equipment**

	RM
As at 31 December 2017/As per Pro forma I and II	58,693,301
Utilisation of proceeds from the IPO	15,500,000
As per Pro forma III	74,193,301

6.3 **Investment in Associate Companies**

	RM
As at 31 December 2017	2,017,889
Pre-IPO Reorganisation	460,000
As per Pro forma I, II and III	2,477,889

6.4 **Cash and Bank Balances**

	RM
As at 31 December 2017	1,181,870
Pre-IPO Reorganisation	2,000,500
As per Pro forma I	3,182,370
IPO and Public Issue	26,356,270
As per Pro forma II	29,538,640
Utilisation of proceeds from the IPO	(24,000,000)
As per Pro forma III	5,538,640

6.5 **Invested Equity**

	Number of shares Units	RM
As at 31 December 2017	5,000,000	8,260,000
Pre-IPO Reorganisation	117,793,000 *	12,886,500
As per Pro forma I	122,793,000	21,146,500
IPO and Public Issue	43,207,000	26,356,270
As per Pro forma II and III	166,000,000	47,502,770

Note:

	Number of shares Units
** Breakdown of number of shares issued pursuant to Pre-IPO Reorganisation:*	
Issued pursuant to the Subscription by Dato' Hew	*4,000,000*
Issued pursuant to the Share Split	*85,500,000*
Issued pursuant to the Capitalisations	*10,524,000*
Issued pursuant to the Subscription by Third Party	*1,000*
Issued pursuant to the Acquisitions	*17,768,000*
	117,793,000

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

6. **Pro Forma Consolidated Financial Information as at 31 December 2017 (Cont'd)**

6.6 **Acquisition Reserves**

	RM
As at 31 December 2017	(368,741)
Pre-IPO Reorganisation	(5,164,000)
As per Pro forma I, II and III	(5,532,741)

6.7 **Retained Earnings**

	RM
As at 31 December 2017/As per Pro forma I and II	26,868,865
Utilisation of proceeds from the IPO	(3,500,000)
As per Pro forma III	23,368,865

6.8 **Bank Borrowings**

	Non-current liabilities RM	Current liabilities RM	Total RM
As at 31 December/ As per Pro forma I and II	6,983,654	5,474,577	12,458,231
Utilisation of proceeds from the IPO	(1,500,000)	(3,500,000)	(5,000,000)
As per Pro forma III	5,483,654	1,974,577	7,458,231

6.9 **Amount due to Directors**

	RM
As at 31 December 2017	7,276,231
Pre-IPO Reorganisation	(5,262,000)
As per Pro forma I, II and III	2,014,231

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED FINANCIAL INFORMATION AS AT 31 DECEMBER 2017 (CONT'D)

Approval by Board of Directors

Approved and adopted by the Board of Directors of Tri-Mode Group in accordance with a resolution dated 27 MAR 2018

DATO' HEW HAN SENG	DATIN SAM CHOI LAI
Director	Director

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11.4 CAPITALISATION AND INDEBTEDNESS

The following table sets out our pro forma consolidated cash and cash equivalents, capitalisation and indebtedness as at 28 February 2018 adjusted for the effect of Pre-IPO Reorganisation, Public Issue and utilisation of proceeds from our IPO:

	As at 28 February 2018$^{(1)}$	After Pre-IPO Reorganisation, Public Issue and Utilisation of Proceeds from our IPO$^{(2)}$
	RM	RM
Cash and cash equivalents		
Cash and bank balances	1,188,471	5,545,241
Fixed deposits with licenced banks	2,068,158	2,068,158
	3,256,630	**7,613,400**
Indebtedness		
Non-current		
Secured and guaranteed		
Finance lease payables	6,975,995	6,975,995
Bank borrowings	6,941,333	1,941,333
	13,917,328	**8,917,328**
Current		
Secured and guaranteed		
Finance lease payables	4,193,664	4,193,664
Bank borrowings	5,373,746	5,373,746
	9,567,410	**9,567,410**
Total indebtedness$^{(3)}$	**23,484,738**	**18,484,738**
Total indebtedness (including contingent liabilities)	**23,622,738**	**18,622,738**
Capitalisation		
Equity attributable to owners of the parent	35,609,019	66,187,789
Total capitalisation and indebtedness	**59,093,757**	**84,672,527**
Total capitalisation and indebtedness (including contingent liabilities)	**59,231,757**	**84,810,527**
Debts to equity ratio (times)$^{(4)}$	0.66	0.28

Notes:

(1) Being the latest available cut-off date of bank statements and the preparation of management accounts.

(2) Our group intends to utilise RM1.5 million and RM3.5 million to partially repay the term loan facilities and bank overdrafts facilities, respectively. Please refer to Section 3.9 of the Prospectus for further details on the utilisation of proceeds from our IPO.

(3) Total indebtedness includes current and non-current borrowings (but excludes the advances from Directors), all of which are secured as at 28 February 2018 against our Group's assets.

(4) Calculated based on the total indebtedness over the total capitalisation as below:

	As at 28 February 2018	***After Pre-IPO Reorganisation, Public Issue and Utilisation of Proceeds from our IPO***
	RM	***RM***
Total indebtedness	*23,484,738*	*18,484,738*
Total capitalisation	*35,609,019*	*66,187,789*
Debts to equity ratio (times)	*0.66*	*0.28*

The details of the type of credit facilities that we use and balances as at 28 February 2018 are as follows:

Type of facilities	Tenure	Interest rate each year	Amount outstanding
		%	RM
Finance lease payables	5 years	2.26 to 3.54*	11,169,659
Bank borrowings			
Bank overdraft	Repayable on demand	7.75 to 8.50	4,050,769
Revolving credits	1 to 3 months	6.52	1,100,000
Term loans	12 to 15 years	6.25 to 8.00	7,164,310
Total bank borrowings			**12,315,079**
Total finance lease payables and bank borrowings			**23,484,738**

Note:

* *Represents industrial hire purchase rates of 2.26% to 3.54% each year (for hire purchase financing).*

As at 28 February 2018, our Group does not have any borrowings in any foreign currency.

The indirect and/or contingent liabilities of our Group as at 28 February 2018 are as follows:

Unsecured guarantees	As at 31 January 2018
	RM
Bank guarantees utilised(1)	138,000

Note:

(1) As an arrangement between the Group and our suppliers (i.e. airline operators, airlines authorities and port authorities) to guarantee our suppliers that the Group will fulfil the obligations of paying for the services rendered.

The breakdown of the bank guarantees utilised are as follow:

	Amount (RM)
Airlines and port authorities	*78,000*
Airline operators	*60,000*
Total	***138,000***

As at the LPD, all the consent required from the financial institutions in relation to the change in shareholdings have been obtained by our Group.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Our management discussion and analysis of our financial condition and results of operations for the past 3 FYE 31 December 2015 ("FYE 2015"), 31 December 2016 ("FYE 2016") and 31 December 2017 ("FYE 2017") are based on our audited combined financial information and should be read together with audited combined financial information as set out in Section 11 and the Accountants' Report included in Section 13 of this Prospectus.

This discussion and analysis contains data derived from forward-looking statements that involve risks and uncertainties. Future results may differ significantly from those stated in the forward-looking statements. Factors that may cause future results to differ significantly from those stated include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risks factors as set out in Section 4 of this Prospectus.

12.1 OVERVIEW

We are an integrated logistics service provider providing sea freight, container haulage, air freight, freight forwarding, warehousing and marine insurance services with operations based in Peninsular Malaysia. As such, majority of our customers are based in Peninsular Malaysia and we provide import and export services through our international freight forwarding agencies around the world.

We have 6 reportable business segments as follows:

Business Segment	Description	Basis for revenue recognition
Sea freight	We organise shipments for customers and overseas freight forwarders and manage bookings for cargo space for sea shipments. Our services include shipment arrangement for LCL, FCL and over-sized project cargoes.	Import Based on invoice issued upon release of delivery order from ship liner that confirms the arrival of cargo at the sea port terminal Export Based on invoice issued upon receive of bill of lading by ship liner that confirms the departure of cargo from the sea port terminal
Container haulage	We provide land transportation services within Peninsular Malaysia. As at the LPD, we have a fleet of 99 prime movers, 505 trailers and 3 side-loaders to facilitate our operations.	Import Based on invoice issued upon completion of delivery of goods and/or returning of empty container to depot Export Based on invoice issued upon completion of delivery of cargo to the sea port terminal
Air freight	We plan and manage bookings of cargo space for our customers' air shipments.	Import Based on invoice issued upon delivery of goods to our customer Export Based on invoice issued upon release of airway bill that confirms the loading of goods and departure of flight

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

Business Segment	Description	Basis for revenue recognition
Freight forwarding	We coordinate and manage services provided by licenced forwarding agents such as document preparation, liaising with Government agencies for inspection and permit applications, customs clearance, coordinating with port operators, shipping liners, airlines and our container haulage division for transportation of cargoes.	Based on invoice issued together with completion of sea freight/air freight services
Warehousing	We operate 3 free zone warehouses with a total storage area of 11,804.3 sq ft, providing services such as general storage, consolidation and deconsolidation, transhipment of cargoes and inventory management services.	For storage/inventory management services Based on invoice issued on a periodic basis (such as weekly, monthly) during storage period For other warehousing services Based on invoice issued upon completion of services performed
Marine insurance	We provide marine insurance services on the cargoes handled by our Group.	Based on invoice issued together with completion of sea freight service

Our revenue is derived mainly from sea freight and container haulage segments which accounted for 59.0% and 34.2%, respectively of our Group's revenue for the FYE 2017. The key component of revenue generated from sea freight segment is sea freight rate charged by our Group to our customers which is derived from aggregate of sea freight rate charged by ship liners and a mark-up of fees to be determined by our Group which shall include our handing fees of goods/ cargoes as well as the prevailing supplies and demand condition. During the FYE 2017, we handled 27,686 TEU (FYE 2016: 26,875 TEU) and 56,001 TEU (FYE 2016: 48,742 TEU) of containers for our sea freight and container haulage customers, respectively.

The other business segments, namely air freight, freight forwarding, warehousing and marine insurance operations collectively accounted for the remaining 6.8% of our Group's revenue for the FYE 2017.

In terms of gross profit, our sea freight segment contributed to 50.8% of our Group's gross profit for FYE 2017, followed by 36.8% from container haulage segment and 12.4% from the other business segments collectively. Generally, the GP margin of our sea freight segment is linked to sea freight rate charged by ship liners as the lower the sea freight rate charged by ship liners, our GP margin will improve as the mark-up of fees by our Group from the sea freight rate charged by ship liners are generally quite stable.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The table below set out the breakdown our Group's revenue, gross profit and GP margin by business activities for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Revenue						
Sea freight	43,219,985	54.9	39,805,101	55.8	50,477,467	59.0
Container haulage	30,266,559	38.5	27,661,342	38.7	29,197,100	34.2
Air freight	4,284,561	5.4	2,999,237	4.2	4,647,898	5.4
Freight forwarding	248,419	0.3	285,995	0.4	271,707	0.3
Warehousing	515,506	0.7	491,171	0.7	771,609	0.9
Marine insurance	158,150	0.2	138,466	0.2	139,490	0.2
Group revenue	**78,693,180**	**100.0**	**71,381,312**	**100.0**	**85,505,271**	**100.0**
Gross profit						
Sea freight	7,265,975	43.0	8,438,647	47.5	9,891,810	50.8
Container haulage	7,603,315	45.0	7,504,723	42.2	7,163,130	36.8
Air freight	1,454,896	8.7	1,287,913	7.2	1,749,846	9.0
Freight forwarding	208,336	1.2	229,066	1.3	227,783	1.2
Warehousing	251,024	1.5	223,570	1.3	347,917	1.8
Marine insurance	107,669	0.6	88,259	0.5	73,845	0.4
Group gross profit	**16,891,215**	**100.0**	**17,772,178**	**100.0**	**19,454,331**	**100.0**

	FYE 2015	Audited FYE 2016	FYE 2017
	%	%	%
GP margin			
Sea freight	16.8	21.2	19.6
Container haulage	25.1	27.1	24.5
Air freight	34.0	42.9	37.6
Freight forwarding	83.9	80.1	83.8
Warehousing	48.7	45.5	45.1
Marine insurance	68.1	63.7	52.9
Group GP margin	**21.5**	**24.9**	**22.8**

Our Group revenue decreased for the FYE 2016 mainly due to lower sea freight rate charged by our Group to our customers as a result of an increase in number of players in the logistics industry coupled with decrease in sales volume for sea freight. For the FYE 2017, our Group revenue increased mainly contributed by overall improvement from sea freight, container haulage and air freight segments with higher business volume.

Our Group recorded an increase in gross profit for the FYE 2016 mainly due to:

(i) a drop in sea freight rate offered by ship liners, notwithstanding a decrease in revenue and business volume in the sea freight segment; and

(ii) lower depreciation expense for our prime movers coupled with lower fuel costs.

For the FYE 2017, our Group recorded an increase in gross profit as a result of increase in business volume for the FYE 2017 which resulted in the increase in revenue from RM71.4 million in the FYE 2016 to RM85.5 million in the FYE 2017 notwithstanding the increase in cost of sales of RM53.6 million in the FYE 2016 to RM66.1 million in the FYE 2017.

Our Group's GP margin increased from 21.5% in the FYE 2015 to 24.9% in the FYE 2016 mainly due to the stable mark-up of fees by our Group from the sea freight rate charged by ship liners despite the drop in sea freight rate offered by ship liners and lower depreciation expense for our prime movers coupled with lower fuel costs.

Our Group's GP margin decreased from 24.9% in the FYE 2016 to 22.8% in the FYE 2017 mainly attributable to higher sea freight rate offered by ship liners as well as higher fuel costs from our container haulage segment.

Please refer to Section 12.3.1 and 12.3.3 of this Prospectus for further details.

12.2 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

The financial position and results of operations of our Group have been, and will continue to be affected by various key factors primarily relating to the industry in which we operate. These factors include but are not limited to the following:

(i) Fluctuation in sea freight rate

Sea freight segment is the key revenue contributor of our Group for the financial years under review. Sea freight rate is the key component in the sea freight segment and any fluctuation in sea freight rate offered by ship liners would have a direct effect on our Group's revenue and profitability and profit margin. The volatility in the price of crude oil worldwide and supply of fleets (by tonnage) as compared to their demand would have a direct impact on sea freight rate.

As a reference, the fluctuation of crude oil price during the financial years under review is set out as follows:

Year	Mininum	Maximum	January	December
	USD per barrel	USD per barrel	USD per barrel	USD per barrel
2015	47.10	68.52	67.65	48.68
2016	39.30	56.76	48.57	56.73
2017	44.43	60.40	55.80	60.40

(ii) Fluctuation in fuel prices

Container haulage segment is our Group's second key revenue contributor for the financial years under review. Fuel price is one of the determinants of container haulage rate and constitute one of the key inputs to our container haulage's operation. Any fluctuation in fuel prices may directly impact our container haulage's revenue and cost of sales, thus affecting our operations and financial results.

Since December 2014, fuel prices in Malaysia are determined by the managed float system and effective from April 2017, fuel prices in Malaysia is subject to weekly fluctuation. As not all fuel cost from changes in fuel prices can be passed on to our customers, our cost of sales and GP margin will be impacted by such changes.

(iii) Fluctuation in air freight charges

Air freight segment is our Group' third key revenue contributor for the financial years under review. Our Board opined that the air freight charges were relatively stable with minimal fluctuation during the financial years under review. Nonetheless, the air freight charges will be affected by factors such as cargo space charged by airlines, volume of air cargo space ordered, price offered by our competitors and level of acceptance of the current market price for specific type or similar type of services, which would have an impact on our revenue, financial result and profitability.

(iv) International trade volume, global and regional economic conditions

Almost all of our Group's revenue is derived from the provision of sea freight, container haulage, air freight, and freight forwarding services relating to import or export activities to or from Malaysia. Our Group's business performance will therefore, to a large extent, be driven by the levels of international trade volume as well as global and regional economic conditions. Any fluctuation in international trade volume and changes in global and regional economic conditions will lead to changes in the demand for our Group's logistics services, and hence impact the financial results of our operations, in particular our revenue.

(v) Competition

Our Group is operating in the integrated logistics services industry where the market is relatively fragmented. We are subject to competition from numerous integrated logistics players with various capacities along the chain of integrated logistics services such as freight forwarding, transportation, warehousing and other functional activities that constitute a total logistics service package. As a result of competition in the integrated logistics services industry, our GP margin may be impacted moving forward.

(vi) Impact of inflation

Due to the nature of our business i.e. being a service provider, we are able to pass on to our customers the changes in most of our direct variable costs arising from inflation. There was no material impact from inflation on our Group's historical financial results for the financial years under review.

(vii) Government, economic, fiscal or monetary policies

Notwithstanding any major changes to the regulation and policies as stated in Section 4.2.9 which may affect the industry as a whole, there were no government, economic, fiscal or monetary policies that materially affected our Group's operations since FYE 2015 until FYE 2017.

12.3 RESULTS OF OPERATIONS

Our Group's revenue was RM78.7 million, RM71.4 million and RM85.5 million for the FYE 2015, FYE 2016 and FYE 2017, respectively. Our Group's revenue decreased by RM7.3 million or 9.3% from FYE 2015 to FYE 2016 and increased by RM14.1 million or 19.8% from FYE 2016 to FYE 2017. The decline in revenue for FYE 2016 was mainly attributable to the decrease in sea freight rate charged by our Group to our customers as a result of reduction of sea freight rate charged by ship liners due to competitive pricing and an increase in number of players in the logistics industry coupled with decrease in sales volume for sea freight, lower revenue from container haulage segment due to competitive pricing and reduction in air freight revenue due to discontinued orders placed by one of our overseas freight agents (Rohlig group) following its establishment of their logistics division in Malaysia during 2016. The increase in revenue for FYE 2017 was mainly attributable to:

(i) increase in sea freight rate charged by our Group to our customers as a result of the increase in sea freight rate charged by the ship liners resulting from better demand as compared to fleet supply (by tonnage) for container shipments;

(ii) higher revenue contributed by our container haulage segment as a result of increase in number of prime movers from 90 units for the FYE 2016 to 100 units for the FYE 2017 which in turn enables us to handle higher sales volume; and

(iii) higher revenue from air freight segment due to increase in volume handled by us which was contributed by increase order through one of our overseas freight agents.

Our Group's cost of sales was RM61.8 million, RM53.6 million and RM66.1 million for the FYE 2015, FYE 2016 and FYE 2017, respectively. Our Group's cost of sales decreased by RM8.2 million or 13.3% from the FYE 2015 to FYE 2016 and increased by RM12.4 million or 23.2% from the FYE 2016 to FYE 2017. The decrease in cost of sales for FYE 2016 was mainly attributable to reduction in sea freight rate charged by ship liners, and lower trucking and handling fees, fuel cost and depreciation under container haulage segment. The increase in cost of sales for FYE 2017 was mainly due to increase in sales volume coupled with the increase in sea freight rate charged by the ship liners resulting from better demand as compared to the fleet supply (by tonnage) for container shipments and higher fuel costs.

Our Group's gross profit improved from RM16.9 million for the FYE 2015 to RM17.8 million and RM19.5 million, respectively for the FYE 2016 and FYE 2017. The improvement in gross profit for the FYE 2016 was mainly contributed by an improvement in GP margin and drop in sea freight rate offered by ship liners, notwithstanding a decrease in revenue and business volume in this segment. The improvement in gross profit for the FYE 2017 was mainly contributed by higher revenue coupled with higher sales volume in our sea freight segment as a result of higher sea freight rate offered by ship liners notwithstanding a slight reduction in our GP margin from 24.9% to 22.8%. The lower GP margin for FYE 2017 was mainly attributable to higher sea freight rate offered by ship liners as well as higher fuel costs from our container haulage segment.

Our Group's PBT was RM5.3 million, RM6.2 million and RM8.0 million for the FYE 2015, FYE 2016 and FYE 2017, respectively. Whilst our Group's PAT was RM3.3 million, RM4.7 million and RM6.0 million for the FYE 2015, FYE 2016 and FYE 2017, respectively.

Based on the historical combined financial information, our results of operations can be analysed based on the following:

(i) business activities which are categorised based on the nature of our operating activities;

(ii) geographical locations which are categorised based on the revenue derived from Malaysia and overseas (i.e. Europe, Asia (outside of Malaysia), Australasia, North America, Central and South America and Africa); and

(iii) companies within our Group.

The combining entities previously applied Private Entities Reporting Standards during the financial year ended 28 February 2015 and 31 October 2015. The combining entities adopted Malaysian Financial Reporting Standards ("**MFRSs**") and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards for the first-time during the FYE 2015. The transition to MFRSs does not have financial impact to the combined financial statements. There is no change in accounting policy during the financial years under review.

During the FYE 2015, based on the annual review on the estimated useful lives of property, plant and equipment that benchmarking to the other industry players' practice which resulted a change of expected useful lives and residual values of the prime movers and trailer of Landbridge Haulage. As there is no change in the measurement basis applied, this is considered as a change in accounting estimates rather than a change in accounting policy.

Revision in accounting estimates that does not change the measurement basis is not a change in accounting policy in accordance with MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors ("**MFRS 108**"). According to MFRS 108, paragraphs 34-35, an estimate may need revision if changes occur in the circumstances on which the estimate was based or as a result of new information or more experience. In order to provide the best estimate, the Group is required to review the estimated useful life and residual values of prime movers and trailers on annual basis.

There are no changes made on the accounting estimation in relation to the estimated useful lives of property, plant and quipment of our Group for the FYE 2016 and FYE 2017 considering that there are no changes occur in the circumstances on which the estimate was based or as a result of new information or more experience encountered by our Group.

12.3.1 Revenue

On a combined basis, our Group's revenue for the past 3 FYE 2015, FYE 2016 and FYE 2017 are analysed as follows:

(i) Revenue by business activities

The table below set out the breakdown and analysis of our Group's revenue by business activities for the financial years under review:

			Audited			
	FYE 2015		FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Sea freight	43,219,985	54.9	39,805,101	55.8	50,477,467	59.0
Container haulage	30,266,559	38.5	27,661,342	38.7	29,197,100	34.2
Air freight	4,284,561	5.4	2,999,237	4.2	4,647,898	5.4
Freight forwarding	248,419	0.3	285,995	0.4	271,707	0.3
Warehousing	515,506	0.7	491,171	0.7	771,609	0.9
Marine insurance	158,150	0.2	138,466	0.2	139,490	0.2
Total	**78,693,180**	**100.0**	**71,381,312**	**100.0**	**85,505,271**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	%	RM	%
Sea freight	(3,414,884)	(7.9)	10,672,366	26.8
Container haulage	(2,605,217)	(8.6)	1,535,758	5.6
Air freight	(1,285,324)	(30.0)	1,648,661	55.0
Freight forwarding	37,576	15.1	(14,288)	(5.0)
Warehousing	(24,335)	(4.7)	280,438	57.1
Marine insurance	(19,684)	(12.4)	1,024	0.7
Total	**(7,311,868)**	**(9.3)**	**14,123,959**	**19.8**

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The table below set forth the breakdown (based on statistic prepared by our management) and changes in our Group's revenue by volume, where relevant, for the FYE 2015, FYE 2016 and FYE 2017:

	Unit	FYE 2015	Audited FYE 2016	FYE 2017
Sea Freight	TEU	29,625	26,875	27,686
Container haulage	TEU	49,065	48,742	56,001
Air freight	MT	824	610	747
Freight forwarding	Job	3,525	4,802	4,940
Warehousing	M^3	39,093	39,702	49,658

	Unit	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase from FYE 2016 to FYE 2017	
		Unit	%	Unit	%
Sea Freight	TEU	(2,749)	(9.3)	811	3.0
Container haulage	TEU	(323)	(0.7)	7,259	14.9
Air freight	MT	(214)	(26.0)	137	22.5
Freight forwarding	Job	1,277	36.2	138	2.9
Warehousing	M^3	609	1.6	9,956	25.1

For the FYE 2016, our Group's revenue decreased by RM7.3 million or 9.3% as compared to the FYE 2015, mainly due to the decrease in revenue derived from sea freight, container haulage and air freight segments by RM3.4 million, RM2.6 million and RM1.3 million, respectively. The decline in revenue was mainly attributable to:

(i) decrease in sea freight rate charged by our Group to our customers coupled with decrease in sales volume for sea freight;

(ii) lower revenue from container haulage segment due to lower fuel price and competitive pricing; and

(iii) decrease in air freight revenue due to discontinued orders placed by one of our overseas freight agents (Rohlig group).

For the FYE 2017, our Group's revenue increased by RM14.1 million or 19.8% as compared to the FYE 2016, due to the increase in revenue contributions derived from sea freight, container haulage and air freight segments of RM50.4 million, RM29.2 million and RM4.7 million, respectively. The increase in revenue was mainly attributable to:

(i) increase in sea freight rate charged by our Group to our customers as a result of the increase in sea freight rate charged by the ship liners resulting from better demand as compared to fleet supply (by tonnage) for container shipments;

(ii) higher revenue from container haulage segment due to increase in number of prime movers from 90 units for the FYE 2016 to 100 units for the FYE 2017 which in turn enables us to handle higher sales volume; and

(iii) higher revenue from air freight segment due to increase in volume handled by us which was contributed by increase order through one of our overseas freight agents.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The commentaries on our Group's revenue for each of the business segment are as follows:

(a) Sea freight

Our sea freight revenue includes sea freight charges and handling fee of inbound and outbound LCL, FCL, over-sized project cargo and consignments in flexi bags, ISO tanks, dangerous goods (such as caustic soda liquid, chlorine gas and calcium nitrate) and out of gauge containerised cargo. Sea freight segment is our main source of revenue, contributed to 54.9%, 55.8% and 59.0% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. Revenue from sea freight segment declined from RM43.2 million for the FYE 2015 to RM39.8 million for the FYE 2016 and increased to RM50.5 million for the FYE 2017.

For the FYE 2016, our sea freight revenue decreased by RM3.4 million or 7.9% as compared to the FYE 2015, mainly due to the following:

- a 9.3% reduction in business volume from 29,625 TEU of containers for the FYE 2015 to 26,875 TEU of containers for the FYE 2016, mainly resulting from lower export volume handled by us. Our Directors believe that this reduction was caused by a slowdown in the business of some of our customers, competitive pricing and an increase in number of players in the logistics industry; and

- a marginal increase in our average sea freight revenue per TEU of container by 1.5% from RM1,459 for the FYE 2015 to RM1,481 for the FYE 2016, mainly attributable to greater reduction in business volume as compare to reduction in revenue resulting mainly from a further decrease in sea freight charges during the FYE 2016.

For the FYE 2017, our sea freight revenue increased by RM10.7 million or 26.8% as compared to the FYE 2016, mainly due to the following:

- a 23.1% increase in average revenue per TEU from RM1,481 for FYE 2016 to RM1,823 for the FYE 2017, mainly attributable to the increase in sea freight rate charged by the ship liners resulting from better demand as compared to the fleet supply (by tonnage) for container shipments; and

- a marginal increase in business volume from 26,875 TEU of containers for the FYE 2016 to 27,686 TEU of containers for the FYE 2017, mainly attributable to increased orders from our customers.

(b) Container haulage

Our container haulage revenue includes charges for arranging land transportation for our customers which comprises transportation of commodities and merchandise goods and container to/from a designated point. Container haulage segment is our second largest source of revenue which contributed to 38.5%, 38.7% and 34.2% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. Revenue from container haulage segment decreased from RM30.3 million for the FYE 2015 to RM27.7 million for the FYE 2016, and increased to RM29.2 million for the FYE 2017.

For the FYE 2016, our container haulage revenue decreased by RM2.6 million or 8.6% as compared to the FYE 2015, mainly due to the following:

- a 7.9% decrease in average revenue per TEU from RM617 for the FYE 2015 to RM568 for the FYE 2016, mainly attributed to reduction of container haulage rate charged to our customers resulting from lower fuel price and competitive pricing; and
- a marginal 0.7% drop in sales volume from 49,065 TEU of containers for the FYE 2015 to 48,742 TEU of containers for the FYE 2016.

For the FYE 2017, our container haulage revenue increased by RM1.5 million or 5.6% as compared to the FYE 2016, mainly due to higher sales volume which was offset by lower average revenue per TEU as follows:

- a 14.9% increase in sales volume from 48,782 TEU of containers for the FYE 2016 to 56,001 TEU of containers for the FYE 2017, mainly attributable to increase in number of prime movers from 90 units for the FYE 2016 to 100 units for the FYE 2017 which in turn enables us to handle higher sales volume; and
- a 8.3% decrease in average revenue per TEU, from RM568 to RM521 mainly due to more short and mid haul trips.

(c) Air freight

Our air freight revenue mainly comprises air freight charges and handling fee for inbound and outbound air freight shipment arrangements for our customers and overseas freight forwarders. Air freight revenue contributed to 5.4%, 4.2% and 5.4% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. Revenue from air freight segment decreased from RM4.3 million for the FYE 2015 to RM3.0 million for the FYE 2016, and increased to RM4.6 million for the FYE 2017.

For the FYE 2016, our air freight revenue decreased by RM1.3 million or 30.0% as compared to the FYE 2015, mainly due to discontinued orders placed by Rohlig group, one of our overseas freight agents following its establishment of their logistics division in Malaysia during 2016. Their revenue contribution to our air freight segment declined from RM1.5 million for FYE 2015 to RM0.9 million for FYE 2016.

For the FYE 2017, our air freight revenue increased by RM1.6 million or 55.0% as compared to FYE 2016, mainly driven by a 22.5% increase in volume handled by us from 610 MT for the FYE 2016 to 747 MT for the FYE 2017. The increase in sales volume mainly attributable to increase order through one of our overseas freight agents. As the revenue for each consignment varies according to the distance between origin or destination of the delivery and the airport coupled with the increasing trend in crude oil price over FYE 2017, this had resulted in a higher average revenue per MT of 26.5% from RM4,917 for the FYE 2016 to RM6,222 for the FYE 2017.

(d) Freight forwarding

Our freight forwarding revenue is derived by Tri-Mode Penang and Tri-Mode Johor mainly from charges relating to the preparation of shipping documents and liaising between customers and freight forwarding agents. Freight forwarding contributed to 0.3%, 0.4% and 0.3% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively.

The revenue contribution from freight forwarding segment increased from RM0.2 million for the FYE 2015 to RM0.3 million for the FYE 2016 mainly due to a decrease in average charges per job handled by us from RM70 for the FYE 2015 to RM60 for the FYE 2016 as a result of competitive pricing in order to secure more jobs handled from 3,525 for the FYE 2015 to 4,802 for the FYE 2016.

Our Group freight forwarding revenue for the FYE 2017 remained constant at RM0.3 million with slight increase in job handled from 4,802 for the FYE 2016 to 4,940 for the FYE 2017 which was offset by reduction in unit price for job handled as a result of competitive pricing.

The abovesaid jobs handled during the financial years under review are not inclusive of jobs handled directly by Atama.

(e) Warehousing

Our warehousing revenue includes charges received for provision of storage needs and warehousing related services such as general cargo storage, consolidation, deconsolidation services, transhipment services, project cargo handling, inventory management and storage of dangerous goods (such as caustic soda liquid, chlorine gas and calcium nitrate) for our customers. Warehousing contributed to 0.7% of our Group's revenue for the FYE 2015 and FYE 2016, and 0.9% to our Group's revenue for the FYE 2017.

The revenue contribution from warehousing segment for FYE 2015 and FYE 2016 remained constant whilst there was an increase from RM0.5 million for the FYE 2016 to RM0.8 million for the FYE 2017 mainly due to revenue contribution from the new free trade zone warehouse located in North Port.

The space occupied for storage needs and warehousing related services increased from 39,093 M^3 for the FYE 2015 to 39,702 M^3 for the FYE 2016, and 49,658 M^3 for the FYE 2017. The average charge per M^3 were RM13 per M^3, RM12 per M^3 and RM16 per M^3 for the FYE 2015, FYE 2016 and FYE 2017, respectively. The higher average charge per M^3 for the FYE 2017 was mainly due to longer number of days occupied by the customers, in general.

(f) Marine insurance

Our marine insurance revenue mainly comprises marine insurance premium billed to our customers for assisting some of our customers in purchasing insurance for protection of unforeseen losses of their cargoes. Marine insurance contributed to 0.2% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively.

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(ii) Revenue breakdown by companies

The table below sets out the breakdown and analysis of our Group's revenue by companies for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Tri-Mode	45,322,576	57.6	35,595,375	49.9	46,319,078	54.2
Landbridge Haulage	24,147,020	30.7	23,250,754	32.6	26,314,225	30.8
NV Freights	12,891,218	16.4	12,842,668	18.0	12,201,768	14.3
Tri-Mode Penang	7,168,941	9.0	7,778,900	10.8	9,708,338	11.3
Tri-Mode Johor	1,402,514	1.8	1,549,615	2.2	1,965,248	2.3
Tri-Mode Logistics	602,548	0.8	562,464	0.8	949,840	1.1
Less: Intercompany transactions	(12,841,637)	(16.3)	(10,198,464)	(14.3)	(11,953,226)	(14.0)
Total	**78,693,180**	**100.0**	**71,381,312**	**100.0**	**85,505,271**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	%	RM	%
Tri-Mode	(9,727,201)	(21.5)	10,723,703	30.1
Landbridge Haulage	(896,266)	(3.7)	3,063,471	13.2
NV Freights	(48,550)	(0.4)	(640,900)	(5.0)
Tri-Mode Penang	609,959	8.5	1,929,438	24.8
Tri-Mode Johor	147,101	10.5	415,633	26.8
Tri-Mode Logistics	(40,084)	(6.7)	387,376	68.9
Less: Intercompany transactions	2,643,173	(20.6)	(1,754,762)	17.2
Total	**(7,311,868)**	**(9.3)**	**14,123,959**	**19.8**

For the past 3 financial years under review, Tri-Mode remained as our highest revenue contributor followed by Landbridge Haulage and NV Freights. Their respective revenue contribution remained relatively similar with the exception of Tri-Mode as Tri-Mode's revenue decreased from RM45.3 million for the FYE 2015 to RM35.6 million for the FYE 2016 mainly due to lower sea freight revenue, and increased to RM46.3 million for the FYE 2017.

The commentaries on our Group's revenue analysed by companies are as follows:

(a) Tri-Mode

Tri-Mode coordinates and manages sea freight, container haulage, air freight and marine insurance in the Central Region of Peninsular Malaysia and outside of Malaysia. Tri-Mode is the main revenue contributor to our Group, contributed to 57.6%, 49.9% and 54.2% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. Approximately 80% of Tri-Mode's revenue for the financial years under review was from sea freight segment.

For the FYE 2016, Tri-Mode's revenue decreased by RM9.7 million or 21.5% compared to the FYE 2015, mainly due to overall drop in revenue of which RM7.8 million and RM1.3 million was caused by decrease in revenue from sea freight segment and container haulage segment, respectively. The drop in revenue of RM7.8 million for the sea freight segment is mainly due to decrease in volume of containers handled by Tri-Mode in the FYE 2016 of which our Directors are of the opinion that the reduction was caused by a slowdown in the business of some of our customers, competitive pricing and an increase in number of players in the logistics industry.

For the FYE 2017, Tri-Mode's revenue increased by RM10.7 million or 30.1%, from RM35.6 million for the FYE 2016 to RM46.3 million, mainly due to the following:

- an increase in revenue contribution from sea freight segment of RM8.7 million which in turn was mainly due to the increase in sea freight rate charged by the ship liners from average revenue per TEU from RM1,481 for FYE 2016 to RM1,823 for the FYE 2017 resulting from better demand as compared to the fleet supply (by tonnage) for container shipments coupled with the realignment of an overseas freight agent from NV Freights to Tri-Mode; and

- a higher contribution from container haulage segment of RM1.7 million mainly attributable to higher sales volume coupled with the realignment of an overseas freight agent from NV Freights to Tri-Mode.

(b) Landbridge Haulage

Landbridge Haulage provides container haulage services to its customers mainly in the Central region of Peninsular Malaysia and overseas, is our second largest revenue contributor to our Group, contributed to 30.7%, 32.6% and 30.8% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, Landbridge Haulage's revenue decreased by RM0.9 million or 3.7% as compared to the FYE 2015, mainly due to the reduction in unit price per TEU in view of lower fuel price and marginal reduction in sales volume.

For the FYE 2017, Landbridge Haulage's revenue increased by RM3.1 million or 13.2% as compared to the FYE 2016, mainly due to incease in sales volume attributable to increase in number of prime movers from 90 units for the FYE 2016 to 100 units for the FYE 2017 which in turn enables us to handle higher sales volume notwithstanding a decrease in average revenue per TEU of containers handled due to more short and mid haul trips.

(c) NV Freights

NV Freights coordinates and manages sea freight, air freight, container haulage and marine insurance in the Central region of Peninsular Malaysia and overseas, and contributed to 16.4%, 18.0% and 14.3% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. More than 60% of NV Freights' revenue for the financial years under review was from sea freight segment.

