

TRI-MODE SYSTEM (M) BERHAD

Company No. 229265-X
(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE FOURTH (4TH) QUARTER ENDED 31 DECEMBER 2019

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ⁽¹⁾

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Revenue	22,160	20,592	81,805	85,584
Cost of sales	(18,418)	(16,751)	(67,802)	(68,342)
Gross Profit	3,742	3,841	14,003	17,242
Others income	204	296	856	1,140
Administration expenses	(2,803)	(3,063)	(11,430)	(13,346)
Finance costs	(106)	(118)	(403)	(764)
Share of results of associate companies	53	163	351	535
Profit before taxation	1,090	1,119	3,377	4,807
Taxation	(350)	(393)	(881)	(1,144)
Profit for the period	740	726	2,496	3,663
Other comprehensive income				
Share of other comprehensive income in associate	-	-	-	840
Total comprehensive income	740	726	2,496	4,503
Profit for the period attributable to:				
- Owners of the Company	740	726	2,496	3,663
- Non-controlling interests	-	-	-	-
	740	726	2,496	3,663
Total comprehensive income attributable to:				
- Owners of the Company	740	726	2,496	4,503
- Non-controlling interests	-	-	-	-
	740	726	2,496	4,503
Weighted average number of ordinary shares ('000)	166,000	150,256	166,000	150,256
Earnings per share attributable to owners of the Company (sen):				
- Basic ⁽²⁾	0.45	0.48	1.50	2.44
- Diluted ⁽³⁾	0.45	0.48	1.50	2.44

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (1) (CONT'D)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Comprehensive Income are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.
- (2) Basic earnings per share of the Group for the quarter and year to date of 2019 and 2018 is calculated based on weighted average number of ordinary shares of 166,000,000 and 150,256,079, respectively.
- (3) Diluted earnings per share of the Group for the quarter and year to date is equivalent to the basic earnings per share as the Group does not have any convertible options as at the end of the reporting period.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ⁽¹⁾

	Unaudited As at 31.12.2019	Audited As at 31.12.2018
	RM'000	RM'000
ASSETS		
Non- current assets		
Property, plant and equipment	72,326	67,967
Right of use assets	622	-
Other investments	175	175
Investment in associate companies	3,875	3,552
Deferred tax assets	-	-
	<u>76,998</u>	<u>71,694</u>
Current assets		
Inventories	71	110
Trade receivables	13,459	12,713
Other receivables	2,679	2,250
Tax recoverable	107	194
Fixed deposits with licensed banks	17,987	19,866
Cash and bank balances	1,473	973
	<u>35,776</u>	<u>36,106</u>
TOTAL ASSETS	<u>112,774</u>	<u>107,800</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	47,503	47,503
Acquisition reserves	(5,533)	(5,533)
Retained earnings	29,912	28,280
Total equity attributable to owners of the Company	<u>71,882</u>	<u>70,250</u>
Non-controlling interest	-	-
Total Equity	<u>71,882</u>	<u>70,250</u>
Liabilities		
Non-current liabilities		
Finance lease payables	3,847	4,045
Bank borrowings	16,128	14,570
Lease liabilities	277	-
Deferred tax liabilities	4,125	4,240
	<u>24,377</u>	<u>22,855</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION ⁽¹⁾ (CONT'D)

	Unaudited As at 31.12.2019	Audited As at 31.12.2018
	RM'000	RM'000
Current liabilities		
Trade payables	4,851	3,749
Other payables	3,680	3,616
Amount due to associate companies	2,318	3,065
Finance lease payables	2,625	3,572
Bank borrowings	2,425	611
Lease liabilities	380	-
Tax payable	236	82
	16,515	14,695
Total liabilities	40,892	37,550
TOTAL EQUITY AND LIABILITIES	112,774	107,800
NET ASSETS PER SHARE (RM)	0.43	0.42
Number of ordinary shares ('000)	166,000	166,000

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Financial Position are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY ⁽¹⁾

