

TRI-MODE SYSTEM (M) BERHAD

Registration No.: 199101018953 (229265-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD (3rd) QUARTER ENDED 30 SEPTEMBER 2021

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME ⁽¹⁾

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Revenue	30,832	20,467	91,486	60,183
Cost of sales	(27,004)	(16,640)	(78,259)	(49,077)
Gross Profit ("GP")	3,828	3,827	13,227	11,106
Other income	831	357	1,111	2,250 ⁽²⁾
Administration expenses	(2,799)	(2,486)	(8,372)	(7,386)
Net gain on impairment of financial instruments	(6)	10	(30)	(65)
Finance costs	(482)	(66)	(1,317)	(249)
Share of results of associate companies	515	92	1,026	251
Profit before taxation ("PBT")	1,887	1,734	5,645	5,907
Taxation	(760)	(577)	(1,617)	(1,635)
Profit for the period ("PAT")	1,127	1,157	4,028	4,272
Other comprehensive income				
Share of other comprehensive income in associate	-	-	-	-
Total comprehensive income	1,127	1,157	4,028	4,272
Profit for the period attributable to:				
- Owners of the Company	1,127	1,157	4,028	4,272
- Non-controlling interests	-	-	-	-
	1,127	1,157	4,028	4,272
Total comprehensive income attributable to:				
- Owners of the Company	1,127	1,157	4,028	4,272
- Non-controlling interests	-	-	-	-
	1,127	1,157	4,028	4,272
Weighted average number of ordinary shares ('000)	166,000	166,000	166,000	166,000
Earnings per share attributable to owners of the Company (sen):				
- Basic ⁽³⁾	0.68	0.70	2.43	2.57
- Diluted ⁽⁴⁾	0.68	0.70	2.43	2.57

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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 Tri-Mode System (M) Berhad (“**Tri-Mode**” or “**Company**”) and its subsidiaries (“**Group**”) for financial year ended 31 December 2020 and the accompanying explanatory notes attached to this interim financial report.
- (2) Consist of one-off liquidated damages compensation of RM1.62 million from the Pulau Indah Land developer on 21 February 2020 and RM0.27 million from Senja Aman apartment developer on 11 September 2020 due to late delivery of vacant possession as per sales and purchase agreements.
- (3) 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.
- (4) 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 30.09.2021	Audited As at 31.12.2020
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	50,911	76,474
Right of use assets ("ROU")	47,927	20,088
Other investments	175	175
Investment in associate companies	5,283	4,727
	104,296	101,464
Current assets		
Inventories	201	132
Trade receivables	20,949	15,269
Other receivables	4,493	2,048
Tax recoverable	456	153
Other investments	12	12
Fixed deposits with licensed banks	2,303	2,731
Cash and bank balances	2,619	1,357
	31,033	21,702
TOTAL ASSETS	135,329	123,166
EQUITY AND LIABILITIES		
Equity		
Share capital	47,503	47,503
Acquisition reserves	(5,533)	(5,533)
Retained earnings	37,889	33,861
Total Equity	79,859	75,831
Liabilities		
Non-current liabilities		
Bank borrowings	28,904	22,823
Lease liabilities	1,687	2,713
Deferred tax liabilities	4,952	4,374
	35,543	29,910

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

	Unaudited As at 30.09.2021	Audited As at 31.12.2020
	RM'000	RM'000
Current liabilities		
Trade payables	8,135	5,795
Other payables	2,680	4,043
Amount due to associate companies	3,653	2,777
Lease liabilities	1,150	2,780
Bank borrowings	4,000	1,851
Tax payable	309	179
	19,927	17,425
Total liabilities	55,470	47,335
TOTAL EQUITY AND LIABILITIES	135,329	123,166
NET ASSETS PER SHARE (RM)	0.48	0.46
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 2020 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 2021	47,503	(5,533)	33,861	75,831
Profit for the period	-	-	4,028	4,028
Dividend to owners of the Company	-	-	-	-
Balance at 30 September 2021	47,503	(5,533)	37,889	79,859
At 1 January 2020, as previously stated	47,503	(5,533)	29,983	71,953
Profit for the period	-	-	5,538	5,538
Dividends to owners of the Company	-	-	(1,660)	(1,660)
Balance at 31 December 2020	47,503	(5,533)	33,861	75,831