For the FYE 2016, NV Freights' revenue remained almost constant as compared to the FYE 2015, as the increase in revenue contribution from sea freight segment was offset by the decrease in revenue contribution from air freight and marine insurance segments. Revenue contribution from container haulage segment remained constant.

For the FYE 2017, NV Freights' revenue decreased slightly by RM0.6 million or 5% as compared to the FYE 2016, mainly due the decrease in revenue from sea freight segment of RM2.1 million resulting from realignment of an overseas freight agent from NV Freights to Tri-Mode, which was offset by the increase in revenue contribution from container haulage segment by RM1.4 million.

(d) Tri-Mode Penang

Tri-Mode Penang coordinates and manages sea freight, air freight, container haulage, freight forwarding, and marine insurance services in the Northern region of Peninsular Malaysia and overseas, contributed to 9.0%, 10.8% and 11.3% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. More than 60% of Tri-Mode Penang's revenue for the financial years under review was from sea freight segment.

For the FYE 2016, Tri- Mode Penang's revenue increased by RM0.6 million or 8.5%, as compared to the FYE 2015, mainly due to increase in revenue contribution from sea freight and container haulage segments of RM0.9 million which was partially offset by decrease in revenue from air freight segment.

For the FYE 2017, Tri-Mode Penang's revenue increased by RM1.9 million or 24.8% as compared to the FYE 2016, mainly contributed by the increase in revenue from sea freight, container haulage and air freight segments of RM0.5 million, RM0.2 million and RM1.2 million, respectively. The increase in revenue from the air freight segment was mainly attributable to increased order through one of our overseas freight agents.

(e) Tri-Mode Johor

Tri-Mode Johor coordinates and manages sea freight, air freight, freight forwarding and container haulage services in the Southern region of Peninsular Malaysia and overseas. Tri-Mode Johor contributed to 1.8%, 2.2% and 2.3% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively. More than 75% of Tri-Mode Johor's revenue for the FYE 2015 was from sea freight segment but as we expanded the container haulage service into Southern region, sea freight segment contribution to Tri-Mode Johor reduces gradually to approximately 70% of its total revenue for the FYE 2017.

For the FYE 2016, Tri-Mode Johor's revenue increased by RM0.1 million or 10.5% as compared to the FYE 2015, mainly due to increase in contribution from the container haulage segment notwithstanding constant revenue contribution by sea freight and air freight segments.

For the FYE 2017, Tri-Mode Johor's revenue increased by RM0.4 million or 26.8% as compared to the FYE 2016, mainly due to increase in contribution by sea freight and container haulage segments which in turn was contributed by higher business volume from import activities.

(f) Tri-Mode Logistics

Tri-Mode Logistics provides warehouse services and contributed to 0.8%, 0.8% and 1.1% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, Tri-Mode Logistics' revenue increase marginally despite volume and value remained similar as compared to the FYE 2015.

For the FYE 2017, Tri-Mode Logistics' revenue increased by RM0.4 million or 68.9% as compared to the FYE 2016, mainly due to revenue contribution from the new free trade zone warehouse located in North Port.

The intercompany transactions consist of provision of services for sea freight, container haulage and warehousing among Tri-Mode, Landbridge Haulage, NV Freights, Tri-Mode Logistics, Tri-Mode Johor and Tri-Mode Penang. Intercompany transactions are necessary to allow each of Tri-Mode, Landbridge Haulage, NV Freights, Tri-Mode Logistics, Tri-Mode Johor and Tri-Mode Penang to offer a full range of integrated logistics services to our customers and achieve operational efficiency in terms of resources utilisation. Our intercompany revenue for the past 3 years under review amounted to approximately the same amount and eliminated in arriving at our Group's revenue, on a combined basis.

(iii) Revenue by geographical regions

The table below sets out the breakdown and analysis of our Group's revenue by geographical regions, namely Malaysia and overseas for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	**%**	**RM**	**%**	**RM**	**%**
Malaysia	70,490,789	89.6	65,169,893	91.3	78,066,960	91.3
Overseas	8,202,391	10.4	6,211,419	8.7	7,438,311	8.7
Total	**78,693,180**	**100.0**	**71,381,312**	**100.0**	**85,505,271**	**100.0**

	Decrease from FYE 2015 to FYE 2016		Increase from FYE 2016 to FYE 2017	
	RM	**%**	**RM**	**%**
Malaysia	(5,320,896)	(7.5)	12,897,067	19.8
Overseas	(1,990,972)	(24.3)	1,226,892	19.8
Total	**(7,311,868)**	**(9.3)**	**14,123,959**	**19.8**

Our Group's revenue is predominantly generated from our customers in Peninsular Malaysia which contributed to 89.6% of our Group revenue for the FYE 2015 and 91.3% of our Group's revenue for each of the FYE 2016 and FYE 2017. Our overseas revenue is primarily from Europe, Asia (outside of Malaysia), Australasia, North America, Central and South America and Africa which contributed to 10.4%, 8.7% and 8.7% of our Group's revenue for the FYE 2015, FYE 2016 and FYE 2017, respectively.

The commentaries on our Group's revenue on geographical regions are as follows:

(a) Malaysia

For the FYE 2016, revenue contribution within Malaysia decreased by RM5.3 million or 7.5% as compared to the FYE 2015, mainly due to overall drop in revenue particularly revenue from sea freight, container haulage and air freight segments.

For the FYE 2017, revenue contribution within Malaysia increased by RM12.9 million or 19.8% as compared to the FYE 2016, due to the increase in revenue contributions derived from sea freight, container haulage and air freight segments.

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(b) Overseas

For the FYE 2016, revenue contribution from overseas decreased by RM2.0 million or 24.3% mainly due to lower revenue contribution from air freight segment as a result of discontinued orders placed by Rohlig group, one of our overseas freight agents following the establishment of their own logistics division in Malaysia in 2016. As a result, revenue contribution from this customer to our air freight segment declined from RM1.5 million for FYE 2015 to RM0.9 million for FYE 2016.

For the FYE 2017, revenue contribution from overseas increased by RM1.2 million or 19.8% as compared to FYE 2016 to RM7.4 million, mainly attributable to higher revenue contribution from the sea freight and air freight segments by our overseas freight agents in particular from Asia and Europe.

The breakdown of our overseas revenue was based on the location of our customers and international forwarding agents' base of operation in respective country:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Asia (outside of Malaysia)	2,713,560	33.1	2,521,647	40.6	3,145,348	42.2
Europe	1,072,936	13.1	941,155	15.2	2,881,712	38.7
Australasia	2,568,876	31.3	1,717,688	27.6	1,073,596	14.4
North America	1,272,102	15.5	781,234	12.6	309,050	4.1
Africa	115,557	1.4	182,526	2.9	1,122	*
Central and South America	459,360	5.6	67,169	1.1	27,483	0.4
Total overseas revenue(1)	**8,202,391**	**100.0**	**6,211,419**	**100.0**	**7,438,311**	**100.0**

Notes:

* *Less than 0.1%*

(1) Overseas revenue is recognised based on the location of our customers and international forwarding agents' base of operation in respective country.

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12.3.2 Cost of Sales

On a combined basis, our Group's cost of sale for the past 3 FYE 2015, FYE 2016 and FYE 2017 are analysed as follows:

(i) Cost of sales by business activities

The table below set forth the breakdown and analysis of our Group's cost of sales by business activities for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	**%**	**RM**	**%**	**RM**	**%**
Sea freight	35,954,010	58.2	31,366,454	58.5	40,585,657	61.4
Container haulage	22,663,244	36.7	20,156,619	37.6	22,033,970	33.4
Air freight	2,829,665	4.6	1,711,324	3.2	2,898,052	4.4
Freight forwarding	40,083	*	56,929	0.1	43,924	0.1
Warehousing	264,482	0.4	267,601	0.5	423,692	0.6
Marine insurance	50,481	0.1	50,207	0.1	65,645	0.1
Total	**61,801,965**	**100.0**	**53,609,134**	**100.0**	**66,050,940**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	**%**	**RM**	**%**
Sea freight	(4,587,556)	(12.8)	9,219,203	29.4
Container haulage	(2,506,625)	(11.1)	1,877,351	9.3
Air freight	(1,118,341)	(39.5)	1,186,728	69.3
Freight forwarding	16,846	42.0	(13,005)	(22.8)
Warehousing	3,119	1.2	156,091	58.3
Marine insurance	(274)	(0.5)	15,438	30.7
Total	**(8,192,831)**	**(13.3)**	**12,441,806**	**23.2**

Note:

* *Less than 0.1%*

Generally, the proportion of our cost of sales for each business segment corresponds to the proportion of the revenue contribution of each business segment for the financial years under review.

For the FYE 2016, our Group cost of sales decreased by RM8.2 million or 13.3% to RM53.6 million mainly due to lower cost of sales from the sea freight segment, in tandem with the decrease in sea freight revenue resulting from reduction in business volume of the sea freight segment and further decrease in sea freight rate offered by ship liners, as well as the decrease in cost of sales from the container haulage and air freight segments.

For the FYE 2017, our Group cost of sales increased by RM12.4 million or 23.2% to RM66.1 million, mainly due to higher cost of sales from the sea freight, container haulage and air freight segments which is in tandem with the increase in sales of the respective segments.

The commentaries on our Group's cost of sales for each business segment are as follows:

(a) Sea freight

Our cost of sales for sea freight segment comprises mainly sea freight charges, carriage and delivery charges, terminal handling fees, transportation charges and port charges, and accounted for 58.2%, 58.5% and 61.4% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. The cost of sales for sea freight segment can be analysed as follows:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	**%**	**RM**	**%**	**RM**	**%**
Sea freight charges	14,721,977	40.9	10,561,735	33.7	15,598,672	38.4
Carriages and delivery charges	10,062,502	28.0	8,780,396	28.0	11,631,367	28.7
Terminal handling charges	7,890,804	21.9	7,467,429	23.8	8,032,405	19.8
Port charges	72,876	0.2	89,134	0.3	148,480	0.4
Electronic data interchange charges	95,615	0.3	198,490	0.6	294,600	0.7
Others (1)	3,110,236	8.7	4,269,270	13.6	4,880,133	12.0
Total	**35,954,010**	**100.0**	**31,366,454**	**100.0**	**40,585,657**	**100.0**

Note:

(1) Others mainly include transportation charges, depot gates charges, custom fees, E-SOLAS charges (a document specifying the actual weight of the cargo declared on board), third party disbursement, etc.

For the FYE 2016, our cost of sales for sea freight segment further decreased by RM4.6 million or 12.8% as compared to the FYE 2015. The decrease was greater than the 9.3% reduction in sales volume mainly due to a drop in sea freight rate offered by ship liners as a result of an oversupply of fleets (by tonnage) that increased the shipping capacity for containers as well as lower demand for container shipments.

For the FYE 2017, our cost of sales for sea freight segment increased by RM9.2 million or 29.4% as compared to the FYE 2016. The increase was mainly attributable to the increase in sales volume coupled with the increase in sea freight rate charged by the ship liners resulting from better demand as compared to the fleet supply (by tonnage) for container shipments.

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(b) Container haulage

Our cost of sales for container haulage segment comprises mainly trucking and handling fees, vehicles' upkeep and maintenance such as replacement of tyres, insurance, road tax etc, direct labour cost for drivers, fuel consumptions and depreciation, and accounted for 36.7%, 37.6% and 33.4% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. The cost of sales for container haulage segment can be analysed as follows:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	**%**	**RM**	**%**	**RM**	**%**
Trucking and handling fees	3,281,518	14.5	2,520,482	12.6	1,388,889	6.3
Vehicle upkeep and maintenance [(1)]	5,548,989	24.5	5,633,489	27.9	5,893,802	26.7
Direct labour cost for drivers	3,954,156	17.4	3,595,483	17.8	4,150,498	18.8
Fuel costs	5,420,365	23.9	4,663,928	23.1	6,446,105	29.3
Depreciation	2,422,622	10.7	1,449,419	7.2	1,775,233	8.1
Other costs [(2)]	2,035,594	9.0	2,293,818	11.4	2,379,443	10.8
Total	**22,663,244**	**100.0**	**20,156,619**	**100.0**	**22,033,970**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	**%**	**RM**	**%**
Trucking and handling fees	(761,036)	(23.2)	(1,131,593)	(44.9)
Vehicle upkeep and maintenance	84,500	1.5	260,313	4.6
Direct labour cost for drivers	(358,673)	(9.1)	555,015	15.4
Fuel costs	(756,437)	(14.0)	1,782,177	38.2
Depreciation	(973,203)	(40.2)	325,814	22.5
Other costs	258,224	12.7	85,625	3.7
Total	**(2,506,625)**	**(11.1)**	**1,877,351**	**9.3**

Notes:

(1) Mainly includes repair and maintenance, insurance, road tax and inspection fees.

(2) Mainly includes costs such as toll charges, parking fees, depot gate charges and upkeep of Yard 1 and Yard 2.

For the FYE 2016, our cost of sales for container haulage segment decreased by RM2.5 million or 11.1% as compared to the FYE 2015, mainly due the following:

- a decrease in trucking and handling fees by RM0.8 million or 23.2% mainly due to lower requirements for third party container haulage services with special equipment such as tipping and low-loader (i.e. trailer with lower height);

- lower incentive payment to drivers mainly due to the revision of the incentive scheme for drivers which is in line with a marginal drop in sales volume to 48,742 TEU of containers for the FYE 2016 (FYE 2015: 49,065 TEU of containers);

- lower fuel costs as a result of the lower diesel price per litre. As a reference, the diesel pump price ranged between RM1.70 and RM2.05 per litre in 2015, to between RM1.35 and RM1.90 per litre in 2016, representing an average of 13.3% reduction; and

- lower depreciation charges, notwithstanding an increase in our number of prime movers from 85 units as at 31 December 2015 to 90 units as at 31 December 2016, due to a change in estimate of the useful life and residual value of our prime movers which was implemented in November 2015.

For the FYE 2017, our cost of sales for container haulage segment increased by RM1.9 million or 9.3% as compared to the FYE 2016, mainly due to the following:

- a slight increase in vehicle upkeep and maintenance, and depreciation, arising from the increase in number of prime movers and trailers from 90 units and 457 as at 31 December 2016 to 100 units and 505 as at 31 December 2017;

- a 15.4% or RM0.6 million increase in direct labour cost of drivers mainly due to an increase in incentive payment to drivers resulting from higher number of TEU transported by us;

- higher fuel costs by RM1.8 million or 38.2% which is in tandem with an increase in number of TEU transported by us, and an increase in diesel price per litre. As a reference, the diesel pump price ranged between RM1.35 and RM1.90 per litre in 2016 to between RM1.84 to RM2.26 per litre in 2017; and

- a 3.7% or RM0.1 million increase in other costs such as toll charges, parking fees, depot gate charges as a result of the increase in sales;

which was offset by a decrease in trucking and handling fees by RM1.1 million or 44.9% mainly due to lower demand of third party container haulage services with special equipment as well as a general reduction in charges for trucking and handling fees per TEU due to competitive market environment.

Our prime movers and trailers accounted for more than 50% of the value of our properties, plants and equipment. In 2015, Landbridge Haulage conducted an annual review on the reasonableness of depreciation rate for its prime movers and trailers in accordance with its annual assessment on the carrying amount of prime movers and trailers as compared to the market value of similar prime movers and trailers which supported by, among others, the depreciation rate adopted by other companies in the similar industry. As a result of the review, in November 2015, we changed the expected useful life and estimated residual value of our prime movers and trailers as follows:

	Prior to 1 November 2015	**On or after 1 November 2015**
Estimated residual value:		
- Newly registered prime movers	RM120,000 per unit	RM85,000 to RM150,000 per unit
- Re-build prime movers	RM40,000 per unit	RM40,000 per unit
- Trailers	RM8,000 per unit	RM14,000 per unit
Expected useful life:		
- Newly registered prime movers	8 years	8 to 10 years
- Re-build prime movers	7 years	7 years
- Trailers	13 years	13 years

(c) Air freight

Our cost of sales for air freight segment comprises mainly air freight charges, carriage and delivery charges and transportation charges and accounted for 4.6%, 3.2% and 4.4% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. The cost of sales for air freight segment can be analysed as follows:

			Audited			
	FYE 2015		**FYE 2016**		**FYE 2017**	
	RM	**%**	**RM**	**%**	**RM**	**%**
Air freight charges	2,360,612	83.4	1,303,953	76.2	2,064,708	71.2
Carriages and delivery charges	337,769	11.9	289,393	16.9	477,859	16.5
Electronic data interchange charges	3,689	0.1	2,162	0.1	37,158	1.3
Transportation	127,595	4.6	115,816	6.8	318,327	11.0
Total	**2,829,665**	**100.0**	**1,711,324**	**100.0**	**2,898,052**	**100.0**

For the FYE 2016, our cost of sales for air freight segment decreased by RM1.1 million or 39.5% as compared to the FYE 2015, mainly due to lower sales volume in terms of tonnage handled as well as lower air freight charges.

For the FYE 2017, our cost of sales for air freight segment increased by RM1.2 million or 69.3% as compared to FYE 2016 mainly due to higher sales volume in terms of tonnage handled coupled with an increase in air freight charges. The air freight charges for each consignment varies according to the distance between origin or destination of the delivery and the airport.

(d) Freight forwarding

Our cost of sales for freight forwarding segment comprises mainly documentation handling charges which accounted for not more than 1% of our Group's cost of sales for the past 3 financial years under review. These costs fluctuate in tandem with the fluctuation in revenue between FYE 2015 and FYE 2017.

(e) Warehousing

Our cost of sales for warehousing segment comprises mainly rental, handling charges, haulage charges, upkeep of equipment, and stuffing and unstuffing charges, which accounted for less than 1.0% of our Group's cost of sales in each of the past 3 financial years under review. The cost of sales for FYE 2015 and FYE 2016 remained constant at RM0.3 million and increased to RM0.4 million for the FYE 2017. The increase in cost of sales for the FYE 2017 was mainly due to an increase in haulage charges resulting from higher business volume and the increase in rental charges for the new free trade zone warehouse located in the North Port, commencing in July 2017. The cost of sales further varies according to the type of value-added services required by our customers.

The cost of sales for warehousing segment can be analysed as follows:

	Audited					
	FYE 2015		FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Handling	15,406	5.8	13,617	5.1	4,305	1.0
Haulage charges	95,472	36.1	114,580	42.8	188,563	44.5
Stuffing and unstuffing charges	28,208	10.7	25,960	9.7	38,296	9.0
Rental charges	89,040	33.7	90,100	33.7	151,680	35.8
Fuel	10,350	3.9	6,975	2.6	6,128	1.5
Repair and maintenance	4,018	1.5	1,911	0.7	1,000	0.2
Others	21,988	8.3	14,458	5.4	33,720	8.0
Total	**264,482**	**100.0**	**267,601**	**100.0**	**423,692**	**100.0**

Note:

(1) Others mainly include upkeep of forklift, diesel, upkeep of warehouse and equipment.

(f) Marine insurance

Our cost of sales for marine insurance segment comprises marine insurance premium paid/payable to the insurer which accounted for approximately 0.1% of our Group's cost of sales for the past 3 financial years under review. Generally, the cost of sales for marine insurance segment has remained constant for the past 3 financial years under review.

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(ii) Cost of sales by companies

The table below set forth the breakdown and analysis of our Group's cost of sales by companies for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Tri-Mode	37,910,006	61.3	28,686,178	53.5	37,823,127	57.3
Landbridge Haulage	19,807,726	32.1	18,062,137	33.7	21,011,381	31.8
NV Freights	10,824,822	17.5	10,586,104	19.7	10,407,604	15.8
Tri-Mode Penang	5,286,871	8.6	5,611,310	10.5	7,277,305	11.0
Tri-Mode Johor	970,729	1.6	1,014,696	1.8	1,436,240	2.2
Tri-Mode Logistics	269,448	0.4	273,173	0.6	426,509	0.6
Less: Intercompany transactions	(13,267,637)	(21.5)	(10,624,464)	(19.8)	(12,331,226)	(18.7)
Total	**61,801,965**	**100.0**	**53,609,134**	**100.0**	**66,050,940**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	%	RM	%
Tri-Mode	(9,223,828)	(24.3)	9,136,949	31.9
Landbridge Haulage	(1,745,589)	(8.8)	2,949,244	16.3
NV Freights	(238,718)	(2.2)	(178,500)	(1.7)
Tri-Mode Penang	324,439	6.1	1,665,995	29.7
Tri-Mode Johor	43,967	4.5	421,544	41.5
Tri-Mode Logistics	3,725	1.4	153,336	56.1
Less: Intercompany transactions	2,643,173	(19.9)	(1,706,762)	16.1
Total	**(8,192,831)**	**(13.3)**	**12,441,806**	**23.2**

Generally, the proportion of our cost of sales for each company corresponds to the proportion of the revenue contribution of each company for the financial years under review.

For the FYE 2016, our cost of sales decreased from RM61.8 million for the FYE 2015 to RM53.6 million for the FYE 2016 as a result of lower cost of sales recorded by Tri-Mode and Landbridge Haulage.

For the FYE 2017, our cost of sales increased by 23.2% to RM66.1 million (2015: RM53.6 million) as a result of higher cost of sales recorded by Tri-Mode, Landbridge Haulage, Tri-Mode Penang, Tri-Mode Johor and Tri-Mode Logistics which was offset slightly by the decrease in cost of sales recorded by NV Freights.

The commentaries on our Group's cost of sales analysed by companies are as follows:

(a) Tri-Mode

More than 50% of our Group's cost of sales were captured under Tri-Mode which accounted for 61.3%, 53.5% and 57.3% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. Approximately 80% of Tri-Mode's cost of sales was incurred by the sea freight segment.

For the FYE 2016, Tri-Mode's cost of sales decreased by RM9.2 million or 24.3% as compared to the FYE 2015, mainly due to a RM8.7 million drop in its cost of sales from the sea freight segment.

For the FYE 2017, Tri-Mode's cost of sales increased by RM9.1 million or 31.9% as compared to the FYE 2016, mainly attributable to the increase in cost of sales from sea freight segment which in turn was due to higher sea freight rate charged by the ship liners coupled with higher cost of sales from container haulage and air freight segments which is in tandem with the increase in sales volume handled by us.

(b) Landbridge Haulage

The cost of sales of Landbridge Haulage accounted for 32.1%, 33.7% and 31.8% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. All of Landbridge Haulage's cost of sales was incurred by the container haulage segment.

For the FYE 2016, Landbridge Haulage's cost of sales decreased by RM1.7 million or 8.8% as compared to the FYE 2015, as direct labour cost for drivers, fuel costs and depreciation decreased.

For the FYE 2017, Landbridge Haulage's cost of sales increased by RM2.9 million or 16.3% as compared to the FYE 2016 as all of its direct cost such as vehicle upkeep and maintenance, direct labour cost for drivers, fuel costs, depreciation and toll charges increased, in tandem with the increase in sales and higher fuel price per litre.

(c) NV Freights

The cost of sales of NV Freights accounted for 17.5%, 19.7% and 15.8% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively. More than 70% of NV Freights' cost of sales was for sea freight segment.

For the FYE 2016, NV Freights' cost of sales decreased by RM0.2 million or 2.2% as compared to the FYE 2015, mainly due to lower cost of sales from its air freight segment.

For the FYE 2017, NV Freights' cost of sales decreased slightly by RM0.2 million or 1.7% as compared to the FYE 2016 mainly due to lower cost of sales from its sea freight segment resulting from lower revenue.

(d) Tri-Mode Penang

The cost of sales of Tri-Mode Penang accounted for 8.6%, 10.5% and 11.0% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, Tri-Mode Penang's cost of sales increased by RM0.3 million or 6.1% as compared to the FYE 2015, mainly due to the increase in its cost of sales from sea freight segment of RM0.5 million which was partially offset by the decrease in cost of sales from air freight segment. The increase in the cost of sales from sea freight is in line with the increase in revenue generated from sea freight segment of RM0.6 million.

For the FYE 2017, Tri-Mode Penang's cost of sales increased by RM1.7 million or 29.7% as compared to the FYE 2016, mainly due to the increase in cost of sales from sea freight and air freight segments of RM1.0 million and RM0.7 million, respectively which is in tandem with the increase in sales volume.

(e) Tri-Mode Johor

The cost of sales of Tri-Mode Johor accounted for 1.6%, 1.8% and 2.2% of our Group's cost of sales for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, Tri-Mode Johor's cost of sales increased marginally by RM43,967 or 4.5% as compared to the FYE 2015, mainly due to higher cost of sales from its container haulage segment which is in tandem with its increase in revenue.

For the FYE 2017, Tri-Mode Johor's cost of sales increased by RM0.4 million or 26.8% as compared to the FYE 2016, mainly due to higher cost of sales from sea freight and container haulage segments which is in tandem with the increase in sales from the respective segments.

(f) Tri-Mode Logistics

The cost of sales of Tri-Mode Logistics accounted for approximately 1.0% of our Group's cost of sales for each of the FYE 2015, FYE 2016 and FYE 2017. Its cost of sales varies according to the types of value-added services required by our customers.

(iii) Cost of sales by geographical regions

The cost of sales analysis by geographical regions for the financial years under review is not presented as we do not maintain such information.

12.3.3 Gross profit and GP margin

Despite the fluctuation in our Group's revenue for the financial years under review, our Group's gross profit increased. This improvement was broadly attributable to the better GP margin from our sea freight, container haulage and air freight segments in the FYE 2016. For the FYE 2017, our gross profit further increased with higher revenue notwithstanding lower GP margin.

For the FYE 2016, our Group's gross profit increased by RM0.8 million or 5.2% as compared to the FYE 2015 notwithstanding a 9.3% drop in our Group's revenue due to decrease in revenue caused by lower business volume in sea freight, container haulage and air freight segments. This increase was contributed by an improved GP margin from 21.5% for the FYE 2015 to 24.9% for the FYE 2016, mainly as a result of drop in sea freight rate offered by ship liners as well as lower depreciation rate for prime movers and trailers as a result of the change in estimated useful life and residual value of the prime movers and trailers.

For the FYE 2017, our Group's gross profit increased by RM1.7 million or 9.5% as compared to the FYE 2016 notwithstanding a lower GP margin recorded by our Group. The increase in gross profit was mainly contributed by higher revenue coupled with higher sales volume in our sea freight segment as a result of higher sea freight rate offered by ship liners. The decrease in GP margin from 24.9% for FYE 2016 to 22.8% for FYE 2017 was mainly due to higher sea freight rate offered by ship liners as well as higher fuel costs from our container haulage segment.

The average GP margin of our Group's industry peers of both the public listed and privately held companies listed in the IMR Report stood at 23.5%, based on the industry peers' respective latest publicly available audited financial result. Our Group's GP margin of 24.9% and 22.8% for the FYE 2016 and FYE 2017, respectively are in line with the industry average.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

On a combined basis, our Group's gross profit and GP margin for the past 3 FYE 2015, FYE 2016 and FYE 2017 are analysed as follows:

(i) Gross profit and GP margin by business activities

The table below set out the breakdown and analysis of our Group's gross profit by business activities for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Sea freight	7,265,975	43.0	8,438,647	47.5	9,891,810	50.8
Container haulage	7,603,315	45.0	7,504,723	42.2	7,163,130	36.8
Air freight	1,454,896	8.7	1,287,913	7.2	1,749,846	9.0
Freight forwarding	208,336	1.2	229,066	1.3	227,783	1.2
Warehousing	251,024	1.5	223,570	1.3	347,917	1.8
Marine insurance	107,669	0.6	88,259	0.5	73,845	0.4
Total	**16,891,215**	**100.0**	**17,772,178**	**100.0**	**19,454,331**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	%	RM	%
Sea freight	1,172,672	16.1	1,453,163	17.2
Container haulage	(98,592)	(1.3)	(341,593)	(4.6)
Air freight	(166,983)	(11.5)	461,933	35.9
Freight forwarding	20,730	10.0	(1,283)	(0.6)
Warehousing	(27,454)	(10.9)	124,347	55.6
Marine insurance	(19,410)	(18.0)	(14,414)	(16.3)
Total	**880,963**	**5.2**	**1,682,153**	**9.5**

The table below set out the breakdown and analysis of our Group's GP margin by business activities for the financial years under review:

	FYE 2015	Audited FYE 2016	FYE 2017
	%	%	%
Sea freight	16.8	21.2	19.6
Container haulage	25.1	27.1	24.5
Air freight	34.0	42.9	37.6
Freight forwarding	83.9	80.1	83.8
Warehousing	48.7	45.5	45.1
Marine insurance	68.1	63.7	52.9
Group GP %	**21.5**	**24.9**	**22.8**

The commentaries on our Group's gross profit and GP margin analysed by business activities are as follows:

(a) Sea freight

Gross profit from our sea freight segment accounted for 43.0%, 47.5% and 50.8% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, gross profit from our sea freight segment increased by RM1.2 million or 16.1% as compared to the FYE 2015 notwithstanding a 7.9% drop in our revenue for this segment as our GP margin improved. The substantial improvement in our GP margin by 26.1% from 16.8% to 21.2% (an increase of 4.4 percentage points as compared to the FYE 2015) was mainly contributed by reduction in sea freight rate offered by ship liners and no significant changes in handling fees of sea freight services charged by us.

For the FYE 2017, gross profit from our sea freight segment increased by RM1.5 million or 17.2% as compared to the FYE 2016, mainly attributable to higher revenue coupled with higher sales volume notwithstanding a 1.6 percentage points decrease in GP margin as a result of higher sea freight rate offered by ship liners.

(b) Container haulage

Gross profit from our container haulage segment accounted for 45.0%, 42.2% and 36.8% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, gross profit from our container haulage segment decreased by RM0.1 million or 1.3% as compared to the FYE 2015, mainly due to 8.6% drop in revenue. Despite the drop in gross profit, the increase of GP margin for this segment was mainly due to drop in cost of sales such as decrease in direct labour cost for drivers, fuel costs and depreciation.

For the FYE 2017, gross profit from our container haulage segment decreased by RM0.3 million or 4.6% notwithstanding a 5.6% increase in revenue recorded for this segment mainly contributed by higher sales volume notwithstanding a lower GP margin. The decrease in GP margin from 27.1% for the FYE 2016 to 24.5% for the FYE 2017 (a decrease of 2.6 percentage points as compared to the FYE 2016) was mainly attributed to an increase in cost of sales in particular, fuel costs.

(c) Air freight

Gross profit from our air freight segment accounted for 8.7%, 7.2% and 9.0% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, gross profit from our air freight segment only decreased by RM0.2 million or 11.5% as compared to the FYE 2015 notwithstanding a greater decrease in revenue from our air freight segment by 30.0% in the FYE 2016 as compared to the FYE 2015 as our GP margin improved from 34.0% for the FYE 2015 to 42.9% for the FYE 2016 mainly due to reduction in the average air freight rate and no significance changes in handling fees of air freight services charged by us.

For the FYE 2017, gross profit from our air freight segment increased by RM0.5 million or 35.9% as compared to the FYE 2016 mainly attributed to the increase in revenue with higher volume notwithstanding a 5.3 percentage points decrease in GP margin to 37.6%. Our GP margin for each consignment varies according to the distance between origin or destination of the delivery and the airport. The reduction in GP margin was further due to competitive pricing offered in order to secure higher sales volume.

(d) **Freight forwarding**

Gross profit from our freight forwarding segment accounted for 1.2%, 1.3% and 1.2% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, gross profit from our freight forwarding segment increased by 10.0% from RM208,336 to RM229,066 as compared to the FYE 2015, as revenue grew further by 15.1% but was slightly offset by a lower GP margin. Despite the increase of gross profit, our GP margin for this segment dropped from 83.9% for the FYE 2015 to 80.1% for the FYE 2016 as freight forwarding costs generally increased during the FYE 2016 due to competitive pricing.

For the FYE 2017, gross profit from our freight forwarding segment decreased marginally as a result of lower revenue which was offset by better GP margin. Improvement in GP margin was mainly attributable to higher GP margin command by jobs handled.

(e) **Warehousing**

Gross profit from our warehousing segment accounted for 1.5%, 1.3% and 1.8% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, gross profit from our warehousing segment further decreased by 10.9%, from RM251,024 to RM223,570, as compared to the FYE 2015 due to the decrease of our warehousing revenue by 4.7% coupled with a lower GP margin from 48.7% to 45.5% with constant cost of sales.

For the FYE 2017, gross profit from our warehousing segment increased by RM0.1 million or 55.6% to RM347,917, as compared to the FYE 2016 mainly attributed to an increase in revenue of 57.1% contributed by new free trade zone warehouse located in the North Port.

(f) **Marine insurance**

Gross profit from our marine insurance segment accounted for less than 1% of our Group's gross profit for the financial years under review.

The GP margin for our marine insurance segment decreased from 68.1% to 52.9% for the financial years under review generally due to a more competitive market environment.

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(ii) Gross profit and GP margin by companies

The table below sets out the breakdown and analysis of our Group's gross profit and GP margin by companies for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Tri-Mode	7,412,570	43.9	6,909,197	38.9	8,495,951	43.7
Landbridge Haulage	4,339,294	25.7	5,188,617	29.2	5,302,844	27.3
NV Freights	2,066,396	12.2	2,256,564	12.7	1,794,164	9.2
Tri-Mode Penang	1,882,070	11.1	2,167,590	12.2	2,431,033	12.5
Tri-Mode Johor	431,785	2.6	534,919	3.0	529,008	2.7
Tri-Mode Logistics	333,100	2.0	289,291	1.6	523,331	2.7
Less: Intercompany transactions	426,000	2.5	426,000	2.4	378,000	1.9
Total	**16,891,215**	**100.0**	**17,772,178**	**100.0**	**19,454,331**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Increase/(Decrease) from FYE 2016 to FYE 2017	
	RM	%	RM	%
Tri-Mode	(503,373)	(6.8)	1,586,754	23.0
Landbridge Haulage	849,323	19.6	114,227	2.2
NV Freights	190,168	9.2	(462,400)	(20.5)
Tri-Mode Penang	285,520	15.2	263,443	12.2
Tri-Mode Johor	103,134	23.9	(5,911)	(1.1)
Tri-Mode Logistics	(43,809)	(13.2)	234,040	80.9
Less: Intercompany transactions	-	-	(48,000)	(11.3)
Total	**880,963**	**5.2**	**1,682,153**	**9.5**

The table below sets out the breakdown and analysis of our Group's GP margin by companies for the financial years under review:

	FYE 2015	Audited FYE 2016	FYE 2017
	%	%	%
Tri-Mode	16.4	19.4	18.3
Landbridge Haulage	18.0	22.3	20.2
NV Freights	16.0	17.6	14.7
Tri-Mode Penang	26.3	27.9	25.0
Tri-Mode Johor	30.8	34.5	26.9
Tri-Mode Logistics	55.3	51.4	55.1

The commentaries on our Group's gross profit and GP margin analysed by companies are as follows:

(a) Tri-Mode

Tri-Mode is our largest gross profit contributor which contributed to 43.9%, 38.9% and 43.7% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. Generally, more than 75% of Tri-Mode's gross profit was from sea freight segment.

For the FYE 2016, gross profit contributed by Tri-Mode amounted to RM6.9 million, a decrease of RM0.5 million or 6.8% as compared to the FYE 2015 mainly due to decrease in revenue of sea freight and container haulage segments. However, there was an improvement in GP margin from 16.4% to 19.4% as a better GP margin was achieved in sea freight segment as a result of lower sea freight rate offered by ship liners.

For the FYE 2017, gross profit contributed by Tri-Mode amounted to RM8.5 million, an increase of RM1.6 million or 23% as compared to the FYE 2016 as a result of higher revenue mainly from sea freight and container haulage segment notwithstanding a lower GP margin from 19.4% to 18.3%. The lower GP margin was recorded in sea freight segment as a result of higher sea freight rate offered by ship liners.

(b) Landbridge Haulage

Landbridge Haulage contributed to 25.7%, 29.2% and 27.3% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. Landbridge Haulage's gross profit was derived solely from container haulage segment for the financial years under review. Landbridge Haulage's gross profit increases from RM4.3 million to RM5.3 million for the financial years under review.

For the FYE 2016, gross profit contributed by Landbridge Haulage improved by RM0.8 million or 19.6% as compared to the FYE 2015, notwithstanding a 3.7% drop in revenue as GP margin improved from 18.0% to 22.3%. The improvement in GP margin was contributed by various factors such as lower depreciation rate for our prime movers, lower direct labour cost for drivers and fuel costs.

For the FYE 2017, gross profit contributed by Landbridge Haulage increased marginally by RM0.1 million or 2.2% to RM5.3 million, mainly attributed to the increase in revenue contributed by increase in sales volume notwithstanding a lower GP margin which was attributable to the increase in fuel costs.

(c) NV Freights

NV Freights contributed to 12.2%, 12.7% and 9.2% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. Further, more than 65% of NV Freights' gross profit was from sea freight segment.

For the FYE 2016, gross profit contributed by NV Freights amounted to RM2.3 million, an increase of RM0.2 million or 9.2% as compared to the FYE 2015, notwithstanding its revenue remained constant, as a better GP margin was achieved, from 16.0% for the FYE 2015 to 17.6% for the FYE 2016. The improvement in GP margin was mainly attributable to a better GP margin from sea freight segment which was offset by almost a breakeven position from container haulage segment which accounted for 16.5% of NV Freights' revenue for the FYE 2016.

