

THREE-A RESOURCES BERHAD (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Quarter Ended 31 December 2016
 (The figures have not been audited)

	3 months ended 31 December		Cumulative quarter ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Revenue	95,037	93,924	387,718	352,400
Cost of sales	(71,363)	(77,917)	(300,326)	(292,394)
Gross Profit	<u>23,674</u>	<u>16,007</u>	<u>87,392</u>	<u>60,006</u>
Other income	2,049	-	2,146	5,046
Other operating expenses	(6,521)	(8,491)	(29,044)	(26,416)
Share of results of a jointly controlled entity, net of tax	(1,515)	(2,870)	(5,878)	(7,327)
Profit from Operations	<u>17,687</u>	<u>4,646</u>	<u>54,616</u>	<u>31,309</u>
Finance costs	(309)	(305)	(1,168)	(959)
Profit before Tax	<u>17,378</u>	<u>4,341</u>	<u>53,448</u>	<u>30,350</u>
Income tax	(4,425)	(1,272)	(14,527)	(10,268)
Profit net of tax	<u>12,953</u>	<u>3,069</u>	<u>38,921</u>	<u>20,082</u>
Other comprehensive income: Foreign currency translation	330	(725)	(572)	1,774
Total comprehensive income for the year	<u><u>13,283</u></u>	<u><u>2,344</u></u>	<u><u>38,349</u></u>	<u><u>21,856</u></u>
Profit for the period attributable to:				
Owners of the parent	12,953	3,069	38,921	20,082
Non-controlling interest	-	-	-	-
	<u>12,953</u>	<u>3,069</u>	<u>38,921</u>	<u>20,082</u>
Total comprehensive income attributable to:				
Owners of the parent	13,283	2,344	38,349	21,855
Non-controlling interest	-	-	-	-
	<u>13,283</u>	<u>2,344</u>	<u>38,349</u>	<u>21,855</u>
Basic Earnings per Share (sen)	<u>3.29</u>	<u>0.78</u>	<u>9.89</u>	<u>5.10</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)
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Condensed Consolidated Statement of Changes in Equity
For the Quarter Ended 31 December 2016
(The figures have not been audited)

	Share Capital	Non-distributable Reserve		Non-distributable Reserve	Distributable Reserve		Grand total
	Nominal value	Foreign currency translation reserve	Share premium	Retained earnings	Total reserves	(RM'000)	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2015	78,720	1,709	70,367	81,029	153,105	231,825	
Total comprehensive income	-	1,774	-	20,082	21,856	21,856	
Transactions with owners	-	-	-	(5,510)	(5,510)	(5,510)	
Dividend	-	-	-	-	-	-	
At 31 December 2015	<u>78,720</u>	<u>3,483</u>	<u>70,367</u>	<u>95,601</u>	<u>169,451</u>	<u>248,171</u>	
At 1 January 2016	78,720	3,483	70,367	95,601	169,451	248,171	
Total comprehensive income	-	(572)	-	38,921	38,349	38,349	
Transactions with owners	-	-	-	(7,085)	(7,085)	(7,085)	
Dividend	-	-	-	-	-	-	
At 31 December 2016	<u>78,720</u>	<u>2,911</u>	<u>70,367</u>	<u>127,437</u>	<u>200,715</u>	<u>279,435</u>	

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

As at 31 December 2016

(The figures have not been audited)

	As at 31-Dec-16 RM'000	As at 31-Dec-15 RM'000
Non-current Assets		
Property, plant & equipment	161,851	136,388
Land use rights	1,503	5,622
Investment in a jointly controlled entity	6,772	13,221
	<u>170,126</u>	<u>155,231</u>
Current Assets		
Inventories	48,848	61,675
Trade and other receivables	91,844	89,405
Tax recoverable	45	55
Cash and bank balances	28,714	12,753
	<u>169,451</u>	<u>163,888</u>
TOTAL ASSETS	<u>339,577</u>	<u>319,119</u>
EQUITY AND LIABILITIES		
Share capital	78,720	78,720
Reserves	200,715	169,451
Total equity	<u>279,435</u>	<u>248,171</u>
Non-current Liabilities		
Borrowings	12,237	7,688
Deferred tax liabilities	14,325	14,406
	<u>26,562</u>	<u>22,094</u>