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 2020 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	
	30.09.2021	30.09.2020
Cash flow From Operating Activities	RM'000	RM'000
Profit before tax	5,645	5,907
<u>Adjustments for:</u>		
Depreciation of property, plant and equipment ("PPE")	1,835	1,310
Depreciation of ROU	1,563	1,310
Reversal on impairment losses on trade receivables	30	65
Interest on ROU	33	-
Interest paid	1,317	249
Other income/interest received	(27)	(2,150)
Share of profit in associate companies	(1,026)	(251)
Unrealised gain on foreign exchange	-	(3)
Operating profit before working capital changes	9,370	6,437
<u>Changes in working capital</u>		
Inventories	(69)	(64)
Receivables	(8,156)	(545)
Payables	2,637	(501)
Associate companies	876	309
	(4,712)	(801)
Cash generated from operating activities	4,658	5,636
Interest on ROU	(33)	-
Interest paid	(1,317)	(249)
Interest received	27	2,150
Tax paid	(1,211)	(732)
Net Cash flows from operating activities	2,124	6,805
Cash flow From Investing Activities		
Dividend receivable	470	-
Invest in associate	428	(332)
Increase in ROU	1,670	-
Increase in PPE	(5,694)	(13,463)
Proceeds from disposal of PPE	91	297
Net Cash flows used in investing activities	(3,035)	(13,498)

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

	PERIOD-TO-DATE	
	30.09.2021	30.09.2020
	RM'000	RM'000
Cash flow From Financing Activities		
Dividend paid	(1,660)	-
Repayment of bank borrowings	5,504	(180)
Net change of revolving credit	1,000	(800)
Repayment of finance lease liabilities	(1,593)	(2,174)
Interest expenses on lease liabilities	(1,038)	-
Increase in fixed deposits	-	10,804
Net Cash flows from financing activities	2,213	7,650
Net increase in cash and cash equivalents	1,302	957
Effect of exchange rate changes in cash & cash equivalent	-	3
Cash and cash equivalents at beginning of the period	1,767	8,170
Cash and cash equivalents at the end of the period	3,069	9,130
Cash and Cash Equivalents		
Cash and bank balances	2,619	1,530
Fixed deposits with licensed banks	2,303	7,183
	4,922	8,713
Less: Fixed deposits pledged with licensed banks	(1,406)	(1,937)
Less: Fixed deposits with licensed banks more than 3 months	(447)	2,354
	3,069	9,130

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 2020 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 30 SEPTEMBER 2021

A1. Basis of preparation

The interim financial report of the Group are unaudited and have been prepared in accordance with the requirements of Malaysian Financial Reporting Standards (“MFRS”) No. 134: Interim Financial Reporting, 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 2020 and the accompanying explanatory notes attached to this interim financial report.

A2. Significant Accounting Policies

The financial information presented herein has been prepared in accordance with the accounting policies to be used in preparing the annual consolidated financial statements for 31 December 2021 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2020 except as disclosed below:

The following revised MFRSs and Amendments to MFRSs that effective from 1 January 2021 have been issued by the MASB:

Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2

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

The adoption of the above pronouncements has no material financial impact to the Group and the Company.

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.

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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 under review.

A6. Material changes in estimates

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

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

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

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.