	Non-distributable		Distributable	Total
	Share capital	Acquisition reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2019	47,503	(5,533)	28,280	70,250
Effect of MFRS 16	-	-	(34)	(34)
At 1 January 2019, as restated	47,503	(5,533)	28,246	70,216
Profit for the period	-	-	2,496	2,496
Dividend to owners of the company	-	-	(830)	(830)
Balance at 31 December 2019	47,503	(5,533)	29,912	71,882
Balance at 1 January 2018	8,260	(369)	26,868	34,759
Effect of MFRS 9	-	-	(67)	(67)
At 1 January 2018, as restated	8,260	(369)	26,801	34,692
Profit for the period	-	-	3,663	3,663
Share of other comprehensive income in associate	-	-	840	840
Dividend to owners of the company	-	-	(1,660)	(1,660)
Acquisitions of subsidiary companies	8,884	(5,164)	-	3,720
Adjustment for acquisitions of subsidiary companies	(3,260)	-	-	(3,260)
Issue of ordinary shares	33,619	-	-	33,619
Share issuance expenses	-	-	(1,364)	(1,364)
Balance at 31 December 2018	47,503	(5,533)	28,280	70,250

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Changes in Equity are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾

	PERIOD-TO-DATE	
	31.12.2019	31.12.2018
Cash flow From Operating Activities	RM'000	RM'000
Profit before tax	3,377	4,807
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment ("PPE')	2,810	2,537
Gain on disposal of PPE	(1)	(150)
Impairment losses on trade receivables	(25)	25
Reversal - Impairment losses on PPE	-	(245)
Reversal - Impairment losses on trade receivables	32	(277)
Interest paid	396	764
Interest received	(712)	(548)
Share of profit in associate companies	(351)	(535)
Unrealised (gain)/loss on foreign exchange	13	24
Operating profit before working capital changes	5,539	6,402
<u>Changes in working capital</u>		
Inventories	39	(35)
Receivables	(1,194)	3,064
Payables	336	(1,641)
Associate companies	(748)	(676)
Directors	-	(14)
	(1,567)	698
Cash generated from operating activities	3,972	7,100
Interest paid	(396)	(764)
Interest received	712	548
Tax paid	(900)	(1,666)
Tax refund	145	-
Net Cash flows from operating activities	3,533	5,218
Cash flow From Investing Activities		
Dividend Receivable	360	300
Investment in associate company	(332)	-
Purchase of PPE	(8,152)	(2,456)
Proceeds from disposal of PPE	984	840
Net Cash flows from investing activities	(7,140)	(1,316)

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UNAUDITED CONSOLIDATED STATEMENTS OF CASH FLOWS ⁽¹⁾ (CONT'D)

	PERIOD-TO-DATE	
	31.12.2019	31.12.2018
	RM'000	RM'000
Cash flow From Financing Activities		
Proceeds from issuance of shares	-	26,356
Payment of listing expenses	-	(1,364)
Drawdown of term loan	1,902	-
Drawdown of finance lease	2,681	-
Repayment of bank borrowings	(149)	(2,620)
Repayment of finance lease liabilities	(3,826)	(4,517)
Interest expenses on lease liabilities	1	-
Decrease /(Increase) in fixed deposits pledged	(73)	(80)
Decrease /(Increase) in fixed deposits	663	(16,422)
Net Cash flows used in financing activities	1,199	1,353
Net increase in cash and cash equivalents	(2,408)	5,255
Cash and cash equivalents at beginning of the period	2,179	(3,076)
Cash and cash equivalents at the end of the period	(229)	2,179
Cash and Cash Equivalents		
Cash and bank balances	1,473	972
Fixed deposits with licensed banks	17,987	19,866
Bank Overdraft	(1,703)	(83)
	17,757	20,755
Less: Fixed deposits pledged with licensed banks	(2,226)	(2,154)
Less: Fixed deposits with licensed banks	(15,760)	(16,422)
	(229)	2,179

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statements of Cash Flows are disclosed in Note A1 and should be read in conjunction with the audited financial statements of the Group for financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

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NOTES TO THE INTERIM FINANCIAL REPORT

A. EXPLANATORY NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 DECEMBER 2019

A1. Basis of preparation

The interim financial report of Tri-Mode System (M) Berhad (“**TMS**” or “**the Company**”) and its subsidiaries (“**the Group**”) are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“**MFRS**”) No. 134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) (“**Listing Requirements**”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for financial year ended 31 December 2018 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

Except for the adoption of the MFRS 16: Leases (“**Adoption**”), the accounting policies adopted in the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2018. The Group has adopted those MFRS standards, amendments and interpretations that have become effective and such adoptions do not have material impact on the financial position and performance of the Group.