THREE-A RESOURCES BERHAD (481559-M)

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Condensed Consolidated Statement of Financial Position

As at 31 December 2016

(The figures have not been audited)

	As at 31-Dec-16 RM'000	As at 31-Dec-15 RM'000
Current Liabilities		
Trade and other payables	27,182	12,075
Dividend payable	-	5,510
Borrowings	2,672	27,882
Current tax liabilities	3,726	3,387
	<u>33,580</u>	<u>48,854</u>
TOTAL LIABILITIES	<u>60,142</u>	<u>70,948</u>
TOTAL EQUITY AND LIABILITIES	<u>339,577</u>	<u>319,119</u>
Net assets value per share (sen)	<u>70.99</u>	<u>63.05</u>

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)
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Condensed Consolidated Statement of Cash Flow
For the Quarter Ended 31 December 2016
(The figures have not been audited)

	Year-To-Date 31-Dec-16 (RM'000)	Year-To-Date 31-Dec-15 (RM'000)
Cash flows from operating activities		
Profit before taxation	53,448	30,350
Adjustments for:		
Amortisation of land use rights	56	370
Depreciation of property, plant and equipment	7,093	6,905
Unrealised foreign exchange gain	(905)	(32)
Interest expense	1,168	959
Interest income	(96)	(99)
(Gain)/ Loss on disposal of Property, Plant and Equipment	(12)	1
Share of results of joint venture	5,878	7,327
Operating profit before working capital changes	<u>66,630</u>	<u>45,781</u>
Working capital changes:		
Inventories	12,828	(7,397)
Trade and other receivables	(725)	(21,478)
Trade and other payables	15,106	(2,919)
Cash generated from operations	<u>93,839</u>	<u>13,987</u>
Income tax paid	(14,259)	(7,969)
Net cash generated from operating activities	<u><u>79,580</u></u>	<u><u>6,018</u></u>
Cash flows from investing activities		
Investment in a jointly controlled entity	-	(15,238)
Purchase of property, plant and equipment	(28,497)	(12,572)
Proceeds from disposal of Property, Plant and Equipment	17	4
Interest received	96	99
Net cash used in investing activities	<u><u>(28,384)</u></u>	<u><u>(27,707)</u></u>

THREE-A RESOURCES BERHAD (481559-M)
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Condensed Consolidated Statement of Cash Flow
For the Quarter Ended 31 December 2016
(The figures have not been audited)

	Year-To-Date 31-Dec-16 (RM'000)	Year-To-Date 31-Dec-15 (RM'000)
Cash flows from financing activities		
Dividends paid	(12,595)	(5,510)
Interest paid	(1,168)	(959)
Net (repayment)/drawdown of bankers acceptances	(26,073)	26,073
Net drawdown/(repayments) of term loans	5,929	(2,004)
Net repayments of hire purchase obligations	(518)	(982)
Net cash (used in)/generated from financing activities	(34,425)	16,618
Net increase/(decrease) in cash and cash equivalents	16,771	(5,071)
Effect of exchange rate changes on cash and cash equivalents	(810)	766
Cash and cash equivalents at beginning of year	12,753	17,058
Cash and cash equivalents at end of the period	28,714	12,753

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2015 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
31 DECEMBER 2016**

(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

A1 Basis of Preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statement, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2015.

The Group has adopted all the new and revised MFRSs and IC Interpretations that are relevant and effective for accounting period beginning on or after 1 January 2016 except for the following which were in issue but not yet effective and not early adopted by the Group as listed below:

		<u>Annual periods effective</u>
MFRS 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Lease	1 January 2019
Amendments to MFRS 10 and MFRS 128 S	Sale or Contribution of Assets between an Investor and Its Associate or Joint Venture	To be determined

The directors anticipate that the adoption of the abovementioned standards, when they become effective, are not expected to have material impact on the financial statements of the Group in the period of initial application.

These explanatory notes attached to the Interim Financial Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2015.

A2 Audit report of the preceding annual financial statements

The audited financial statements of the Group for the year ended 31 December 2015 were not subject to any qualification.

A3 Seasonal or cyclical factors of interim operations

There were no seasonal or cyclical factors affecting the results of the Group for the current interim period.

