

TRI-MODE SYSTEM (M) BERHAD

Registration No.: 199101018953 (229265-X)

(Incorporated in Malaysia)

INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾

	3-MONTH ENDED		YEAR-TO-DATE	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Revenue	30,143	30,832	100,882	91,486
Cost of sales	(25,257)	(27,004)	(86,368)	(78,259)
Gross Profit ("GP")	4,886	3,828	14,514	13,227
Other income	161	831	5,439 ⁽²⁾	1,111
Administrative expenses	(3,014)	(2,799)	(9,041)	(8,372)
(Loss)/Gain on impairment of financial instruments	(29)	(6)	(40)	(30)
Finance costs	(549)	(482)	(1,665)	(1,317)
Share of results of associates	212	515	284	1,026
Profit before taxation ("PBT")	1,667	1,887	9,491	5,645
Taxation	(213)	(760)	(1,702)	(1,617)
Profit after taxation ("PAT")	1,454	1,127	7,789	4,028
Other comprehensive income				
Share of other comprehensive income in associate	-	-	-	-
Total comprehensive income	1,454	1,127	7,789	4,028
Profit for the year attributable to:				
- Owners of the Company	1,454	1,127	7,789	4,028
- Non-controlling interests	-	-	-	-
	1,454	1,127	7,789	4,028
Total comprehensive income attributable to:				
- Owners of the Company	1,454	1,127	7,789	4,028
- Non-controlling interests	-	-	-	-
	1,454	1,127	7,789	4,028
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⁾	0.88	0.68	4.69	2.43
- Diluted ⁽⁴⁾	0.88	0.68	4.69	2.43

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME ⁽¹⁾ (CONT'D)

Notes:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement of Profit or Loss and Other 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 2021 and the accompanying explanatory notes attached to this interim financial report.
- (2) Gain on disposal RM4.97 million (before real property gain tax) of a piece of leasehold industrial land, measuring approximately 8,716.42 square meters, held under HS(D) 67678, PT 64406, Mukim Klang, District of Klang, State of Selangor for a total cash consideration of RM7.59 million to Wastech Multigreen Sdn Bhd by N.V. Freights (M) Sdn Bhd, a wholly-owned subsidiary of Tri-Mode, which was completed on 26 January 2021.
- (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 has no dilution in its earnings per shares as there is no dilutive potential shares.

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INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION ⁽¹⁾

	Unaudited As at 30.09.2022	Audited As at 31.12.2021
	RM'000	RM'000
ASSETS		
Non-current assets		
Property, plant and equipment ("PPE")	22,210	29,834
Right-of-use assets ("ROU")	84,396	66,602
Investment in property	2,742	2,764
Other investments	175	175
Investment in associates	5,244	4,960
	114,767	104,335
Current assets		
Inventories	241	208
Trade receivables	18,405	26,262
Other receivables	1,637	2,099
Tax recoverable	227	212
Other investments	55	12
Fixed deposits with licensed banks	2,347	2,320
Cash and bank balances	11,758	3,040
Asset held for sale	-	2,530
	34,670	36,683
TOTAL ASSETS	149,437	141,018
EQUITY AND LIABILITIES		
Equity		
Share capital	47,503	47,503
Acquisition reserves	(5,526)	(5,526)
Retained earnings	47,792	40,501
Total Equity	89,769	82,478
Liabilities		
Non-current liabilities		
Bank borrowings	37,358	25,873
Lease liabilities	763	1,466
Deferred tax liabilities	4,851	4,938
	42,972	32,277

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

	Unaudited As at 30.09.2022	Audited As at 31.12.2021
	RM'000	RM'000
Current liabilities		
Trade payables	6,631	7,558
Other payables	3,372	5,836
Amount due to associates	3,795	3,449
Lease liabilities	473	1,706
Bank borrowings	2,164	7,442
Tax payable	261	272
	16,696	26,263
Total liabilities	59,668	58,540
TOTAL EQUITY AND LIABILITIES	149,437	141,018
NET ASSETS PER SHARE (RM)	0.54	0.50
Number of ordinary shares ('000)	166,000	166,000