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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			
	30.09.2021	30.09.2020	30.09.2021	%	30.09.2020	%
	RM'000	RM'000	RM'000		RM'000	
Sea freight	24,303	11,406	69,378	75.8	34,227	56.9
Container haulage	4,584	6,053	15,126	16.5	16,559	27.5
Air freight	1,128	2,188	4,391	4.8	7,010	11.6
Freight forwarding	432	567	1,603	1.8	1,565	2.6
Warehousing	328	213	839	0.9	712	1.2
Marine insurance	57	40	149	0.2	110	0.2
Total Revenue	30,832	20,467	91,486	100	60,183	100

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			
	30.09.2021	30.09.2020	30.09.2021	%	30.09.2020	%
	RM'000	RM'000	RM'000		RM'000	
Malaysia	27,892	17,438	79,513	86.9	50,636	84.1
Overseas	2,940	3,029	11,973	13.1	9,547	15.9
Total Revenue	30,832	20,467	91,486	100	60,183	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.

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

The COVID-19 outbreak has brought significant economic uncertainties in Malaysia and markets in which the Group operates. As Malaysia has achieved the target of inoculating 90% of its adult population in October 2021, the government has gradually moved most states into Phase 4 of the National Recovery Plan with the aim to reopen all economic and social activities. The Group will closely monitor the market situation and take all necessary steps to mitigate the impact to the business of the Group and take appropriate and timely measures to minimise the financial impact to the Group for the financial year ending 31 December 2021. Other than the impact of COVID-19 pandemic, there was no subsequent material event as at the date of this report.

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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
(a) Atama Logistics (M) Sdn Bhd				
Trade receivable	2,985	2,732	2,985	2,732
Trade payable	6,638	5,346	6,638	5,346
Net amount payable/(receivable)	3,653	2,614	3,653	2,614
Services income	2,867	3,140	10,292	9,485
Services expenses	4,640	4,306	17,231	14,117

Transaction with associate companies	3-MONTH ENDED		PERIOD-TO-DATE	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
(b) Container Connections (M) Sdn Bhd				
Trade receivable	-	-	-	-
Trade payable	7	5	7	5
Net amount payable/(receivable)	7	5	7	5
Services income	-	-	-	-
Services expenses	26	21	93	61

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Transaction with companies in which certain Directors have financial interests	3-MONTH ENDED		PERIOD-TO-DATE	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
(c) PT. Oriental Logistics Indonesia				
Trade receivable	-	1	-	1
Trade payable	4	-	-	-
Net amount payable/(receivable)	4	(1)	-	(1)
Services income	-	2	3	2
Services expenses	19	6	23	19

A15. Capital commitments

As at 30 September 2021, the Group's material commitments (including commitments to be incurred) for capital expenditure are as follows: -

a) Warehouse 2

	As at 30 Sep 2021 (RM)
Construction cost for new warehouse and warehouse related facilities and equipment ⁽¹⁾	1,287,335

Note:

- (1) A new warehouse of approximately 28,000 square feet ("**Warehouse 2**") within the new headquarters, warehouse and haulage operation yard located at Pulau Indah Industrial Park, Pulau Indah, Klang ("**HQ and Distribution Hub**") has been completed in end of October 2021 and is expected to commence its operation in December 2021.

Description	(RM)
Construction cost for the Warehouse 2	2,330,000
Warehouse related facilities and equipment (such as racking system, reach trucks, forklifts, pallets and warehouse management system)	1,000,000
Total	3,330,000

The capital commitments for Warehouse 2 and warehouse related facilities and equipment will be funded by internal generated fund and/or part of the proceeds from the disposal of a leasehold industrial land which was previously occupied by the Group prior the relocation of its operation to the HQ and Distribution Hub.

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b) Proposed acquisition of a piece of leasehold industrial land

	As at 30 Sep 2021 (RM)
Balance purchase consideration ⁽¹⁾	14,342,391

Tri-Mode had on 12 August 2021, entered into a conditional sale and purchase agreement with Central Spectrum (M) Sdn Bhd for the proposed acquisition of a piece of leasehold industrial land, measuring approximately 21,779.474 square metres (or approximately 234,432.31 square feet or 5.38 acres), held under HS(D) 164207, PT 152629, Mukim Klang, District of Klang, State of Selangor ("**Land**") for a total cash consideration of RM15,935,990.40 ("**Purchase Price**") ("**Proposed Acquisition**"). Upon completion of the Proposed Acquisition, Tri-Mode intends to construct a new warehouse/distribution hub of approximately 150,000 square feet on the Land to cater for business expansion plan in coming 1 to 2 years.