For the FYE 2017, gross profit contributed by NV Freight amounted to RM1.8 million, a decrease of RM0.5 million or 20.5% as compared to the FYE 2016, as a result of a reduction in revenue, coupled with a reduction in GP margin from 17.6% to 14.7%. The reduction in GP margin was mainly due to higher sea freight rate offered by ship liners coupled with absence of higher GP margin clientele which was transferred to Tri-Mode due to the realignment of an overseas freight agent.

(d) Tri-Mode Penang

Tri-Mode Penang contributed to 11.1%, 12.2% and 12.5% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. Generally, Tri-Mode Penang's contribution in terms of gross profit is on an increasing trend from RM1.9 million to RM2.4 million during the financial years under review.

For the FYE 2016, gross profit contributed by Tri-Mode Penang increased by RM0.3 million or 15.2% as compared to the FYE 2015, as its revenue grew by 8.5% coupled with marginal improvement in GP margin from 26.3% to 27.9% mainly due to the increase in revenue contribution from the sea freight and container haulage segments.

For the FYE 2017, gross profit contributed by Tri-Mode Penang increased by RM0.3 million or 12.2% as compared to the FYE 2016, as a result of increase in revenue by 24.8% mainly from its air freight segment with higher sales volume which was offset by a lower GP margin from 27.9% for the FYE 2016 to 25.0% for the FYE 2017. The reduction in GP margin was mainly attributable to lower GP margin from the sea freight segment mainly due to competitive pricing.

(e) Tri-Mode Johor

Tri-Mode Johor contributed to 2.6%, 3.0% and 2.7% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. Further, more than 70% of Tri-Mode Johor's gross profit was from sea freight segment. Generally, Tri-Mode Johor maintained a gross profit of above RM0.4 million during the financial years under review.

For the FYE 2016, gross profit contributed by Tri-Mode Johor increased by RM0.1 million or 23.9% as compared to the FYE 2015, as revenue increased by 10.5% mainly attributable to the increase in revenue contribution from the sea freight and container haulage segments, coupled with improvement in GP margin in its sea freight segment i.e. 39.5% as compared to 35.2% in the FYE 2015 as a result of lower sea freight rate offered by ship liners.

For the FYE 2017, gross profit contributed by Tri-Mode Johor remained constant at RM0.5 million as compared to the FYE 2016, notwithstanding a growth in revenue of RM0.4 million, mainly due to a drop in GP margin of 7.6 percentage points. The lower GP margin was mainly due to higher sea freight rate offered by the ship liners.

(f) Tri-Mode Logistics

Tri-Mode Logistics contributed to 2.0%, 1.6% and 2.7% of our Group's gross profit for the FYE 2015, FYE 2016 and FYE 2017, respectively. The gross profit of Tri-Mode Logistics was derived solely from warehousing segment for the financial years under review. Generally, its gross profit contribution for the FYE 2015 and FYE 2016 remained constant at RM0.3 million and subsequently increased to RM0.5 million for the FYE 2017.

For the FYE 2016, Tri-Mode Logistics' gross profit decreased marginally by RM43,809 as compared to the FYE 2015 as its revenue decreases whilst its cost of sales remained constant. Accordingly, its GP margin deteriorated from 55.3% to 51.4%.

For the FYE 2017, Tri-Mode Logistics' gross profit increased by RM0.2 million or 80.9% as compared to the FYE 2016, in tandem with the increase in revenue contributed from warehousing service at new free trade zone located in North Port coupled with improvement in the GP margin. The GP margin varies according to the various type of value-added services and the number of days occupied by the customers, in general.

The intercompany transactions represent rental charged by NV Frights to Landbridge Haulage for Yard 1 and Yard 2 which are used as Landbridge Haulage's office and vehicle depot. Intercompany transactions were not eliminated in arriving at our Group's gross profit as NV Freights recognises its rental income as other income in its income statement.

(iii) Gross profit and GP margin by geographical regions

The analysis of our Group's gross profit and GP margin by geographical regions for the financial years under review is not presented as we do not maintain such information.

12.3.4 Other income

The table below sets out the breakdown of our Group's other income for the financial years under review:

	FYE 2015		Audited FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Commission income	131,207	24.3	97,695	22.0	188,769	31.5
Interest income	117,987	21.9	46,875	10.5	73,167	12.2
Gain on foreign exchange	187,916	34.9	254,638	57.3	220,124	36.6
Gain on disposal of property, plant and equipment	85,832	15.9	30,734	6.9	111,752	18.6
Others [(1)]	15,952	3.0	14,676	3.3	6,889	1.1
Total	**538,894**	**100.0**	**444,618**	**100.0**	**600,701**	**100.0**

Note:

(1) 'Others' mainly consist of reversal of allowance for diminution in value of our other investment in quoted shares to reflect the market value of such investment and gain on our other investment in quoted shares and bank charges recovery of which are generally one-off in nature.

Our commission income relates to commission earned by NV Freights as a general insurance corporate agent, received/receivable from third party insurance companies namely Lonpac Insurance Berhad and MSIG Insurance (Malaysia) Berhad mainly for arranging motor insurance policies for motor vehicles owned by our Group. Our interest income is mainly derived from our fixed and time deposits with licenced banks.

Gain on foreign exchange is mainly due to fluctuation in foreign currencies, in particular USD, between transaction date and settlement date for our trades that were carried out in foreign currencies, or translation differences as at balance sheet reporting date. An average of 10% of our revenue and 9% of our cost of sales are traded in foreign currency for the financial years under review.

Other income such as insurance claims, bad debts recovery, gain on disposal of property, plant and equipment and income arising from change in estimate are generally one-off in nature.

The commentaries on our Group's other income for the financial years under review are as follows:

FYE 2015:

Our Group's other income for the FYE 2015 of RM0.5 million consists mainly of interest income, commission income, gain on foreign exchange and gain on disposal of property, plant and equipment.

Our Group's other income for the FYE 2015 are generally recurring, except for the following:

(i) gain on disposal of property, plant and equipment (2 units of motor vehicle) of RM85,832; and

(ii) income relating to the reversal of allowance for diminution in value of our other investment in quoted shares to reflect the market value of such investment which we have fully disposed of in FYE 2016, amounting to RM9,113.

FYE 2016:

Our Group's other income for the FYE 2016 of RM0.4 million consists mainly of interest income, commission income, gain on foreign exchange, and gain on disposal of property, plant and equipment. For the FYE 2016, our other income decreased marginally by RM0.1 million.

Our commission income decreased by 25.5% mainly due to a shift in insurance policy, from subscription of comprehensive insurance policies to third party insurance policies for trailers. Third party insurance policies only cover the legal liability for damage caused to a third party including injury, death and property damage in an accident caused by or arising from the use of the vehicle and which has a lower insurance premium.

Our interest income decreased by 60.3% mainly because of lower cash balances maintained during the FYE 2016. Our cash balance stood at RM2.6 million as at 31 December 2016 as compared to RM4.6 million as at 31 December 2015. The fixed deposit interest rate ranged from 3.25% to 3.45% each year for the FYE 2016 as compared to 2.90% to 3.70% each year for the FYE 2015.

Our gain on foreign exchange further increased from RM187,916 for the FYE 2015 to RM254,638 for the FYE 2016, as exchange rates for foreign currencies were generally more favourable to our net exposure in foreign currency trades. The USD fluctuated between RM3.86 and RM4.49 per USD during the FYE 2016 as compared to RM3.51 and RM4.47 per USD during the FYE 2015.

Our gain on disposal of property, plant and equipment (1 unit motor vehicle) contributed RM30,734 to our other income as compared to RM85,832 in the FYE 2015.

Included in 'others' were mainly gain on disposal of our other investment in quoted shares.

FYE 2017:

Our Group's other income for the FYE 2017 of RM0.6 million consists mainly of interest income, commission income, gain on foreign exchange as well as gain on disposal of property, plant and equipment.

Our commission income increased by RM0.1 million or 93.2% mainly due to an increase in the number of insurance policies arranged through NV Freights for 10 units of new prime movers and 60 units of new trailers as well as an increase in the total premium paid for the prime movers and trailers.

The effective interest rate for our interest income of RM73,167 was 3.53% each year as compared to fixed deposit interest rate ranged from 3.25% to 3.45% each year.

Our gain on disposal of property, plant and equipment of RM111,752 was arising from the disposal of 3 units of motor vehicles and 3 units of forklifts as compared to RM30,734 in the FYE 2016.

Included in 'others' were mainly from rental received.

12.3.5 Administrative expenses

Our administrative expenses are the expenses that we incur in our ordinary course of business and can be categorised into staff costs, depreciation, marketing expenses and general administrative expenses.

The table below sets out the breakdown and analysis of our Group's administrative expenses for the financial years under review:

	Audited					
	FYE 2015		**FYE 2016**		**FYE 2017**	
	RM	**%**	**RM**	**%**	**RM**	**%**
Staff costs	8,718,802	73.7	8,566,364	73.5%	7,551,920	67.7
Depreciation	621,409	5.3	669,766	5.7%	610,416	5.5
Marketing expenses	906,232	7.7	727,617	6.2%	721,816	6.4
Other administrative expenses	1,582,830	13.3	1,697,261	14.6%	2,275,670	20.4
Total	**11,829,273**	**100.0**	**11,661,008**	**100.0%**	**11,159,822**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		**Increase/(Decrease) from FYE 2016 to FYE 2017**	
	RM	**%**	**RM**	**%**
Staff costs	(152,438)	(1.7)	(1,014,444)	(11.8)
Depreciation	48,357	7.8	(59,350)	(8.9)
Marketing expenses	(178,615)	(19.7)	(5,802)	(0.8)
Other administrative expenses	114,431	7.2	578,409	34.1
Total	**(168,265)**	**(1.4)**	**(501,185)**	**(4.3)**

Our administrative expenses declined from RM11.8 million for the FYE 2015 to RM11.7 million for the FYE 2016 and further decreased to RM11.2 million for the FYE 2017. The decline in administrative expenses for the FYE 2016 was mainly attributable to the decline in staff costs (i.e. mainly Directors' fee payable to Dato' Hew) and marketing expenses (i.e. mainly travelling and accommodation expenses). The further decrease in administrative expenses for the FYE 2017 was mainly attributable to the decrease in staff costs resulting from reduction in Directors' remuneration payable to Dato' Hew and Datin Sam as well as an over provision of staff bonuses which was offset by the increase in other administrative expenses in particular the impairment loss on property, plant and equipment, and impairment loss on trade receivable.

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The commentaries on our Group's administrative expenses for the financial years under review are as follows:

(i) Staff costs

Our staff costs mainly include Directors' fees, Directors' remuneration, employees' salary, defined contribution plans, social security contributions and other benefits, and accounted for approximately 70% of our Group's administrative expenses.

The breakdown of our Group's staff costs for the financial years under review are as follows:

	Audited		
	FYE 2015	**FYE 2016**	**FYE 2017**
	RM	**RM**	**RM**
Directors' fees	8,000	-(1)	-(1)
Salaries and other emoluments	7,198,749	6,969,394	6,313,257
Defined contribution plans	1,017,045	953,809	770,423
Social security contribution	60,904	65,937	69,951
Other benefits(2)	434,104	577,224	398,289
Total	**8,718,802**	**8,566,364**	**7,551,920**

Notes:

(1) Our Board has decided to discontinue to pay the Directors' fees to the Executive Directors and thus no Directors' fees were paid in the FYE 2016 and FYE 2017.

(2) Other benefits include, among others, transport disbursement, staff training and welfare, gratuity as well as salary to contract staff.

For the FYE 2016, our staff costs further decreased marginally by RM0.2 million or 1.7% as compared to the FYE 2015, mainly because of reduction in directors' salaries and other emoluments payable to Dato' Hew, Datin Sam and Tung Yoke Chan (who was the then director of NV Freight) by RM0.4 million notwithstanding an increase in staff salary due to yearly increment as well as salary paid to a contract technical staff totalling RM0.2 million.

For the FYE 2017, our staff costs further decreased by RM1.0 million or 11.8% as compared to the FYE 2016, mainly due to the reduction in Directors' remuneration payable to Dato' Hew and Datin Sam as well as an over provision of staff bonuses and absent of salary paid to a resigned contract staff during the FYE 2017 of RM0.1 million.

(ii) Depreciation

Depreciation is the allocated cost of our property, plant and equipment (other than prime movers, trailers, forklifts and side loaders).

Depreciation increased by RM48,357 or 7.8% for the FYE 2016 as compared to the FYE 2015 mainly due to the additions of motor vehicles and renovation.

Depreciation decreased by RM59,350 or 8.9% for the FYE 2017 as compared to the FYE 2016 mainly due to absent of depreciation charges for fully depreciated motor vehicle.

(iii) Marketing expenses

Our marketing expenses mainly consist of entertainment fees, travelling and accommodation, and upkeep and maintenance of motor vehicle for marketing purposes.

The breakdown of our Group's marketing expenses for the financial years under review are as follows:

	Audited		
	FYE 2015	FYE 2016	FYE 2017
	RM	RM	RM
Entertainment fees	228,046	227,124	222,338
Travelling and accommodation	284,259	174,163	183,550
Upkeep and maintenance of motor vehicle	286,606	257,455	246,590
Others*	107,321	68,875	69,338
Total	**906,232**	**727,617**	**721,816**

Note:

* *Others include amongst others, toll, parking, gifts, advertising and promotion.*

For the FYE 2016, our marketing expenses decreased by RM0.2 million or 19.7% as compared to the FYE 2015, mainly due to the decrease in travelling and accommodation expenses as we had less visit to our overseas forwarding agents.

Our marketing expenses for the FYE 2017 remained almost constant at RM0.7 million.

(iv) Other administrative expenses

Our other administrative expenses mainly consist of utilities, insurance premiums and security charges and fluctuated between RM1.6 million to RM2.3 million during the financial years under review.

The breakdown of our Group's other administrative expenses for the financial years under review are as follows:

	Audited		
	FYE 2015	FYE 2016	FYE 2017
	RM	RM	RM
Utilities	417,984	395,088	397,753
Realised/unrealised loss on foreign exchange	137,953	52,078	280,410
Impairment loss on trade receivable	-	29,504	274,276
Upkeep and maintenance for office	221,395	212,912	252,925
Impairment losses on property, plant and equipment	-	-	245,436
Stationary and printing	163,820	143,663	179,070
Security charges	192,932	238,752	178,524
Insurance premium	117,623	104,685	116,928
Auditor's remuneration	36,263	48,537	55,000
Bad debts written off	27,635	150,026	-
Others*	267,225	322,016	295,348
Total	**1,582,830**	**1,697,261**	**2,275,670**

Note:

* *Others include amongst others, bank charges, courier charges, loss on disposal of property, plant and equipment, quit rent and assessment, as well as professional fees such as legal and tax agents' fees.*

For the FYE 2016, our other administrative expenses increased by RM0.1 million or 7.2% as compared to the FYE 2015, mainly due to an increase in security charges and bad debts written off amounting to RM150,026 (FYE 2015: RM27,635).

For the FYE 2017, our other administrative expenses increased by RM0.6 million or 34.1% as compared to the FYE 2016, mainly due to one off items such as impairment losses on the property, plant and equipment and impairment loss on trade receivable totalling RM0.5 million and realised loss of foreign exchange of RM0.3 million, which was offset by the absent of bad debts written off in FYE 2016 of RM0.2 million.

12.3.6 Finance costs

Our finance costs represent interest expense on borrowings which consists of term loans, finance lease payables, trade facilities and bank overdrafts utilised by our Group excluding interest capitalised in property, plant and equipment.

The table below set out the finance costs of our Group for the financial years under review:

			Audited			
	FYE 2015		FYE 2016		FYE 2017	
	RM	%	RM	%	RM	%
Overdraft interest	14,425	1.6	8,494	1.0	141,864	13.2
Finance lease interest	719,475	79.6	644,450	73.3	744,584	69.0
Term loan interest	151,794	16.8	242,369	27.6	422,169	39.1
Revolving credit interest	-	-	31,741	3.6	63,029	5.9
Bank commitment fees	17,830	2.0	13,838	1.6	5,893	0.5
Others	-	-	46,470	5.3	-	-
	903,524	100.0	987,362	112.4	1,377,539	127.7
Less: Interest capitalised in building under construction	-	-	(108,766)	(12.4)	(298,895)	(27.7)
Total finance costs	**903,524**	**100.0**	**878,596**	**100.0**	**1,078,644**	**100.0**

For the FYE 2016, our finance costs decreased marginally by 2.8% as compared to the FYE 2015 notwithstanding our borrowings increased to RM20.7 million as at 31 December 2016, an increase of 47.3% as compared to the FYE 2015. This increase in borrowings relates to the purchase of the Pulau Indah Land for the construction of the Proposed HQ and Distribution Hub whereby the interest expense incurred in relations to the Pulau Indah Land is capitalised as part of the cost of purchase instead of being charged to the statement of profit or loss and other comprehensive income, and Senja Aman apartment.

For the FYE 2017, our finance costs increased by 22.8% or RM0.2 million as compared to the FYE 2016 mainly due to the increase in our borrowings to RM24.3 million as at 31 December 2017, an increase of 17.4% as compared to the FYE 2016 as well as a full year interest paid for term loan relating to the Pulau Indah Land. The increase in borrowings relates to net increase in finance lease liabilities with addition of 10 units of prime mover and 60 units of trailer as well as an increase in overdraft for working capital purpose.

12.3.7 Share of results of associates

Based on the combined audited statement of profit or loss and other comprehensive income, our Group's share of results of associates is accounted for using the equity accounting method. Our Group's share of results of associates (net of tax) for the financial years under review can be analysed as follows:

				Audited			
	% held	FYE 2015		FYE 2016		FYE 2017	
		RM	%	RM	%	RM	%
Atama	49.0	301,829	49.2	333,208	61.2	119,255	65.1
Container Connections	20.0	311,610	50.8	211,560	38.8	63,823	34.9
Total		**613,439**	**100.0**	**544,768**	**100.0**	**183,078**	**100.0**

	Increase/(Decrease) from FYE 2015 to FYE 2016		Decrease from FYE 2016 to FYE 2017	
	RM	**%**	**RM**	**%**
Atama	31,379	10.4	(213,953)	(64.2)
Container Connections	(100,050)	(32.1)	(147,737)	(69.8)
Total	**(68,671)**	**(11.2)**	**(361,690)**	**(66.4)**

Atama and Container Connections' revenue are solely derived from Malaysia for the financial years under review.

Our associate companies contributed to 11.6%, 8.8% and 2.3% of our Group's PBT for the FYE 2015, FYE 2016 and FYE 2017, respectively.

For the FYE 2016, our Group's share of results of associates decreased slightly by RM68,671 or 11.2% to RM0.5 million mainly due to the decrease in the share of net profit of Container Connections which was partially offset by the increase in the share of net profit of Atama. The decrease in share of results of Container Connections was mainly attributable to the decline in revenue mainly in lift-on-lift off charges, repair container charges and depot gate charges coupled with an increase in management fees payable to holding company, staff costs, rental of motor vehicles, stackers, hostels, depots and equipment notwithstanding a corresponding decrease in cost of sales and reduction in depreciation of property, plant and equipment. The increase in share of net profit of Atama was mainly attributable to the decrease in cost of sales mainly from shipping and haulage charges charged by suppliers which were partially offset by an increase in disbursement charges, and administrative expenses.

For the FYE 2017, our Group's share of results of associates decreased by RM0.4 million or 66.4% as compared to the FYE 2016, as a result of lower revenue contribution from Atama and Container Connections from RM0.3 million and RM0.2 million for the FYE 2016 to RM0.1 million and RM63,823 for the FYE 2017. The decrease in share of results of Atama was mainly attributable to a marginal decrease in revenue coupled with an increase in cost of sales. The higher cost of sales in the FYE 2017 is mainly due to the increase in shipping, haulage and storage charges charged by Atama's suppliers.

The decrease in share of results of Container Connections for the FYE 2017 was mainly attributable to higher cost of sales as well as higher taxation for the FYE 2017, notwithstanding the increase in revenue mainly in repair container, haulier charges and depot gates charges.

12.3.8 Profit before tax and PBT margin

Taking into consideration of various factors affecting our gross profit, GP margin, other income, administrative expenses, finance costs and share of results of associates, our Group's PBT during the financial years under review is depicted below:

		Audited		
		FYE 2015	**FYE 2016**	**FYE 2017**
Profit before tax	*(RM)*	5,310,751	6,221,960	7,999,644
Increase as compared to the previous financial year	*(RM)*	2,348,548 or 79.3%	911,209 or 17.2%	1,777,684 or 28.6%
PBT margin	*(%)*	6.7	8.7	9.4

For the FYE 2016, our Group recorded a higher profit before tax of RM6.2 million mainly due to the improvement in gross profit for the FYE 2016 as explained in Section 12.3.3 of this Prospectus, as well as lower administrative expenses (i.e. lower staff and marketing costs) and finance costs. Thus, our PBT margin increased to 8.7%.

For the FYE 2017, our Group's profit before tax further increased by 28.6% or RM1.8 million to RM8.0 million mainly due to further improvement in gross profit for the FYE 2017 as explained in Section 12.3.3 of this Prospectus notwithstanding a marginal increase in administrative expenses. Thus, our PBT margin further increased to 9.4%.

12.3.9 Taxation

The table below sets out our tax expense for the financial years under review:

	Audited		
	FYE 2015	**FYE 2016**	**FYE 2017**
	RM	**RM**	**RM**
Current tax expenses			
Current year	867,184	1,146,500	1,433,200
Under / (Over) provision in prior years	67,283	(99,040)	6,853
	934,467	1,047,460	1,440,053
Deferred tax expense			
Relating to origination temporary differences	765,170	526,885	574,229
Reduction in tax rate	-	(143,412)	-
Under provision in prior years	351,988	123,399	(11,693)
	1,117,158	506,872	562,536
Taxation	**2,051,625**	**1,554,332**	**2,002,589**

Our tax expense comprises current and deferred tax. Current and deferred tax is recognised in our profit or loss except to the extent that they relate to a business combination or items directly recognised in equity or other comprehensive income.

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12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

The following sets out the reconciliation of income tax expense applicable to PBT:

		Audited		
		FYE 2015	**FYE 2016**	**FYE 2017**
		RM	**RM**	**RM**
Profit before tax		5,310,751	6,221,960	7,999,644
Taxation at statutory tax rate of 24% (2016: 24%; 2015: 25%)		1,327,688	1,493,270	1,919,915
Effects of changes in tax rate		-	(143,412)	-
Effect of income subject to 19%		(85,208)	(50,000)	(25,000)
Expenses not deductible for tax purposes		323,678	449,997	198,230
Income not subject to tax		(66,472)	(85,736)	(55,421)
Deferred tax assets not recognised		286,028	9,792	(5,556)
Share of results of associate companies		(153,360)	(130,744)	(24,739)
Utilisation of previously unutilised capital allowances		-	(13,194)	-
Under/(Over) provision in prior years				
- income tax		67,283	(99,040)	6,853
- deferred tax		351,988	123,399	(11,693)
Tax expense		**2,051,625**	**1,554,332**	**2,002,589**
Effective tax rate	(%)	38.6	25.0	25.0

For the FYE 2016, our tax expense decreased significantly to RM1.6 million from RM2.1 million in the FYE 2015. Our effective tax rate for the FYE 2016 of 25.0% was marginally higher than statutory tax rate of 24.0% mainly due to under provision of deferred tax expense in prior year of RM0.1 million and expenses not deductible for tax purposes of approximately RM0.4 million which consists of, among others, non-deductible entertainment, depreciation relating to non-qualifying capital expenditure and professional fees.

For the FYE 2017, our tax expense of RM2.0 million represent an increase of RM0.5 million or 28.8% as compared to FYE 2016 mainly due to higher profit before tax of RM8.0 million as compared to RM6.2 million for the FYE 2016. Our effective tax rate for the FYE 2017 of 25% is marginally higher than the statutory rate of 24% mainly due to expenses not deductible for tax purposes of approximately RM0.2 million among others, non-deductible entertainment fees and depreciation relating to non-qualifying capital expenditure.

12.3.10 Profit after tax

Taking into consideration the various factors affecting our PBT and our effective tax rate, our Group's PAT during the financial years under review is depicted below:

		Audited		
		FYE 2015	**FYE 2016**	**FYE 2017**
Profit after tax	*(RM)*	3,259,126	4,667,628	5,997,055
Increase as compared to the previous financial year	*(RM)*	1,190,506 or 57.6%	1,408,502 or 43.2%	1,329,427 or 28.5%
PAT margin	*(%)*	4.1	6.5	7.0

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Cont'd)*

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

Our business is financed by a combination of internal and external sources of funds. The internal sources of funds comprise our shareholders' equity and cash generated from our operations. The external sources of funds comprise mainly the credit terms granted by our suppliers as well as borrowings, finance lease payables and trade lines facilities granted from financial institutions. Cash generated from operations is mainly the collections from customers.

In the past, our principal utilisation of funds was for working capital, payment of operating and administrative expenses, finance lease payment and bank borrowings. As at 31 December 2017, we have cash and bank balances (excluding fixed deposits pledged with licenced banks) of RM1.2 million, and finance lease payables and bank borrowings of RM24.3 million. The unutilised trade lines and facilities granted to our Group as at 31 March 2018 amounted to RM33.4 million.

The above cash and bank balances, finance lease payables and bank borrowings do not include the expected proceeds to be received from the Public Issue of RM26.4 million.

Based on our past financial performance and future prospect, after taking into consideration our cash and bank balances, the expected funds to be generated from operating activities, the amounts available under our existing banking and finance lease facilities together with the gross proceeds to be raised from the Public Issue of RM26.4 million, our Board is of the view that we will have sufficient working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flow

The summary of our cash flow based on our Group combined cash flow statement for the financial years under review is as follows:

	FYE 2015	**FYE 2016**	**FYE 2017**
	RM	**RM**	**RM**
Net cash from operating activities	8,427,955	9,485,923	3,036,135
Net cash used in investing activities	(1,332,030)	(13,157,063)	(1,157,203)
Net cash used in financing activities	(5,024,876)	1,428,052	(4,105,146)
Net increase/(decrease) in cash and cash equivalent	2,071,049	(2,243,088)	(2,226,214)
Cash and cash equivalent at beginning of year	(677,966)	1,393,083	(850,005)
Cash and cash equivalent at end of year*	**1,393,083**	**(850,005)**	**(3,076,219)**

Note:

* *Details of the cash and cash equivalents are as follows:*

	FYE 2015	***FYE 2016***	***FYE 2017***
	RM	***RM***	***RM***
Cash and bank balances	*1,463,812*	*584,912*	*1,181,870*
Add: bank overdraft	*(301,935)*	*(1,434,917)*	*(4,258,089)*
Add: fixed deposits with licenced banks	*3,099,668*	*2,020,207*	*2,074,417*
Less: fixed deposits pledged with the banks	*(2,868,462)*	*(2,020,207)*	*(2,074,417)*
Cash and cash equivalent at end of year	***1,393,083***	***(850,005)***	***(3,076,219)***

(i) Net cash flow generated from operating activities

FYE 2015

We generated a profit before tax of RM5.3 million as explained in Section 12.3.8 above, which was adjusted for non-cash items, interest income and interest expense amounting to RM3.2 million, to arrive at operating profit before working capital changes of RM8.5 million. Net cash flow generated from operating activities was RM8.4 million after adjusting for the following main items:

(a) our working capital changes are as follows:

- increase in trade and other receivables of RM0.3 million mainly due to longer period of collection of receivables and deposits for the acquisition of Pulah Indah Land;
- increase in trade and other payables of RM0.5 million mainly due to the increase in trade payables of RM0.7 million for slower payment to suppliers to fulfil customers' sales orders which lead to higher net cash generated from operations and other payables of RM0.5 million which was offset by the decrease in accruals of RM0.6 million;
- decrease in amount owing to associate companies of RM0.7 million mainly attributable to prompt payment to our associate companies for services rendered to fulfil our customers' orders;
- increase in amount owing to directors of RM0.4 million mainly due to financial assistance made by Dato' Hew and Datin Sam to support our business operations. The said amount has been fully settled on 31 March 2016; and
- increase in amount owing to directors of RM2.3 million mainly attributable to financial assistance provided by Dato' Hew to support business operation.

(b) interest paid of RM0.9 million, interest received of RM0.1 million and income tax paid of RM0.7 million.

FYE 2016

We generated a profit before tax of RM6.2 million, which was adjusted for non-cash items, interest income and interest expense amounting to RM2.4 million, to arrive at operating profit before working capital changes of RM8.6 million. Net cash flow generated from operating activities was RM9.5 million after adjusting for the following main items:

(a) our working capital changes are as follows:

- increase in inventories of RM0.1 million mainly due to purchase of consumables such as tyres for prime movers and trailers, and diesel;
- increase in trade and other receivables of RM0.9 million mainly attributable to longer collection period from the customers;
- increase in trade and other payables of RM1.6 million mainly attributable to marginal increase in trade payables of RM0.3 million arising for slower payment to suppliers to fulfil customers' sales orders which lead to higher net cash flow generated from operating activities and amount owing to Landbridge Warehouse Sdn Bhd, a related party of RM2.2 million which was offset by the decrease in other payables to third parties of RM0.7 million and accruals of RM0.2 million;
- decrease in amount owing to associate companies of RM0.2 million mainly attributable to prompt payment made to our associate companies for services rendered to fulfil our customers' orders; and

(b) interest paid of RM0.9 million and income tax paid of RM1.0 million.

FYE 2017

We generated a profit before tax of RM8.0 million, which was adjusted for non-cash items, interest income and interest expense amounting to RM3.5 million, to arrive at operating profit before working capital changes of RM11.5 million. Net cash flow generated from operating activities was RM3.0 million after adjusting for the following main items:

(a) our working capital changes are as follows:

- increase in trade and other receivables of RM3.4 million mainly attributable to increase in revenue towards the end of the FYE 2017 and prepayment of listing expenses;
- decrease in trade and other payables of RM3.3 million mainly attributable to prompt payment to suppliers;
- increase in amount owing to associate company of RM1.6 million mainly attributable to grace period given by Atama for their trade suppliers;
- decrease in inventory of RM44,914 as a result of consumption of consumables such as tyres for prime movers and trailers, and diesel;
- a decrease in amount owing to Dato' Hew and Datin Sam of RM0.5 million and RM0.2 million, respectively; and

(b) interest paid of RM1.1 million and income tax paid of RM1.7 million.

(ii) Net cash flow used in investing activities

FYE 2015

Net cash used in investing activities was RM1.3 million which mainly attributed to the following:

(a) acquisition of property, plant and equipment such as prime movers and trailers (net of portion financed by finance lease payables) of RM1.7 million; and

(b) proceeds from the disposal of property, plant and equipment such as prime movers, trailers and motor vehicles of RM0.3 million.

FYE 2016

Net cash used in investing activities was RM13.2 million which mainly attributed to the following:

(a) acquisitions of property, plant and equipment such as prime movers, trailers, motor vehicles, and progress payment for 1 unit of Senja Aman's apartment and the Pulau Indah Land (net of portion financed by finance lease payables), totalling RM13.8 million; and

(b) Proceeds from disposal of property, plant and equipment such as prime movers, trailers and motor vehicles of RM0.6 million.

FYE 2017

Net cash used in investing activities was RM1.2 million which mainly attributed to the following:

(a) acquisitions of property, plant and equipment such as prime movers, trailers, motor vehicles, and progress payment for 1 unit of Senja Aman's apartment and the Pulau Indah Land (net of portion financed by finance lease payables), totalling RM1.7 million; and

(b) proceeds from disposal of property, plant and equipment such as motor vehicles and forklifts of RM0.5 million.

(iii) Net cash flow used in financing activities

FYE 2015

Net cash used in financing activities was RM5.0 million which mainly attributed to the following:

(a) increase in fixed deposits pledged with licenced bank of RM0.1 million;

(b) repayment of finance lease payables of RM4.4 million; and

(c) repayment of bank borrowings of RM0.5 million.

FYE 2016

Net cash generated from financing activities was RM1.4 million which mainly attributed to the following:

(a) drawdown of term loan for the acquisitions of 1 unit of Senja Aman apartment and Pulau Indah Land of RM6.6 million;

(b) repayment of bank borrowings and finance lease of RM5.1 million;

(c) decrease in fixed deposits pledged with licenced banks of RM0.8 million; and

(d) interim single tier dividend paid by some of our subsidiaries to our Promoters of RM0.9 million.

FYE 2017

Net cash used in financing activities was RM4.1 million which mainly attributed to the net repayment of bank borrowings and finance lease payable totalling RM4.1 million.

There are no legal, financial or economic restrictions on the ability of our subsidiary to transfer funds to our Company in the form of cash dividends, loans or advances, subject to availability of distributable reserves and compliance with financial covenants.

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12.4.3 Finance lease payables and bank borrowings

The table below set out the details of our finance lease payable and bank borrowings as at 31 December 2017:

Type of facilities	Tenure	Interest rate each year	Credit limits	Amount outstanding	Repayable in 12 months	Repayable after 12 months
		%	RM	RM	RM	RM
Secured						
Finance lease payables	5 years	2.26 to 3.54	39,860,000	11,852,775	4,388,594	7,464,181
Bank borrowings						
Bank overdraft	Repayable on demand	7.75 to 8.25	4,400,000	4,258,089	4,258,089	-
Revolving credits	1 to 3 months	6.27	1,100,000	1,000,000	1,000,000	-
Term loans	12 to 15 years	6.25 to 8.00	19,800,000	7,200,142	216,488	6,983,654
Total bank borrowings			**25,300,000**	**12,458,231**	**5,474,577**	**6,983,654**
Total finance lease payables and bank borrowings			**65,160,000**	**24,311,006**	**9,863,171**	**14,447,835**

As at 31 December 2017, we had a total outstanding finance lease payables and bank borrowings of RM11.9 million and RM12.5 million respectively. The finance lease payables are generally used for the purchase of prime movers, trailers and motor vehicles, whilst bank overdraft and revolving credits are used for working capital purposes, and term loans are used for the acquisition of land and building.

The finance lease payables and bank borrowings are secured by legal charge over the assets, fixed deposits, assignment of rental proceeds over property financed, joint and several guarantees by the Directors and a corporate guarantee by Tri-Mode.

We have not defaulted on any payments for our finance lease payables and bank borrowings throughout the FYE 2017 up to the LPD. As at the LPD, we are not in breach of any terms and conditions or covenants associated with our borrowings which can materially affect our financial position and result or business operations or the investment in our Shares.

12.4.4 Type of financial instruments used

As at the LPD, save for the finance lease payables and bank borrowings as disclosed in Section 12.4.3 above, our Group does not use any other financial instruments.

The financial instruments of our Group which are used in the ordinary course of business of our Group, from an accounting prospective, may include financial assets such as fixed deposits with licenced banks, cash and bank balances, trade receivables, other receivables, other investments, as well as financial liabilities such as trade payables, other payables, amount due to associate companies, amount due to directors, finance lease payables and bank borrowings.

Our Group revenue transacted in foreign currency for FYE 2015, FYE 2016 and FYE 2017 was 11.2%, 9.0%, and 8.7% respectively. The cost of sales transacted in foreign currency for FYE 2015, FYE 2016 and FYE 2017 was 7.5%, 10.1% and 7.1%, respectively of which 6.8%, 9.7% and 6.6% of the cost of sales were transacted in USD. We match our foreign-denominated sales with foreign-denominated cost of sale as a natural hedge to certain degree against adverse foreign currency fluctuation. Furthermore, we also maintain foreign currency bank account in USD with our financial institution to facilitate and support our business operations. In this regard, as at the LPD, our Group does not hold financial instruments for hedging foreign currency exposure.

Our Group does not generally hedge interest rate risks after taken into consideration that the Group has no foreign currency borrowings. Hedging of risks through the use of financial instruments may be adopted should its use results in significant cost savings. In addition, it's our Group policy that the interest rate obtained must be competitive.

12.4.5 Treasury policies and objectives

One of the main treasury responsibilities is to maintain sufficient working capital to fund our Group operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities. We have been financing our Group's operations through a combination of internally generated funds as well as external sources of funds, such as shareholders' funds/advances, credit terms from suppliers as well as finance lease payables and bank borrowings.

In term of borrowings, we adopt both fixed interest rate for finance lease payables, and floating interest rate for our bank overdraft, revolving credit and term loans.

We may be exposed to foreign currency risks as portion of our revenue and cost of sales are transacted in foreign currencies. Any movement in foreign exchange rates will affect our Group's financial performance. However, we have not entered into any forward contract or other financial instrument to hedge against foresight currency exposure. Nonetheless, we match our foreign-denominated sales with foreign-denominated cost of sales as a natural hedge to a certain degree against adverse foreign exchange fluctuations. For that purpose, we also maintain foreign currency bank account in USD with our financial institution to facilitate and support our business operations.

Our Group does not hedge against interest rate risks.