The main effects of the Adoption which is effective for the financial periods beginning on or after 1 January 2019 are summarised as below:

MFRS 16: Leases (“MFRS 16”)

MFRS 16, which upon the effective date will supersede MFRS 117: Leases (“MFRS 117”), 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.

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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.

Effect of Adoption (full retrospective approach):

	MFRS 117	MFRS 16	Effect
	RM'000	RM'000	RM'000
Right of use assets	-	1,213	1,213
Lease liabilities	-	1,252	1,252
<u>Period to 31 December 2019</u>			
Rental payment	868	-	868
Depreciation of right of use assets	-	804	(804)
Interest expenses on lease liabilities	-	65	(65)
	<u>868</u>	<u>869</u>	<u>(1)</u>

The Group has assessed the impact of the Adoption, concluded that the Adoption does not have any significant impact to the financial performance or position of the Group.

A3. Auditors' report

The auditors' report on the preceding year audited financial statements was not subject to any qualification.

A4. Seasonal or cyclical factors

We experience sales fluctuations in our business during festive periods such as Hari Raya and Chinese New Year as there are lesser working days compared to the normal month with normal working days.

A5. Unusual items affecting assets, liabilities, equity, net income or cash flows

There were no unusual items affecting assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter and financial period-to-date.

A6. Material changes in estimates

There were no material changes in the estimates in the current financial quarter under review.

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A7. Debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debts and equity securities during the financial quarter under review.

A8. Dividends paid

On 15 November 2019, the Board has approved the declaration and payment of first single-tier interim dividend of 0.5 sen per ordinary share totalling RM830,000 in respect of the financial year ending 31 December 2019. The entitlement to dividend was determined based on the record of depositors as at 12 December 2019 whilst the payment was made on 10 January 2020.

A9. Contingent liabilities or contingent assets

There were no other contingent liabilities or contingent assets as at the date of this interim financial report.

A10. Changes in the composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A11. Segmental reporting

The Group is principally involved in the provision of sea freight, container haulage, air freight, freight forwarding, warehousing and marine insurance services.

(a) Revenue by business activities

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

	3-MONTH ENDED		PERIOD-TO-DATE			
	31.12.2019	31.12.2018	31.12.2019		31.12.2018	
	RM'000	RM'000	RM'000	%	RM'000	%
Sea freight	13,020	13,096	48,262	59.0	54,238	63.4
Container haulage	6,649	6,182	25,634	31.3	25,416	29.7
Air freight	1,515	923	4,712	5.8	4,336	5.1
Freight forwarding	569	74	1,799	2.2	339	0.4
Warehousing	340	261	1,157	1.4	1,050	1.2
Marine insurance	67	56	241	0.3	205	0.2
Total Revenue	22,160	20,592	81,805	100	85,584	100

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Sea freight, container haulage and air freight segment are the top 3 revenue contributors under the financial period under review. The factors affecting our top 3 key revenue contributors are as follows:

- (i) fluctuation in sea freight rate;
- (ii) fluctuation in fuel price; and
- (iii) fluctuation in air freight rate.

(b) Revenue by geographical regions

The table below set out the breakdown of the Group's revenue by geographical regions for the financial period under review:

	3-MONTH ENDED		PERIOD-TO-DATE			
	31.12.2019	31.12.2018	31.12.2019		31.12.2018	
	RM'000	RM'000	RM'000	%	RM'000	%
Malaysia	20,118	20,066	74,097	90.6	78,656	91.9
Overseas	2,042	526	7,708	9.4	6,928	8.1
Total Revenue	22,160	20,592	81,805	100	85,584	100

A12. Valuation of property, plant and equipment

The Group has not carried out any valuation on its property, plant and equipment in the current financial quarter under review.

A13. Material events subsequent to the end of the current financial quarter

We have received the liquidated damages compensation of RM1.62 million from the Pulau Indah Land developer on 21 February 2020 due to late delivery of vacant possession as per sales and purchase agreement.