Note:

- (1) The Purchase Price will be funded by a combination of internally generated funds and bank borrowings as follows: -

Description	RM	%
Internal generated funds	2,435,990.40	15.28
Bank financing	13,500,000.00	84.72
Total	15,935,990.40	100.00

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PART B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS

B1. Review of Performance

	3-MONTH ENDED		CHANGE		PERIOD-TO-DATE		CHANGE	
	30.09.2021	30.09.2020	RM'000	%	30.09.2021	30.09.2020	RM'000	%
(Unaudited)	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	30,832	20,467	10,365	50.64	91,486	60,183	31,303	52.01
GP	3,828	3,827	1	0.03	13,227	11,106	2,121	19.10
EBITDA ⁽¹⁾	3,616	2,344	1,272	54.27	10,333	6,626	3,707	55.95
PBT	1,887	1,734	153	8.82	5,645	5,907 ⁽²⁾	(262)	(4.44)
PAT	1,127	1,157	(30)	(2.59)	4,028	4,272 ⁽²⁾	(244)	(5.71)

Notes:

- (1) Earnings before interest tax depreciation and amortisation (“EBITDA”)
- (2) Consist of one-off liquidated damages compensation of RM1.62 million from the Pulau Indah Land developer on 21 February 2020 and RM0.27 million from Senja Aman apartment developer on 11 September 2020 due to late delivery of vacant possession as per sales and purchase agreements.

The Group recorded revenue of RM30.83 million for the current financial quarter ended 30 September 2021, an increase of 50.64% from the previous year corresponding quarter of RM20.47 million. The increase in revenue was contributed by higher revenue generated from sea freight business due to increase in global shipping rate. Despite substantial increase in revenue, PBT increased slightly by 8.82% to RM1.89 million as compared to the previous year corresponding quarter of RM1.73 million mainly due to increase in depreciation and term loan interest expenses for HQ and Distribution Hub. Nevertheless, as compared to previous year corresponding quarter, the EBITDA of current financial quarter increased by 54.27% in line with the increase of revenue during the same quarter.

The Group recorded period to date revenue of RM91.49 million, an increase of approximately 52.01% as compared to previous corresponding period of RM60.18 million. The Group GP increased by 19.10% from RM11.11 million to RM13.23 million; and EBITDA also increased by 55.95% from RM6.63 million to RM10.33 million, respectively.

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The decrease in period to date PBT and PAT mainly due to one-off liquidated damages compensation of approximately RM1.62 million from the Pulau Indah Land developer on 21 February 2020 and RM0.27 million from Senja Aman apartment developer on 11 September 2020 for late delivery of vacant possession recorded in previous corresponding period. For the purpose of comparison, the PBT and PAT without the one-off liquidated damages compensation are tabulated as follows: -

	3-MONTH ENDED		CHANGE		PERIOD-TO-DATE		CHANGE	
	30.09.2021	30.09.2020	RM'000	%	30.09.2021	30.09.2020	RM'000	%
	RM'000	RM'000			RM'000	RM'000		
(Unaudited)								
Revenue	30,832	20,467	10,365	50.64	91,486	60,183	31,303	52.01
GP	3,828	3,827	1	0.03	13,227	11,106	2,121	19.10
EBITDA	3,616	2,344	1,272	54.27	10,333	6,626	3,707	55.95
PBT	1,887	1,734	153	8.82	5,645	4,020⁽¹⁾	1,625	40.42
PAT	1,127	1,157	(30)	(2.59)	4,028	2,385⁽¹⁾	1,643	68.89

Note:

(1) Without one-off liquidated damages compensation of RM1.89 million.

For illustration purpose, the Group's achieved higher profitability for period to date with increase in PBT and PAT by 40.42% and 68.89% respectively after taking into consideration the normalized financial performance without the financial effect of the liquidated damages compensation.