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement 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 2021 and the accompanying explanatory notes attached to this interim financial report.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY ⁽¹⁾

	Non-distributable			Distributable	Total Equity
	Share capital	Acquisition reserves	Fair value reserve	Retained earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000
Opening balance at 1 January 2022	47,503	(5,526)	-	40,501	82,478
Profit for the period	-	-	-	7,789	7,789
Transactions with owners:					
Dividend to owners of the Company	-	-	-	(498)	(498)
Balance at 30 September 2022	47,503	(5,526)	-	47,792	89,769
Opening balance at 1 January 2021	47,503	(5,533)	-	33,861	75,831
Profit for the year	-	-	-	7,305	7,305
Foreign exchange reserve	-	7	-	-	7
Other comprehensive income for the year	-	-	497	-	497
	-	7	497	7,305	7,809
Transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings	-	-	(497)	497	-
Transactions with owners:					
Dividends to owners of the Company	-	-	-	(1,162)	(1,162)
Balance at 31 December 2021	47,503	(5,526)	-	40,501	82,478

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement 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 2021 and the accompanying explanatory notes attached to this interim financial report.

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INTERIM FINANCIAL REPORT FOR THE THIRD (3RD) QUARTER ENDED 30 SEPTEMBER 2022

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾

	PERIOD-TO-DATE	
	30.09.2022	30.09.2021
	RM'000	RM'000
Operating Activities		
Profit before tax	9,491	5,645
<u>Adjustments for:</u>		
Depreciation of PPE	1,538	1,835
Depreciation of ROU	2,195	1,563
Depreciation of investment property	22	-
Loss on disposal of PPE	52	-
Gain on disposal of ROU	(5,033)	-
Impairment losses on trade receivables	40	30
Other incomes	(43)	-
Interest on ROU	36	33
Interest expenses	1,653	1,317
Interest income	(127)	(27)
Share of results of associates	(284)	(1,026)
Unrealised (gain)/loss on foreign exchange	(65)	-
Operating profit before working capital changes	9,475	9,370
<u>Changes in working capital</u>		
Inventories	(33)	(69)
Receivables	8,397	(8,156)
Payables	(2,283)	2,637
Associates	346	876
	6,427	(4,712)
Cash generated from operations	15,902	4,658
Interest on ROU	(36)	(33)
Interest paid	(1,653)	(1,317)
Interest received	127	27
Tax paid	(1,835)	(1,211)
Tax refund	19	-
Net Cash flows from operating activities	12,524	2,124

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS ⁽¹⁾ (CONT'D)

	YEAR-TO-DATE	
	30.09.2022	30.09.2021
	RM'000	RM'000
Investing Activities		
Dividends received	-	470
Acquisition of associate	-	428
Short-term investment	(109)	-
Purchase of PPE	(310)	(5,694)
Purchase of ROU	(363)	1,670
Proceeds from disposal of ROU	7,564	-
Proceeds from disposal of PPE	218	91
Net Cash flows from/(used in) investing activities	7,000	(3,035)
Financing Activities		
Dividends paid	(1,660)	(1,660)
Drawdown of term loan	-	-
Repayment of term loan	(8,570)	5,504
Net changes of revolving credit	1,290	1,000
Repayment of lease liabilities	(1,935)	(2,631)
Increase in fixed deposits		
Net Cash flows used in financing activities	(10,875)	2,213
Net increase/(decrease) in cash and cash equivalents	8,649	1,302
Effect of exchange translation differences on cash & cash equivalents	-	-
Cash and cash equivalents at the beginning of the year	3,027	1,767
Cash and cash equivalents at the end of the year	11,676	3,069
Cash and Cash Equivalents at the end of the year:		
Cash and bank balances	11,758	2,619
Fixed deposits with licensed banks	2,347	2,303
Bank overdraft	-	-
	14,105	4,922
Less: Fixed deposits pledged with licensed banks	(1,429)	(1,406)
Less: Fixed deposits not for short-term fundings requirements	(1,000)	(447)
	11,676	3,069