12.4.6 Material commitment for capital expenditure

As at the LPD, our Group's material commitments (including commitments to be incurred) for capital expenditure are as follows:

	As at the LPD **RM**
Senja Aman' apartment (1)	1,815,645
Pulau Indah Land (2)	11,420,321
Total material commitments for capital expenditure	**13,235,966**

Notes:

(1) Investment property under construction and will be leased to hotel operator to generate income upon completion. In addition, there will be free stay to be made available as staff welfare post completion of the said property.

(2) The Pulau Indah Land will be used to construct our Proposed HQ and Distribution Hub.

The material commitment for capital expenditures above will be financed by a combination of bank borrowings and internally generated funds.

12.4.7 Material litigation

Our Company has not, in the 12 months immediately preceding the date of this Prospectus been engaged in any governmental, litigation or arbitration proceedings including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our business, financial position or profitability.

12.4.8 Contingent liabilities

Save and disclosed below, as at the LPD, there are no contingent liabilities which, upon becoming enforceable, may have a material impact on our business, financial position and profitability.

Unsecured guarantees	**As at the LPD**
	RM
Bank guarantees utilised (1)	138,000

Note:

(1) As an arrangement between the Group and our suppliers (i.e. airline operators, airlines authorities and port authorities) to guarantee our suppliers that the Group will fulfil the obligation of paying for services rendered.

The breakdown of the bank guarantees utilised are as follow:

	Amount (RM)
Airlines and port authorities	*78,000*
Airline operators	*60,000*
Total	***138,000***

12.4.9 Material divestitures

There has not been any material divestitures undertaken by our Group for the financial years under review, as well as up to the LPD. As at the LPD, we do not have any uncompleted material divestitures.

12.5 KEY FINANCIAL RATIOS

The following table sets out certain key financial ratios of our Group based on audited combined financial statements of our Group for the financial years under review:

			Audited	
		FYE 2015	**FYE 2016**	**FYE 2017**
Average trade receivables turnover (1)	days	57.0	63.0	59.4
Average trade payables turnover (2)	days	29.6	37.2	29.8
Average inventory turnover (3)	days	-	-	-
Current ratio (4)	times	1.09	0.63	0.79
Gearing ratio (5)	times	0.48	0.72	0.70

Notes:

(1) Computed as an average of the opening and closing trade receivables for the year divided by revenue during the year, multiplied by the number of days in the year.

(2) Computed as an average of the opening and closing trade payables for the year divided by the cost of sales (excluding depreciation and direct labour cost for drivers) during the year, multiplied by the number of days in the year.

(3) *Inventory comprises consumables such as tyres for prime movers and trailers as well as diesel for internal consumption. The amount of inventory is minimum and amounted to Nil, RM119,870 and RM74,956 for the FYE 2015, FYE 2016 and FYE 2017, respectively. As such, the computation on average inventory turnover day is not meaningful.*

(4) *Computed as current assets over current liabilities.*

(5) *Computed as total borrowings over total equity.*

(i) Trade receivables

As at 31 December 2017, the total trade receivables amounted to RM15.2 million. The credit period that we extend to our customers is up to 60 days on a case-by-case basis by taking into consideration various factors such as our business relationship with customers, our marketing strategies, the financial position and credit history of the customers while new customers are subject to our credit verification and assessment process. On exceptional cases, we also extend to some of our customers a credit period beyond 60 days but not more than 90 days. Our Board believes that by maintaining good business relationships with these customers will translate into recurring sales orders as well as business referrals from them. Nevertheless, to mitigate any further increase of trade turnover period, our Group has performed regular credit review on payment track records of those customers to ensure the longer credit term given is justifiable. Our average trade receivables turnover are around 60 days for FYE 2015 to FYE 2017 which is consistent with the normal credit period that we granted to our customers.

The average trade receivable turnover days increased from 57 days for the FYE 2015 to 63 days for FYE 2016 as our Group allowed longer credit term to some of the long-term customers as an incentive for them to continue business with us. For the FYE 2017, the average trade receivable turnover days decreased to 60 days which falls within the credit period of 60 days. The decrease in our average trade receivable turnover days was mainly attributable to the recognition of impairment loss for our long overdue customers as well as closely monitoring the collection from our customers.

The ageing analysis of our Group's trade receivables for the FYE 2017 is as follows:

	Within credit period		**Exceeding credit period**			
	0 – 30 days	**31 - 60 days**	**61 - 90 days**	**91 -120 days**	**>120 days**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**
Trade receivables	7,081,456	5,348,084	2,272,696	171,846	632,694	15,506,776
Less: Impairment losses	-	-	-	-	(274,276)	(274,276)
Trade receivables (net)	**7,081,456**	**5,348,084**	**2,272,696**	**171,846**	**358,418**	**15,232,500**
% of total trade receivables	46.5	35.1	14.9	1.1	2.4	100.0
Subsequent collections up to the LPD*	6,514,791	5,263,687	2,210,418	166,806	269,164	14,424,866
Outstanding balance as at the LPD	566,665	84,397	62,278	5,040	89,254	807,634

Note:

* *Includes contra, discounts, rebates etc.*

As at the LPD, we have collected RM14.4 million or 94.7% of the total trade receivables outstanding as at 31 December 2017.

As part of our credit control policy, we continuously monitor our cash flow and shall execute a recovery action plan for any receivable which have exceeded the normal credit period granted by more than 30 days, which include constant reminders and close follow up with our customers to minimise such occurrences.

Notwithstanding the above, our Board is of the opinion that the remaining amount of RM0.8 million is generally recoverable however we will continue to review the provision for impairment for trade receivables after taking into consideration these customers' credentials, payment track record as well as our relationship with them.

Our Group's trade receivables provisioning for doubtful debts policy will be in line with the MFRS standards 137 – Provisions, Contingent Liabilities and Contingent Assets, where the collectability of amount due from our customers is reviewed on an individual and collective basis to endure better provisions estimates. The breakdown of impairment loss recognised and bad debts written off for the past 3 FYE 2015 to 2017 are as follows:

	Audited		
	FYE 2015	**FYE 2016**	**FYE 2017**
	RM	**RM**	**RM**
Impairment loss recognised[(1)]	-	29,504	274,276
Bad debts written off[(2)]:			
- third parties	27,635	78,147	-
- related parties	-	71,879	-

Notes:

(1) Refers to provision made pursuant to MFRS 139 Financial Instruments: Recognition and Measurement. When there is doubt in terms of long overdue debt recoverability by the management after considering, amongst others, customers' historical ageing profile, past payment patterns, historical bad debts, customer creditworthiness and changes in the customers' payment terms.

(2) Refers to debts which due more than 1 year and are not recoverable, and after issuance of letters of demand by our Group, or customer is being wound up and has no sign of recoverability as well as our related parties which are in the midst of undergoing de-registration process.

The increase in impairment losses recognised from nil for the FYE 2015 to RM29,504 for the FYE 2016 was attributable to uncollectible trade receivables from 4 customers and letters of demand to these customers have been issued. The increase in impairment losses recognised from RM29,504 for the FYE 2016 to RM274,276 for the FYE 2017 was attributable to an uncollectible trade receivable from a customer that is undergoing liquidation process.

The increase in bad debts written off from RM27,635 for the FYE 31 December 2015 to RM150,026 for the FYE 31 December 2016 was mainly attributable to non-recoverable advances to Tri-Mode Lines Sdn Bhd and NV Container Lines Sdn Bhd to finance their administrative expenses amounting to RM71,879 as those companies were formerly dormant subsidiaries of our Group. Both the companies have submitted the application for de-registration to CCM on 28 December 2017 and the de-registration is yet to be gazetted as at the LPD. The remaining bad debts written off are mainly due to non-recoverable trade receivables (by 5 of our customers, of which 3 of them are having financial problem and 2 of them have wound up) despite numerous follow-up via letters of demand to seek for payment of amount due.

For the financial years under review, our Group has not encountered any major disputes with our debtors. During this period, we have issued 17 letters of demand to pursue long overdue trade receivables amounting to RM1.0 million, of which RM0.5 million has been collected, RM0.2 million has been written off as bad debts and RM0.3 million of trade receivables has been impaired.

(ii) Trade payables

The normal credit period given by our trade creditors is mainly up to 30 days. Our average payables turnover for the past 3 financial years under review are ranging between 29.6 to 37.2 days. The average trade payable turnover days increased from 29.6 days for the FYE 2015 to 37.2 days for FYE 2016 as we deferred payments to our suppliers due to the delay in receipt of our trade receivables from some of our customers in the FYE 2016 as well as additional time required to reconcile the outstanding balances of trade payable with some of our suppliers. The average trade payable turnover days has reduced from 37.2 days for the FYE 2016 to 29.8 days for the FYE 2017 mainly due to prompt payment to suppliers.

The ageing analysis of our Group's trade payables for the FYE 2017 is as follows:

	Within credit period	Exceeding credit period				
	0 – 30 days	31 - 60 days	61 - 90 days	91 -120 days	>120 days	Total
	RM	RM	RM	RM	RM	RM
Trade payables	2,743,881	1,290,167	459,084	135,957	83,599	4,712,688
% of total payables	58.2	27.4	9.7	2.9	1.8	100.0
Subsequent payments up to the LPD**	2,478,984	1,278,300	444,630	118,924	81,101	4,401,939
Outstanding balance as at the LPD	264,897	11,867	14,454	17,033	2,498	310,749

Notes:

* *Less than 0.1%.*

** *Includes contra, discounts, rebates etc.*

As at 31 December 2017, 58.2% of our trade payables were within the credit period given by our suppliers. As at the LPD, our trade payables consist of an outstanding balance of RM0.3 million.

(iii) Current ratio

For the FYE 2016, our current ratio decreased from 1.1 times to 0.6 times as compared to the FYE 2015. The current assets for FYE 2016 decreased to RM17.3 million mainly due to the reduction in cash and bank balances, and other receivables whereas the current liabilities for the FYE 2016 increased to RM27.6 million mainly due to the increase in dividend payable, bank borrowings and amount due to Directors. The dividend payable by NV Freights to Dato' Hew and Datin Sam totalling RM4.0 million in respect of the FYE 2016, of which RM40.50 has been paid in cash to Dato' Hew on 15 June 2017 and the balance was ultimately capitalised into the issued share capital of our Company pursuant to the Pre-IPO Reorganisation. Further, taking into consideration the Subscription by Dato' Hew of RM2.0 million, our current ratio has improved from 0.6 times to 0.8 times.

For the FYE 2017, our current ratio increased from 0.63 times to 0.79 times as compared to the FYE 2016. The current assets for FYE 2017 increased by RM9.3 million to RM26.6 million mainly due to:

(i) increase in trade receivables from RM12.6 million in the FYE 2016 to RM15.2 million in the FYE 2017 in tandem with the increase in revenue generated in the FYE 2017 (RM85.5 million) as compared to the FYE 2016 (RM71.4 million). Despite the increase in trade receivables, our average trade receivables turnover decreased from 63 days in the FYE 2016 to 60 days in the FYE 2017;

(ii) increase in other receivables from RM2.0 million in the FYE 2016 to RM2.6 million in the FYE 2017 mainly due to the increased in prepayments of RM1.2 million (of which RM1.0 million was incurred for the listing expenses in relation to the IPO) which was offset by the decrease in goods and services tax of RM0.6 million in the FYE 2017; and

(iii) increase in cash and bank balances from RM0.6 million in the FYE 2016 to RM1.2 million in the FYE 2017 as our Group opt to rely more on bank overdraft facilities to fund our business operation,

whereas the current liabilities for the FYE 2017 increased to RM33.7 million mainly due to:

(i) the increase from amount owing to Directors from RM3.9 million in the FYE 2016 to RM7.3 million in the FYE 2017 mainly due to the dividend payable to payable from NV Freights of RM4.1 million to a Director which is due for payment on 15 June 2017. As at the LPD and upon the completion of the Capitalisations, there is not outstanding amount owing to Directors;

(ii) finance lease payables from RM3.9 million in the FYE 2016 to RM4.4 million in the FYE 2017 mainly due to acquisition of 10 units of prime mover and 60 units of trailer during the FYE 2017; and

(iii) bank borrowings from RM2.6 million in the FYE 2016 to RM5.5 million in the FYE 2017 mainly due to increase of outstanding bank overdrafts of RM4.3 million in the FYE 2017 as compared to RM1.4 million in the FYE 2016. The bank overdrafts was mainly used to finance our business operations.

(iv) Gearing ratio

For the FYE 2016, notwithstanding the decrease in finance lease payables, our gearing ratio increased from 0.48 times to 0.72 times as compared to the FYE 2015 mainly due to a slight reduction in equity resulting from the dividend declared/paid amounting to RM4.9 million, and higher borrowings mainly resulted from the drawdown of term loan to finance the acquisition of Pulau Indah Land, utilisation of short-term bank borrowings (i.e. bank overdraft and revolving credit) to fund our short-term working capital requirements, and finance lease to purchase the prime movers and trailers.

For the FYE 2017, our gearing ratio decreased marginally from 0.72 times for the FYE 2016 to 0.70 times mainly due to the increase in equity as a result of the increase in retained profits of RM6.0 million from RM28.8 million to RM34.8 million together with the net increase finance lease payable and bank overdrafts totalling RM3.4 million from RM20.7 million to RM24.1 million.

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The finance lease payables, bank borrowings and equity for the financial years under review are set out as follows:

	FYE 2015	FYE 2016	FYE 2017
	RM	RM	RM
Finance lease payables	11,741,474	10,869,797	11,852,775
Bank borrowings			
Bank overdrafts	301,935	1,434,917	4,258,089
Revolving credit	-	1,000,000	1,000,000
Term loans	2,010,521	7,400,367	7,200,142
Total finance lease payables and bank borrowings	**14,053,930**	**20,705,081**	**24,311,006**
Net assets/ equity	**29,035,441**	**28,763,069**	**34,760,124**

12.6 TREND INFORMATION

The financial position and results of operations of our Group have been, and will continue to be affected by various key factors primarily relating to the industry in which we are operating in as described in section 12.2 above. Except as disclosed in this Section 12, the IMR Report on Section 7 of this Prospectus and the risk factors in Section 4 of this Prospectus, our Board confirms to the best knowledge and belief after due enquiry, there are no:

(i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have a material favourable or unfavourable impact on our financial position and operations;

(ii) material commitment for capital expenditure save as disclosed in Section 12.4.6 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and profits save for the future plans and strategies in Section 6.17 of this Prospectus;

(v) known trends, demands, commitments, events or uncertainties that are reasonable likely to make our Group historical financial statements not indicative of our future financial performance and position; and

(vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonable expect to have a material favourable or unfavourable impact on our liquidity and capital resources.

12.7 DIVIDEND POLICY

It is the policy of our Board in recommending dividends to allow shareholders to participate in our profits, as well as to retain adequate reserves for our future growth. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of the Board and any final dividend for the year is subject to shareholders' approval.

Our Board may recommend or declare the actual dividends in respect of any particular financial year or period subject to the factors outlined below:

(i) the level of our cash, gearing, debt profile and retained earnings;

(ii) our expected financial performance;

(iii) our projected levels of capital expenditure and other investment plans;

(iv) our working capital requirements; and

(v) any other factors our Board considers relevant.

Our Board intends to adopt a dividend pay-out ratio of at least 30% of our consolidated profit after taxation attributable to shareholders excluding non-recurring income, in each financial year beginning 1 January 2018, after taking into consideration the abovementioned factors, general financial condition, and contractual restrictions. The dividend pay-out ratio of at least 30% of our consolidated profit after taxation attributable to shareholders are derived based on average dividend pay-out ratio for the financial years under review of approximately 35.5%.

Despite the above, the declaration of dividends is subject to the discretion of our Board and our Company's compliance with the requirements of the Act. In accordance with Section 131(1) of the Act, we can only make distribution of dividend to our shareholders out of our available profits if we are solvent. Pursuant to Section 132(3) of the Act, a company is regarded as solvent if it is able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made.

The following dividends were paid/ payable to our Promoters by our Subsidiaries for the FYE 31 December 2016:

	Mode of payment	**RM**
Paid	Cash	890,000
Payable	Combination*	4,050,000
Total		**4,940,000**

Note:

* *RM1,000 was subsequently paid in cash and the remaining RM4,049,000 was settled through issuance of 8,098,000 new Tri-Mode Shares at an issue price of RM0.50 each pursuant to the NV Freights Capitalisation (see Section 5.3(iv) of this Prospectus for further details).*

Save as disclosed above, no other dividend was paid/ payable to our Promoters by our Group for the FYE 31 December 2017.

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The historical dividend trend of our Group for FYE 31 December 2015, FYE 31 December 2016 and FYE December 2017 are as follow:

	FYE 31 December 2015		FYE 31 December 2016		FYE 31 December 2017	
	RM	%	RM	%[(1)]	RM	%
Tri-Mode	-	-	-	-	-	-
Landbridge Haulage	-	-	-	-	-	-
NV Freights	-	-	4,800,000	422.0	-	-
Tri-Mode Penang	-	-	1,000,000[(2)]	131.1	-	-
Tri-Mode Johor	-	-	100,000[(3)]	52.8	-	-
Tri-Mode Logistics	-	-	-	-	-	-
Elimination	-	-	(960,000)	-	-	-
Tri-Mode Group	**-**	**-**	**4,940,000**	**105.8**	**-**	**-**

Notes:

(1) Represents the dividend payout ratio, calculated based on the total dividend declared/ paid divided by the net income of the respective company for the FYE 31 December 2016.

(2) Of which RM900,000 of the said dividend is paid to Tri-Mode and was eliminated under group consolidation.

(3) Of which RM60,000 of the said dividend is paid to Tri-Mode and was eliminated under group consolidation.

You should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which are subject to modification at our Board's discretion. Please refer to Section 4.3.4 of this Prospectus for information of the risk factor in relation to our dividend payments.

As part of our Company's principal activities is investment holding, our Company's income, and therefore our ability to pay dividends, is partially dependent upon the dividends we receive from our Subsidiaries. The payment of dividends by our Subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans and other factors that their respective boards of directors deem relevant. Dividends may only be paid out of distributable reserves. In addition, covenants in the loan agreements, if any, for our Company's Subsidiaries may limit their liability to declare or pay cash dividends.

You should not infer from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

12.8 ORDER BOOK

The status of order book is not relevant to our business as we are an integrated logistics service provider which provides relevant logistics services to meet the on-going demand of our customers.

12.9 TAXATION CONSIDERATION TO OUR SHAREHOLDERS

No stamp duty is payable for the subscription or issuance of our Shares. However, the contract note in relation to the sale, purchase and transfer of Shares are subject to Malaysian stamp duty, the current rate of which is RM1 for every RM1,000 (or part thereof) of the transaction value of the Shares (payable by both buyer and seller), up to the maximum of RM200.

Notwithstanding the above, stamp duty imposed on the contract note in respect of shares of mid and small cap companies will be waived effective 1 March 2018 until 28 February 2021. Such stamp duty exemption will be applicable to companies listed on Bursa Securities with a market capitalisation ranging between RM200 million and RM2 billion as at 31 December 2017 for eligibility in 2018. For eligibility in 2019 onwards, the companies will be based on their market capitalisation as at 31 December 2018. The list of companies will be static until the annual review.

Dividend payments, capital gains and profits from dealing in the Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions.

Potential investors are urged to consult their professional tax advisors if they are in any doubt as to the taxation implications of subscribing, purchasing, holding or disposing of, and dealing in our Shares. None of us or, the Principal Adviser or, any of their respective directors or any person or party involved in this IPO accepts responsibility for any tax effects on, or liability of, any person, resulting from the subscription, purchase, holding or disposal of, and dealing in our Shares.

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3 APR 2018

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The Board of Directors
Tri-Mode System (M) Berhad
25-27, Lorong Berembang
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Selangor Darul Ehsan

Dear Sirs,

TRI-MODE SYSTEM (M) BERHAD ("TRI-MODE" OR "THE COMPANY")
ACCOUNTANTS' REPORT

1. INTRODUCTION

This report has been prepared for inclusion in the Prospectus of Tri-Mode in relation to the listing of and quotation for the entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("Listing"). Details of the listing scheme are disclosed in Section 2 of this report.

2. DETAILS OF THE LISTING

In conjunction with and as an integral part of the Listing, Tri-Mode intends to undertake the listing scheme, which involves the following:

2.1 Pre-Initial Public Offering ("IPO") Reorganisation

To facilitate the Listing, the Company have undertaken the following corporate exercises:
(i) Subscription by Dato' Hew;
(ii) Share Split;
(iii) Landbridge Haulage Capitalisation;
(iv) NV Freight Capitalisation;
(v) Subscription by Third Party; and
(vi) Acquisitions.

Further details of the Pre-IPO Reorganisation are as follows:

(i) The subscription by Dato' Hew which was completed on 30 January 2018, entails the subscription of 4,000,000 new ordinary shares in Tri-Mode ("Tri-Mode Shares" or "Shares) ("Subscription") by Dato' Hew Han Seng ("Dato' Hew") for a cash consideration of RM2,000,000 at an issue price of RM0.50 each ("Subscription by Dato' Hew") in order to strengthen the share capital base of the Company. The cash consideration was funded via personal wealth of Dato' Hew. The proceeds from the Subscription by Dato' Hew was utilised as working capital for the Group. Upon completion of the Subscription by Dato' Hew, share capital of the Company increased from 5,000,000 Shares to 9,000,000 Shares;

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(ii) The share split which was completed on 31 January 2018, entails the subdivision of every 2 Tri-Mode Shares as at 31 January 2018 into 21 Tri-Mode Shares, after the completion of the Subscription by Dato' Hew ("Share Split"), in order to enlarge the share capital base (in terms of number of shares) to achieve a more affordable price per share for the IPO. The number of Shares held by the Promoters before and after the completion of the Share Split are as follows:

	No. of Tri-Mode Shares held after the Subscription by Dato' Hew		No. of Tri-Mode Shares held after the Share Split	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Dato' Hew	5,986,950	66.5	62,862,975	66.5
Datin Sam	3,013,050	33.5	31,637,025	33.5
Total	**9,000,000**	**100.0**	**94,500,000**	**100.0**

(iii) The capitalisation of Landbridge Haulage (M) Sdn Bhd ("Landbridge Haulage"), which was completed on 16 March 2018, after the Share Split, involving the following:

(a) the capitalisation of RM1,213,000 owing by Landbridge Haulage to Dato' Hew via the issuance of 1,213,000 new ordinary shares in Landbridge Haulage ("Landbridge Haulage Shares") to the Company and in return for issuance of 2,426,000 Tri-Mode Shares to Dato' Hew at an issue price of RM0.50 each, in order to strengthen the share capital base of Landbridge Haulage and the Company as well as to settle the shareholder's advances provided by Dato' Hew. The said amount owing by Landbridge Haulage of RM1,213,000 was originally advanced by Dato' Hew to fund the container haulage operations; and

(b) the capitalisation of RM5,287,000 owing by Landbridge Haulage to the Company via the issuance of 5,287,000 new Landbridge Haulage Shares to the Company, in order to strengthen the share capital base of Landbridge Haulage. The said amount owing by Landbridge Haulage of RM5,287,000 was recorded pursuant to the settlement of amount owing by Landbridge Haulage to Atama Logistics (M) Sdn Bhd ("Atama") (being the former holding company of Landbridge Haulage prior to the Pre-IPO Reorganisation) against the amount owing by Atama to the Company. The said amount owing by Landbridge Haulage of RM5,287,000 was originally advanced by Atama to fund the container haulage operations, while concurrently there was cash advance by Tri-Mode to Atama for the said purpose as well as for Atama's working capital;

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(iii) The capitalisation of Landbridge Haulage (M) Sdn Bhd ("Landbridge Haulage"), which was completed on 16 March 2018, after the Share Split, involving the following: (Cont'd)

The share capital of Landbridge Haulage before and after the Landbridge Haulage Capitalisation is as follows:

	No. of Landbridge Haulage Shares held before the Landbridge Haulage Capitalisation		No. of Landbridge Haulage Shares held after the Landbridge Haulage Capitalisation	
Shareholders	**No. of shares**	**%**	**No. of shares**	**%**
Atama	2,190,000	73.0	2,190,000	23.1
Dato' Hew	810,000	27.0	810,000	8.5
Tri-Mode	-	-	6,500,000	68.4
Total	**3,000,000**	**100.0**	**9,500,000**	**100.0**

(Collectively referred to as "Landbridge Haulage Capitalisation")

Upon completion of the Landbridge Haulage Capitalisation, share capital of the Company increased from 94,500,000 Shares to 96,926,000 Shares. In addition, the Landbridge Haulage Capitalisation had resulted in Tri-Mode holding approximately 68.4% of the enlarged issued share capital of Landbridge Haulage prior to the Acquisition of Landbridge Haulage as sets out in Note 2(vi)(e) below.

(iv) The capitalisation of NV Freights (M) Sdn Bhd ("NV Freights") which entails the capitalisation of RM4,049,000 owing by the Company to Datin Sam Choi Lai ("Datin Sam") via the issuance of 8,098,000 new Tri-Mode Shares to Dato' Hew, being the nominee of Datin Sam to receive such new Tri-Mode Shares, at an issue price of RM0.50 each which was completed on 16 March 2018. RM4,049,000 became amount owing by the Company to Datin Sam pursuant to a settlement between the Company, NV Freights and Datin Sam whereby the Amount owing by the Company to NV Freights was contra against the equivalent Amount owing by NV Freights to Datin Sam ("NV Freights Capitalisation"). The amount owing by NV Freights to Datin Sam arose from the dividend payable by NV Freights to Datin Sam which was declared on 30 December 2016, amounting to RM4,049,960.

The NV Freights Capitalisation was undertaken to strengthen the share capital base of NV Freights. Upon completion of the NV Freights Capitalisation, share capital of the Company increased from 96,926,000 Shares to 105,024,000 Shares;

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2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(v) The Subscription by Third Party which was completed on 20 March 2018 entails the issuance of 1,000 new Shares for a cash consideration of RM500 at an issue price of RM0.50 each to Loo Soo Woi, being an independent individual i.e. not a person connected to nor has any direct relationship with the Promoters, Directors and substantial shareholders ("Subscription by Third Party"). The Subscription by Third Party was undertaken to facilitate the Acquisitions, after the Share Split.

Pursuant to the Companies Act, 2016 ("Act"), the approval of non-interested shareholder of the Company namely Loo Soo Woi, being the only non-interested shareholders of the Company is required for the implementation of the Pre-IPO Reorganisation, particularly in relation to the Acquisitions. In compliance with Sections 228(2)(b) and 228(4) of the Act, Dato' Hew and Datin Sam, being the interested shareholders, shall abstain from voting in the relevant shareholders' resolution pertaining to the Pre-IPO Reorganisation. Loo Soo Woi, being the independent shareholder, has on 21 March 2018 approved the implementation of the Acquisitions.

Upon completion of the Subscription by Third Party, the share capital of the Company increased from 105,024,000 Shares to 105,025,000 Shares;

(vi) Pursuant to the acquisitions as mentioned below, the Company has on 12 September 2017 entered into 6 conditional share purchase agreements to acquire the equity interest in Tri-Mode System (Penang) Sdn Bhd ("Tri-Mode Penang"), Tri-Mode System (JB) Sdn Bhd ("Tri-Mode Johor"), Tri-Mode Logistics (M) Sdn Bhd ("Tri-Mode Logistics"), NV Freights, Landbridge Haulage and Atama. The purchase consideration for the acquisitions will be satisfied entirely via issuance of new Tri-Mode Shares. The details of the acquisitions are as follows:

(a) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 10,000 ordinary shares in Tri-Mode Penang (representing 10.0% of the issued share capital in Tri-Mode Penang) ("Tri-Mode System Penang Shares") from Dato' Hew, for a purchase price of RM209,000 satisfied entirely via the issuance of 418,000 new Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 10.0% of the audited net assets ("NA") of Tri-Mode Penang of RM208,545 as at 31 December 2016 , which is equivalent to approximately 10% of the existing net book value ("NBV") of the assets of Tri-Mode Penang. The audited NA of Tri-Mode Penang as at 31 December 2016 is RM2,085,445. The Company has held the remaining 90% of the issued share capital in Tri-Mode Penang prior to 2017;

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(vi) The details of the acquisitions are as follows: (Cont'd)

(b) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 20,000 ordinary shares in Tri-Mode Johor (representing 40.0% of the issued share capital in Tri-Mode Johor) ("Tri-Mode Johor Shares") from Dato' Hew, for a purchase price of RM240,000 satisfied entirely via the issuance of 480,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 40.0% of the audited NA of Tri-Mode Johor of RM239,160 as at 31 December 2016, which is equivalent to approximately 40% of the existing NBV of the assets of Tri-Mode Johor. The audited NA of Tri-Mode Johor as at 31 December 2016 is RM597,900. The Company has held the remaining 60% of issued share capital in Tri-Mode Johor prior to 2017;

(c) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 2,000 ordinary shares in Tri-Mode Logistics (representing 20.0% of the issued share capital in Tri-Mode Logistics) ("Tri-Mode Logistics Shares") from Dato' Hew, for a purchase price of RM175,000 satisfied entirely via the issuance of 350,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 20.0% of the audited NA of Tri-Mode Logistics of RM174,783 as at 31 December 2016, which is equivalent to approximately 20% of the existing NBV of the assets of Tri-Mode Logistics. The audited NA of Tri-Mode Logistics as at 31 December 2016 is RM873,916. The Company has held the remaining 80% of the issued share capital in Tri-Mode Logistics prior to 2017;

(d) The Company has entered into a conditional share purchase agreement with Dato' Hew and Datin Sam to acquire 100,000 ordinary shares in NV Freights (representing the entire issued share capital in NV Freights) ("NV Freights Shares") from Dato' Hew and Datin Sam, for a total purchase price of RM1,500,000 satisfied entirely via the issuance of 3,000,000 new Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share, details of which are set out below:

Vendors	No. of NV Freights Shares acquired	% of issued share capital in NV Freights	Purchase price RM	No. of Tri-Mode Shares issued
Dato' Hew	1	0.001	15	30
Datin Sam	99,999	99.999	1,499,985	2,999,970[(1)]
	100,000	100.000	1,500,000	3,000,000

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(vi) The details of the acquisitions are as follows: (Cont'd)

Note:

(1) Pursuant to a letter of nomination dated 18 September 2017, Datin Sam has nominated Dato' Hew to receive 959,970 new Tri-Mode Shares out of the 2,999,970 new Tri-Mode Shares to be issued to Datin Sam by the Company. With the nomination arrangement, the new Tri-Mode Shares which the Company will issue as consideration for the Acquisition of NV Freights will be issued to Dato' Hew and Datin Sam in the following proportion:

Vendors	***No. of Tri-Mode Shares***
Dato' Hew	*960,000*
Datin Sam	*2,040,000*

The purchase price represents approximately 1.0 time of the audited NA of NV Freights of RM1,441,983 as at 31 December 2016, which is approximately equivalent to the existing NBV of the assets of NV Freights.

(e) The Company has entered into a conditional share purchase agreement with Dato' Hew and Atama to acquire of 3,000,000 ordinary shares in Landbridge Haulage (representing approximately 31.6% of the enlarged issued share capital in Landbridge Haulage) ("Landbridge Haulage Shares") by the Company from Dato' Hew and Atama for a total purchase price of RM6,300,000 satisfied entirely via the issuance of 12,600,000 new Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share ("Consideration Shares"), details of which are set out below:

Vendors	**No. of Landbridge Haulage Shares acquired**	**% of issued share capital of Landbridge Haulage (1)**	**% of issued share capital of Landbridge Haulage (2)**	**Purchase price RM**	**No. of Tri-Mode Shares issued**
Dato' Hew	810,000	27.0	8.5	1,701,000	3,402,000
Atama	2,190,000	73.0	23.1	4,599,000	9,198,000 (3)
	3,000,000	**100.0**	**31.6**	**6,300,000**	**12,600,000**

Notes:

(1) Based on the issued share capital in Landbridge Haulage before the Landbridge Haulage Capitalisation of RM3,000,000.

(2) Based on the issued share capital in Landbridge Haulage after the Landbridge Haulage Capitalisation of RM9,500,000 as disclosed in Note 2.1(iii).

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(vi) The details of the acquisitions are as follows: (Cont'd)

(e) Notes:

(3) Pursuant to the share purchase agreement dated 12 September 2017 between Atama and Dato' Hew as the vendors and the Company as the purchaser in connection with the Acquisition of Landbridge Haulage, 6,570,000 Tri-Mode Shares out of the Atama's Consideration Shares had been issued to the following as nominated by Atama, in proportion to their respective shareholdings in Atama prior to the completion of the Acquisition of Atama:

Shareholders	***No. of Atama Shares held***	***% of Atama Shares held***	***No of Tri-Mode Shares***
Dato' Hew	*93,100*	*49.0*	*3,219,300*
Murni Binti Osman	*19,000*	*10.0*	*657,000*
Muzlina Binti Abdul Hamid	*19,000*	*10.0*	*657,000*
Yahya Suban Bin Talib	*58,900*	*31.0*	*2,036,700*
Total	***190,000***	***100***	***6,570,000***

The remaining Atama's Consideration Shares of 2,628,000 Tri-Mode Shares were retained by Atama. Atama has informed of its intention to distribute or allocate such number of Tri-Mode Shares to its employees, the details of which is yet to be determined.

The purchase price represents approximately 1.0 time of 31.6% of the proforma NA of Landbridge Haulage of RM6,293,992 as at 31 December 2016* after completion of the Landbridge Haulage Capitalisation, (which resulted in Tri-Mode holding approximately 68.4% of the enlarged issued share capital in Landbridge Haulage), details of which are out in Note 2.1(iii) above. The proforma audited NA of Landbridge Haulage as at 31 December 2016 and after completion of the Landbridge Haulage Capitalisation is RM19,917,696, which is equivalent to approximately 68.4% of the proforma NBV of the assets of Landbridge Haulage; and

Note:

* *Based on the audited accounts of Landbridge Haulage for the FYE 31 December 2016 dated 16 June 2017 and prior to the prior year adjustments effected subsequently in the audited account of Landbridge Haulage in respect of the net carrying amounts and depreciation expenses of prime movers and trailers when accounted for the change in respective useful lives and residual values of the prime movers and trailers in Landbridge Haulage occurred during the FYE 31 December 2015.*

2. DETAILS OF THE LISTING (CONT'D)

2.1 Pre-IPO Reorganisation (Cont'd)

Further details of the Pre-IPO Reorganisation are as follows: (Cont'd)

(vi) The details of the acquisitions are as follows: (Cont'd)

(f) The Company has entered into a conditional share purchase agreement with Dato' Hew to acquire of 93,100 Atama Shares (representing approximately 49.0% of the issued share capital in Atama) by the Company from Dato' Hew for a purchase price of RM460,000 satisfied entirely via the issuance of 920,000 Tri-Mode Shares at an issue price of RM0.50 for each Tri-Mode Share. The purchase price represents approximately 1.0 time of 49.0% of the audited NA of Atama of RM455,207 as at 31 December 2016, which is equivalent to approximately 49% of the existing NBV of the assets of Atama. The audited NA of Atama as at 31 December 2016 is RM928,993.

After completion of the Pre-IPO Reorganisation, Atama will become the associate company of Tri-Mode Group only. In accordance with the requirements imposed by the Customs on the licence held by Atama as a forwarding agent, the Bumiputera's participation in Atama shall not in any event less than 51% (i.e. shareholders, directors, key management and support staffs). As such, any further increase of Tri-Mode's shareholdings in Atama will result in a non-compliance by Atama of its 51% Bumiputera's equity condition imposed by the said licence.

(Collectively referred to as "Acquisitions")

The above Pre-IPO Reorganisation is not conditional upon the approval of the listing scheme by the relevant authorities. The Acquisitions were completed on 26 March 2018 subsequent to the fulfilment of conditions precedent pursuant to the share purchase agreements as disclosed in Section 14.4 of the Prospectus. Please refer to Section 14.4 of the Prospectus for the salient terms of the Acquisitions.

Upon completion of the Acquisitions, Tri-Mode Penang, Tri-Mode Johor, Tri-Mode Logistics, NV Freights and Landbridge Haulage became the wholly-owned subsidiaries, while Atama and Container Connections (M) Sdn Bhd ("Container Connections") became the associate companies.

2. DETAILS OF THE LISTING (CONT'D)

2.2 Public Issue

A total of 43,207,000 Tri-Mode Shares representing approximately 26.03% of the enlarged issued share capital ("IPO Shares") are offered at institutional price to be determined by way of bookbuilding and retail price of RM0.61 per share payable in full upon application and subject to refund of the difference between the retail price and final retail price to be paid by investors pursuant to the retail offering, if that the final retail price is less than the retail price. The Public Issue is subject to the terms and conditions of this Prospectus. The IPO Shares will be allocated in the following manner:

(a) Malaysian Public

8,300,000 IPO Shares (representing 5.00% of the enlarged total number of Shares) will be made available for application by the Malaysian Public through a balloting process, of which 4,150,000 IPO Shares are to be allocated to Bumiputera individuals, companies, societies, co-operatives and institutions. Any IPO Shares not subscribed by the Bumiputera investors will be made available for subscription by Malaysian Public.