The Group managed to improve its financial performance via aggressive sales approaches and cost control exercise despite global and national economy slowdown due to the recurring waves and outbreaks of COVID-19 pandemic.

B2. Comparison with immediate preceding quarter's results

	3-MONTH ENDED		CHANGE	
	30.09.2021	30.06.2021	RM'000	%
	RM'000	RM'000		
(Unaudited)				
Revenue	30,832	27,786	3,046	10.96
PBT	1,887	1,414	473	33.45

For the current quarter ended 30 September 2021, the Group's revenue increased by 10.96% to RM30.83 million from RM27.79 million and PBT also increased by 33.45% from RM1.41 million to RM1.89 million as compared to immediate preceding quarter ended 30 June 2021. The increase of revenue and PBT was mainly due to higher revenue generated by sea freight business. This indicates the gradual recovery of national economy from Covid-19 pandemic after government ease the movement control when our population gradually reached higher national vaccination rate during the quarter under reviewed.

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B3. Prospects

In October 2021, the International Monetary Fund (“**IMF**”) revised 2021 global economy growth projection from 6.0% in July 2021 to 5.9% in the Global Economic Prospects Report, reflecting a downgrade for advanced economies due to the supply chain disruptions and low vaccination rate of many developing countries. The IMF also revised Malaysia’s Gross Domestic Product growth downward to 3.5% from earlier projection of 4.7% in July 2021 due to impact of the movement control measures imposed by Malaysia government during third quarter 2021. In October 2021, Bank Negara Malaysia also revised economic growth outlook to lower range of 3.0% to 4.0% which in line with the IMF projection.

Despite the slower movement of Malaysia economy, Tri-Mode managed to achieve higher revenue and profitability during this period, proving the importance and high demand of logistics services during pandemic to support the national economy. Taking into consideration that the Malaysia economy is on a recovery path supported by the gradual reopening of more economic sectors in the fourth quarter of 2021, Tri-Mode is confident to achieve a better performance that thrives on the recovering of national economic and international business activities.

In August 2021, Tri-Mode has received approval letters from Malaysia Investment Development Authority (“**MIDA**”) for Integrated Logistics Services (“**ILS**”) tax incentive, the ILS tax incentive enables Tri-Mode to enjoy 70% income tax exemption against statutory income for 5 years via the approved tax incentive-Pioneer Status under the Promotion of Investments Act, 1986. At the same period, Tri-Mode also received approval letter from MIDA for International Integrated Logistics Services (“**IILS**”) status, the IILS status enables Tri-Mode to have 100% equity ownership in Freight Forwarding Agent license issued by Royal Malaysian Customs Department.

Tri-Mode has completed the construction of Warehouse 2 in end of October 2021 and is expected to commence its operation in December 2021. With the completion of Warehouse 2, Tri-Mode’s total warehousing space in operation will increase to approximately 113,000 square feet. In view of positive demand for warehousing services, as disclosed in note A.15(b), Tri-Mode has purchased Land nearby its HQ and Distribution Hub with the intention to construct a new warehouse/distribution hub of approximately 150,000 square feet (“**Warehouse 3**”) on the Land to cater for its business expansion in coming 1 to 2 years.

In light of the expansion plan for warehousing space, Tri-Mode has disposed-off some non-strategic assets, proceeds from the disposal will be utilised to part finance the expansion plan. Furthermore, Tri-Mode has also obtained approval from Bursa Malaysia Securities Berhad on 22 September 2021 for proposed private placement of up to 33,000,000 new ordinary shares in Tri-Mode to raise additional fund for construction cost for Warehouse 3 and acquisition costs for warehouse related facilities and equipment (“**Proposed Private Placement**”).

With the commencement of the operation of warehouse 1 at HQ and Distribution Hub in March 2021 and positive demand for logistics services, we are expecting centralized operation efficiency, cost saving, new source of income from warehousing and 3PL services (i.e., third-party logistics which include the outsourcing of logistics processes, inventory management, warehousing, and fulfilment services) to contribute positively to the growth of the Group in the future.