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A14. Related Party Transactions

Related party transactions have been entered into in the normal course of business and have been established on terms and conditions that are not more favourable to the related parties. The significant related party transactions of the Group are as follows:

Transaction with associate companies	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(a) Atama Logistics (M) Sdn Bhd				
Trade receivable	928	-	928	-
Trade payable	3,246	3,055	3,246	3,055
Net amount payable/(receivable)	2,318	3,055	2,318	3,055
Services income	3,606	2,666	12,775	11,672
Services expenses	5,407	4,614	19,907	19,100

Transaction with associate companies	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(b) Container Connections (M) Sdn Bhd				
Trade receivable	-	-	-	-
Trade payable	4	10	4	10
Net amount payable/(receivable)	4	10	4	10
Services income	-	-	1	-
Services expenses	19	19	82	69

Transaction with companies in which certain Directors have financial interests	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(a) PT. Oriental Logistics Indonesia				
Trade receivable	4	3	4	3
Trade payable	-	7	-	7
Net amount payable/(receivable)	(4)	4	(4)	4
Services income	8	3	27	14
Services expenses	3	6	28	35

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	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(b) Oriental Thailand				
Trade receivable	-	-	-	-
Trade payable	-	-	-	-
Net amount payable/(receivable)	-	-	-	-
Services income	-	-	6	-
Services expenses	-	3	7	10
	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
(c) Oriental Logistics Group Inc.				
Trade receivable	-	-	-	-
Trade payable	-	-	-	-
Net amount payable/(receivable)	-	-	-	-
Services income	-	-	-	6
Services expenses	-	(1)	-	4

A15. Capital commitments

As at current financial quarter under review, our Group's material commitments (including commitments to be incurred) for capital expenditure are as follows:

	Unaudited
	3-MONTH ENDED 31.12.2019
	RM'000
Senja Aman' apartment ⁽¹⁾	559
Richard W.Z. Lee Architect ⁽²⁾	654
Total capital commitments for capital expenditures	1,213

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) Architectural fees for future headquarters, warehouse and haulage operation yard of our Group to be constructed on the Pulau Indah Land ("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.

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PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Review of Performance

Despite Bank Negara reported Malaysia's economy grew by 3.6% in the 4Q2019, which was the weakest gross domestic product ("GDP") growth since the global financial crisis in 2009, the Group still managed to generate revenue of RM22.16 million for the current financial quarter ended 31 December 2019, an increase of 7.6% from the previous year corresponding quarter of RM20.60 million. Gross profit decreased slightly at RM3.74 million as compared to RM3.84 million previous year corresponding quarter. The improvement of revenue contributed mainly by air freight, container haulage and freight forwarding services (refer A11) while there is decrease in gross profit margin mainly due to higher cost incurred during the current financial quarter.

Malaysia facing economy slowdown in 2019, logistics services industry inevitably affected by the softening national economy. The Group recorded revenue of RM81.81 million for the current financial year 2019, decreased of 4.4% from the previous financial year 2018 of RM85.60 million. The gross profit margin at 17.1% for current financial year 2019, reduced by 3.0% as compared to previous financial year 2018 of 20.1%. The lower revenue and gross profit margin recorded was mainly due to overall economy slowdown and intense competition amongst the logistics services providers. As a result of lower revenue and gross profit margin, the Group profit before tax for the current financial year 2019 also reduced by 29.75% from RM4.81 million of previous financial year to RM3.38 million current financial year.

B2. Comparison with immediate preceding quarter's results

	3-MONTH ENDED		CHANGE	
	31.12.2019	30.09.2019		
(Unaudited)	RM'000	RM'000	RM'000	%
Revenue	22,160	21,053	1,107	5.26%
Profit before tax	1,090	1,129	(39)	(3.45%)

For the current quarter ended 31 December 2019, the Group's revenue increased by 5.26% and recorded higher revenue of RM22.16 million as compared to RM21.05 million with immediate preceding quarter ended 30 September 2019. The increase of revenue was contributed by increase in sea and air freight services.

The profit before tax decreased by 3.45% for current quarter mainly due to one-off payment of RM257,654, a cumulative quite rent and assessment for year 2016 to 2019 of Pulau Indah Land that was charged by developer prior to the Group took delivery of vacant possession of the land on 27 November 2019.

Overall, the performance of the Group in the current quarter has declined slightly as compared to immediate preceding quarter, and we will work towards to improve the financial performance in the coming quarters.