(b) Eligible Persons

4,197,000 IPO Shares (representing 2.53% of the enlarged total number of Shares) will be made available for application by the Directors and eligible employees.

(c) Private placement to institutional and selected investors

24,900,000 IPO Shares (representing 15.00% of the enlarged total number of Shares) will be made available by way of private placement to institutional and selected investors.

(d) Bumiputera Investors Approved by Ministry of International Trade and Industry ("MITI").

5,810,000 IPO Shares (representing 3.50% of the enlarged total number of Shares) will be placed to Bumiputera Investors approved by MITI.

The Public Issue will increase the share capital to RM47,502,770 comprising 166,000,000 Shares.

The basis of allocation for the IPO Shares shall take into account the Board's intention to distribute the IPO Shares to a reasonable number of applicants to broaden the Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for the Shares. Applicants will be selected in a fair and equitable manner to be determined by the Directors. There is no over-allotment or 'greenshoe' option that will result in an increase in the number of the IPO Shares.

2.3 Listing of and Quotation for Tri-Mode Shares on the ACE Market of Bursa Securities

Upon completion of the Pre-IPO Reorganisation and Public Issue, the Company would seek the listing of and quotation for its entire enlarged issued share capital of RM47,502,770 comprising 166,000,000 ordinary shares in Tri-Mode on the ACE Market of Bursa Securities.

2. DETAILS OF THE LISTING (CONT'D)

2.4 Utilisation of Proceeds from IPO

The gross proceeds from the IPO of RM26,356,270 are intended to be utilised as follows:

Details of the utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM	%	
Business expansion			
• Construction of Proposed headquarters and Distribution Hub	15,000,000	56.9	Within 30 months
• Purchase of prime movers and trailers	500,000	1.9	Within 24 months
Repayment of bank borrowings	5,000,000	19.0	Within 6 months
Working capital	2,356,270	8.9	Within 12 months
Estimated listing expenses	3,500,000	13.3	Within 3 months
Total	26,356,270	100.0	

3. GENERAL INFORMATION

3.1 Background Information

Tri-Mode was incorporated in Malaysia under the Companies Act 1965 on 19 November 1991 and registered under the Act as a private limited company under the name of Multrapac Container Line (M) Sdn Bhd. The Company has changed its name to Tri-Mode System (M) Sdn Bhd on 3 March 1992. Subsequently on 15 September 2017, the Company was converted into a public company and assumed the present name to facilitate the listing on the ACE Market of Bursa Securities.

The Company's principal activities are those investment holding and provision of freight and logistic services. The Company commenced its business in 1993. Through its subsidiaries, the Company is a Malaysia based integrated logistics service provider, where the principal activities include provision of sea freight services, air freight services, container haulage services, freight forwarding services, warehousing services and marine insurance services. Please refer to Section 3.4 for further details of the principal activities of its subsidiaries.

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3. GENERAL INFORMATION (CONT'D)

3.2 Share Capital

The changes in the issued share capital since the date of its incorporation up to the date of this report are as below:

Date of Allotment	No. of Shares Allotted	Consideration	Issued share capital (RM)	Cumulative issued share capital (RM)
19 November 1993	2	Cash	2	2
9 April 1992	99,998	Cash	99,998	100,000
8 December 1992	50,000	Cash	50,000	150,000
10 March 1995	50,000	Cash	50,000	200,000
29 February 1996	100,000	Cash	100,000	300,000
22 October 2015	4,700,000	Other than cash(1)	4,700,000	5,000,000
30 January 2018	4,000,000	Cash(2)	2,000,000	7,000,000
31 January 2018	85,500,000	Not applicable(3)	-	7,000,000
16 March 2018	8,098,000	Other than cash(4)	4,049,000	11,049,000
16 March 2018	2,426,000	Other than cash(5)	1,213,000	12,262,000
20 March 2018	1,000	Cash(6)	500	12,262,500
26 March 2018	17,768,000	Other than cash(7)	8,884,000	21,146,500
	122,793,000			

Notes:

(1) Issuance of bonus shares to existing shareholders through capitalisation of RM4,700,000 from the retained earnings account on the basis of 47 bonus shares for every 3 existing ordinary shares held.

(2) Issuance of 4,000,000 new Tri-Mode Shares at RM0.50 each pursuant to the Subscription by Dato' Hew.

(3) Issued pursuant to the Share Split.

(4) Issuance of 8,098,000 new Tri-Mode Shares at RM0.50 each pursuant to the NV Freights Capitalisation.

(5) Issuance of 2,426,000 new Tri-Mode Shares at RM0.50 each pursuant to the Landbridge Haulage Capitalisation.

(6) Issuance of 1,000 new Tri-Mode Shares at RM0.50 each pursuant to the Subscription by Third Party.

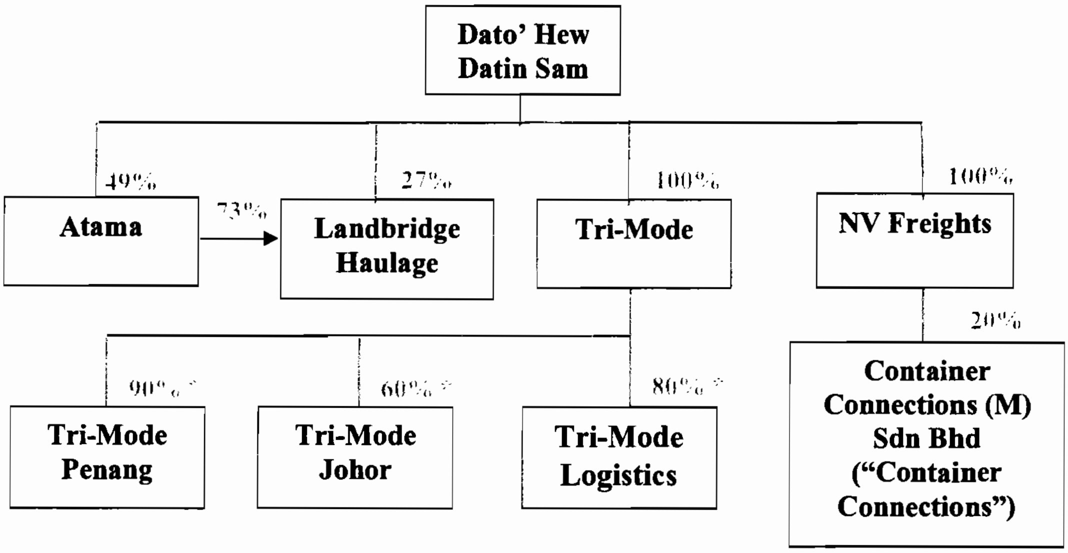
(7) Issuance of 17,768,000 new Tri-Mode Shares at RM0.50 each pursuant to the Acquisitions.

3. GENERAL INFORMATION (CONT'D)

3.3 Group Structure

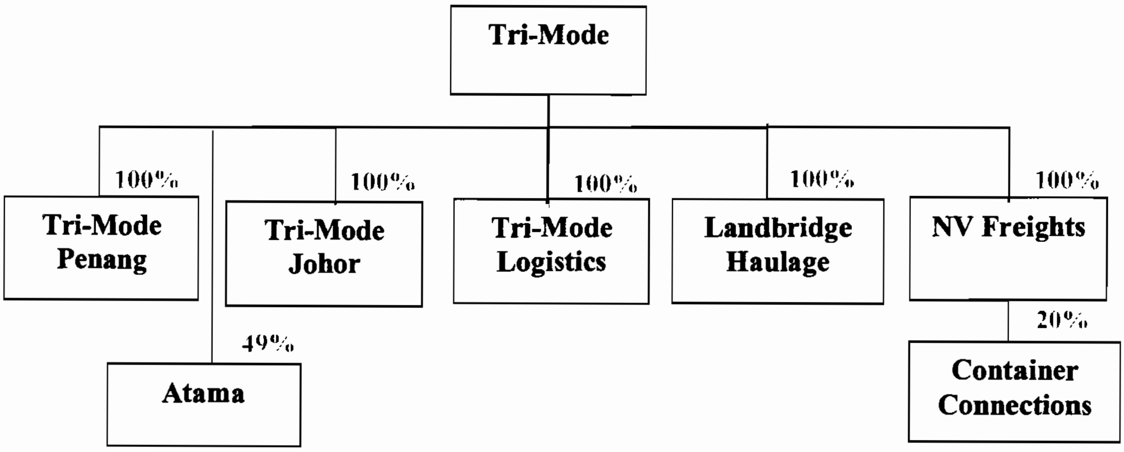
The corporate structure prior to the Pre-IPO Reorganisations and after the Pre-IPO Reorganisation is illustrative below:

(i) Group structure prior to Pre-IPO Reorganisation



** the remaining shares of these companies are held directly by Dato' Hew*

(ii) Upon completion of the Pre-IPO Reorganisation



3.4 Combining Entities

Details of combining entities are as follows:

Name of company	Date and country of incoporation	Issued share capital RM	Effective Interest %	Principal activities
Direct Holding				
Tri-Mode Logistics	29 March 1996/ Malaysia	10,000	100	Provision of warehousing services
Tri-Mode Johor	31 May 2001/ Malaysia	50,000	100	Provision of international freight forwarding services
Tri-Mode Penang	11 February 1999/ Malaysia	100,000	100	Provision of international freight forwarding services
Landbridge Haulage	22 March 2002/ Malaysia	3,000,000	100	Provision of container haulage services
NV Freights	3 July 2000/ Malaysia	100,000	100	Provision of international freight forwarding services and acts as general insurance agent

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UHY

4. RELEVANT FINANCIAL YEARS/PERIOD AND AUDITORS

The relevant financial years/period of the audited financial statements and the statutory auditors for the most recent 3 years/period are set out below:

Companies	Relevant Financial Years/Period	Auditors
Tri-Mode	Financial year ended ("FYE") 29 February 2015	T Y & Associates
	FYE 29 February 2016	T Y & Associates
	Financial period ("FP") from 1 March 2016 to 31 December 2016	UHY
	FYE 31 December 2017	UHY
Tri-Mode Logistics	FYE 29 February 2015	T Y & Associates
	FYE 29 February 2016	T Y & Associates
	FP from 1 March 2016 to 31 December 2016	UHY
	FYE 31 December 2017	UHY
Tri-Mode Johor	FYE 29 February 2015	T Y & Associates
	FYE 29 February 2016	T Y & Associates
	FP from 1 March 2016 to 31 December 2016	UHY
	FYE 31 December 2017	UHY
Tri-Mode Penang	FYE 29 February 2015	T Y & Associates
	FYE 29 February 2016	T Y & Associates
	FP from 1 March 2016 to 31 December 2016	UHY
	FYE 31 December 2017	UHY
Landbridge Haulage	FYE 31 October 2015	T Y & Associates
	FP from 1 November 2015 to 31 December 2016	UHY
	FYE 31 December 2017	UHY
NV Freights	FYE 31 October 2015	T Y & Associates
	FP from 1 November 2015 to 31 December 2016	UHY
	FYE 31 December 2017	UHY

The audited financial statements of the above companies for the Relevant Financial Years/Period were reported without any audit qualification.

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5. COMBINED FINANCIAL STATEMENTS AND BASIS OF PREPARATION

This combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), and based on the Guidance Note on 'Combined Financial Statements' issued by Malaysian Institute of Accountants in relation to the Listing.

The combined financial statements consist of the financial statements of combining entities as disclosed in Section 3.4 to this Report, which were under common control throughout the reporting periods by virtue of common controlling shareholders, and has been accounted for as a business combination under common control in a manner similar to pooling of interests.

Accordingly, the combined financial statements for FYE 31 December 2015, FYE 31 December 2016 and FYE 31 December 2017 have been prepared on the basis of merger accounting and comprise the financial statements of the combining entities which are under common control of shareholders that existed prior to the Listing during the relevant reporting periods or since their respective date of incorporation.

The financial information as presented in the combined financial statements do not correspond to the consolidated financial statements of the Company, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the combining entities during the reporting periods.

The combining entities previously applied Private Entities Reporting Standards ("PERS") during the financial year ended 28 February 2015 and 31 October 2015. The combining entities adopted MFRSs and MFRS 1, *First-time Adoption of Malaysian Financial Reporting Standards* for the first-time during the financial year ended 31 December 2015. The transition to MFRSs does not have financial impact to the combined financial statements.

The financial statements for Tri Mode and its subsidiary companies have been re-audited by UHY for the purpose of preparation of the combined financial statements. The separate statutory audited financial statements of Tri Mode and its subsidiary companies were realigned to 12 months period ended 31 December 2015 and 31 December 2016 for the purpose of these combined financial statements to be conterminous with the financial year end of the Group.

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UHY

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3 APR 2018

The Board of Directors
Tri-Mode System (M) Berhad
25-27, Lorong Berembang
Off Jalan Kem
Taman Seri Berembang
42000 Port Klang
Selangor Darul Ehsan

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Tri-Mode System (M) Berhad

Opinion

We have audited the accompanying combined financial statements of Tri-Mode System (M) Berhad ("Tri-Mode" or "the Company") and its subsidiary companies ("the Group"), which comprise the combined statements of financial position as at 31 December 2015, 31 December 2016 and 31 December 2017 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial year then ended, and notes to the combined financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 101.

The combined financial statements has been prepared for inclusion in the prospectus of Tri-Mode in connection with the listing of and quotation for the entire enlarged issued share capital of Tri-Mode on the ACE Market of Bursa Malaysia Securities Berhad (the "Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10.02 of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, 31 December 2016 and 31 December 2017, and of their financial performance and their cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Tri-Mode System (M) Berhad (Cont'd)

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountants' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Responsibilities of the Directors for the Combined Financial Statements

The Directors of the Company are responsible for the preparation of the combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the combined financial statements.

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Tri-Mode System (M) Berhad (Cont'd)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our accountants' report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

UHY

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Tri-Mode System (M) Berhad (Cont'd)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (Cont'd)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matters

This report is made solely to the Directors of Tri-Mode for the listing of and quotation for the entire enlarged issued share capital of Tri-Mode System (M) Berhad on the ACE Market of Bursa Securities and accordingly, we do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR

UHY

TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION

		<------------ Combined Group ------------>		
			At 31 December	
		2015	2016	2017
	Note	RM	RM	RM
Assets				
Non-Current Assets				
Property, plant and equipment	3	38,835,435	55,178,674	58,693,301
Other investments	4	201,732	175,000	175,000
Investment in associate companies	5	1,370,043	1,914,811	2,017,889
Deferred tax assets	6	-	7,000	-
		40,407,210	57,275,485	60,886,190
Current Assets				
Inventories	7	-	119,870	74,956
Trade receivables	8	11,997,642	12,590,042	15,232,500
Other receivables	9	2,872,971	1,954,803	2,633,982
Tax recoverable		30,319	35,584	3,100
Fixed deposits with licensed banks	10	3,099,668	2,020,207	2,074,417
Cash and bank balances		1,463,812	584,912	1,181,870
		19,464,412	17,305,418	21,200,825
Total Assets		59,871,622	74,580,903	82,087,015

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		<------------ Combined Group	At 31 December	------------>
		2015	2016	2017
	Note	**RM**	**RM**	**RM**
Equity				
Equity attributable to common controlling shareholders of the combining entities				
Invested equity	11	8,260,000	8,260,000	8,260,000
Acquisition reserves	12	(368,741)	(368,741)	(368,741)
Retained earnings		21,144,182	20,871,810	26,868,865
Total equity		29,035,441	28,763,069	34,760,124
Liabilities				
Non-Current Liabilities				
Finance lease payables	13	7,714,533	6,984,829	7,464,181
Bank borrowings	14	1,826,475	7,198,871	6,983,654
Deferred tax liabilities	6	3,498,638	4,012,510	4,568,046
		13,039,646	18,196,210	19,015,881
Current Liabilities				
Trade payables	15	4,805,130	5,096,255	4,712,688
Other payables	16	4,227,831	5,513,587	2,634,118
Amount due to associates	17	2,266,718	2,104,809	3,741,146
Amount due to Directors	18	1,654,708	3,918,283	7,276,231
Finance lease payables	13	4,026,941	3,884,968	4,388,594
Bank borrowings	14	485,981	2,636,413	5,474,577
Tax payable		329,226	417,309	83,656
Dividend payable		-	4,050,000	-
		17,796,535	27,621,624	28,311,010
Total Liabilities		30,836,181	45,817,834	47,326,891
Total Equity and Liabilities		59,871,622	74,580,903	82,087,015
Net assets ("NA") (RM)		29,035,441	28,763,069	34,760,124
Number of ordinary shares		8,260,000	8,260,000	8,260,000
NA per ordinary share (sen)		351.52	348.22	420.82

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		<------------ Combined Group ------------>		
			FYE 31 December	
		2015	2016	2017
	Note	RM	RM	RM
Revenue	19	78,693,180	71,381,312	85,505,271
Cost of sales		(61,801,965)	(53,609,134)	(66,050,940)
Gross profit		16,891,215	17,772,178	19,454,331
Other income		538,894	444,618	600,701
Administrative expenses		(11,829,273)	(11,661,008)	(11,159,822)
Profit from operations		5,600,836	6,555,788	8,895,210
Finance costs	20	(903,524)	(878,596)	(1,078,644)
Share of results of associates		613,439	544,768	183,078
Profit before tax	21	5,310,751	6,221,960	7,999,644
Taxation	22	(2,051,625)	(1,554,332)	(2,002,589)
Profit for the financial year, representing total comprehensive income for the financial year		3,259,126	4,667,628	5,997,055
Profit attributable to common controlling shareholders of the combining entities		3,259,126	4,667,628	5,997,055

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		<------------ Combined Group ------------> FYE 31 December		
		2015	**2016**	**2017**
	Note	**RM**	**RM**	**RM**
Key financial ratio				
Earnings before interest, tax, depreciation and amortisation		9,140,319	9,172,866	11,390,770
Gross profit margin (%)		21.46	24.90	22.75
Profit before tax margin (%)		6.75	8.72	9.36
Net profit margin (%)		4.14	6.54	7.01
Effective tax rate (%)		38.63	24.98	25.03
Net earnings per share (sen)*	23(a)	2.65	3.80	4.88
Number of ordinary shares in issue before IPO		122,793,000	122,793,000	122,793,000
Net earnings per share (sen)^	23(b)	1.96	2.81	3.61
Number of ordinary shares in issue after IPO		166,000,000	166,000,000	166,000,000

* *The net earnings per share is computed by dividing the profit attributable to owner of the parent against the number of ordinary shares in issue before IPO.*

^ *The net earnings per share is computed by dividing the profit attributable to owner of the parent against the number of ordinary shares in issue after IPO.*

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY

		Non-Distributable		Distributable	
	Note	Invested Equity RM	Acquisition Reserves RM	Retained Earnings RM	Total Equity RM
At 1 January 2015		3,560,000	(368,741)	22,585,056	25,776,315
Net profit for the financial year, representing total comprehensive income for the financial year		-	-	3,259,126	3,259,126
Transactions with owners					
Bonus issue of shares	11	4,700,000	-	(4,700,000)	-
At 31 December 2015		8,260,000	(368,741)	21,144,182	29,035,441
At 1 January 2016		8,260,000	(368,741)	21,144,182	29,035,441
Profit for the financial year, representing total comprehensive income for the financial year		-	-	4,667,628	4,667,628
Transactions with owners					
Dividends	24	-	-	(4,940,000)	(4,940,000)
At 31 December 2016		8,260,000	(368,741)	20,871,810	28,763,069
At 1 January 2017		8,260,000	(368,741)	20,871,810	28,763,069
Profit for the financial year, representing total comprehensive income for the financial year		-	-	5,997,055	5,997,055
At 31 December 2017		8,260,000	(368,741)	26,868,865	34,760,124

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF CASH FLOWS

	<------------- Combined Group -------------> FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Cash Flows From Operating Activities			
Profit before tax	5,310,751	6,221,960	7,999,644
Adjustments for:			
Bad debts written off	27,635	150,026	-
Depreciation of property, plant and equipment	3,044,031	2,119,185	2,385,649
Dividend income	(1,273)	-	-
Gain on disposal of other investments	(3,053)	(5,519)	-
(Gain)/Loss on disposal of property, plant and equipment	(38,634)	13,547	(74,816)
Impairment loss on property, plant and equipment	-	-	245,436
Impairment loss on trade receivables	-	29,504	274,276
Finance costs	903,524	878,596	1,078,644
Interest income	(117,987)	(46,875)	(73,167)
Property, plant and equipment written off	10	30,639	-
Reversal of allowance for diminution in investment value	(9,113)	-	-
Share of results of associates	(613,439)	(544,768)	(183,078)
Unrealised gain on foreign exchange	(176,559)	(240,187)	(217,957)
Unrealised loss on foreign exchange	137,953	27,616	21,683
Operating profit before working capital changes	8,463,846	8,633,724	11,456,314

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

		<------------ Combined Group ------------>		
		FYE 31 December		
		2015	2016	2017
	Note	RM	RM	RM
Change in Working Capital:				
Inventories		13,000	(119,870)	44,914
Receivables		(263,021)	(910,115)	(3,399,643)
Payables		545,512	1,576,881	(3,263,036)
Associates		710,966	(161,909)	1,636,337
Directors		441,708	2,263,575	(692,052)
		1,448,165	2,648,562	(5,673,480)
Cash generated from operations		9,912,011	11,282,286	5,782,834
Interest paid		(903,524)	(878,596)	(1,078,644)
Interest received		117,987	46,875	73,167
Tax refund		-	-	30,319
Tax paid		(698,519)	(964,642)	(1,771,541)
		(1,484,056)	(1,796,363)	(2,746,699)
Net cash from operating activities		8,427,955	9,485,923	3,036,135
Cash Flows From Investing Activities				
Dividends received		81,273	-	80,000
Purchase of property, plant and equipment	3(b)	(1,719,193)	(13,751,850)	(1,709,373)
Proceeds from disposal of property, plant and equipment		295,581	562,536	472,166
Proceeds from disposal of other investments		10,309	32,251	4
Net cash used in investing activities		(1,332,030)	(13,157,063)	(1,157,203)

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TRI-MODE SYSTEM (M) BERHAD
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	<------------ Combined Group ------------> FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Cash Flows From Financing Activities			
Drawdown of term loan	-	6,579,679	-
Dividends paid	-	(890,000)	-
(Increase)/Decrease in fixed deposits pledged	(145,386)	848,255	(54,210)
Repayment of finance lease liabilities	(4,415,261)	(4,920,049)	(3,850,711)
Repayment of bank borrowings	(464,229)	(189,833)	(200,225)
Net cash (used in)/from financing activities	(5,024,876)	1,428,052	(4,105,146)
Net increase/(decrease) in cash and cash equivalents	2,071,049	(2,243,088)	(2,226,214)
Cash and cash equivalents at the beginning of the financial year	(677,966)	1,393,083	(850,005)
Cash and cash equivalents at the end of the financial year	1,393,083	(850,005)	(3,076,219)
Cash and cash equivalents at the end of the financial year comprises:			
Cash and bank balances	1,463,812	584,912	1,181,870
Fixed deposits with licensed banks	3,099,668	2,020,207	2,074,417
Bank overdrafts	(301,935)	(1,434,917)	(4,258,089)
	4,261,545	1,170,202	(1,001,802)
Less: Fixed deposits pledged with licensed banks	(2,868,462)	(2,020,207)	(2,074,417)
	1,393,083	(850,005)	(3,076,219)

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS

1. Basis of Preparation

(a) Statement of compliance

The combined financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The combined financial statements have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Standards issued but not yet effective

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the Malaysian Accounting Standard Board ("MASB") but are not yet effective for the Group:

		Effective date for financial periods beginning on or after
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 4	Applying MFRS 9 *Financial Instruments* with MFRS 4 *Insurance Contracts*	1 January 2018*
Amendments to MFRS 15	Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 140	Transfers of Investment Property	1 January 2018
Annual Improvements to MFRSs 2014 – 2016 Cycle:		
• Amendments to MFRS 1		1 January 2018
• Amendments to MFRS 128		1 January 2018
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long-term interests in Associates and Joint Ventures	1 January 2019

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

The Group has not applied the following new MFRSs, new interpretations and amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group: (Cont'd)

		Effective date for financial periods beginning on or after
Annual Improvements to MFRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:
* *Entities that meet the specific criteria in MFRS 4, paragraph 20B, may choose to defer the application of MFRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group intends to adopt the above MFRSs when they become effective.

The initial application of the abovementioned MFRSs are not expected to have any significant impacts on the combined financial statements of the Group except as mentioned below:

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income without subsequent recycling to profit or loss. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts* and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of Preparation (Cont'd)**

(a) **Statement of compliance (Cont'd)**

Standards issued but not yet effective (Cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

MFRS 17 Insurance Contracts

MFRS 17 which will supersede MFRS 4 Insurance Contracts is effective for annual reporting periods beginning on or after 1 January 2021 with earlier application permitted as long as MFRS 9 and MFRS 15 are also applied. An entity identifies as insurance contracts those contracts under which the entity accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder. MFRS 17 requires to separate specified embedded derivatives, distinct investment components and distinct performance obligations from the insurance contracts, as well as to divide the contracts into groups that an entity will recognise and measure. MFRS 17 also include an optional simplified measurement approach, or premium allocation approach, for simpler insurance contracts.

The impact of the new MFRSs, amendments and improvements to published standard on the combined financial statements of the Group are currently being assessed by management.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of Preparation (Cont'd)**

(b) **Functional and presentation currency**

These combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) **Significant accounting judgments, estimates and assumptions**

The preparation of the Group's combined financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgments

There are no significant areas of critical judgement in applying accounting policies that have significant effect on the amounts recognised in the combined financial statements.

Key sources of estimation uncertainty

Useful lives of property, plant and equipment

The Group regularly reviews the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

During the financial year 2015, based on a review on the estimated useful lives of property, plant and equipment that benchmarking to the other industry players' practice which resulted a change of expected useful lives and residual values of the prime movers and trailers of Landbridge Haulage. Further details are disclosed in Note 3(h) to the combined financial statements.

The carrying amount at the reporting date for property, plant and equipment is disclosed in Note 3 to the combined financial statements.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

1. **Basis of Preparation (Cont'd)**

(c) **Significant accounting judgments, estimates and assumptions (Cont'd)**

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 7 to the combined financial statements.

Impairment of loans and receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 8 and 9 in the combined financial statements respectively.

Income taxes

Judgment is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and/or deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax recoverable and tax payable of RM3,100 (2016: RM35,584, 2015: RM30,319) and RM83,656 (2016: RM417,309; 2015: RM329,226) respectively.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies**

The Group applies the significant accounting policies set out below, consistently throughout all periods presented in the combined financial statements unless otherwise stated.

(a) **Basis of consolidation**

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Subsidiary companies are consolidated using merger method of accounting as the business combination of the subsidiary companies involved an entity under common control.

Under the merger method of accounting, the results of subsidiary companies are presented as if the merger had been effected throughout the current and previous years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the cost of the merger is cancelled with the values of the shares received. Any resulting credit differences is classified as equity and regarded as a non-distributable reserve. Any resulting debit difference is adjusted against any suitable reserve. Any share premium, capital redemption reserve and any other reserves which are attributable to share capital of the merged entities, to the extent that they have not been capitalised by a debit difference, are reclassified and presented as movement in other capital reserves.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(i) Subsidiary companies (Cont'd)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instruments and within the scope of MFRS 139 *Financial Instruments: Recognition and Measurement*, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(a) **Basis of consolidation (Cont'd)**

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (ie. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 2(k)(i) to the combined financial statements on impairment of non-financial assets.

(b) **Investment in associate companies**

An associate company is an entity over which the Group have significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

On acquisition of an investment in an associate company, any excess of the cost of investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill and included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities of the investee over the cost of investment is excluded from the carrying amount of the investment and is instead included as income in the determination of the Group's share of associate companies' profit or loss for the period in which the investment is acquired.

An associate company is equity accounted for from the date on which the investee becomes an associate company. Under the equity method, on initial recognition of the investment in an associate company is recognised at cost and the carrying amount is increased or decreased to recognise the Group's share of profit or loss and other comprehensive income of the associate companies after the date of acquisition.

When the Group's share of losses in an associate company exceeds the carrying amount of the investment, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate companies.

2. **Significant Accounting Policies (Cont'd)**

(b) **Investment in associate companies (Cont'd)**

Profits or losses resulting from upstream and downstream transactions between the Group and its associate companies are recognised in the Group's combined financial statements only to the extent of unrelated investors' interests in the associate. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the assets transferred.

The financial statements of the associate companies are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group applies MFRS 139 to determine whether it is necessary to recognise any additional impairment loss with respect to its net investment in the associate companies. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single assets, by comparing its recoverable amount (higher of value-in-use and fair value less costs to sell) with its carrying amount. Any impairment loss is recognised in profit or loss. Reversal of an impairment loss is recognised to the extent that the recoverable amount of the investment subsequently increases.

Upon loss of significant influence over the associate companies, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate companies upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(c) **Foreign currency translation**

Foreign currency transactions and balances

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(c) **Foreign currency translation (Cont'd)**

Foreign currency transactions and balances (Cont'd)

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

(d) **Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 2(k)(i) to the combined financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(d) **Property, plant and equipment (Cont'd)**

(i) Recognition and measurement (Cont'd)

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost or valuation of each asset to its residual value over its estimated useful life. Freehold land is not depreciated. Leased assets are depreciated over the shorter of the lease term and their useful lives. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Freehold buildings	1.25%
Leasehold land and building	Over the remaining period of the lease
Prime movers	10% to 14.3%
Trailers	7.7%
Motor vehicles, forklifts and side loaders	20%
Office equipment, furniture and fittings and computer	10% to 20%
Radio equipment	12.5%
Renovation	10%

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

2. **Significant Accounting Policies (Cont'd)**

(e) **Leases**

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(e) **Leases (Cont'd)**

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(f) **Financial assets**

Financial assets are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group classifies its financial assets depending on the purpose for which the financial assets were acquired at initial recognition, into the following categories:

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those maturing later than 12 months after the end of the reporting period which are classified as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(f) **Financial assets (Cont'd)**

(ii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the end of the reporting period.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends from an available-forsale equity instrument are recognised in profit or loss when the Company's right to receive payment is established.

Investment in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less impairment loss.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised and derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(g) **Financial liabilities**

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

The Group classifies its financial liabilities at initial recognition into financial liabilities measured at amortised cost. The Group's financial liabilities comprise trade and other payables, amount due to associates, amount due to Directors and loans and borrowings.

Trade and other payables, amount due to associates and amount due to Directors are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) **Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the combined statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(i) **Inventories**

Inventories are stated at the lower of cost and net realisable value.

Cost is determined on first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) **Cash and cash equivalents**

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

(k) **Impairment of assets**

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(i) Non-financial assets (Cont'd)

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than those categorised as fair value through profit or loss, investments in subsidiary companies, are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

<u>Financial assets carried at amortised cost</u>

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(k) **Impairment of assets (Cont'd)**

(ii) Financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised in profit or loss, the impairment loss is reversed, to the extent that the carrying amount of the asset does not exceed what the carrying amount would have been had the impairment not been recognised at the date the impairment is reversed. The amount of reversal is recognised in profit or loss.

Available-for-sale financial assets

Significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired. A significant or prolonged decline in the fair value of investments in equity instruments below its cost is also an objective evidence of impairment.

If an available-for-sale financial asset is impaired, the amount of impairment loss is recognised in profit or loss and is measured as the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously. When a decline in the fair value of an available-for-sale financial asset has been recognised in other comprehensive income, the cumulative loss in other comprehensive income is reclassified from equity to profit or loss. Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value of equity instrument, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(l) **Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(m) **Employee benefits**

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(n) **Revenue**

(i) Rendering of services

Revenue from services rendered is recognised in the profit or loss based on the value of services performed and invoiced to customers during the reporting period.

(ii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(iii) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

2. **Significant Accounting Policies (Cont'd)**

(o) **Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) **Income taxes**

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the financial year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

2. **Significant Accounting Policies (Cont'd)**

(p) **Income taxes (cont'd)**

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised capital allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that the future taxable profits will be available against the unutilised tax incentive can be utilised.

(q) **Goods and Services Tax ("GST")**

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the combined statements of financial position.

(r) **Segments reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **Property, Plant and Equipment**

	Freehold land and building RM	Leasehold land and building RM	Prime movers RM	Trailers RM	Motor vehicles, forklifts and side loaders RM	Office equipment, furniture and fittings, computer RM	Radio equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
2015										
Cost										
At 1 January 2015	501,925	6,985,281	24,096,213	10,941,350	4,218,857	1,064,669	154,096	690,117	-	48,652,508
Additions	-	-	1,755,000	948,600	1,517,132	167,977	51,500	69,600	698,325	5,208,134
Disposals	-	-	-	(28,900)	(980,787)	-	-	-	-	(1,009,687)
Written off	-	-	-	-	-	(25,370)	-	-	-	(25,370)
At 31 December 2015	501,925	6,985,281	25,851,213	11,861,050	4,755,202	1,207,276	205,596	759,717	698,325	52,825,585
Accumulated depreciation										
At 1 January 2015	22,433	535,489	5,998,135	2,063,379	2,041,237	655,416	57,962	350,168	-	11,724,219
Charge for the financial year	2,024	81,414	1,741,884	587,138	431,029	128,124	24,302	48,116	-	3,044,031
Disposals	-	-	-	(7,636)	(745,104)	-	-	-	-	(752,740)
Written off	-	-	-	-	-	(25,360)	-	-	-	(25,360)
At 31 December 2015	24,457	616,903	7,740,019	2,642,881	1,727,162	758,180	82,264	398,284	-	13,990,150
Carrying amount										
At 31 December 2015	477,468	6,368,378	18,111,194	9,218,169	3,028,040	449,096	123,332	361,433	698,325	38,835,435

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **Property, Plant and Equipment (Cont'd)**

	Freehold land and building RM	Leasehold land and building RM	Prime movers RM	Trailers RM	Motor vehicles, forklifts and side loaders RM	Office equipment, furniture and fittings, computer RM	Radio equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
2016										
Cost										
At 1 January 2016	501,925	6,985,281	25,851,213	11,861,050	4,755,202	1,207,276	205,596	759,717	698,325	52,825,585
Additions	-	-	3,200,000	1,200,850	57,500	41,060	9,000	51,963	14,508,773	19,069,146
Disposals	-	-	(940,400)	(31,000)	(170,000)	-	-	-	-	(1,141,400)
Written off	-	-	-	-	-	(140)	(112,326)	-	-	(112,466)
At 31 December 2016	501,925	6,985,281	28,110,813	13,030,900	4,642,702	1,248,196	102,270	811,680	15,207,098	70,640,865
Accumulated depreciation										
At 1 January 2016	24,457	616,903	7,740,019	2,642,881	1,727,162	758,180	82,264	398,284	-	13,990,150
Charge for the financial year	2,024	81,414	967,771	388,049	475,910	126,627	24,015	53,375	-	2,119,185
Disposals	-	-	(449,207)	(3,608)	(112,502)	-	-	-	-	(565,317)
Written off	-	-	-	-	-	(35)	(81,792)	-	-	(81,827)
At 31 December 2016	26,481	698,317	8,258,583	3,027,322	2,090,570	884,772	24,487	451,659	-	15,462,191
Carrying amount										
At 31 December 2016	475,444	6,286,964	19,852,230	10,003,578	2,552,132	363,424	77,783	360,021	15,207,098	55,178,674

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. Property, Plant and Equipment (Cont'd)

	Freehold land and building RM	Leasehold land and building RM	Prime movers RM	Trailers RM	Motor vehicles, forklifts and side loaders RM	Office equipment, furniture and fittings, computer RM	Radio equipment RM	Renovation RM	Capital work-in-progress RM	Total RM
2017										
Cost										
At 1 January 2017	501,925	6,985,281	28,110,813	13,030,900	4,642,702	1,248,196	102,270	811,680	15,207,098	70,640,865
Additions	-	99,756	3,490,000	1,834,200	73,222	331,195	3,600	350,076	361,013	6,543,062
Disposals	-	-	(638,000)	-	(300,146)	-	-	-	-	(938,146)
Reclassification	-	-	(2,013)	-	2,013	-	-	-	-	-
At 31 December 2017	501,925	7,085,037	30,960,800	14,865,100	4,417,791	1,579,391	105,870	1,161,756	15,568,111	76,245,781
Accumulated depreciation										
At 1 January 2017	26,481	698,317	8,258,583	3,027,322	2,090,570	884,772	24,487	451,659	-	15,462,191
Charge for the financial year	2,024	81,833	1,226,603	455,030	407,842	142,877	13,009	56,431	-	2,385,649
Disposals	-	-	(253,397)	-	(287,399)	-	-	-	-	(540,796)
At 31 December 2017	28,505	780,150	9,231,789	3,482,352	2,211,013	1,027,649	37,496	508,090	-	17,307,044
Accumulated impairment										
At 1 January 2017	-	-	-	-	-	-	-	-	-	-
Charge for the year	-	-	-	245,436	-	-	-	-	-	245,436
At 31 December 2017	-	-	-	245,436	-	-	-	-	-	245,436
Carrying amount										
At 31 December 2017	473,420	6,304,887	21,729,011	11,137,312	2,206,778	551,742	68,374	653,666	15,568,111	58,693,301

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **Property, Plant and Equipment (Cont'd)**

(a) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group acquired under finance lease arrangement are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Motor vehicles	2,328,410	1,994,126	1,279,039
Prime movers and trailers	18,383,919	12,877,742	21,045,038
	20,712,329	14,871,868	22,324,077

Leased assets are pledged as security for the related finance lease liabilities as disclosed in Note 13.