A4 Unusual items affecting assets, liabilities, equity, net income, or cash flows

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, size or incidence for the current interim period and financial year-to-date.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect for the current interim period.

A6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current interim period.

A7 Dividends

The interim single tier dividend of 1.8 sen per ordinary share in respect of financial year ended 31 December 2016 amounting to RM7.085 million was paid on 13 December 2016. (2015 : 1.4 sen)

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Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

A8 Segmental information

The Group's activities are predominantly in the manufacturing industry segment.
The following presents revenue regarding the Group's geographical segment:

	RM'000
Malaysia	257,257
Singapore	39,985
Other countries	90,476
	387,718

The Group's assets and liabilities are mainly located in Malaysia.

A9 Valuations of Property, Plant & Equipment

The valuations of Property, Plant and Equipment of the Group have been brought forward without amendment from the previous annual financial statements.

A10 Material events subsequent to the end of the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current interim period.

A11 Related party transactions

The following table provides information on the transactions which have been entered into with related parties during the interim period and financial year to date ended 31 December 2016 and 31 December 2015:

	3 months ended 31 December		Cumulative quarter ended 31 December	
	2016 RM'000	2015 RM'000	2016 RM'000	2015 RM'000
Sales of products to:				
Seong Chan Sauce & Foodstuff Sdn. Bhd. (A company in which certain directors have financial interests)	248	221	945	956
Three-A (Qinhuangdao) Food Industries Co., Ltd (A company in which the Group has significant influence)	540	167	597	696

A12 Changes in the composition of the Group

There were no changes in the composition of the Group during the interim period including business combinations, acquisitions or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

A13 Changes in contingent liabilities and contingent assets

The amount of corporate guarantees provided to licensed financial institutions in respect of credit facilities granted to a wholly-owned subsidiary as at 31 December 2016 is RM13.427 million.

A14 Capital Commitment

The approved and contracted for commitment for the purchase of property, plant and equipment as at the end of the current interim period is RM11.398 million.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

The revenue of the Group for the current quarter of RM95.037 million is slightly higher than RM93.924 million recorded in the corresponding quarter in the preceding year as a result of higher sales of the Group's products.

The Group's profit before taxation increased by 300.0% or from RM4.341 million to RM17.378 million is mainly a result of higher product margins, foreign currency exchange gains and lower share of losses from a jointly controlled entity for the current quarter under review as compared to the preceding year corresponding quarter.

B2 Material changes in profit before taxation for the current quarter as compared with the immediate preceding quarter

The comparison of results between the current quarter and the immediate preceding quarter are as follows:-

	Current quarter (01. 10. 16 to 31. 12. 16) RM'000	Previous quarter (01. 07. 16 to 30. 09. 16) RM'000
Revenue	<u>95,037</u>	<u>88,226</u>
Profit before taxation	<u>17,378</u>	<u>13,842</u>

The Group's revenue for the current quarter of RM95.037 million is 7.7% higher as compared to RM88.226 million recorded in the immediate preceding quarter mainly due to higher sales of the Group's products. Meanwhile, the profit before taxation for the current quarter of RM17.378 million is 25.5% higher than that recorded in the immediate preceding quarter of RM13.842 million, mainly a result of higher products margins and higher foreign currency exchange gain in the current quarter as compared to the immediate preceding quarter.

B3 Prospects

The Group's products are expected to remain competitive. Barring unforeseen circumstances, the Directors anticipate that the Group to achieve a satisfactory performance for the financial year 2017.

B4 Forecast of profit after tax

Not applicable as no forecast was disclosed in any public document.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B5 Tax expenses

	Current quarter 31-Dec-16 RM'000	Cumulative quarter up to 31-Dec-16 RM'000
Income tax expense		
- current	4,592	14,868
- overprovision in prior year	-	(260)
Deferred Taxation		
- recognised in income statement	(167)	(81)
	<u>4,425</u>	<u>14,527</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for both the current interim period and the financial year-to-date are higher than the statutory income tax rate is mainly due to expenses not allowable for tax deduction.

B6 Unquoted investments and/or properties

There were no sale or purchase of unquoted investments and properties for the current quarter and financial year-to-date.