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B3. Prospects

As disclosed in the Prospectus of the Company dated 18 April 2018, the Group has put in place a series of future plans. As at the date of this report, the progress of the plans is as follows:

- 1) We have taken vacant possession of the Pulau Indah Land for our Proposed HQ and Distribution Hub on 27 November 2019. With all the pre-approval obtained, we also initiated our ground breaking ceremony on 27 December 2019 to start the construction works with expected completion during 4th quarter 2020. The construction cost is estimated at RM26 million, we will utilise RM15 million from IPO proceed and the remaining will be financed through internally generated funds and bank financing. The main contractor appointed by the Group has been selected via a competitive tender process duly evaluated by independent engineers and professional after taking into consideration the contractor's experience, past track record and proposed costing.
- 2) We have increased our fleet size with additional 5 new prime movers and 25 trailers during the current quarter to replace the aged and inefficient fleets, which increased our fleet size to 99 prime movers and 545 trailers. Our latest fleet size will facilitate us to negotiate for new business opportunities with the aim to further increase our customer bases in current financial year.
- 3) The prospects of Malaysia logistics industry are closely aligned with the performance of global and Malaysia economy. We remain caution as high possibility of global economy slowdown due to uncertainty of spillover effects of recent coronavirus outbreak regionally, on-going trade tension leading to downwards pressure of Malaysia GDP growth during the current financial year. We will continuously focus on improving the efficiency of our logistics services, costs optimisation, expanding our customer base and prudent in capital expenditures planning.

Barring any unforeseen circumstances, the Board of Directors of the Company is of the opinion that the prospects for financial year ending 31 December 2020 will remain challenging amid uncertainties surrounding world trade and economy performances. Nevertheless, the Group will continue to seek opportunities in both domestic and international market to deliver sustainable growth in the long term.

B4. Profit Forecast or Profit Guarantee

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

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B5. Taxation

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Current financial period:				
- Income tax	345	248	919	1,390
- Deferred tax	11	95	80	344
	<u>356</u>	<u>343</u>	<u>999</u>	<u>1,734</u>
Previous year overprovision:				
- Income tax	-	82	77	82
- Deferred tax	(6)	(32)	(195)	(672)
Total tax expense	<u>350</u>	<u>393</u>	<u>881</u>	<u>1,144</u>
Effective tax rate	32.11%	35.12%	26.09%	23.80%

Notes:

- (1) Adjusted effective tax rate computation

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax ("PBT")	1,090	1,119	3,377	4,807
Listing expenses	-	-	-	2,103
PBT without listing expenses	<u>1,090</u>	<u>1,119</u>	<u>3,377</u>	<u>6,910</u>
Current tax provision	356	343	999	1,734
Effective tax rate	<u>32.66%</u>	<u>30.65%</u>	<u>29.58%</u>	<u>25.09%</u>

- a. Income tax expense is recognised based on management's best estimate.
- b. Higher effective tax rate of 29.58% for period to date mainly due to non-deductible tax items such as fixed deposit interest, depreciation, professional fees, quit rent and assessments.

B6. Corporate Proposals

(a) Status of corporate proposal

There are no other corporate proposals announced by the Company but not completed as at date of this report.

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(b) Utilisation of proceeds

The Company was listed on the ACE Market of Bursa Securities on 14 May 2018 ("Listing Date"), the gross proceeds raised from the Public Issue amounting to RM26.356 million and the status of the utilisation of the proceed are as follows:

<u>Details of utilisation</u>	<u>Proposed Utilisation</u> RM'000	<u>Actual Utilisation</u> RM'000	<u>Estimated timeframe for utilisation upon listing</u>
Business expansion			
- Construction of the Proposed HQ and Distribution Hub	15,000	-	Within 30 months
- Purchase of prime movers and trailers	500	378	Within 24 months
Repayment of bank borrowings	5,000	5,000	Within 6 months
Working capital	2,356	2,389 ⁽¹⁾	Within 12 months
Estimated listing expenses	3,500	3,467 ⁽¹⁾	Within 3 months
Total	26,356	11,234	

Note:

(1) Balance of unutilised portion, utilised as working capital.

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 18 April 2018.

As at the date of this report, we have utilised RM5.0 million for repayment of bank borrowings consist of term loan and overdraft facilities. The repayment of these bank borrowings provides interest savings of approximately RM0.40 million per annum to the Group.