(b) The aggregate additional cost for the property, plant and equipment of the Group acquired under finance lease financing and cash payments are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Aggregate costs	5,208,134	19,069,146	6,543,062
Less: Finance lease financing	(3,209,611)	(4,048,372)	(4,833,689)
Less: Transfer from deposits	(279,330)	(1,268,924)	-
Cash payments	1,719,193	13,751,850	1,709,373

(c) On 22 April 2016, the Company entered into 2 sales and purchase agreements to acquire the Pulau Indah land which is adjacent to the West Port. The capital work-in-progress is the construction of the proposed head quarter and distribution hub in West Port commenced in third quarter of 2019. This project expected to be completed in third quarter of 2020. The construction is financed by a banking facility from a licensed bank.

The amount of borrowing cost capitalised during the financial year amounting to RM298,895 (2016: RM108,766; 2015: RM Nil). The rate used to determine the amount of borrowing cost eligible for capitalisation was 6.5%, which is the effective interest rate of the specific borrowing.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

3. **Property, Plant and Equipment (Cont'd)**

(d) Assets pledged as securities to a licensed banks

The carrying amount of the property, plant and equipment of the Group pledged as securities for bank borrowings as disclosed in Note 14 to the combined financial statements are:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Leasehold land and building	5,431,801	5,364,983	5,397,503

(e) The remaining lease terms of the leasehold land is 80 years (2016: 81 years; 2015: 82 years).

(f) The carrying amount of the Group's motor vehicles held in trust and registered under the name of the related parties are RM11,894 (2016: RM4,667; 2015: RM12,667).

(g) The carrying amount of a subsidiary company's motor vehicle is held in trust and registered under the name of the Company is RM91,895 (2016: RM46,849; 2015: RM54,070).

(h) Change in estimates

During the financial year 2015, Landbridge Haulage conducted an operational efficiency review on prime movers and trailers that benchmarking to the other industry players' practice, resulted changes in expected usage and residual value of certain prime movers and trailers. Based on the review, prime movers which were expected by management previously to use in operation for 7 to 8 years with residual values of RM40,000 to RM120,000, now are expected to be in operation for 7 to 10 years from the date of purchase, with residual values of RM40,000 to RM150,000. As for the trailers, the estimated residual values has increased from RM8,000 to RM14,000.

The effect of these changes on depreciation expense, recognised in cost of sales, in current and future period is as follows:

	FYE 31 December				
	2017	**2018**	**2019**	**2020**	**Later**
	RM	**RM**	**RM**	**RM**	**RM**
Decrease in depreciation charges					
Cost of sales	1,025,797	815,696	567,228	451,834	136,452

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

4. **Other Investments**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
At cost			
Investment in quoted shares	35,192	-	-
Less: Allowance for diminution in investment value	(8,460)	-	-
	26,732	-	-
Investment in club memberships	175,000	175,000	175,000
	201,732	175,000	175,000

The investment in club memberships is unquoted and the management are of the view that under such circumstances, it is not possible to disclose the range estimates within which a fair value is likely to lie.

5. **Investment in Associate Companies**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
In Malaysia			
Unquoted shares, at cost	470,000	470,000	470,000
Share of post-acquisition reserve	900,043	1,444,811	1,627,889
Dividend received	-	-	(80,000)
	1,370,043	1,914,811	2,017,889

Details of associate companies are as follows:

Name of company	Date and country of incorporation	Effective interest 2015 %	2016 %	2017 %	Principal activities
Atama	7 November 1992/ Malaysia	49	49	49	Provision of freight forwarding services
Container Connections *	11 November 2009/ Malaysia	20	20	20	Provision of storing, cleaning and repairing all types of containers and related products

* Associate company not audited by UHY.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

5. **Investment in Associate Companies (Cont'd)**

The summarised financial information represents amount in the financial statements of the associate companies and not the Group's share of those amounts.

The summarised financial information of the associate companies are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Assets and liabilities			
Non-current assets	4,931,863	4,053,445	3,301,615
Current assets	13,992,927	14,993,924	16,302,745
Total assets	18,924,790	19,047,369	19,604,360
Non-current liabilities	429,792	286,035	276,293
Current liabilities	9,711,774	9,523,481	13,231,198
Total net assets	8,783,224	9,237,853	6,096,869

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Financial results			
Revenue	27,164,388	39,569,034	36,213,317
Profit before tax	3,324,851	2,051,760	772,204
Taxation	(1,163,629)	(271,657)	(209,710)
Profit for the financial year	2,161,222	1,780,103	562,494

6. **Deferred Tax Assets/(Liabilities)**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Deferred tax assets	-	7,000	-
Deferred tax liabilities	(3,498,638)	(4,012,510)	(4,568,046)
	(3,498,638)	(4,005,510)	(4,568,046)

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred Tax Assets/(Liabilities) (Cont'd)**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
At 1 January	2,381,480	3,498,638	4,005,510
Recognised in profit and loss	1,117,158	506,872	562,536
At 31 December	3,498,638	4,005,510	4,568,046

The net deferred tax assets and liabilities shown on the statements of financial position after appropriate offsetting are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Deferred tax assets	(591,097)	(477,482)	(457,700)
Deferred tax liabilities	4,089,735	4,482,992	5,025,746
	3,498,638	4,005,510	4,568,046

The components and movements of deferred tax assets are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Deferred tax assets			
Unutilised capital allowances			
At 1 January	(535,300)	(591,097)	(473,622)
Recognised in profit or loss	(55,797)	117,475	15,922
At 31 December	(591,097)	(473,622)	(457,700)
Unused tax losses			
At 1 January	(400)	-	(3,860)
Recognised in profit or loss	400	(3,860)	3,860
At 31 December	-	(3,860)	-
	(591,097)	(477,482)	(457,700)

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

6. **Deferred Tax Assets/(Liabilities) (Cont'd)**

The components and movements of deferred tax liabilities are as follows:

	At 31 December		
	2015	2016	2017
	RM	RM	RM
Deferred tax liabilities			
Accelerated capital allowances			
At 1 January	2,909,303	4,085,232	4,486,599
Recognised in profit or loss	1,175,929	401,367	538,324
At 31 December	4,085,232	4,486,599	5,024,923
Others			
At 1 January	7,877	4,503	(3,607)
Recognised in profit or loss	(3,374)	(8,110)	4,430
At 31 December	4,503	(3,607)	823
	4,089,735	4,482,992	5,025,746

Deferred tax assets have not been recognised in respect of the following temporary differences due to uncertainty of its recoverability:

	At 31 December		
	2015	2016	2017
	RM	RM	RM
Unused tax losses	-	40,800	-

Deferred tax asset has not been recognised in respect of this item as they may not have sufficient taxable profits to be used to offset.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

7. Inventories

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
At cost			
Consumables	-	119,870	74,956
Recognised in profit or loss			
Inventories recognised as cost of sales	6,761,005	6,159,060	8,034,130

8. Trade Receivables

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Third parties	11,991,198	12,597,242	15,496,008
Related parties	6,444	22,304	10,768
	11,997,642	12,619,546	15,506,776
Less: Accumulated impairment losses	-	(29,504)	(274,276)
	11,997,642	12,590,042	15,232,500

The Group's normal trade credit terms ranges from 14 to 60 days (2016: 14 to 60 days; 2015: 14 to 60 days). Trade receivables are recognised at their original invoice amounts which represent their fair value on initial recognition.

Included in the trade receivables amounting to RM10,768 (2016: RM22,304; 2015: RM6,444) are amount due from companies in which certain Directors of the Group have substantial financial interests.

Movement in the allowance for impairment losses of trade receivables are as follows:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
At 1 January	-	-	29,504
Impairment loss recognised	-	29,504	274,276
Amount written off	-	-	(29,504)
At 31 December	-	29,504	274,276

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

8. Trade Receivables (Cont'd)

Analysis of the trade receivables ageing as at the end of the reporting period is as follows:

	At 31 December 2015	2016	2017
	RM	RM	RM
Neither past due nor impaired	9,798,683	10,194,146	12,429,540
Past due but not impaired			
Less than 30 days	1,389,050	1,750,010	2,272,696
31 to 60 days	607,670	521,160	171,846
61 to 90 days	202,239	124,726	358,418
	2,198,959	2,395,896	2,802,960
	11,997,642	12,590,042	15,232,500
Impaired	-	29,504	274,276
	11,997,642	12,619,546	15,506,776

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2017, trade receivables of RM2,802,960 (2016: RM2,395,896; 2015: RM2,198,959) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM274,276 (2016: RM29,504; 2015: RMNil), related to customers that are in financial difficulties, have defaulted on payments. These balances are expected to be recovered through the debts recovery process.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

9. Other Receivables

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Other receivables			
- Third parties	289,464	146,451	124,808
- Related parties	57,149	4	-
	346,613	146,455	124,808
Deposits	1,776,530	442,660	552,177
Prepayments	749,828	642,195	1,824,951
GST receivables	-	723,493	132,046
	2,872,971	1,954,803	2,633,982

(a) Included in the other receivables amounting to RMNil (2016: RM4; 2015: RM57,149) are amount due from companies in which certain Directors of the Group have substantial financial interests. This amount is unsecured, non-interest bearing advances and is repayable on demand.

(b) Included in deposits amounting to RMNil (2016: RM Nil; 2015: RM1,268,924) are deposits paid for the acquisition of apartment and leasehold land.

10. Fixed Deposits with Licensed Banks

The fixed deposits of the Group bear interest rates ranging from 2.95% to 3.10% (2016: 3.25% to 3.45%; 2015: 2.90% to 3.70%) per annum with maturity period of 12 months (2016: 12 months; 2015: 12 months).

Included in fixed deposits with licensed banks of the Group is an amount of RM2,074,417 (2016: RM2,020,207; 2015: RM2,868,462) which has been pledged to a licensed bank as security for credit facilities granted to the Group as disclosed in Note 14(a) to the combined financial statements.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

11. Invested Equity

	Number of Shares At 31 December		
	2015	**2016**	**2017**
	Units	**Units**	**Units**
Ordinary shares			
Issued and fully paid shares			
At 1 January	3,560,000	8,260,000	8,260,000
Issued during the financial year	4,700,000	-	-
At 31 December	8,260,000	8,260,000	8,260,000

	Amount At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Ordinary shares			
Issued and fully paid shares			
At 1 January	3,560,000	8,260,000	8,260,000
Issued during the financial year	4,700,000	-	-
At 31 December	8,260,000	8,260,000	8,260,000

On 22 October 2015, the Company issued 4,700,000 new ordinary shares of RM1.00 each as bonus shares. The bonus shares were issued on the basis of Forty Seven (47) bonus share for every three (3) existing ordinary shares held via credited as fully paid by way of capitalising RM4,700,000 from the retained earnings.

The new ordinary shares issued rank pari passu in all respects with the existing ordinary shares of the Company.

The new Companies Act, 2016, which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

12. **Acquisition Reserves**

The acquisition reserves arising from the difference between cost of investment and the nominal value of the subsidiary companies acquired under the merger method of accounting.

13. **Finance Lease Payables**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Minimum lease payments:			
Within one year	4,604,846	4,425,729	4,975,563
Later than one year but not later than two years	3,667,279	3,721,627	3,274,653
Later than two years but not later than five years	4,644,535	3,812,255	4,825,620
	12,916,660	11,959,611	13,075,836
Less: Future finance charges	(1,175,186)	(1,089,814)	(1,223,061)
Present value of minimum lease payments	11,741,474	10,869,797	11,852,775
Present value of minimum lease payments:			
Within one year	4,026,941	3,884,968	4,388,594
Between one to two years	3,308,345	3,405,615	2,920,806
Between two to five years	4,406,188	3,579,214	4,543,375
	11,741,474	10,869,797	11,852,775
Analysed as:			
Repayable within twelve months	4,026,941	3,884,968	4,388,594
Repayable after twelve months	7,714,533	6,984,829	7,464,181
	11,741,474	10,869,797	11,852,775

The Group leases motor vehicles, prime movers and trailers under finance lease. At the end of the lease term, the Group has the option to acquire the assets at a nominal price deemed to be a bargain purchase option. There are no restrictive covenants imposed by the lease agreements and no agreements have been entered into for contingent rental payments.

The interest rate for the finance leases as at reporting date ranging from 2.26% to 3.54% (2016: 2.26% to 3.54%; 2015: 2.26% to 5.11%) per annum.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

14. Bank Borrowings

	At 31 December 2015 RM	2016 RM	2017 RM
Secured:			
Bank overdrafts	301,935	1,434,917	4,258,089
Revolving credit	-	1,000,000	1,000,000
Term loans	2,010,521	7,400,367	7,200,142
	2,312,456	9,835,284	12,458,231
Non-current liability			
Term loans	1,826,475	7,198,871	6,983,654
Current liabilities			
Bank overdrafts	301,935	1,434,917	4,258,089
Revolving credit	-	1,000,000	1,000,000
Term loans	184,046	201,496	216,488
	485,981	2,636,413	5,474,577
	2,312,456	9,835,284	12,458,231

The bank borrowings obtained from licensed banks are secured by the following:

(a) legal charge over the property, plant and equipment as disclosed in Note 3(d);
(b) legal charge over fixed deposits with licensed banks as disclosed in Note 10;
(c) assignment of rental proceeds over the property financed; and
(d) a joint and several guarantee by the Directors.

Certain term loan of the Company only service interest and repayment estimated will start in May 2019 upon the full drawndown.

The range of interest rates at the reporting date is as follows:

	At 31 December 2015 %	2016 %	2017 %
Bank overdrafts	7.85	7.75	7.75 to 8.25
Revolving credit	-	6.26	6.27
Term loans	6.35 to 8.10	6.25 to 8.00	6.25 to 8.00

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

14. **Bank Borrowings (Cont'd)**

Maturity of bank borrowings is as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Within one year	485,981	2,636,413	5,474,577
Between one to two years	201,496	216,495	1,199,103
Between two to five years	697,583	6,328,003	5,415,713
After five years	927,396	654,373	368,838
	2,312,456	9,835,284	12,458,231

15. **Trade Payables**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Third parties	4,769,978	5,090,106	4,708,300
Related parties	35,152	6,149	4,388
	4,805,130	5,096,255	4,712,688

The normal trade credit terms granted to the Group ranging from 14 to 30 days (2016: 14 to 30 days; 2015: 14 to 30 days), depending on the terms of the contracts.

Included in the trade payables amounting to RM4,388 (2016: RM6,149; 2015: RM35,152) are amount due to companies in which certain Directors of the Group have substantial financial interests.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

16. Other Payables

	At 31 December		
	2015	2016	2017
	RM	RM	RM
Other payables			
- Third parties	1,404,740	394,667	475,488
- Related party	-	2,224,165	-
	1,404,740	2,618,832	475,488
Accruals	2,823,091	2,595,107	1,777,062
Deposit received	-	-	160,000
GST payables	-	299,648	221,568
	4,227,831	5,513,587	2,634,118

Included in the other payables is an amount of RM Nil (2016: RM2,224,165; 2015: RMNil) due to a company, Landbridge Warehouse (M) Sdn Bhd in which Dato' Hew and Datin Sam have substantial financial interests. This amount is unsecured, non-interest bearing advances and repayable on demand.

17. Amount Due to Associate Companies

This represents unsecured, non-interest bearing advances and repayable on demand.

Included in amount due to associate companies is total amount of RM3,737,548 (2016: RM1,992,055; 2015: RM378,719) which represents balance from trade transactions. The trade credit terms ranges from 30 to 90 days (2016: 30 to 90 days; 2015: 30 to 90 days).

18. Amount Due to Directors

This amount is unsecured, non-interest bearing advances and repayable on demand.

19. Revenue

This represents the value of services performed and invoiced to customers during the year.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

20. Finance Costs

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Interest expenses on:			
Overdrafts	14,425	8,494	141,864
Finance lease	719,475	644,450	744,584
Term loan	151,794	242,369	422,169
Revolving credit	-	31,741	63,029
Bank committee fee	17,830	13,838	5,893
Others	-	46,470	-
	903,524	987,362	1,377,539
Less: Interest capitalised in capital work-in-progress	-	(108,766)	(298,895)
	903,524	878,596	1,078,644

21. Profit before Tax

Profit before tax is derived at after charging/(crediting):

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Auditors' remuneration	36,263	48,537	55,000
Bad debts written off	27,635	150,026	-
Depreciation of property, plant and equipment	3,044,031	2,119,185	2,385,649
Impairment loss on property, plant and equipment	-	-	245,436
Impairment loss on trade receivables	-	29,504	274,276
Loss on foreign exchange			
- realised	-	24,462	258,727
- unrealised	137,953	27,616	21,683
Property, plant and equipment written off	10	30,639	-
Rental of office	97,335	117,545	186,153
Rental of forklift	-	-	22,413

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

21. Profit before Tax (Cont'd)

Profit before tax is derived at after charging/(crediting): (Cont'd)

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Reversal of allowance for diminution in investment value	(9,113)	-	-
Dividend income	(1,273)	-	-
Gain on disposal of other investment	(3,053)	(5,519)	-
(Gain)/Loss on disposal of property, plant and equipment	(38,634)	13,547	(74,816)
Gain on foreign exchange			
- realised	(11,357)	(14,451)	(2,167)
- unrealised	(176,559)	(240,187)	(217,957)
Interest income	(117,987)	(46,875)	(73,167)
Rental income	-	-	(5,200)

22. Taxation

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Tax expenses recognised in profit and loss:			
Malaysian income tax:			
Current tax provision	867,184	1,146,500	1,433,200
Under/(Over) provision in prior years	67,283	(99,040)	6,853
	934,467	1,047,460	1,440,053
Deferred tax (Note 6):			
Relating to origination temporary differences	765,170	526,885	574,229
Reduction in tax rate	-	(143,412)	-
Under/(Over) provision in prior years	351,988	123,399	(11,693)
	1,117,158	506,872	562,536
	2,051,625	1,554,332	2,002,589

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

22. **Taxation (Cont'd)**

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%; 2015: 25%) of the estimated assessable profits for the financial year.

A reconciliation of income tax expense applicable to profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group are as follows:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Profit before tax	5,310,751	6,221,960	7,999,644
At Malaysian statutory tax rate of 24% (2016: 24%; 2015: 25%)	1,327,688	1,493,270	1,919,915
Effect of changes in tax rate	-	(143,412)	-
Effect of income subject to 18% (2016: 19%; 2015: 20%)	(85,208)	(50,000)	(25,000)
Expenses not deductible for tax purposes	323,678	449,997	198,230
Income not subject to tax	(66,472)	(85,736)	(55,421)
Deferred tax assets not recognised	286,028	9,792	(5,556)
Share of taxation of associate companies	(153,360)	(130,744)	(24,739)
Utilisation of previously unutilised capital allowances	-	(13,194)	-
Under/(Over) provision in prior years			
- income tax	67,283	(99,040)	6,853
- deferred tax	351,988	123,399	(11,693)
Tax expense for the financial year	2,051,625	1,554,332	2,002,589

The Group have unutilised capital allowances and unused tax losses carry forward, available to off-set against future taxable profits as follows, the said amount is subject to approval by the tax authorities:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Unutilised capital allowances	2,704,454	1,973,429	1,906,983
Unused tax losses	-	56,877	-
	2,704,454	2,030,306	1,906,983

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. **Earnings per Share**

(a) Earnings per share before completion of IPO

(i) Basic earnings per share before IPO

The basic earnings per share are calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company before completion of IPO:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Profit attributable to common controlling shareholders of the combining entities	3,259,126	4,667,628	5,997,055
Expected number of shares before completion of IPO	122,793,000	122,793,000	122,793,000
Basic earnings per ordinary share (in sen)	2.65	3.80	4.88

(ii) Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these combined financial statements.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

23. **Earnings Per Share (Cont'd)**

(b) Earnings per share after completion of IPO

(i) Basic earnings per share after IPO

The basic earnings per share are calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon completion of IPO:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Profit attributable to common controlling shareholders of the combining entities	3,259,126	4,667,628	5,997,055
Expected number of shares upon completion of IPO	166,000,000	166,000,000	166,000,000
Basic earnings per ordinary share (in sen)	1.96	2.81	3.61

(ii) Diluted earnings per share

The Group has no dilution in their earnings per ordinary share as there are no dilutive potential ordinary shares. There have been no other transactions involving ordinary shares or potential ordinary shares since the end of the financial year and before the authorisation of these combined financial statements.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

24. **Dividends**

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Dividends recognised as distribution to ordinary shareholders of the Company:			
An interim single tier dividend of RM2.50 per ordinary share in respect of the financial year ended 31 December 2016	-	250,000	-
An interim single tier dividend of RM2.00 per ordinary share in respect of the financial year ended 31 December 2016	-	100,000	-
An interim single tier dividend of RM10.00 per ordinary share in respect of the financial year ended 31 December 2016	-	40,000	-
An interim single tier dividend of RM5.00 per ordinary share in respect of the financial year ended 31 December 2016	-	500,000	-
An interim single tier dividend of RM40.50 per ordinary share in respect of the financial year ended 31 December 2016	-	4,050,000	-
	-	4,940,000	-

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

25. Staff Costs

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Directors' fees	8,000	-	-
Salaries and other emoluments	10,620,365	10,156,252	9,844,842
Defined contribution plans	1,455,054	1,353,748	1,221,902
Social security contributions	107,759	114,046	126,750
Other benefits	481,780	537,802	505,922
	12,672,958	12,161,848	11,699,416

The staff cost does not include the estimated monetary value of benefits-in-kind amounting to RM110.950 (2016: RM124,483; 2015: RM103,033).

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors during the financial year as below:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Executive Directors			
- Directors' fees	8,000	-	-
- Salaries and other emoluments	2,436,000	2,143,000	1,844,500
- Defined contribution plans	401,940	339,320	265,700
- Social security contributions	3,720	6,279	5,314
	2,849,660	2,488,599	2,115,514

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Executive Directors of subsidiary companies			
- Salaries and other emoluments	-	-	51,500
- Defined contribution plans	-	-	6,181
- Social security contributions	-	-	621
	-	-	58,302

The executive Directors' remuneration does not include the estimated monetary value of benefits-in-kind amounting to RM96,450 (2016: RM108,850; 2015: RM92,483).

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

26. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Company, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the combined financial statements, the related party transactions of the Group are as follows:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Transactions with associate companies			
(a) Atama			
- trade receivable	2,474,637	3,021,451	1,709,146
- trade payable	2,848,122	5,010,139	5,446,695
- amount due to associate companies	(1,887,999)	(112,754)	-
Amount due to associate companies	(2,261,484)	(2,101,442)	(3,737,549)
- services income	14,457,692	11,599,141	11,893,061
- services expenses	17,968,888	14,377,498	18,032,686

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **Related Party Disclosures (Cont'd)**

(b) Significant related party transactions (Cont'd)

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Transactions with associate companies			
(b) Container Connections			
- trade receivable	7,180	3,173	-
- trade payable	12,414	6,540	3,597
Amount due to associate companies	(5,234)	(3,367)	(3,597)
- services expenses	139,552	64,214	64,477
Transactions with companies in which certain Directors have financial interests			
(a) Landbridge Warehouse (M) Sdn Bhd			
- trade payable	35,152	-	-
- other payable	-	2,224,165	-
- interest expense	-	46,469	-
- services expenses	2,858	-	-
(b) Oriental Logistics Group Inc.			
- trade receivable	5,931	-	-
- trade payable	-	3,311	4,388
- services income	11,189	17,367	12,803
- services expenses	-	6,059	-
(c) Oriental Logistics Group (Thailand) Co., Ltd.			
- trade payable	-	2,838	-
- services expenses	-	2,625	-

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

26. **Related Party Disclosures (Cont'd)**

(b) Significant related party transactions (Cont'd)

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Transactions with companies in which certain Directors have financial interests			
(d) PT. Oriental Logistics Indonesia			
- trade receivable	513	22,304	10,768
- services income	513	28,205	32,283
- services expenses	5,051	4,227	2,320
Transactions with certain Directors of the Company			
- Dato' Hew			
- Disposal of property, plant and equipment	120,000	-	24,000
- Dato' Hew and Datin Sam			
- Disposal of subsidiaries	-	-	4

(c) Compensation of key management personnel

Remuneration of Directors and other members of key management personnel are as follows:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Directors' fees	8,000	-	-
Salaries and other emoluments	2,800,636	2,548,325	2,408,350
Defined contribution plans	445,724	391,244	318,303
Social security contributions	5,416	6,976	8,575
Other benefits	6,925	4,100	6,000
	3,266,701	2,950,645	2,741,228

The staff cost does not include the estimated monetary value of benefits-in-kind amounting to RM110.950 (2016: RM124,483; 2015: RM103,033).

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. Segment Information

The main business segments of the Group comprise the following:

Sea freight	Organise shipments for customers and overseas freight forwarded and manage bookings for cargo space for sea shipments.
Container Haulage	Provide land transportation services to all destinations within Peninsular Malaysia.
Air freight	Plan and manage bookings of cargo space for customer's air shipments.
Freight forwarding	Coordinate and manage services provided by licensed forwarding agents such as document preparation, liaising with Government agencies for inspection and permit applications, custom clearance, coordinating with port operators, shipping liners, airlines and container haulage division for transportation of cargoes.
Warehousing	Operate three free zone warehouses, providing services such as general storage, consolidation and deconsolidation, transhipment cargoes and dangerous goods and inventory management services.
Marine insurance	Provide marine insurance service on the cargoes handled by the Group.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the combined financial statements.

Transactions between segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation. The measurement basis and classification are consistent with those adopted in the previous financial year.

Information about segment assets and liabilities are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment assets and liabilities.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Segment Information (Cont'd)**

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2015									
Revenue									
External customers	43,219,985	30,266,559	4,284,561	248,419	515,506	158,150	78,693,180	-	78,693,180
Inter-segment	10,287,559	2,467,036	-	-	87,042	-	12,841,637	(12,841,637)	-
Total revenue	53,507,544	32,733,595	4,284,561	248,419	602,548	158,150	91,534,817	(12,841,637)	78,693,180
Results									
Segment results	2,612,617	1,733,637	889,094	172,155	(33,596)	107,669	5,481,576	-	5,481,576
Interest income									117,987
Finance costs									(903,524)
Dividend income									1,273
Share of results of associates									613,439
Profit before tax									5,310,751
Taxation									(2,051,625)
Profit for the financial year									3,259,126

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. Segment Information (Cont'd)

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2016									
Revenue									
External customers	39,805,101	27,661,342	2,999,237	285,995	491,171	138,466	71,381,312	-	71,381,312
Inter-segment	6,873,912	3,253,259	-	-	71,293	-	10,198,464	(10,198,464)	-
Total revenue	46,679,013	30,914,601	2,999,237	285,995	562,464	138,466	81,579,776	(10,198,464)	71,381,312
Results									
Segment results	3,870,740	1,616,007	828,960	185,640	(80,693)	88,259	6,508,913	-	6,508,913
Interest income									46,875
Finance costs									(878,596)
Share of results of associates									544,768
Profit before tax									6,221,960
Taxation									(1,554,332)
Profit for the financial year									4,667,628

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Segment Information (Cont'd)**

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2017									
Revenue									
External customers	50,477,467	29,197,100	4,647,898	271,707	771,609	139,490	85,505,271	-	85,505,271
Inter-segment	3,582,433	8,192,562	-	-	178,231	-	11,953,226	(11,953,226)	-
Total revenue	54,059,900	37,389,662	4,647,898	271,707	949,840	139,490	97,458,497	(11,953,226)	85,505,271
Results									
Segment results	4,155,433	3,055,859	1,305,403	181,535	49,968	73,845	8,822,043	-	8,822,043
Interest income									73,167
Finance costs									(1,078,644)
Share of results of associates									183,078
Profit before tax									7,999,644
Taxation									(2,002,589)
Profit for the financial year									5,997,055

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. Segment Information (Cont'd)

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2015									
Other non-cash items									
Bad debts written off	27,635	-	-	-	-	-	27,635	-	27,635
Depreciation of property, plant and equipment	499,836	2,517,814	-	-	26,381	-	3,044,031	-	3,044,031
Loss on foreign exchange - unrealised	137,953	-	-	-	-	-	137,953	-	137,953
(Gain)/Loss on disposal of property, plant and equipment	(85,832)	47,198	-	-	-	-	(38,634)	-	(38,634)
Gain on disposal of other investments	(3,053)	-	-	-	-	-	(3,053)	-	(3,053)
Gain on foreign exchange - unrealised	(176,559)	-	-	-	-	-	(176,559)	-	(176,559)
Property, plant and equipment written off	10	-	-	-	-	-	10	-	10
Reversal of allowance for diminution in investment value	(9,113)	-	-	-	-	-	(9,113)	-	(9,113)

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Segment Information (Cont'd)**

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2016									
Other non-cash items									
Bad debts written off	150,026	-	-	-	-	-	150,026	-	150,026
Depreciation of property, plant and equipment	557,513	1,540,155	-	-	21,517	-	2,119,185	-	2,119,185
Loss on foreign exchange - unrealised	27,616	-	-	-	-	-	27,616	-	27,616
(Gain)/Loss on disposal of property, plant and equipment	(30,734)	44,281	-	-	-	-	13,547	-	13,547
Gain on disposal of other investments	(5,519)	-	-	-	-	-	(5,519)	-	(5,519)
Gain on foreign exchange - unrealised	(240,187)	-	-	-	-	-	(240,187)	-	(240,187)
Impairment loss on trade receivables	29,504	-	-	-	-	-	29,504	-	29,504
Property, plant and equipment written off	105	30,534	-	-	-	-	30,639	-	30,639

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Segment Information (Cont'd)**

	Sea freight RM	Container haulage RM	Air freight RM	Freight forwarding RM	Warehousing RM	Marine insurance RM	Total segments RM	Elimination RM	Consolidated RM
FYE December 2017									
Other non-cash items									
Depreciation of property, plant and equipment	527,457	1,843,706	-	-	14,486	-	2,385,649	-	2,385,649
Loss on foreign exchange - unrealised	21,683	-	-	-	-	-	21,683	-	21,683
(Gain)/Loss on disposal of property, plant and equipment	(125,000)	36,937	-	-	-	-	(88,063)	13,247	(74,816)
Gain on foreign exchange - unrealised	(217,957)	-	-	-	-	-	(217,957)	-	(217,957)
Impairment loss on trade receivables	274,276	-	-	-	-	-	274,276	-	274,276
Impairment loss on property, plant and equipment	-	245,436	-	-	-	-	245,436	-	245,436

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

27. **Segment Information (Cont'd)**

(a) Adjustments and eliminations

Inter-segment revenues are eliminated on consolidation.

(b) Geographic information

Revenue information based on the geographical location of customers and assets respectively are as follow:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Malaysia	70,490,789	65,169,893	78,066,960
Overseas	8,202,391	6,211,419	7,438,311
	78,693,180	71,381,312	85,505,271

(c) Major customer

Revenue from major customer with revenue equal or more than 10% of the Group's revenue is as follows:

	FYE 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Atama	14,457,692	11,599,141	11,893,061

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28. **Reconciliation of Liabilities arising from Financing Activities**

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	Note	At 1 January 2017 RM	Financing cash flows * RM	New finance lease [Note 3(b)] RM	Other changes # RM	At 31 December 2017 RM
Finance lease payables	13	10,869,797	(3,850,711)	4,833,689	-	11,852,775
Term loans	14	7,400,367	(200,225)	-	-	7,200,142
Revolving credit	14	1,000,000	-	-	-	1,000,000
Dividend payable		4,050,000	-	-	(4,050,000)	-
		23,320,164	(4,050,936)	4,833,689	(4,050,000)	20,052,917

* The cash flows from loans and borrowings make up of net amount of proceeds from/repayment of borrowings in combined statements of cash flows.

\# other changes represents reclassification of dividend payable.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 2 to the combined financial statements describe how the classes of the financial instruments are measured and how income and expenses including fair values gain or loss are recognised.

The following table analyses the financial assets and liabilities in the combined statements of financial position by the class of financial instruments to which they are assigned and therefore by the measurement basis:

	Available-for-sale RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
At 31 December 2015				
Financial Assets				
Other investments	201,732	-	-	201,732
Trade receivables	-	11,997,642	-	11,997,642
Other receivables	-	2,123,143	-	2,123,143
Fixed deposits with licensed banks	-	3,099,668	-	3,099,668
Cash and bank balances	-	1,463,812	-	1,463,812
	201,732	18,684,265	-	18,885,997
Financial Liabilities				
Trade payables	-	-	4,805,130	4,805,130
Other payables	-	-	4,227,831	4,227,831
Amount due to associate companies	-	-	2,266,718	2,266,718
Amount due to Directors	-	-	1,654,708	1,654,708
Bank borrowings	-	-	2,312,456	2,312,456
Finance lease payables	-	-	11,741,474	11,741,474
	-	-	27,008,317	27,008,317

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
At 31 December 2016				
Financial Assets				
Other investments	175,000	-	-	175,000
Trade receivables	-	12,590,042	-	12,590,042
Other receivables	-	589,115	-	589,115
Fixed deposits with licensed banks	-	2,020,207	-	2,020,207
Cash and bank balances	-	584,912	-	584,912
	175,000	15,784,276	-	15,959,276
Financial Liabilities				
Trade payables	-	-	5,096,255	5,096,255
Other payables	-	-	5,213,939	5,213,939
Amount due to associate companies	-	-	2,104,809	2,104,809
Amount due to Directors	-	-	3,918,283	3,918,283
Bank borrowings	-	-	9,835,284	9,835,284
Finance lease payables	-	-	10,869,797	10,869,797
Dividends payable	-	-	4,050,000	4,050,000
	-	-	41,088,367	41,088,367
At 31 December 2017				
Financial Assets				
Other investments	175,000	-	-	175,000
Trade receivables	-	15,232,500	-	15,232,500
Other receivables	-	676,985	-	676,985
Fixed deposits with licensed banks	-	2,074,417	-	2,074,417
Cash and bank balances	-	1,181,870	-	1,181,870
	175,000	19,165,772	-	19,340,772

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Available-for-sale RM	Loans and receivables RM	Financial liabilities measured at amortised cost RM	Total RM
At 31 December 2017				
Financial Liabilities				
Trade payables	-	-	4,712,688	4,712,688
Other payables	-	-	2,412,550	2,412,550
Amount due to associate companies	-	-	3,741,146	3,741,146
Amount due to Directors	-	-	7,276,231	7,276,231
Bank borrowings	-	-	12,458,231	12,458,231
Finance lease payables	-	-	11,852,775	11,852,775
	-	-	42,453,621	42,453,621

(b) Financial risk management objective and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency, interest rate and market price risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with licensed banks.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with licensed banks with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The carrying amount of the financial assets recorded on the combined statements of financial position at the end of the reporting period represent the Group's maximum exposure to credit risk.

The Group have no significant concentration of credit risk as its exposure spread over a large number of customers.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
FYE 31 December 2015						
Financial liabilities						
Trade payables	4,805,130	-	-	-	4,805,130	4,805,130
Other payables	4,227,831	-	-	-	4,227,831	4,227,831
Amount due to associate companies	2,266,718	-	-	-	2,266,718	2,266,718
Amount due to Directors	1,654,708	-	-	-	1,654,708	1,654,708
Bank borrowings	625,371	323,436	970,308	1,084,894	3,004,009	2,312,456
Finance lease payables	4,604,846	3,667,279	4,644,535	-	12,916,660	11,741,474
	18,184,604	3,990,715	5,614,843	1,084,894	28,875,056	27,008,317

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
FYE 31 December 2016						
Financial liabilities						
Trade payables	5,096,255	-	-	-	5,096,255	5,096,255
Other payables	5,213,939	-	-	-	5,213,939	5,213,939
Amount due to associate companies	2,104,809	-	-	-	2,104,809	2,104,809
Amount due to Directors	3,918,283	-	-	-	3,918,283	3,918,283
Bank borrowings	2,636,413	323,436	6,549,987	707,552	10,217,388	9,835,284
Finance lease payables	4,425,731	3,721,626	3,812,254	-	11,959,611	10,869,797
Dividends payable	4,050,000	-	-	-	4,050,000	4,050,000
	27,445,430	4,045,062	10,362,241	707,552	42,560,285	41,088,367

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Carrying amount RM
FYE 31 December 2017						
Financial liabilities						
Trade payables	4,712,688	-	-	-	4,712,688	4,712,688
Other payables	2,412,550	-	-	-	2,412,550	2,412,550
Amount due to associate companies	3,741,146	-	-	-	3,741,146	3,741,146
Amount due to Directors	7,276,231	-	-	-	7,276,231	7,276,231
Bank borrowings	5,884,232	1,581,919	5,925,175	692,011	14,083,337	12,458,231
Finance lease payables	4,975,563	3,274,653	4,825,620	-	13,075,836	11,852,775
	29,002,410	4,856,572	10,750,795	692,011	45,301,788	42,453,621

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The Group provides unsecured financial guarantee to banks in respect of credit facilities granted to certain associate company and monitors on an ongoing basis the performance of the subsidiary companies. At end of the reporting period, there was no indication that the associate company would default on repayment.