Note:

- (1) The basis of preparation of the Unaudited Condensed Consolidated Statement 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 2021 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 YEAR ENDED 30 SEPTEMBER 2022

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 2021 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 2022 under the MFRS framework. These policies do not differ significantly from those used in the audited consolidated financial statements for 31 December 2021 except as disclosed below:

The following revised MFRSs and Amendments to MFRSs that effective from 1 January 2022 have been issued by the MASB:

Amendments to MFRS 13: Reference to conceptual framework.
Amendments to MFRS 116: Property, Plant and Equipment - Proceeds before Intended Use.
Amendments to MFRS 137: Onerous Contracts - Cost of Fulfilling a Contract
Annual Improvements to MFRS Standards 2018 - 2020: Amendments to MFRS 1, MFRS 9, MFRS 16 and MFRS 141

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		YEAR-TO-DATE			
	30.09.2022	30.09.2021	30.09.2022	%	30.09.2021	%
	RM'000	RM'000	RM'000		RM'000	
Sea freight	22,680	24,303	77,990	77.3	69,378	75.8
Container haulage	3,921	4,584	12,294	12.2	15,126	16.5
Air freight	2,483	1,128	7,325	7.3	4,391	4.8
Freight forwarding	584	432	1,660	1.6	1,603	1.8
Warehousing	415	328	1,428	1.4	839	0.9
Marine insurance	60	57	185	0.2	149	0.2
Total Revenue	30,143	30,832	100,882	100	91,486	100

Sea freight, container haulage and air freight segment are the top 3 revenue contributors under the financial year 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		YEAR-TO-DATE			
	30.09.2022	30.09.2021	30.09.2022	%	30.09.2021	%
	RM'000	RM'000	RM'000		RM'000	
Malaysia	24,368	27,892	81,493	80.8	79,513	86.9
Overseas	5,775	2,940	19,389	19.2	11,973	13.1
Total Revenue	30,143	30,832	100,882	100	91,486	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

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.

Transaction with companies in which certain Directors have financial interests

	3-MONTH ENDED		YEAR-TO-DATE	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
(a) PT. Oriental Logistics Indonesia				
Trade receivable	3	-	3	-
Trade payable	-	4	-	-
Net amount payable/(receivable)	(3)	4	(3)	-
Services income	1	-	3	3
Services expenses	-	19	-	23
(b) Oriental Thailand				
Trade receivable	-	-	-	-
Trade payable	1	-	1	-
Net amount payable/(receivable)	1	-	1	-
Services income	-	-	-	-
Services expenses	1	11	1	11

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Transaction with associated companies

Transaction with associates	3-MONTH ENDED		YEAR-TO-DATE	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
(a) Atama Logistics (M) Sdn Bhd				
Trade receivable	5,999	2,985	5,999	2,985
Trade payable	9,793	6,638	9,793	6,638
Net amount payable/(receivable)	3,794	3,653	3,794	3,653
Services income	2,747	2,867	8,404	10,292
Services expenses	4,963	4,640	15,423	17,231
(b) Container Connections (M) Sdn Bhd				
Trade receivable	-	-	-	-
Trade payable	2	7	22	7
Net amount payable/(receivable)	2	7	22	7
Services income	-	-	-	-
Services expenses	24	26	74	93

A15. Capital commitments

As at 30 September 2022, the Group's material commitments (including commitments to be incurred) for capital expenditure are as follows: -

a) Solar PV System

	(RM)
Installation and commission of solar PV system ⁽¹⁾	525,657

Note:

(1) New solar PV system of 336.96kwp under Net Offset Virtual Aggregation ("NOVA") scheme approved by SEDA Malaysia. 100% financing with AMBank Green Financing Plan. Estimated completion in 4Q22.