We have utilised RM0.38 million to part finance 5 units of new prime movers and 40 units of new trailers that were delivered since Listing Date up to current quarter under review.

We have also utilised RM5.86 million for listing expenses and working capital purposes.

The remaining proceeds of RM15.12 million has been placed as fixed deposits with local banks in Malaysia.

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B7. Trade Receivables

The Group grant credit on various terms. Trade receivables disclosed below include amounts which are past due at the end of reporting period but has not recognised as receivables subject to impairment as there has not been a significant change in credit quality and still considered recoverable by the management.

	PERIOD-TO-DATE					
	31.12.2019			31.12.2018		
	<u>Non-RPT⁽¹⁾</u>	<u>RPT⁽¹⁾</u>	<u>Total</u>	<u>Non-RPT⁽¹⁾</u>	<u>RPT⁽¹⁾</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Less than 1 month	6,436	4	6,440	5,864	-	5,864
1 month	4,588	-	4,588	4,442	3	4,445
2 months	1,718	-	1,718	1,699	-	1,699
3 months	549	-	549	523	-	523
More than 3 months	164	-	164	182	-	182
Trade Receivables	13,455	4	13,459	12,710	3	12,713

Note:

(1) RPT – Related party transactions as per note A14.

B8. Bank borrowings

The Group's bank borrowings were as follows:

	AS AT 31.12.2019	AS AT 31.12.2018
	RM'000	RM'000
Secured:		
<u>Current:</u>		
Bank overdraft	903	83
Revolving credit	800	-
Finance leases payables	2,625	3,077
Term loans	722	-
	<u>5,050</u>	<u>3,160</u>
<u>Non-current :</u>		
Finance leases payables	3,847	4,540
Term loans	16,128	15,098
	<u>19,975</u>	<u>19,638</u>
Total bank borrowings	25,025	22,798

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The weighted average interest rate of bank borrowings is 5.93% p.a. All the finance leases are based on fixed rate and only the term loans are based on floating rate.

All the Company's borrowings are denominated in Ringgit Malaysia.

B9. Material litigation

There were no material litigation involving the Group as at 31 December 2019.

B10. Dividend proposed

The Board does not recommend any dividend in respect of the current financial period.

B11. Earnings per share

The basic earnings per share are calculated by dividing the profit for the period attributable to owners of the Company by weighted average number of ordinary shares of the Company during the financial period as follows:

		3-MONTH ENDED		PERIOD-TO-DATE	
		31.12.2019	31.12.2018	31.12.2019	31.12.2018
Profit/(Loss) attributable to ordinary owners of the Company	(RM'000)	740	726	2,496	3,663
weighted average number of ordinary shares ⁽¹⁾	('000)	166,000	150,256	166,000	150,256
Basic earnings/(loss) per share	(Sen)	0.45	0.48	1.50	2.44
Diluted earnings/(loss) per share ⁽²⁾	(Sen)	0.45	0.48	1.50	2.44

Notes:

- (1) Basic earnings per share of the Group for the quarter and year to date is calculated based on weighted average number of ordinary shares of 166,000,000 and 150,256,079, respectively.
- (2) Diluted earnings per share of the Group for the quarter and year to date is equivalent to the basic earnings per share as the Group does not have any convertible options as at the end of the reporting period.

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B12. Disclosure on selected expense/income items as required by the Listing Requirements

	3-MONTH ENDED		PERIOD-TO-DATE	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :-				
Interest income	(153)	(205)	(712)	(548)
Interest expenses	99	118	396	764
Other income including investment income	(7)	(8)	(20)	(16)
Depreciation	707	183	2,810	2,537
Provision for expected credit losses	(19)	80	32	80
Reversal for impairment losses PPE	-	(11)	-	(245)
Reversal for impairment losses trade receivables	(11)	(277)	32	(277)
Foreign exchange – realised (gain) / loss	1	66	15	66
Foreign exchange – unrealised (gain) / loss	13	(125)	13	24
Disposal of PPE – (gain) / loss	4	(41)	(1)	(150)

Other disclosure items pursuant to Appendix 9B Note 16 of the Listing Requirements of Bursa Securities are not applicable.

BY ORDER OF THE BOARD

Company Secretary

Date: 25 February 2020