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Barring any unforeseen circumstances, the Board of Directors of Tri-Mode (“**Board**”) is of the opinion that the prospects for the financial year ending 31 December 2021 will be positive in view of positive global economy recovery from COVID-19 pandemic, high vaccination rate and gradual reopening of more economic sectors in Malaysia and new business income from warehousing services. Nevertheless, the Group will continue to seek opportunities in both the domestic and international markets 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.

B5. Taxation

	3-MONTH ENDED		PERIOD-TO-DATE	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Current financial period:				
- Income tax	2	288	865	1,349
- Deferred tax	533	32	525	29
	<u>535</u>	<u>320</u>	<u>1,390</u>	<u>1,378</u>
Previous year provision:				
- Income tax	174	99	174	99
- Deferred tax	53	158	53	158
Total tax expense	<u>762</u>	<u>577</u>	<u>1,617</u>	<u>1,635</u>
Effective tax rate	40.38%	33.28%	28.64%	27.68%

Higher effective tax rate of 40.38% for the current quarter ended 30 September 2021 due to the provision for previous year tax adjustment.

Note:

(1) Income tax expense is recognised based on management's best estimate.

B6. Corporate Proposals

Save for the Proposed Private Placement, Proposed Acquisition and disposal of assets as stated in A15 and Note B3, there are no corporate proposals announced by the Company during the current financial quarter under review.

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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					
	30.09.2021			30.09.2020		
	<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	10,854	-	10,854	6,617	-	6,617
1 month	7,215	-	7,215	4,733	1	4,734
2 months	2,185	-	2,185	1,951	-	1,951
3 months	533	-	533	331	-	331
More than 3 months	162	-	162	125	-	125
Trade Receivables	20,949	-	20,949	13,757	1	13,758

Note:

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

B8. Bank borrowings

The Group's bank borrowings were as follows:

	AS AT 30.09.2021	AS AT 30.09.2020
	RM'000	RM'000
Secured:		
<u>Current:</u>		
Bank borrowings: revolving credit	4,000	-
Bank borrowings: overdraft	-	-
Lease liabilities	1,150	4,645
	5,150	4,645
<u>Non-current:</u>		
Bank borrowing: term loans	28,904	16,671
Lease liabilities	1,687	1,557
	30,591	18,228
Total bank borrowings & leases liabilities	35,741	22,873

The weighted average interest rate of bank borrowings is 5.55% p.a. All the finance leases are based on fixed rate while term loans and revolving credit are based on floating rate.

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

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B9. Material litigation

There were no material litigation involving the Group as at the date of this report.

B10. Dividend declared

On 18 November 2021, the Board has approved the declaration and payment of first single-tier interim dividend of 0.70 sen per ordinary share totalling RM1,162,000 in respect of the financial year ending 31 December 2021. The entitlement to dividend to be determined based on the record of depositors as at 15 December 2021 whilst the payment date to be fixed on 12 January 2022.

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	
		30.09.2021	30.09.2020	30.09.2021	30.09.2020
Profit attributable to ordinary owners of the Company	(RM'000)	1,127	1,157	4,028	4,272
Weighted average number of ordinary shares ⁽¹⁾	('000)	166,000	166,000	166,000	166,000
Basic earnings/(loss) per share	(Sen)	0.68	0.70	2.43	2.57
Diluted earnings/(loss) per share ⁽²⁾	(Sen)	0.68	0.70	2.43	2.57

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.
- (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	
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :-				
Interest income	(9)	(323)	(27)	(2,150)
Interest expenses	482	66	1,317	249
Depreciation of PPE	764	436	1,835	1,310
Depreciation of ROU	491	431	1,563	1,310
Reversal on impairment losses on trade receivables	6	(10)	30	65
Foreign exchange – realised (gain) / loss	(58)	15	(76)	48
Foreign exchange – unrealised gain	-	5	-	(3)

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

BY ORDER OF THE BOARD

Company Secretary

Date: 18 November 2021