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

B1. Review of Performance

	3-MONTH ENDED		CHANGE		YEAR-TO-DATE		CHANGE	
	30.09.2022	30.09.2021			30.09.2022	30.09.2021		
(Unaudited)	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	30,143	30,832	(689)	(2.23)	100,882	91,486	9,396	10.27
GP	4,886	3,828	1,058	27.64	14,514	13,227	1,287	9.73
EBITDA ⁽¹⁾	3,374	3,609	(235)	(6.51)	14,762 ⁽²⁾	10,303	4,459	43.28
PBT	1,667	1,887	(220)	(11.66)	9,491 ⁽²⁾	5,645	3,846	68.13
PAT	1,454	1,127	327	29.02	7,789 ⁽²⁾	4,028	3,761	93.37

Notes:

(1) Earnings before interest tax depreciation and amortisation (“**EBITDA**”)

(2) Consist of gain on disposal of leasehold industrial land of RM4.97 million as per page 2 (note 2).

The Group recorded revenue of RM30.14 million for the current financial quarter ended 30 September 2022, slightly lower of 2.23% from the previous year corresponding quarter of RM30.83 million. However, gross profit margin improved by 27.64% as compared to previous year corresponding quarter. Lower PBT mainly due to higher other income of short-term rental income of vacant yards and government subsidy during Movement Control Order in previous corresponding quarter. Overall, the profitability performance improved for the current quarter.

The Group recorded year to date revenue of RM100.88 million, an increase of 10.27% as compared to previous corresponding year to date of RM91.49 million. The Group year to date PBT increased by 68.13% from RM5.65 million to RM9.49 million and PAT increased by 93.37% from RM4.03 million to RM7.79 million respectively. The higher profitability is mainly due to the one-off disposal gain of leasehold industrial land of RM4.97 million.

For the purpose of comparison, the Group’s profitability performance without the gain on disposal of leasehold industrial land are tabulated as follows:-

	9-MONTHS ENDED		CHANGE	
	30.09.2022	30.09.2021		
(Unaudited)	RM'000	RM'000	RM'000	%
Revenue	100,882	91,486	9,396	10.27
GP	14,514	13,227	1,287	9.73
EBITDA	9,793⁽¹⁾	10,303	(510)	(4.95)
PBT	4,522⁽¹⁾	5,645	(1,123)	(19.89)
PAT	3,343⁽¹⁾	4,028	(685)	(17.01)

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Notes:

(1) Excluded gain on disposal of a piece of leasehold industrial land of RM4.97 million.

For illustration purpose, the Group achieved lower profitability for year-to-date comparison mainly due to increase in provision of assets depreciation, term loan interest expenses for our new HQ and Distribution Hub and holding costs (leasehold land depreciation and term loan interest) of newly purchased industrial land. The trend of increasing bank interest rate since early of this year also increase our expenses on term loan interest. However, with the increasing demand of our new source of income from warehouse 2, we shall be able to improve further our profitability progressively.

B2. Comparison with immediate preceding quarter's results

	3-MONTH ENDED		CHANGE	
	30.09.2022	30.06.2022		
(Unaudited)	RM'000	RM'000	RM'000	%
Revenue	30,143	30,617	(474)	(1.55)
PBT	1,667	1,504	163	10.84

For the current quarter ended 30 September 2022, the Group's revenue lower by 1.55% from RM30.62 million to RM30.14 million due to gradually decreased in global shipping rate. However, PBT improved by 10.84% from RM1.50 million to RM1.67 million as compared to immediate preceding quarter ended 30 June 2022 resulted from improve in GP margin.

B3. Prospects

In October 2022, the International Monetary Fund ("IMF") released its World Economic Outlook report stated that global growth is forecast to slow further from 3.2% (2022) to 2.7% (2023), reflecting significant slowdowns in largest economies. Global inflation is forecast to rise from 4.7% (2021) to 8.8% (2022) but decline to 6.5% (2023). The rise of inflation, surge in energy and food prices, tightening financial policy in most countries, Ukraine war, geopolitical tensions are all impact heavily on the outlook. The IMF further warned that risks to the outlook remain unusually large in the event of more energy and food price shock, escalation of Ukraine war, resurgence of Covid-19 and worsening of China's property crisis.