The maximum amount of the financial guarantees issued to the banks for associate company' borrowings is limited to the amount utilised by the associate company, amounting to RMNil as at 31 December 2017 (2016: RM1,000,000; 2015: RM1,000,000). The earliest period any of the financial guarantees can be called upon by the licensed bank is within the next 12 months.

Financial guarantee have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) Market risks

Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar (USD) Australian Dollar (AUD), Euro Dollar (EUR), Hong Kong Dollar (HKD), New Zealand Dollar (NZD), Great Britain Pound (GBP), Swiss Franc (CHF), Renminbi (RMB) and Singapore Dollar (SGD).

The Group have not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risk (Cont'd)

Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	USD RM	EUR RM	SGD RM	HKD RM	AUD RM	NZD RM	CHF RM	RMB RM	GBP RM	Total RM
FYE 31 December 2015										
Cash and bank balances	1,407,929	-	-	-	-	-	-	-	-	1,407,929
Trade receivables	1,205,635	-	-	-	-	-	-	-	-	1,205,635
Other receivables	17,887	659	-	-	91	80	-	-	-	18,717
Trade payables	(787,253)	(37,994)	(1,486)	(615)	(13,107)	(12,013)	(5,122)	-	(7,682)	(865,272)
Other payables	(12,547)	-	-	-	-	-	-	-	-	(12,547)
	1,831,651	(37,335)	(1,486)	(615)	(13,016)	(11,933)	(5,122)	-	(7,682)	1,754,462

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Foreign currency risk (Cont'd)

	USD RM	EUR RM	SGD RM	HKD RM	AUD RM	NZD RM	CHF RM	RMB RM	GBP RM	Total RM
FYE 31 December 2016										
Cash and bank balances	321,934	-	-	-	-	-	-	-	-	321,934
Trade receivables	1,049,819	-	-	-	-	-	-	-	-	1,049,819
Other receivables	27,947	180	-	-	-	-	-	-	-	28,127
Trade payables	(726,391)	(27,712)	(1,240)	(642)	(7,503)	-	(9,956)	(1,121)	-	(774,565)
Other payables	(9,101)	-	-	-	-	-	-	-	-	(9,101)
	664,208	(27,532)	(1,240)	(642)	(7,503)	-	(9,956)	(1,121)	-	616,214
FYE 31 December 2017										
Cash and bank balances	906,817	-	-	-	-	-	-	-	-	906,817
Trade receivables	1,473,434	-	-	-	-	-	-	-	-	1,473,434
Trade payables	(803,580)	(80,614)	(911)	-	-	-	(1,649)	-	-	(886,754)
	1,576,671	(80,614)	(911)	-	-	-	(1,649)	-	-	1,493,497

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Foreign currency sensitive analysis

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR, SGD, HKD and AUD etc. exchange rates against RM, with all other variables held constant.

		FYE 31 December		
		2015	**2016**	**2017**
	Change in currency rate	**Effect on profit before tax**	**Effect on profit before tax**	**Effect on profit before tax**
		RM	**RM**	**RM**
USD	Strengthen 5%	91,583	33,210	78,834
	Weakened 5%	(91,583)	(33,210)	(78,834)
EUR	Strengthen 5%	(1,867)	(1,377)	(4,031)
	Weakened 5%	1,867	1,377	4,031
SGD	Strengthen 5%	(74)	(62)	(46)
	Weakened 5%	74	62	46
HKD	Strengthen 5%	(31)	(32)	-
	Weakened 5%	31	32	-
AUD	Strengthen 5%	(651)	(375)	-
	Weakened 5%	651	375	-
NZD	Strengthen 5%	(597)	-	-
	Weakened 5%	597	-	-
CHF	Strengthen 5%	(256)	(498)	(82)
	Weakened 5%	256	498	82
RMB	Strengthen 5%	-	(56)	-
	Weakened 5%	-	56	-
GBP	Strengthen 5%	(384)	-	-
	Weakened 5%	384	-	-

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risks (Cont'd)

Interest rate risk

The Group's fixed rate deposits placed with licensed banks are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Fixed rate instruments			
Financial assets	3,099,668	2,020,207	2,074,417
Financial liabilities	11,741,474	10,869,797	11,852,775
Floating rate instruments			
Financial liabilities	2,312,456	9,835,284	12,458,231

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(b) Financial risk management objective and policies (Cont'd)

(iii) Market risk (Cont'd)

Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group do not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group's profit before tax by RM124,582 (2016: RM98,353, 2015: RM23,125) respectively, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair value of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term loans and borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

29. **Financial Instruments (Cont'd)**

(c) Fair value of financial instruments (Cont'd)

(iv) Level 2 fair value (Cont'd)

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period..

(v) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

The carrying amount of long term floating rate loans approximate their fair value as the loans will be re-priced to market interest rate on or near reporting date.

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the combined statements of financial position.

	Fair value of financial instruments not carrued at fair value			**Carrying amount**
	Level 1	**Level 2**	**Level 3**	
	RM	**RM**	**RM**	**RM**
Financial liability				
Finance lease payables (Non-current)				
- 31 December 2015	-	7,197,282	-	7,714,533
- 31 December 2016	-	6,740,201	-	6,984,829
- 31 December 2017	-	7,472,965	-	7,464,181

30. **Capital Commitments**

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Authorised and contracted for:			
Property, plant and equipment	26,204,542	13,235,966	13,235,966

TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

31. Contingent Liabilities

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Unsecured			
Corporate guarantee			
Corporate guarantee given to a bank for banking facilities granted to an associate company	1,000,000	1,000,000	-
Bank guarantees utilised	431,000	423,000	438,000

32. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at the end of the reporting period are as follows:

	At 31 December		
	2015	**2016**	**2017**
	RM	**RM**	**RM**
Finance lease liabilities	11,741,474	10,869,797	11,852,775
Bank borrowings	2,312,456	9,835,284	12,458,231
Total debt	14,053,930	20,705,081	24,311,006
Less: Fixed deposits with licensed banks	(3,099,668)	(2,020,207)	(2,074,417)
Less: Cash and bank balances	(1,463,812)	(584,912)	(1,181,870)
Net debt	9,490,450	18,099,962	21,054,719
Total equity	29,035,441	28,763,069	34,760,124
Gross gearing ratio	0.48	0.72	0.70
Net gearing ratio	0.33	0.63	0.61

There was no change in the Group's approach to capital management during the financial year.

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TRI-MODE SYSTEM (M) BERHAD
NOTES TO COMBINED FINANCIAL STATEMENTS (CONT'D)

33. **Significant Events**

(a) On 22 April 2016, the Company entered into two Sales and Purchase Agreements with Central Spectrum (M) Sdn Bhd to acquire two pieces of leasehold industrial land at a total consideration of RM12,657,229 and RM12,721,262 respectively.

(b) On 8 June 2017, the Company has disposed of its RM2 ordinary shares of RM1.00 each, representing the entire equity interest of its wholly-owned subsidiary company, Tri-Mode Lines Sdn Bhd, for a total cash consideration of RM2 only.

(c) On 8 June 2017, NV Freights has disposed of its RM2 ordinary shares of RM1.00 each, representing the entire equity interest of its wholly-owned subsidiary company, NV Container Lines Sdn Bhd, for a total cash consideration of RM2 only.

(d) On 12 September 2017, the Company entered into six share purchase agreements in connection with the Acquisitions. The Acquisition were completed on 26 March 2018.

(e) On 15 September 2017, the Company has converted into a public company and assumed its present name to facilitate the listing on the ACE Market of Bursa Securities.

34. **Subsequent Events**

(a) On 30 January 2018, Dato' Hew has subscribe for 4,000,000 Tri-Mode Shares for a cash consideration of RM2,000,000 at an issue price of RM0.50 each.

(b) On 31 January 2018, the Company has undertaken subdivision of Tri-Mode Shares on the basis of 2 Tri-Mode Shares into 21 Tri-Mode Shares after the completion of the Subscription of Dato' Hew.

(c) On 16 March 2018, the Company has undertaken the Landbridge Haulage Capitalisation and NV Freight Capitalisation.

(d) On 20 March 2018, Loo Soo Woi being an independent individual, is not a person connected to Promoters/substantial shareholders has subscribed for 1,000 Tri-Mode Shares for a consideration of RM500.

14. STATUTORY AND OTHER GENERAL INFORMATION

14.1 SHARE CAPITAL

(i) No securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of this Prospectus.

(ii) As at the date of this Prospectus, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.

(iii) Save as disclosed in this Prospectus, we have not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within 2 years preceding the date of this Prospectus.

(iv) There is currently no scheme involving our Directors and employees in the share capital of our Company or any of our subsidiaries.

(v) As at the date of this Prospectus, we have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our subsidiaries under option.

(vi) As at the date of this Prospectus, neither we nor our subsidiaries have any outstanding convertible debt securities, options, warrants or uncalled capital.

(vii) Except as disclosed in this Prospectus, and save as provided under our constitution ("**Constitution**") and the Act, there are no limitations on the right to own securities, including limitations on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.2 CONSTITUTION

The following provisions are reproduced from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined in this Prospectus or the context otherwise requires.

(i) Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Director's fees

Clause 175

The Board can decide on the amount, timing and method of payment of directors' fees. However, fees of a non-executive director must be a fixed amount and must not be by a commission on or percentage of profits or turnover. Also, any fee paid by the Company to an alternate director must be deducted from the appointing director's remuneration.

Clause 181

Shareholders must approve the matters in Clauses 175 to 179 as far as the Laws require in relation to directors' fees and benefits. There must be annual shareholders' approvals at a General Meeting for the fees of directors and any benefits payable to directors as required by Listing Requirement.

(ii) Directors' Borrowing Powers

The provisions in our Constitution dealing with Directors' borrowing powers are as follows:

Borrowing powers

Clause 223

To the extent that CA, LR and the Constitution allow, the Board can exercise all the powers of the Company to:

223.1. borrow money;

223.2 mortgage or charge all or any part of the Company's business, property and assets (present and future);

223.3 issue debentures and other securities; and

223.4 give security (including (without limitation), guarantees, indemnities and mortgages and charges) either outright or as collateral security, for a debt, liability or obligation of the Company or another person.

(iii) Directors' Interests

The provisions in our Constitution dealing with Directors' interest are as follows:

When Directors Can Vote On Things

Clause 197

A director cannot vote (and if the director does vote, such vote will not be counted) on a resolution about a contract in which the director (or a person connected with the director) is directly or indirectly interested.

Clause 198

A director is counted in the quorum for a Board meeting in relation to a resolution although the director is not entitled to vote.

Clause 199

A director is not interested in a contract where Sections 221(2) or (3) of CA say that they are not. This Clause does not affect any equitable principle or rule of law relating to directors not being treated as interested. This Clause is subject to LR.

Clause 200

This Clause applies if the Board is considering proposals to appoint two or more directors to positions with the Company or any company in which the Company has an interest. It also applies if the Board are considering fixing or varying the terms of the appointment. These proposals can be split up to deal with each proposed director separately. If this is done, each proposed director can vote (unless the proposed director is prevented from voting under Clause 197) and be counted in the quorum for each resolution.

Clause 201

If a question comes up at a meeting about whether a director (other than the chairman of the meeting) has all interest or whether the director can vote or be counted in the quorum, and the director does not agree to abstain from voting on the question or not be counted in the quorum, the question must be referred to the chairman of the meeting. The chairman's ruling about the director is conclusive, unless the nature or extent of the director's interests has not been fairly disclosed to the Board. If the question comes up about the chairman of the meeting, the question will be decided by a resolution of the Board. The chairman cannot vote on the question but can be counted in the quorum. The Board's resolution about the chairman is conclusive, unless the nature or extent of the chairman's interests has not been disclosed to the Board.

(iv) Share and Share Capital

The provisions in our Constitution dealing with changes in share and share capital are as follows:

Classes of shares

Clause 17

Where the Company has different classes of shares, the Constitution must say prominently:

17.1 that the Company's share capital is divided into different classes of shares;

17.2 the voting rights attached to shares in each class;

17.3 any other rights attached to those shares;

17.4 any other things which Section 90 of CA requires.

Section 89(2) of CA applies.

Clause 18

The Constitution must set out the rights of shareholders attached to preference shares or shares convertible into preference shares. The rights which must be set out include shareholders' rights on:

18.1. a repayment of capital;

18.2. participation in surplus assets and profits;

18.3. cumulative or non-cumulative dividends;

18.4. voting;

18.5. priority of payment of capital and dividend when compared to other shares or classes of preference shares.

Preference shares must give their holders the right to vote:

18.6. when any dividends remain unpaid for more than 6 months;

18.7. on a proposal to reduce the Company's share capital;

18.8. on a proposal to dispose of all of the Company's property, business and undertaking;

18.9. on a proposal that affects rights attached to the share;

18.10 on a proposal to wind up the Company; and

18.11 during the winding up of the Company.

Holders of preference shares must also be entitled to the same rights as a holder of an ordinary share in relation to receiving notices, reports and audited financial statements, and attending meetings. The Company may issue preference shares on terms that further preference shares may be issued which rank equally with or in priority to existing preference shares.

Shares and Special Rights

Clause 21

The Company can issue new shares and attach any rights and restrictions to them, as long as this is not restricted by special rights previously given to holders of any existing shares. Subject to this, the rights of new shares can take priority over the rights of existing shares, or existing shares can take priority over them, or the new shares and the existing shares can rank equally. These rights and restrictions can apply to sharing in the Company's profits or assets. Other rights and restrictions can also apply, for example, those relating to the right to vote.

Clause 22

The shareholders can decide on the rights and restrictions to be attached to new shares by passing an ordinary resolution. The Board can also take these decisions if the shareholders have not passed a resolution which covers the point. However, where different classes of shares result, Clause 17 also applies.

Clause 23

The Company may allot preference shares or convert any existing shares into preference shares. However, Clause 18 then applies.

Changing Special Rights of Shares

Clause 24

If the Company's share capital is split into different classes of share, the special rights attached to any of these classes can be varied or withdrawn if the shareholders approve this by passing a special resolution. This must be passed at a separate meeting of the holders of that class of shares. This is called a class meeting. Alternatively, the holders of at least 75% of the existing shares of the class (by voting rights) can give their written consent.

Clause 25

The parts of the Constitution which relate to General Meeting apply, with any necessary changes, to a class meeting, but with these adjustments:

25.1. a shareholder who is present in person or by proxy can demand a poll;

25.2. on a poll, the holders of shares will have one vote for every share of the class which they hold;

25.3. the vote will, anyhow, be by poll if LR require this.

This is subject to any special rights or restrictions which are attached to a class of shares by the Constitution, or any rights attached to shares in some other way under the Constitution.

A special resolution of shareholders of the preference capital affected is required where preference capital is to be repaid (other than redeemable preference capital or any other alteration to preference shareholders' rights). However, where the majority for the special resolution is not obtained at a meeting, written consent given by holders of at least 75% of that preference capital within 2 months of that meeting shall be as valid and effective as a special resolution passed at a meeting.

Clause 26

Clauses 24 and 25 also apply if:

26.1. special rights of shares forming part of a class are varied or withdrawn. Each part of the class which is being treated differently is viewed as a separate class in applying this Clause;

26.2. preference shares are issued which rank equally with existing preference shares. However, these Clauses do not apply if the terms of issue of existing preference shares or the Constitution allows those preference shares to be issued.

Board's Authority to Allot Shares and "Equity Securities" and to Sell Treasure Shares

Clause 31

Where the Company in General Meeting does not direct in a different way:

31.1. new shares or convertible securities must be offered, before issue, to shareholders entitled to receive notices from the Company of General Meetings;

31.2. the offer must, as far as circumstances allow, be in proportion to the amount of existing shares or securities to which such shareholders are entitled;

31.3. the offer must be by a notice which specifies the number of shares or securities offered and which limits the time within which, the offer must be accepted or be treated as declined;

31.4. if the offer is not accepted within such time or if such shareholders decline to accept the offer, the Board may dispose of those shares or securities in a way which they decide as most beneficial to the Company;

31.5. the Board may also dispose of any new share or security which the Board consider cannot be conveniently offered under this Clause 31 on grounds of the ratio which the new shares or securities bear to shares or securities held by shareholders entitled to such an offer.

Renunciation of allotted but unissued shares

Clause 35

Where a share or other security has been allotted to a person but that person has not yet been entered on the ROM or ROD, the Board can recognise a transfer (called a renunciation) by that person of their right to the share to be renounced in favour of some other person. Allotments can only apply if the terms on which the share or other security is allotted are consistent with renunciation. The Board can impose terms and conditions regulating renunciation rights.

Power to change capital

Clause 38

The shareholders can pass special resolutions to alter the Company's share capital in accordance with Section 84 of CA.

Clause 39

If any shares are consolidated or divided, the Board may deal with any fractions of shares which result or any other problem that arises. If the Board decide to sell any shares which represent fractions, they must sell for the best price they can reasonably obtain and distribute the net proceeds of sale among shareholders in proportion to their fractional entitlements or shall be disregarded and will be dealt with by the Board in such a manner as they deem fit at their absolute discretion and in the best interest of the Company. The Board can sell to a person (including the Company, if CA and LR allow) and can authorise a person to transfer those shares to the buyer or in accordance with the buyer's instructions. The buyer does not need to take any action to check how any money paid is used. The buyer's ownership will not be affected if the sale was irregular or invalid in any way.

Clause 40

The shareholders can also pass special resolutions to convert any paid-up shares into stock and reconvert any stock into paid-up shares in accordance with Section 86 of CA.

Securities Transfers

Clause 50

Transfers of any listed security or class of listed security shall be by way of book entry by the Depository in accordance with DR. The Company shall not register or effect any transfer of listed securities although Sections 105(1), 106 and 110 of CA may say something else. It shall not do so despite Sections 103(1), 106 and 110 of CA. This does not, however, apply to a transfer of securities to the Depository or its nominee or from the Depository or its nominee to Depositors under Section 148(2) of CA or any transfer of securities under any exemption given from compliance with Section 148(1) of CA.

Clause 53

The Depository may refuse to transfer any Deposited Shares which does not comply with SICDA and DR. A shareholder can transfer some or all of their Non-Depository Shares unless the Constitution says something else.

Clause 56

The Board can refuse to register such a transfer delivered:

56.1. *where the transfer breaches any law or regulation or licensing or requirement (of any jurisdiction) which applies to the Company or any of its subsidiaries or any entity in which any of them have an interest;*

56.2. *where the transfer is unlawful under Malaysian law; or*

56.3. *the transfer relates to partly paid shares where a call has been made and is unpaid.*

(v) Retirement of Directors

The provisions of our Constitution dealing with retirement of Directors are as follows:

Annual retirement of directors

Clause 165

At every Annual General Meeting, 1/3 of the directors at the date of the notice convening the Annual General Meeting will retire from office unless elected or re-elected at the Annual General Meeting. The directors retiring will be those longest in office since their last election. If directors were elected on the same day, the directors to retire will either be as agreed between those directors or by lot. A director appointed under Section 129(6) of the Companies Act 1965 will be treated in this Clause as re-elected at the last Annual General Meeting before the Constitution was adopted. If the total number of the directors is not 3 or a multiple of it, the number nearest to 1/3 will retire. If the first annual General Meeting had not yet been held when the Constitution was adopted, all the directors will retire at that first meeting.

Re-Electing Directors Who Retire

Clause 166

At each Annual General Meeting at which the directors retire in accordance with Clause 165 the shareholders can pass an ordinary resolution to re-elect each director or, if Clause 155 has been complied with, to elect some other eligible person in the director's place.

The retiring director is treated as re-elected unless:

166.1. the meeting expressly resolves not to elect a director to fill the vacancy;

166.2. the director has told the Company in writing that the director does not want to be re-elected;

166.3 a resolution to re-elect the director is put to the meeting and lost; or

166.4 any maximum number of directors which applies under Clause 153 (including any variation of that maximum approved by an ordinary resolution of shareholders) would be exceeded.

When a Director Retires

Clause 167

A director retiring at a General Meeting retires at the end of that meeting or (if earlier) when a resolution is passed to elect another person in the director's place or when a resolution to re-elect the director is put to the meeting and lost. Where a retiring director is re-elected (or treated as re-elected under Clauses 163 or 166) the retiring director continues as a director without a break.

(vi) Shareholders' Voting Rights

The provisions in our Constitution dealing with shareholders' voting rights are as follows:

ROD for the Meeting

Clause 129

The Company shall request the Depository in accordance with DR, to issue an ROD, as at the latest date reasonably practicable, which in any event is at least 3 market days before the meeting.

Clause 130

Subject to SICDFOR, a Depositor shall not be regarded as a shareholder entitled to attend the meeting and to attend, speak, participate and vote in it unless that shareholder's name appears in the ROD for that meeting.

14.3 GENERAL INFORMATION

(i) Save as disclosed in Section 3.10 of this Prospectus, no commissions, discounts, brokerages or other special terms have been paid or is payable by our Company within 2 years immediately preceding the date of this Prospectus for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any Shares in or debentures of our Company and in connection with the issue or sale of any capital of our Company and no Director or Promoter or expert is or are entitled to receive any such payment or any other benefits.

(ii) During the last financial year and the current financial period up to the date of this Prospectus, there were no:

(a) public take-over offers by third parties in respect of our Shares; and

(b) public take-over offers by us in respect of other companies' securities.

(iii) Save as disclosed in Section 8.1 of this Prospectus, there is no person, so far as known to us, who directly or indirectly, jointly or severally, exercise control over us.

14.4 MATERIAL CONTRACTS

Save as disclosed below, there are no material contracts (including contracts not in writing), not being contracts in the ordinary course of business, that have been entered into by our Group within 2 years preceding the date of this Prospectus:

(i) Sale and purchase agreement dated 22 April 2016 between Central Spectrum and Tri-Mode ("**SPA 1**") pursuant to which Central Spectrum has agreed to sell and Tri-Mode has agreed to purchase a piece of land identified as Lot No. 45, Phase 3C, Pulau Indah Industrial Park measuring 5.93 acres (258,310.80 sq ft) ("**Lot 1**"), being a piece of land within the Pulau Indah Land which forms part of the master land held under the master title PN 112454, Lot 104621, in the District and Mukim of Klang, State of Selangor Darul Ehsan, for a total cash purchase consideration of RM12,657.229.20 (subject to GST) ("**Lot 1 Purchase Price**"). As at the date of this Prospectus, the SPA 1 has yet to be completed and the delivery of vacant possession is still pending.

Other salient terms of the SPA 1 are as follows:

1. Purchase price

The Lot 1 Purchase Price shall be paid by Tri-Mode to Central Spectrum in the mode and manner and at the times as set out in the schedule of payment of the SPA 1. The payment shall be paid by Tri-Mode to Central Spectrum within 14 days from the date of the notice from Central Spectrum requesting for payment.

2. Completion

The sale and purchase of Lot 1 shall be deemed to be completed on the date when Tri-Mode has effected full payment of the Lot 1 Purchase Price and all monies due and payable to Central Spectrum in accordance with provisions of SPA 1.

3. *Delivery of vacant possession*

Central Spectrum shall deliver vacant possession of Lot 1 to Tri-Mode upon completion of the basic infrastructure, which shall be completed within 36 months from the date of SPA 1, failing which Central Spectrum shall be liable to pay to Tri-Mode liquidated damages calculated from the day to day at the rate of 10% per annum of the Lot 1 Purchase Price from the expiry of the time of vacant possession until the date Tri-Mode is deem to have taken possession of Lot 1. Vacant possession is deemed to be delivered upon expiry of 14 days from the date Central Spectrum requesting Tri-Mode to take possession of Lot 1.

(ii) Sale and purchase agreement dated 22 April 2016 between Central Spectrum and Tri-Mode ("**SPA 2**") pursuant to which Central Spectrum has agreed to sell and Tri-Mode has agreed to purchase a piece of land identified as Lot No. 48, Phase 3C, Pulau Indah Industrial Park measuring 5.96 acres (259,617.60 sq ft) ("**Lot 2**"), being a piece of land within the Pulau Indah Land which forms part of the master land held under the master title PN 112454, Lot 104621, in the District and Mukim of Klang, State of Selangor Darul Ehsan, for a total cash purchase consideration of RM12,721,262.40 (subject to GST) ("**Lot 2 Purchase Price**"). As at the date of this Prospectus, the SPA 2 has yet to be completed and the delivery of vacant possession is still pending.

Other salient terms of the SPA 2 are as follows:

1. *Purchase price*

The Lot 2 Purchase Price shall be paid by Tri-Mode to Central Spectrum in the mode and manner and at the times as set out in the schedule of payment of the SPA 2. The payment shall be paid by Tri-Mode to Central Spectrum within 14 days from the date of the notice from Central Spectrum requesting for payment.

2. *Completion*

The sale and purchase of Lot 2 shall be deemed to be completed on the date when Tri-Mode has effected full payment of the Lot 2 Purchase Price and all monies due and payable to Central Spectrum in accordance with provisions of SPA 2.

3. *Delivery of vacant possession*

Central Spectrum shall deliver vacant possession of Lot 2 to Tri-Mode upon completion of the basic infrastructure, which shall be completed within 36 months from the date of SPA 2, failing which Central Spectrum shall be liable to pay to Tri-Mode liquidated damages calculated from the day to day at the rate of 10% each year of the Lot 2 Purchase Price from the expiry of the time of vacant possession until the date Tri-Mode is deem to have taken possession of Lot 2. Vacant possession is deemed to be delivered upon expiry of 14 days from the date Central Spectrum requesting Tri-Mode to take possession of Lot 2.

(iii) Share purchase agreement dated 12 September 2017 between Atama and Dato' Hew (collectively "**Landbridge Haulage Vendors**") as the vendors and our Company as the purchaser in connection with the acquisition of 3,000,000 Landbridge Haulage Shares representing 31.6% of the enlarged issued share capital of Landbridge Haulage after the completion of the Landbridge Haulage Capitalisation ("**Landbridge Haulage Sale Shares**"), for a total purchase price of RM6,300,000 payable by Tri-Mode to the Landbridge Haulage Vendors for the Landbridge Haulage Sale Shares ("**Landbridge Haulage Purchase Price**") to be satisfied via the allotment and issuance of 12,600,000 new Tri-Mode Shares to the Landbridge Haulage Vendors ("**Landbridge Haulage Acquisition Consideration Shares**"), which is completed on 26 March 2018 ("**Landbridge Haulage SPA**").

Other salient terms of the Landbridge Haulage SPA are as follows:

1. Agreement for sale

The portion of the Landbridge Haulage Acquisition Consideration Shares to be allotted and issued to Atama shall be received by its nominees in the proportion set out in Section 5.3(vi)(e) of this Prospectus.

The Landbridge Haulage Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of Landbridge Haulage as at 31 December 2016 of RM13,417,696 and after the completion of the Landbridge Haulage Capitalisation.

2. Conditions precedent

The sale and purchase of the Landbridge Haulage Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date of the Landbridge Haulage SPA or such other extended period as Tri-Mode and the Landbridge Haulage Vendors may mutually agree in writing:

(a) the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the acquisition of the Landbridge Haulage Sale Shares;

(b) the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the Landbridge Haulage Acquisition Consideration Shares;

(c) the completion of the Landbridge Haulage Capitalisation;

(d) the approval of the board of directors of Landbridge Haulage being obtained by Atama for the disposal of its portion of the Landbridge Haulage Sale Shares and the transfer and registration of its portion of the Landbridge Haulage Sale Shares to Tri-Mode;

(e) all requisite approvals of the financiers of Landbridge Haulage being procured; and

(f) such other approvals as may be necessary for the completion of the sale and purchase of the Landbridge Haulage Sale Shares.

3. Completion

Subject to the satisfaction of the conditions precedent for the Landbridge Haulage SPA or the waiver of any such condition precedent, completion shall take place on such date after all the conditions precedent for the Landbridge Haulage SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the Landbridge Haulage Acquisition Consideration Shares and deliver the share certificates for the Landbridge Haulage Acquisition Consideration Shares to the Landbridge Haulage Vendors.

(iv) Share purchase agreement dated 12 September 2017 between Dato' Hew and Datin Sam as the vendors (collectively "**NV Freights Vendors**") and our Company as the purchaser in connection with the acquisition of 100,000 NV Freights Shares representing 100% of the share capital of NV Freights ("**NV Freights Sale Shares**"), for a total purchase price of RM1,500,000 payable by Tri-Mode to the NV Freights Vendors for the NV Freights Sale Shares ("**NV Freights Purchase Price**") to be satisfied via the allotment and issuance of 3,000,000 new Tri-Mode Shares to the NV Freights Vendors ("**NV Freights Acquisition Consideration Shares**"), which is completed on 26 March 2018 ("**NV Freights SPA**").

Other salient terms of the NV Freights SPA are as follows:

1. *Agreement for sale*

The NV Freights Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of NV Freights as at 31 December 2016 of RM1,441,985.

2. *Conditions precedent*

The sale and purchase of the NV Freights Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date of NV Freights SPA or such other extended period as Tri-Mode and the NV Freights Vendors may mutually agree in writing:

(a) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the acquisition of the NV Freights Sale Shares;*

(b) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the NV Freights Acquisition Consideration Shares;*

(c) *all requisite approvals of the financiers of NV Freights being procured; and*

(d) *such other approvals as may be necessary for the completion of the sale and purchase of the NV Freights Sale Shares.*

3. *Completion*

Subject to the satisfaction of the conditions precedent for the NV Freights SPA or the waiver of any such condition precedent, completion shall take place on such date after all the conditions precedent for NV Freights SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the NV Freights Acquisition Consideration Shares and deliver the share certificates for the NV Freights Acquisition Consideration Shares to the NV Freights Vendors.

(v) Share purchase agreement dated 12 September 2017 between Dato' Hew as the vendor and our Company as the purchaser in connection with the acquisition of 10,000 Tri-Mode Penang Shares representing 10% of the share capital of Tri-Mode Penang ("**Tri-Mode Penang Sale Shares**"), for a total purchase price of RM209,000 payable by Tri-Mode to Dato' Hew for the Tri-Mode Penang Sale Shares ("**Tri-Mode Penang Purchase Price**") to be satisfied via the allotment and issuance of 418,000 new Tri-Mode Shares to Dato' Hew ("**Tri-Mode Penang Acquisition Consideration Shares**") which is completed on 26 March 2018 ("**Tri-Mode Penang SPA**").

Other salient terms of the Tri-Mode Penang SPA are as follows:

1. *Agreement for sale*

The Tri-Mode Penang Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of Tri-Mode Penang as at 31 December 2016 of RM2,085,445.

2. *Conditions precedent*

The sale and purchase of the Tri-Mode Penang Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date Tri-Mode Penang SPA or such other extended period as Tri-Mode and Dato' Hew may mutually agree in writing:

(a) the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the acquisition of the Tri-Mode Penang Sale Shares;

(b) the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the Tri-Mode Penang Acquisition Consideration Shares;

(c) all requisite approvals of the financiers of Tri-Mode Penang being procured; and

(d) such other approvals as may be necessary for the completion of the sale and purchase of the Tri-Mode Penang Sale Shares.

3. *Completion*

Subject to the satisfaction of the conditions precedent for the Tri-Mode Penang SPA or the waiver of any such condition precedent, completion shall take place on such date after all the conditions precedent for Tri-Mode Penang SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the Tri-Mode Penang Acquisition Consideration Shares and deliver the share certificates for the Tri-Mode Penang Acquisition Consideration Shares to Dato' Hew.

(vi) Share purchase agreement dated 12 September 2017 between Dato' Hew as the vendor and our Company as the purchaser in connection with the acquisition of 20,000 Tri-Mode Johor Shares representing 40% of the share capital of Tri-Mode Johor ("**Tri-Mode Johor Sale Shares**"), for a total purchase price of RM240,000 payable by Tri-Mode to Dato' Hew for the Tri-Mode Johor Sale Shares ("**Tri-Mode Johor Purchase Price**") to be satisfied via the allotment and issuance of 480,000 new Tri-Mode Shares to Dato' Hew ("**Tri-Mode Johor Acquisition Consideration Shares**"), which is completed on 26 March 2018 ("**Tri-Mode Johor SPA**").

Other salient terms of the Tri-Mode Johor SPA are as follows:

1. *Agreement for sale*

The Tri-Mode Johor Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of Tri-Mode Johor as at 31 December 2016 of RM597,900.

2. *Conditions Precedent*

The sale and purchase of the Tri-Mode Johor Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date of Tri-Mode Johor SPA or such other extended period as Tri-Mode and Dato' Hew may mutually agree in writing:

(a) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the acquisition of the Tri-Mode Johor Sale Shares;*

(b) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the Tri-Mode Johor Acquisition Consideration Shares;*

(c) *all requisite approvals of the financiers of Tri-Mode Johor being procured; and*

(d) *such other approvals as may be necessary for the completion of the sale and purchase of the Tri-Mode Johor Sale Shares.*

3. *Completion*

Subject to the satisfaction of the conditions precedent for the Tri-Mode Johor SPA or the waiver of any such conditions precedent, completion shall take place on such date after all the conditions precedent for Tri-Mode Johor SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the Tri-Mode Johor Acquisition Consideration Shares to Dato' Hew and deliver the share certificates for the Tri-Mode Johor Acquisition Consideration Shares to Dato' Hew.

(vii) Share purchase agreement dated 12 September 2017 between Dato' Hew as the vendor and our Company as the purchaser in connection with the acquisition of 2,000 Tri-Mode Logistics Shares representing 20% of the share capital of Tri-Mode Logistics ("**Tri-Mode Logistics Sale Shares**"), for a total purchase price of RM175,000 payable by Tri-Mode to Dato' Hew for the Tri-Mode Logistics Sale Shares ("**Tri-Mode Logistics Purchase Price**") to be satisfied via the allotment and issuance of 350,000 new Tri-Mode Shares to Dato' Hew ("**Tri-Mode Logistics Acquisition Consideration Shares**") which is completed on 26 March 2018 ("**Tri-Mode Logistics SPA**").

Other salient terms of the Tri-Mode Logistics SPA are as follows:

1. *Agreement for sale*

The Tri-Mode Logistics Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of Tri-Mode Logistics as at 31 December 2016 of RM873,916.

2. *Conditions precedent*

The sale and purchase of the Tri-Mode Logistics Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date of the Tri-Mode Logistics SPA or such other extended period as Tri-Mode and Dato' Hew may mutually agree in writing:

(a) *the approval of the shareholders and board of directors of Tri-Mode being obtained by the Tri-Mode for the acquisition of the Tri-Mode Logistics Sale Shares;*

(b) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the Tri-Mode Logistics Acquisition Consideration Shares;*

(c) *all requisite approvals of the financiers of Tri-Mode Logistics being procured; and*

(d) *such other approvals as may be necessary for the completion of the sale and purchase of the Tri-Mode Logistics Sale Shares.*

3. *Completion*

Subject to the satisfaction of the conditions precedent of the Tri-Mode Logistics SPA or the waiver of any such conditions precedent, completion shall take place on such date after all the conditions precedent for the Tri-Mode Logistics SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the Tri-Mode Logistics Consideration Shares and deliver the share certificates for the Tri-Mode Logistics Acquisition Consideration Shares to Dato' Hew.

(viii) Share purchase agreement dated 12 September 2017 between Dato' Hew as the vendor and our Company as the purchaser in connection with the acquisition of 93,100 Atama Shares representing 49% of the share capital of Atama ("**Atama Sale Shares**"), for a total purchase price of RM460,000 payable by Tri-Mode to Dato' Hew for the Atama Sale Shares ("**Atama Purchase Price**") to be satisfied via the allotment and issuance of 920,000 new Tri-Mode Shares to Dato' Hew ("**Atama Acquisition Consideration Shares**"), which is completed on 26 March 2018 ("**Atama SPA**").

Other salient terms of the Atama SPA are as follows:

1. *Agreement for sale*

The Atama Purchase Price was arrived at on a "willing-buyer willing-seller" basis after taking into consideration, among others, the audited net assets of Atama as at 31 December 2016 of RM928,993.

2. *Conditions precedent*

The sale and purchase of the Atama Sale Shares shall be conditional upon the fulfilment of the following conditions within a period of 12 months commencing from the date of the Atama SPA or such other extended period as Tri-Mode and Dato' Hew may mutually agree in writing:

(a) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the acquisition of the Atama Sale Shares;*

(b) *the approval of the shareholders and board of directors of Tri-Mode being obtained by Tri-Mode for the allotment and issuance of the Atama Acquisition Consideration Shares;*

(c) *all requisite approvals of the financiers of Atama being procured; and*

(d) *such other approvals as may be necessary for the completion of the sale and purchase of the Atama Sale Shares.*

3. Completion

Subject to the satisfaction of the conditions precedent for the Atama SPA or the waiver of any such conditions precedent, completion shall take place on such date after all the conditions precedent for the Atama SPA are fulfilled or such date which parties mutually agree in writing for completion to take place, on which Tri-Mode shall issue and allot the Atama Acquisition Consideration Shares and deliver the share certificates for the Atama Acquisition Consideration Shares to Dato' Hew.