In November 2022, Bank Negara Malaysia ("BNM") has reported encouraging national economy grow by 14.2% in 3Q2022, projected Malaysia GDP growth for year 2022 to be between 6.5% to 7.0% and projected GDP growth for 2023 soften between 4.0% to 5.0%. BNM highlighted that the higher growth reflecting normalising of economic activity as reopened international borders, supported by strong export of Electrical and Electronics products and domestics demand. Nevertheless, BNM warned that downside risks to the domestic economy as weaker global growth, escalation of geopolitical conflicts and worsening of supply chain disruptions.

Tri-Mode recognised the current unfavourable development of global economy and challenging recovery of national economy. We having practising diversification of our activities and customer base to minimise our risk when facing economic challenges as different industries impacted differently during global supply disruptions. The global supply chain disruptions give rise to demand

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of better supply chain solutions for customers, such as multi source of shipment modes, transit cargo and warehousing solutions to mitigate supply chain disruption to customers' businesses. We are prepared and equipped with facilities to provide alternative solutions to our customers in order to mitigate their supply risks and gain more businesses in long term.

Tri-Mode had officially obtained its Freight Forwarding Agent License from the Royal Malaysian Customs Department ("**RMCD**") on 1st September 2022 via International Integrated Logistics Services ("**IILS**") status, approved by the Malaysian Investment Development Authority ("**MIDA**") on 2021. The IILS status enables Tri-Mode to have 100% equity ownership in Freight Forwarding Agent License issued by RMCD which enables Tri-Mode to complete the integrated and seamless logistics services along the value chain as a single entity on a regional and global scale. Hence, Tri-Mode will be able to provide integrated logistics services under a single entity to its valued customers more efficiently with cost and time savings.

Tri-Mode's associate company, Atama Logistics (M) Sdn Bhd obtained its Authorised Economic Operator ("**AEO**") certification by RMCD with effective date from 10th August 2022. With this AEO certification, hence able to represent AEO status international agencies, multinational corporation ("**MNC**"), public listed company and its selected customers on priority fast customs clearance, faster release shipments, lower rate of physical inspection of cargo and enhanced security of transaction and improve risk mitigation.

Furthermore, on 8 November 2022, Tri-Mode had officially obtained Asia Pacific Transported Asset Protection Association ("**TAPA**") certification certified by British Standards Institution which valid till year 2025. TAPA Security Standards act as a worldwide benchmark for supply chain security and resilience, providing guidance, processes and tools which reduce loss exposure, protect assets, and reduce the costs of cargo theft. With the TAPA certification, Tri-Mode's transport division complied with the global security standards on cargo movement to minimize risk of cargo theft, crime and loss of goods. Tri-Mode's continuing improvement efforts on quality services will add value to its existing customers and gain confidence from potential new customers as well.

In today's fast moving global supply chain environment, the compliance to the international standards of logistics services, security, technology system and speed of cargo movement are crucial to customers' day to day business activities. Therefore, Tri-Mode is always ready to upgrade its services quality in order to provide reliable services to its existing customers and gain confidence from potential new customers especially MNCs as well. Tri-Mode believe continued improvement activities will contribute positively to the future earnings of the group.

Tri-Mode has on August 2022 submitted application for planning approval to local town council to construct a new warehouse space of approximately 150,000 square feet on its newly purchased industrial land to cater for the future expansion of its warehouse and distribution business. Based on the industry trend, positive demand for logistics services, especially in warehousing and 3PL services (i.e., third-party logistics which include the outsourcing of logistics processes, inventory management, warehousing, and fulfilment services) will add value to the growth of the Group in the future.

Barring any unforeseen circumstances, the Board is of the opinion that the prospects for the financial year ending 31 December 2022 will be challenging in view of unfavourable global economy growth, supply chain disruption and possible national's upward inflation pressure. Nevertheless,

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the Group will be cautiously monitoring the development of global supply disruptions and 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		YEAR-TO-DATE	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Current financial year:				
Income tax	265	2	1,346	865
Real property gain tax	-	-	426	-
Deferred tax	(154)	531	(172)	525
	<u>111</u>	<u>533</u>	<u>1,600</u>	<u>1,390</u>
Previous year provision:				
Income tax	39	174	39	174
Deferred tax	63	53	63	53
Total tax expense	<u>213</u>	<u>760</u>	<u>1,702</u>	<u>1,617</u>
Effective tax rate	12.79%	40.28%	17.93%	28.64%

Effective tax rate at approximately 17.93% for the year to date ended 30 September 2022.

Note:

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

B6. Corporate Proposals

Save for the Private Placement exercise that lapsed on 21 September 2022 as stated in Bursa announcement, there are no corporate proposals announced but not completed 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.

	YEAR-TO-DATE					
	30.09.2022			30.09.2021		
	<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	8,875		8,875	10,854	-	10,854
1 month	6,886	2	6,888	7,215	-	7,215
2 months	1,952		1,952	2,185	-	2,185
3 months	455	1	456	533	-	533
More than 3 months	234		234	162	-	162
Trade Receivables	18,402	3	18,405	20,949	-	20,949

Note:

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

B8. Bank borrowings

The Group's bank borrowings were as follows:

	AS AT 30.09.2022	AS AT 30.09.2021
	RM'000	RM'000
Secured:		
<u>Current:</u>		
Bank borrowings: revolving credit	-	4,000
Bank borrowings: term loan	2,164	-
Lease liabilities	473	1,150
	2,637	5,150
<u>Non-current:</u>		
Bank borrowing: term loans	37,358	28,904
Lease liabilities	763	1,687
	38,121	30,591
Total bank borrowings & leases liabilities	40,758	35,741

The weighted average interest rate of bank borrowings is 5.15% p.a. All the lease liabilities 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 proposed

On 22 November 2022, the Board has approved the declaration and payment of first single-tier interim dividend of 0.75 sen per ordinary share totalling RM1,245,000 in respect of the financial year ending 31 December 2022. The entitlement to dividend to be determined based on the record of depositors as at 15 December 2022 whilst the payment date to be fixed on 12 January 2023.

B11. Earnings per share

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

		3-MONTH ENDED		PERIOD-TO-DATE	
		30.09.2022	30.09.2021	30.09.2022	30.09.2021
Profit attributable to ordinary owners of the Company	(RM'000)	1,454	1,127	7,789	4,028
Weighted average number of ordinary shares ⁽¹⁾	('000)	166,000	166,000	166,000	166,000
Basic earnings per share ⁽¹⁾	(Sen)	0.88	0.68	4.69	2.43
Diluted earnings per share ⁽²⁾	(Sen)	0.88	0.68	4.69	2.43

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 has no dilution in its earnings per shares as there is no dilutive potential shares.

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

	3-MONTH ENDED		YEAR-TO-DATE	
	30.09.2022	30.09.2021	30.09.2022	30.09.2021
	RM'000	RM'000	RM'000	RM'000
Profit before taxation is arrived at after charging/(crediting) :-				
Interest income	(62)	(9)	(127)	(27)
Finance costs	573	482	1,689	1,317
Depreciation of PPE	509	764	1,538	1,835
Depreciation of ROU	711	491	2,195	1,563
Provision for expected credit loss	18	6	40	30
Foreign exchange – realised (gain) / loss	(215)	(58)	(463)	48
Foreign exchange – unrealised (gain) / loss	(44)	-	(65)	-
Loss /(gain) on disposal of ROU	-	-	(5,033)	-
Loss /(gain) on disposal of PPE	-	-	52	46

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

BY ORDER OF THE BOARD

Company Secretary

Date: 22 November 2022