(ix) Underwriting Agreement dated 27 March 2018 between our Company, the Managing Underwriter and Joint Underwriters for the underwriting of 12,497,000 IPO Shares under the Retail Offering, at the managing underwriter fee and underwriting commission set out at Section 3.10.1 of this Prospectus. Please refer to Section 3.11 of this Prospectus for the salient terms of the Underwriting Agreement.

As at the LPD, save for the operator licence to provide goods vehicles services in Peninsular Malaysia issued by SPAD to Landbridge Haulage, our Group is not highly dependent on any material contracts, agreements, documents or other arrangements including patents or licences, industrial, commercial or financial contracts which are material to our Group's business or profitability.

14.5 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the date of this Prospectus, our Group is not engaged in any material litigation, claim and/or arbitration, whether as plaintiff or defendant, which might materially and adversely affect the financial or business position of our Group.

14.6 CONSENTS

Our Principal Adviser, Sponsor, Managing Underwriter, Joint Underwriters, Placement Agent, Financial Adviser, Company Secretaries, Legal Adviser, Principal Bankers, Issuing House and Share Registrar have given written consents for the inclusion of their names in the form and context in which their names appear in this Prospectus before the issuance of this Prospectus and have not subsequently been withdrawn their consents.

Our Auditors and Reporting Accountants has given written consent for the inclusion of its name, Reporting Accountants' Letter on the compilation of Pro Forma Consolidated Financial Information as at 31 December 2017, Accountants' Report and all references thereto in the form and context in which they are contained in this Prospectus before the issuance of this Prospectus and has not subsequently withdrawn its consent.

Our Independent Market Researcher has given written consent for the inclusion of its name, the Executive Summary of the Independent Market Research Report and all references thereto in the form and context in which they are contained in this Prospectus before the issuance of this Prospectus and has not subsequently withdrawn its consent.

14.7 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As our Group does not physically operate in any countries other than Malaysia and all our subsidiaries are incorporated and located in Malaysia, any governmental law, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit is not applicable to our Group.

14.8 DOCUMENTS AVAILABLE FOR INSPECTION

You can inspect copies of the following documents at our registered office during normal business hours (except public holidays) for a period of at least 6 months from the date of this Prospectus:

(i) Our Constitution;

(ii) Material contracts as referred to in Section 14.4 of this Prospectus;

(iii) Reporting Accountants' Letter on the compilation of Pro forma Consolidated Financial Information as at 31 December 2017 as set out in Section 11.3 of this Prospectus;

(iv) Accountants' Report as set out in Section 13 of this Prospectus;

(v) Independent Market Research Report referred to in this Prospectus and the Executive Summary thereof as included in Section 7 of this Prospectus;

(vi) Audited financial statements of Tri-Mode, Tri-Mode Penang, Tri-Mode Johor and Tri-Mode Logistics for the FYE 28 February 2015, FYE 29 February 2016, FPE 31 December 2016 and FYE 31 December 2017;

(vii) Audited financial statements of NV Freights and Landbridge Haulage for the FYE 31 October 2015, FPE 31 December 2016 and FYE 31 December 2017; and

(viii) Letters of consent as referred to in Section 14.6 of this Prospectus.

14.9 RESPONSIBILITY STATEMENTS

Our Board and Promoters have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other fact the omission of which would make any statement in this Prospectus false or misleading.

TA Securities, being our Principal Adviser, Sponsor, Managing Underwriter, Joint Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. PROCEDURES FOR APPLICATION AND ACCEPTANCE

15.1 Opening and closing of applications

OPENING OF THE RETAIL OFFERING: 10:00 A.M., 18 April 2018

CLOSING OF THE RETAIL OFFERING: 5:00 P.M., 26 April 2018

We will make the necessary disclosure and announcement in accordance with the CMSA should there be any changes in the timetable such as advertise the notice of extension in a widely circulated Bahasa Malaysia and English daily newspapers within Malaysia. Changes to the closing date of the application period will also result in changes to the dates of balloting, allotment and Listing.

You may obtain copies of the Application Forms together with this Prospectus, subject to availability, from TA Securities, participating organisations of Bursa Securities, Members of the Association of Banks in Malaysia, Members of the Malaysian Investment Banking Association, the Issuing House, and ADAs which are registered members of Bursa Securities.

15.2 Methods of application and category of investors

15.2.1 Application for the IPO Shares under the Retail Offering

Applications for the IPO Shares under the Retail Offering may be made using either of the following:

Type of Application Form	Category of investors
WHITE Application Form or Electronic Share Application(1) or Internet Share Application(2)	Malaysian Public (for individuals)
WHITE Application Form only	Malaysian Public (for non-individuals, e.g. corporations, institutions, etc.)
PINK Application Form only	Eligible Persons

Notes:

(1) *The following processing fee per Electronic Share Application will be charged by the respective Electronic Participating Financial Institutions:*

(i) *Affin Bank Berhad – No fee will be charged for application by their account holders;*

(ii) *Alliance Bank Malaysia Berhad – RM1.00;*

(iii) *AmBank (M) Berhad – RM1.00;*

(iv) *CIMB Bank Berhad – RM2.50;*

(v) *HSBC Bank Malaysia Berhad – RM2.50;*

(vi) *Malayan Banking Berhad – RM1.00;*

(vii) *Public Bank Berhad – RM2.00;*

(viii) *RHB Bank Berhad – RM2.50; and*

(ix) *Standard Chartered Bank Malaysia Berhad (at selected branches only) – RM2.50.*

(2) *The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institutions:*

(i) *Affin Bank Berhad (www.affinOnline.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – No fee will be charged for application by their account holders;*

(ii) *Alliance Bank Malaysia Berhad (www.allianceonline.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM1.00;*

(iii) *CIMB Bank Berhad (www.cimbclicks.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.00 for applicants with CDS Accounts held with CIMB Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;*

(iv) *CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or Malayan Banking Berhad;*

(v) *Malayan Banking Berhad (www.maybank2u.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM1.00;*

(vi) *Public Bank Berhad (www.pbebank.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.00; and*

(vii) *RHB Bank Berhad (www.rhbgroup.com) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com) – RM2.50.*

Eligible Persons who have made applications using the PINK Application Forms may still apply for the IPO Shares allocated to the Malaysian Public under the Retail Offering using the WHITE Application Form, Electronic Share Application or Internet Share Application.

Only one Application Form from each applicant will be considered and **APPLICATIONS MUST BE FOR 100 IPO SHARES OR MULTIPLES THEREOF. MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED.** A person who submit multiple applications in his own name or by using the name of others, with or without their consent, commits an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and a jail term of up to 10 years under Section 182 of the CMSA.

As such, applicants using the WHITE and PINK Application Forms are not allowed to submit multiple applications in the same category of application. Further, applicants who have submitted their applications using the WHITE Application Form are not allowed to make additional applications using the Electronic Share Application and the Internet Share Application, and vice versa.

15.2.2 Application for the IPO Shares under the Institutional Offering

Institutional investors being allocated the IPO Shares under the Institutional Offering (other than the Bumiputera institutional and selected investors approved by the MITI) will be contacted directly by the Placement Agent and shall follow the instructions as communicated by the Placement Agent should they wish to accept the IPO Shares offered to them. Selected investors may still apply for the IPO Shares offered to the Malaysian Public using the WHITE Application Form, Electronic Share Application or Internet Share Application.

Bumiputera institutional and selected investors approved by the MITI who have been allocated the IPO Shares under the Institutional Offering will be contacted directly by the MITI and should follow the instructions as communicated through the MITI.

15.3 Procedures for application and acceptance

Application must be made in relation with and subject to the terms of this Prospectus and our Constitution. The submission of an Application Form does not necessarily mean that the application will be successful. You agree to be bound by our Constitution.

15.3.1 Application by the Malaysian Public under the Retail Offering (WHITE Application Form, Electronic Share Application or Internet Share Application)

Eligibility

You can only apply for the IPO Shares allocated to the Malaysian public (of which at least 50% shall be set aside for Bumiputera individuals, companies, societies, co-operatives and institutes) under the Retail Offering if you meet the following requirements:

(i) you must have a CDS Account. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs as set out in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities;

(ii) you must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the closing date of the Retail Offering with a Malaysian address;

(b) a corporation/ institution incorporated in Malaysia where, there is a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of your issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident or pension fund established or operating in Malaysia.

We will not accept applications from trustees, persons under 18 years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations/ institutions referred to in item (ii)(b) or (c) above or the trustees thereof; and

(iii) you are not a director or an employee of the Issuing House or their immediate family members.

15.3.2 Application by the Eligible Persons (PINK Application Form)

Eligible Persons will be provided with the PINK Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in the said documents and where relevant, in this Prospectus. The amount payable in full on application is RM0.61 per IPO Share.

Eligible Persons who apply for the IPO Shares must have a CDS account and a correspondence address in Malaysia.

Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, TA Securities, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 Procedures for application by way of an Application Form

Each application for the IPO Shares under the Retail Offering must be made by the relevant category of investors on the correct Application Form issued together with this Prospectus and must be completed in accordance with the notes and instructions contained therein. Applications which do not conform **STRICTLY** to the terms of this Prospectus or the respective category of Application Form or notes and instructions contained therein or which are illegible may not be accepted at the absolute discretion of our Directors.

FULL INSTRUCTIONS FOR THE APPLICATION FOR OUR IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

Malaysian Public should follow the following procedures in making their applications under the Retail Offering:

Step 1: Obtain application documents

Obtain the relevant Application Form together with the Official "A" and "B" envelopes and a copy of this Prospectus.

The WHITE Application Forms can be obtained subject to availability from TA Securities, Participating Organisations of Bursa Securities, Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association, the Issuing House and our Company.

Step 2: Read the Prospectus

In accordance with Section 232(2) of the CMSA, the Application Forms are accompanied by this Prospectus. You are advised to read and understand this Prospectus before making your application.

Step 3: Complete the relevant Application Form

You must complete the relevant Application Form legibly and **STRICTLY** in accordance with the notes and instructions contained therein and in this Prospectus.

(i) Personal particulars

You must ensure that your personal particulars submitted in your application are identical with the records maintained by Bursa Depository. Please inform Bursa Depository promptly of any changes to your personal particulars as notification letter of successful allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

If you are an individual and you are not a member of the armed forces or police, the name and national registration identity card ("**NRIC**") number must be the same as your NRIC or official temporary identity documents issued by relevant authorities.

If you are a member of the armed forces or police, your name and your armed forces or police personnel number, as the case may be, must be exactly as that stated in your authority card. In addition, your address must be the address of your respective camp, base or station.

For corporations or institutions, the name and certificate of incorporation number must be the same as that stated in the certificate of incorporation or the certificate of change of name, where applicable, or equivalent documents proving its constitution. The address must be the corporations' or institutions' registered addresses.

(ii) **CDS Account number**

You must state your CDS Account number in the space provided in the Application Form. Invalid or nominee or third party CDS Accounts will **not** be accepted.

(iii) **Details of payment**

You must state the details of your payment in the appropriate boxes provided in the Application Form.

(iv) **Number of IPO Shares applied**

Applications must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

Step 4: Prepare appropriate form of payment

You must prepare the correct form of payment in RM for the FULL amount payable for the IPO Shares issued under the Retail Offering based on the Retail Price, which is RM0.61 per IPO Share. Payment must be made out in favour of "**MIH SHARE ISSUE ACCOUNT NO. 588**" and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Only Banker's Draft or Cashier's Order drawn on a bank in Kuala Lumpur, Money or Postal Orders (Sabah and Sarawak only) and Guaranteed Giro Order from Bank Simpanan Nasional Malaysia Berhad will be accepted. We will not accept applications with excess or insufficient remittances or inappropriate forms of payment. Remittances must be completed in the appropriate boxes provided in the Application Forms.

Step 5: Finalise application

Insert the relevant Application Form together with payment and a clear photocopy of your identification document (NRIC or official temporary documents issued by relevant authorities) into the Official "A" envelope and seal it. You must write your name and address on the outside of the Official "A" and "B" envelopes.

The name and address written must be identical to your name and address as per your NRIC or official temporary identity documents or certificate of incorporation or the certificate of change of name for corporate or institutional applicant or passport (where applicable).

Affix an 80 sen stamp on the Official "A" envelope and insert the Official "A" envelope into the Official "B" envelope.

Step 6: Submit application

Each completed Application Form, accompanied by the appropriate remittance and clear photocopy of the relevant documents can be submitted using one of the following methods:

(i) despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

OR

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya
Selangor Darul Ehsan

(ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-In Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan,

so as to arrive not later than 5:00 p.m. on 26 April 2018.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or application monies. Please direct all enquiries in respect of the WHITE Application Form to the Issuing House.

15.5 Procedures for application by way of an Electronic Share Application

Only Malaysian individuals may apply for the IPO Shares made available to the Malaysian Public under the Retail Offering by way of Electronic Share Application.

15.5.1 Steps for Electronic Share Application through an Electronic Participating Financial Institutions' ATM

(i) You must have an account with an Electronic Participating Financial Institutions and an ATM card issued by that Electronic Participating Financial Institutions to access the account. An ATM card issued by one of the Electronic Participating Financial Institutions cannot be used to apply for the IPO Shares made available to the Malaysian Public under the Retail Offering at an ATM belonging to other Electronic Participating Financial Institutions;

(ii) You **must have a CDS Account**;

(iii) You are advised to read and understand this Prospectus before making the application; and

(iv) You may apply for the IPO Shares made available to the Malaysian Public under the Retail Offering via the ATM of the Electronic Participating Financial Institutions by choosing the Electronic Share Application option. The mandatory statements required in the application are set out in Section 15.5.3 of this Prospectus under the terms and conditions for Electronic Share Application. You are to submit at least the following information through the ATM, where the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so:

(a) Personal Identification Number (PIN);

(b) MIH Share Issue Account No. 588;

(c) CDS Account number;

(d) Number of IPO Shares made available to the Malaysian Public under the Retail Offering applied for and the RM amount to be debited from the account; and

(e) Confirmation of several mandatory statements as set out in Section 15.5.3 of this Prospectus.

15.5.2 Electronic Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Electronic Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, HSBC Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, RHB Bank Berhad and Standard Chartered Bank Malaysia Berhad (at selected branches only).

15.5.3 Terms and conditions of the Electronic Share Applications

The procedures for the Electronic Share Applications at ATMs of the Electronic Participating Financial Institutions are set out on the ATM screens of the relevant Electronic Participating Financial Institutions ("**Steps**"). For illustrative purposes only, the procedures for Electronic Share Applications at ATMs are set out in "**Steps for Electronic Share Application through a Electronic Participating Financial Institution's ATMs**" in Section 15.5.1 of this Prospectus.

The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. Please read carefully the terms of this Prospectus, the Steps and terms and conditions for the Electronic Share Applications set out below before making an Electronic Share Application.

You must have a CDS Account to be eligible to use the Electronic Share Application. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will **not** be accepted.

Upon the completion of your Electronic Share Application transaction at the ATM, you will receive a computer-generated transaction slip ("**Transaction Record**"), confirming the details of your Electronic Share Application. The Transaction Record is only a record of the completed transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by our Company or the Issuing House. The Transaction Record is for your records and should not be submitted with any Application Form.

Upon the closing of the Retail Offering on 26 April 2018 at 5:00 p.m. ("**Closing Date and Time**"), the Electronic Participating Financial Institutions shall submit a magnetic tape containing its respective customers' applications for the IPO Shares allocated to the Malaysian public under the Retail Offering to the Issuing House as soon as practicable but not later than 12:00 p.m. of the second business day after the Closing Date and Time.

You will be allowed to make only one application and shall not make any other application for the IPO Shares allocated to the Malaysian Public under the Retail Offering, whether at the ATMs of any Electronic Participating Financial Institutions or using Internet Share Application or using the WHITE Application Forms.

You must ensure that you use your own CDS Account number when making an Electronic Share Application. If you operate a joint account with any Electronic Participating Financial Institutions, you must ensure that you enter your own CDS Account number when using an ATM card issued to you in your name. Your application will be rejected if you fail to comply with the foregoing.

The Electronic Share Application shall be made on, and subject to, the above terms and conditions as well as the terms and conditions appearing below:

(i) The Electronic Share Application shall be made in relation with and subject to the terms of this Prospectus and our Constitution.

(ii) You are required to confirm the following statements (by pressing predesignated keys (or buttons) on the ATM keyboard) and undertake that the following information given are true and correct:

(a) you have attained 18 years of age as at the Closing Date and Time;

(b) you are a Malaysian citizen residing in Malaysia;

(c) you have read this Prospectus and understood and agreed with the terms and conditions of the application;

(d) the Electronic Share Application is the only application that you are submitting for the IPO Shares allocated to the Malaysian Public under the Retail Offering; and

(e) you hereby give consent to the Electronic Participating Financial Institutions and Bursa Depository to disclose information pertaining to yourself and your account with the Electronic Participating Financial Institutions and Bursa Depository to the Issuing House and other relevant authorities.

Your application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Electronic Participating Financial Institutions. By doing so, you shall be deemed to have confirmed each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia including Section 134 of the Financial Services Act, 2013 and Section 45 of the SICDA to the disclosure by the relevant Electronic Participating Financial Institutions or Bursa Depository, as the case may be, of any of your particulars to the Issuing House, or any relevant regulatory bodies.

(iii) You confirm that you are not applying for the IPO Shares allocated to the Malaysian Public under the Retail Offering as a nominee of any other person and that the Electronic Share Application that you make is made by you as the beneficial owner. You shall only make one Electronic Share Application and shall not make any other application for the IPO Shares allocated to the Malaysian Public under the Retail Offering, whether at the ATMs of any Electronic Participating Financial Institutions or using Internet Share Application or using any prescribed Application Forms.

(iv) You must have sufficient funds in your account with the relevant Electronic Participating Financial Institutions at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made, will be rejected.

(v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the predesignated keys (or buttons) on the ATM keyboard) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Constitution.

(vi) The Issuing House, on the authority of our Board, reserves the right not to accept any Electronic Share Application or accept any Electronic Share Application in whole or part only without assigning any reason therefor. Due consideration will be given to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our IPO Shares.

(vii) Where an Electronic Share Application is not successful or successful in part only, the relevant Electronic Participating Financial Institutions will be informed of the non-successful or partially successful applications within 2 Market Days after the balloting date. If your Electronic Share Application is not successful or successful in part only, the relevant Electronic Participating Financial Institutions will credit the full amount of the application monies or the balance of it, as the case may be, in RM (without interest or any share of revenue or benefit arising therefrom) into your account with that Electronic Participating Financial Institutions within 2 Market Days after the receipt of confirmation from the Issuing House. You may check your account on the 5th Market Day from the balloting date.

If your Electronic Share Application is accepted in part only, the relevant Electronic Participating Financial Institutions will credit the balance of the application monies in RM (without interest or any share of revenue or benefit arising therefrom) into your account with the Electronic Participating Financial Institutions within 2 Market Days after the receipt of confirmation from the Issuing House. A number of applications will, however, be held in reserve to replace any successfully balloted applications, which are subsequently rejected. For such applications, which are subsequently rejected, the application monies (without interest or any share revenue of benefit arising therefrom) will be refunded to you by crediting into your account with the Electronic Participating Financial Institution within 10 Market Days from the date of the final ballot, at your own risk.

Should you encounter any problems in your application, you may refer to the Electronic Participating Financial Institutions.

(viii) You request and authorise us:

(a) to credit the IPO Shares allotted or allocated to you into your CDS Account; and

(b) to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.

(ix) You acknowledge that your Electronic Share Application is subject to the risks of electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events beyond our control, the Issuing House, Bursa Depository or the Electronic Participating Financial Institutions and irrevocably agree that if:

(a) our Company or the Issuing House does not receive your Electronic Share Application; or

(b) the data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or the Issuing House, you shall be deemed not to have made an Electronic Share Application and you shall not make any claim whatsoever against our Company, the Issuing House or Electronic Participating Financial Institutions for the IPO Shares applied for or for any compensation, loss or damage.

(x) All of your particulars in the records of the relevant Electronic Participating Financial Institutions at the time you make your Electronic Share Application shall be deemed to be true and correct, and we, the Issuing House and the relevant Electronic Participating Financial Institutions shall be entitled to rely on the accuracy thereof.

(xi) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Electronic Participating Financial Institutions are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address, failing which the notification letter of successful allotment or allocation will be sent to your registered or correspondence address last maintained with Bursa Depository.

(xii) By making and completing an Electronic Share Application, you agree that:

(a) in consideration of us agreeing to allow and accept the making of any application for the IPO Shares via the Electronic Share Application facility established by the Electronic Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;

(b) we, the Electronic Participating Financial Institutions, Bursa Depository and the Issuing House shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application to our Company due to a breakdown or failure of transmission or communication facilities or to any cause beyond their control;

(c) notwithstanding the receipt of any payment by or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of allotment in respect of the said IPO Shares;

(d) you irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and other documents required for the issue or transfer of the IPO Shares allotted or allocated to you; and

(e) you agree that in relation to any legal action, proceedings or disputes arising out of or in relation to the contract between the parties and/or the Electronic Share Application and/or any terms contained herein, all rights, obligations and liabilities of the parties shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies of Malaysia and that you irrevocably submit to the jurisdiction of the Courts of Malaysia.

(xiii) If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

(xiv) The Issuing House, on the authority of our Board reserves the right to reject applications which do not conform to these instructions.

15.6 Procedures for application by way of an Internet Share Application

Only Malaysian individuals may apply for our IPO Shares allocated to the Malaysian Public under the Retail Offering by way of an Internet Share Application.

Please read carefully and follow the terms of this Prospectus, the procedures, terms and conditions for Internet Share Application and the exact procedures set out on the internet financial services website of the Internet Participating Financial Institutions before making an Internet Share Application.

Internet Participating Financial Institutions

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CIMB Investment Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad.

Step 1: Set up of account

Before making an application by way of Internet Share Application, you **must have all** of the following:

(i) an existing account with access to internet financial services with:

(a) Affin Bank Berhad at www.affinOnline.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or

(b) Alliance Bank Malaysia Berhad (www.allianceonline.com.my) (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or

(c) CIMB Bank Berhad at www.cimbclicks.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or

(d) CIMB Investment Bank Berhad at www.eipocimb.com; or

(e) Malayan Banking Berhad at www.maybank2u.com.my (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or

(f) Public Bank Berhad at www.pbebank.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com); or

(g) RHB Bank Berhad at www.rhbgroup.com (via hyperlink to Bursa Securities' website at www.bursamalaysia.com).

You need to have your user identification and PIN/password for the internet financial services facility; and

(ii) an individual CDS Account registered in your name (and not in a nominee's name) and in the case of a joint account an individual CDS Account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS Account registered in the joint account holder's name.

Step 2: Read this Prospectus

You are advised to read and understand this Prospectus before making your application.

Step 3: Apply through the internet

For illustrative purposes only, we have set out the following steps for an application of the IPO Shares via Internet Share Application.

Please note that the actual steps for Internet Share Applications contained in the internet financial services website of the Internet Participating Financial Institutions may differ from the steps outlined below.

(i) Connect to the internet financial services website of the Internet Participating Financial Institutions with which you have an account;

(ii) Log in to the internet financial services facility by entering your user identification and PIN/password;

(iii) Navigate to the section of the website on applications in respect of our IPO;

(iv) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application;

(v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions;

(vi) At the next screen, complete the online application form;

(vii) Check that the information contained in the online application form, such as the share counter, NRIC number, CDS Account number, number of the IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form;

(viii) After selecting the designated hyperlink on the screen, you will have to confirm and undertake that the following mandatory statements are true and correct:

(a) you are at least 18 years of age as at the Closing Date and Time;

(b) you are a Malaysian citizen residing in Malaysia;

(c) you have, prior to making the Internet Share Application, received and/or have had access to a printed or electronic copy of this Prospectus, the contents of which you have read and understood;

(d) you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus, before making the Internet Share Application for the IPO Shares;

(e) the Internet Share Application is the only application that you are submitting for the IPO Shares allocated to the Malaysian Public under the Retail Offering;

(f) you authorise the Internet Participating Financial Institutions with which you have an account to deduct the full amount payable for the IPO Shares from your account with the said Internet Participating Financial Institutions ("**Authorised Financial Institution**");

(g) you give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 134 of the Financial Services Act, 2013 and Section 45 of the SICDA) for the disclosure by the Internet Participating Financial Institutions, the Authorised Financial Institution and/or the Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institutions, to the Issuing House and the Authorised Financial Institution, the SC or any other relevant regulatory bodies;

(h) you are not applying for the IPO Shares as a nominee of any other person and the Internet Share Application is made in your own name, as beneficial owner and subject to the risks referred to in this Prospectus; and

(i) you authorise the Internet Participating Financial Institutions to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, our Company, Bursa Securities or other relevant parties in connection with the Retail Offering, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institutions, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Retail Offering. Further, the Internet Participating Financial Institutions will take reasonable precautions to preserve the confidentiality of information furnished by you to the Internet Participating Financial Institutions in connection with the use of the Internet Share Application services;

(ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment for the Retail Offering;

(x) You must pay for the IPO Shares through the website of the Authorised Financial Institution, failing which the Internet Share Application is **not completed**, despite the display of the Confirmation Screen. "**Confirmation Screen**" refers to the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for, which can be printed out by you for your records;

(xi) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment for the IPO Shares is being made. Subsequently, the Internet Participating Financial Institutions shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website; and

(xii) You are advised to print out the Confirmation Screen for your reference and records.

Additional terms and conditions for Internet Share Applications are as follows:

(i) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of IPO Shares allotted to you.

(ii) You request and authorise us to credit our IPO Shares allotted to you into your CDS Account and to issue share certificate(s) representing those Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.

(iii) You irrevocably agree and acknowledge that the Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond the control of our Company, the Issuing House, the Internet Participating Financial Institutions and/or the Authorised Financial Institution.

In any such event, our Company, the Issuing House and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against our Company, the Issuing House or the Internet Participating Financial Institution and the Authorised Financial Institution.

(iv) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renouncee any instrument of transfer and/or other documents required for the transfer of our IPO Shares allotted to you.

(v) You agree that in the event of legal disputes arising from the use of Internet Share Application, the mutual rights, obligations and liabilities of the parties shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

(vi) You shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by our Company, the Issuing House and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institution.

(vii) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.

In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. Our Company, our Promoters, and TA Securities and any other person involved in the IPO shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

THE TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF INTERNET PARTICIPATING FINANCIAL INSTITUTIONS. PLEASE REFER TO THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS FOR THE EXACT TERMS AND CONDITIONS AND INSTRUCTIONS.

15.7 Terms and conditions

An application under the Retail Offering is subject to the following additional terms and conditions:

(i) You are required to pay the Retail Price of RM0.61 for each IPO Share you have applied for.

(ii) You can submit only one application for the IPO Shares offered to the Malaysian Public under the Retail Offering. For example, if you submit an application using a WHITE Application Form, you cannot submit an Electronic Share Application or Internet Share Application.

However, if you have made an application under the PINK Application Form, you may still apply for the IPO Shares allocated to the Malaysian Public under the Retail Offering using the WHITE Application Form, Electronic Share Application or Internet Share Application.

The Issuing House, acting under the authority of our Board, has the discretion to reject applications that appear to be multiple applications under each category of applications.

We wish to caution you that if you submit more than one application for the IPO Shares in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and may be punished with a minimum fine of RM1,000,000 and a jail term of up to 10 years under Section 182 of the CMSA.

(iii) Each application under the WHITE and PINK Application Forms, Electronic Share Application and Internet Share Application must be for at least 100 IPO Shares or multiples of 100 IPO Shares.

(iv) Your application must be made in connection with and subject to this Prospectus and our Constitution. You agree to be bound by our Constitution should you be allotted any of our Shares.

(v) Your submission of an application does not necessarily mean that your application will be successful. Any submission of application is irrevocable.

(vi) We or the Issuing House will not issue any acknowledgement of the receipt of your application or application monies.

(vii) You must ensure that your personal particulars submitted in your application and/or your personal particulars as recorded by the Electronic Participating Financial Institutions and/or Internet Participating Financial Institutions are correct, accurate and identical with the records maintained by Bursa Depository. Otherwise, your application is liable to be rejected. You will have to promptly notify Bursa Depository of any change in your address, failing which the notification letter of successful allocation will be sent to your registered/ correspondence address last maintained with Bursa Depository.

(viii) No application shall be deemed to have been accepted by reason of the remittances having been presented for payment. Our acceptance of your application to subscribe for or purchase the IPO Shares shall be constituted by the issue of notices of allotment for the IPO Shares to you.

(ix) Submission of your CDS Account number in your application includes your authority/ consent in accordance with Malaysian laws of the right of Bursa Depository, the Electronic Participating Financial Institutions and Internet Participating Financial Institutions (as the case may be) to disclose information pertaining to your CDS Account and other relevant information to us, the Issuing House and any relevant authorities (as the case may be).

(x) **You agree to accept our decision as final should we decide not to allot any IPO Shares to you or to allot a lesser number of IPO Shares than the number of IPO Shares applied for.**

(xi) Additional terms and conditions for Electronic Share Applications are as follows:

   (a) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated in the Transaction Record or any lesser amount that may be allotted to you.

   (b) Your confirmation by pressing the key or button on the ATM shall be treated as your acceptance of the number of IPO Shares allotted to you.

(c) Should you be allotted any IPO Shares, you shall be bound by our Constitution.

(d) You confirm that you are not applying for the IPO Shares as a nominee of other persons and that your Electronic Share Application is made on your own account as a beneficial owner.

(e) You request and authorise us to credit the IPO Shares allotted to you into your CDS Account and to issue share certificate(s) representing those IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.

(f) You acknowledge that your application is subject to electrical, electronic, technical, transmission, communication and computer-related faults and breakdowns, fires and other events which are not in our control, or the control of the Issuing House, the Electronic Participating Financial Institutions or Bursa Depository.

You irrevocably agree that you are deemed not to have made an application if we or the Issuing House do not receive your application or your application data is wholly or partially lost, corrupted or inaccessible to us or the Issuing House. You shall not make any claim whatsoever against us, the Issuing House, the Electronic Participating Financial Institutions or Bursa Depository.

(g) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the transfer of the IPO Shares allocated to you.

(h) You agree that in the event of legal disputes arising from the use of Electronic Share Applications, the mutual rights, obligations and liabilities of the parties shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

(xii) Additional terms and conditions for Internet Share Application are as follows:

(a) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application, which would result in the internet financial services website displaying the Confirmation Screen. You are required to complete your Internet Share Application by the Closing Date and Time.

(b) You irrevocably agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser amount that may be allotted to you. Your confirmation by clicking the designated hyperlink on the relevant screen of the website shall be treated as your acceptance of the number of IPO Shares allotted to you.

(c) You request and authorise us to credit the IPO Shares allotted to you into your CDS Account and to issue share certificate(s) representing those IPO Shares allotted in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send them to Bursa Depository.

(d) You irrevocably agree and acknowledge that the Internet Share Application is subject to risks of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control and the control of the Issuing House, the Internet Participating Financial Institutions and/or the Authorised Financial Institution. If, in any such event, we, the Issuing House and/or the Internet Participating Financial Institutions and/or the Authorised Financial Institution do not receive your Internet Share Application and/or payment, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is wholly or partially lost, corrupted, destroyed or otherwise not accessible for any reason, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, the Issuing House or the Internet Participating Financial Institutions and the Authorised Financial Institution.

(e) You irrevocably authorise Bursa Depository to complete and sign on your behalf as transferee or renounce any instrument of transfer and/or other documents required for the issue of the IPO Shares allocated to you.

(f) You agree that in the event of legal disputes arising from the use of Internet Share Application, the mutual rights, obligations and liabilities shall be determined under the laws of Malaysia and be bound by the decisions of the Courts of Malaysia.

(g) You shall hold the Internet Participating Financial Institutions harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by us, the Issuing House and/or the Internet Participating Financial Institutions for reasons of multiple applications, suspected multiple applications, inaccurate and/or incomplete details provided by the applicant, or any other cause beyond the control of the Internet Participating Financial Institutions.

(h) You are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application.

(i) In making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, the Promoters, the Principal Adviser, the Managing Underwriter, Joint Underwriters and any other person involved in the Retail Offering shall not be liable for any information not contained in this Prospectus which may have been relied by you in making the Internet Share Application.

15.8 Authority of our Board and the Issuing House

Your application will be selected in a manner to be determined by our Board. Due consideration will be given to the desirability of allotting the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

The Issuing House, on the authority of our Board, reserves the right to:

(i) reject applications which do not conform to the instructions in this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable) or are illegible, incomplete or inaccurate;

(ii) reject or accept any application, in whole or in part, on a non-discriminatory basis without giving any reason therefor; and

(iii) bank in all application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest or any share of revenue or benefit arising therefrom), by

- crediting into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository; or

- ordinary post/ registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository.

If you are successful in your application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House within 14 days of the date of the notice issued to you to ascertain your application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.9 Over/ Under-subscription

In the event of over-subscription in the Retail Offering, the Issuing House will conduct a ballot in the manner approved by our Directors to determine acceptance of applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of distributing the IPO Shares to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing a liquid and adequate market in the trading of our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to the SC, Bursa Securities, major Bahasa Malaysia, English and Chinese newspapers as well as posted on the Issuing House's website (www.mih.com.my) within 1 business day after the balloting event.

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's enlarged issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon completion of our IPO and at the time of Listing. We expect to achieve this at the point of Listing. In the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be refunded in full (without interest or any share of revenue or benefit arising therefrom).

If such monies are not returned within 14 days after our Company becomes liable to repay it, then in addition to the liability of our Company, the officers of our Company shall be jointly and severally liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC from the expiration of that period.

In the event of an under-subscription of IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 3.4.3 of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by our Joint Underwriters based on the terms of the Underwriting Agreement.

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15.10 Unsuccessful/ Partially successful applicants

If you are unsuccessful/ partially successful in your application, we will refund your application monies without interest or any share of revenue or benefit arising therefrom in the following manner.

15.10.1 For applications by way of WHITE Application Form

(i) The application monies or the balance of it, as the case may be, will be refunded to you via the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository or by registered post to your address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot if you have not provided such bank account information to Bursa Depository at your own risk.

(ii) If your application was rejected because you did not provide a CDS Account number, your application monies will be sent to your address as stated in the NRIC or any valid temporary identity document issued by the National Registration Department from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which were subsequently rejected or unsuccessful or only partly successful will be refunded (without interest or any share of revenue or benefit arising therefrom) by the Issuing House as per item (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank in all application monies from unsuccessful applicants. These monies will be refunded within 10 Market Days from the date of the final ballot by crediting into your bank account for purposes of cash dividend / distribution if you have provided such bank account information to Bursa Depository or by ordinary/ registered post to your address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.10.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Electronic Participating Financial Institutions or Internet Participating Financial Institutions of the non-successful or partially successful application within 2 Market Days after the balloting date. The full amount of the application monies or the balance of it will be credited without interest or any share of revenue or benefit arising therefrom into your account with the Electronic Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of applications will be reserved to replace any balloted applications which are rejected. The application monies relating to these applications which are subsequently rejected will be refunded (without interest or any share of revenue or benefit arising therefrom) by the Issuing House by crediting into your account with the Electronic Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the balloting date.

15.11 Successful/ Unsuccessful applicants

If you are successful in your application:

(i) The IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at the address last maintained with Bursa Depository where you have an existing CDS Account at your own risk prior to our Listing. This is your only acknowledgement of acceptance of the application.

Pursuant to the conditions imposed by Bursa Securities as disclosed in Section 9.1.1 of this Prospectus, we will also make an announcement on the basis of allotment/ allocation of the IPO Shares on the website of Bursa Securities at least 2 Market Days prior to the Listing date.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed the shares as Prescribed Securities. As such, the IPO Shares issued/ offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

(v) In the event that the Final Retail Price is lower than the Retail Price, the difference will be refunded to you without any interest thereon. The refund will be credited into your bank account for purposes of cash dividend/ distribution if you have provided such bank account information to Bursa Depository or despatched, in the form of cheques, by ordinary post to your address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository, or by crediting into your account with the Electronic Participating Financial Institutions for applications made via the Electronic Share Application or by crediting into your account with the Internet Participating Financial Institutions for applications made via the Internet Share Application, within 10 Market Days from the date of final ballot of application, at your own risk.

15.12 Enquiries

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the queries
Application Forms	Issuing House's Enquiry Services Telephone at telephone no. +603 7841 8289
Electronic Share Application	Electronic Participating Financial Institutions
Internet Share Application	Internet Participating Financial Institutions and Authorised Financial Institution

You may also check the status of your application by calling your respective ADA at the telephone number as stated in the list of ADAs accompanying the electronic copy of this Prospectus on the website of Bursa Securities or the Issuing House's Enquire Services Telephone at telephone no. +603 7841 8289 between 5 to 10 Market Days (during office hours only) after the balloting date.