The Group has 50% (2015:50%) equity interest in a jointly-controlled entity, Three-A (Qinhuangdao) Food Industries Co. Ltd that is held through a subsidiary. This joint venture is incorporated in the People's Republic of China on 9 August 2010 and is in the business of manufacturing, processing, and trading of Hydrolyzed Vegetable Protein (HVP) (in Liquid and Powder form) and all related by-products.

The Group recognises its interest in joint venture using the equity method. Under the equity method, the investment in joint venture is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired.

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Additional Information Required By The Bursa Malaysia Listing Requirements

	Group 31-Dec-16 RM'000
Unquoted shares, at cost	29,277
Share of post-acquisition results	<u>(25,416)</u>
	3,861
Exchange differences	<u>2,911</u>
	<u>6,772</u>

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entity are as follows:

	Group 31-Dec-16 RM'000
Assets and liabilities:	
Current assets	4,061
Non-current assets	<u>30,119</u>
Total assets	<u>34,180</u>
Current liabilities	27,408
Non-current liabilities	-
Total liabilities	<u>27,408</u>
Income and expenses for the period ended	
Income	6,245
Expenses	<u>(12,123)</u>

B7 Quoted securities other than securities in existing subsidiaries and associated companies

There were no purchases and disposals of quoted securities other than securities in existing subsidiaries and associated companies for the current quarter and financial year-to-date.

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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B8 Status of Corporate Proposals

On 13 September 2016, the Company's advisor, RHB Investment Bank Berhad had on behalf of the Company announced that the Company proposes to undertake the following proposals:

- (i) proposed bonus issue of 98,400,004 new ordinary shares of RM0.20 each in the Company on the basis of one (1) Bonus Share for every four (4) existing 3A Shares held on an entitlement date to be determined later;
- (ii) proposed establishment of an employees' share option scheme of up to 10% of the issued and paid-up share capital of 3A (excluding treasury shares, if any) to eligible Directors and employees of 3A, and its subsidiaries;
- (iii) proposed increase in the authorised share capital of 3A from RM100,000,000 comprising 500,000,000 3A Shares to RM250,000,000 comprising 1,250,000,000 3A Shares; and
- (iv) proposed amendments to the memorandum and articles of association of 3A.

On 9 November 2016, RHB Investment Bank announced that the Company had, after careful deliberation, decided to abort the Proposed ESOS as the Company is evaluating alternative incentive schemes for its employees. As a result of this, the Company will not proceed with the Proposed Increase in Authorised Share Capital and the Proposed Amendments as the current authorised share capital of the Company is sufficient to accommodate the increase in the issued and paid-up share capital of the Company pursuant to the issuance of the Bonus Shares.

On 10 November 2016, RHB Investment Bank announced that the additional listing application for the listing of and quotation for 98,400,004 Bonus Shares to be issued pursuant to the Proposed Bonus Issue has been submitted to Bursa Malaysia Securities Berhad.

Save for the above, there was no corporate proposals announced but not completed as at 23 February 2017.

B9 Group borrowings and debt securities

The total Group secured borrowings as at 31 December 2016 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	1,967	11,460	13,427
Hire Purchase Creditors	705	777	1,482
Total	<u>2,672</u>	<u>12,237</u>	<u>14,909</u>

All the abovementioned borrowings were denominated in Ringgit Malaysia.

B10 Off Balance Sheet financial instruments

The Group had not entered into any contracts involving off balance sheet financial instruments with off balance sheet risk as at 23 February 2017.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 23 February 2017.

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B12 Dividend

The Board does not recommend any dividend for the current quarter under review.

B13 Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

B14 Realised and unrealised profits/losses disclosure

	As at 31-Dec-16 RM'000	As at 31-Dec-15 RM'000
Total retained profits of Three-A Resources Berhad and its subsidiaries:		
- Realised	149,546	113,413
- Unrealised	15,230	13,650
	164,776	127,063
Total share of retained earnings from a jointly controlled entity:		
- Realised	(25,416)	(19,539)
- Unrealised	-	-
	139,360	107,524
Less: Consolidation adjustments	(11,923)	(11,923)
Total group retained profits as per consolidated accounts	127,437	95,601

B15 Additional disclosures

For the quarter and cumulative period ended 31 December 2016:

(RM'000)	Current Period		Cumulative Period	
	2016	2015	2016	2015
Interest income	(86)	(1)	(96)	(99)
Depreciation and amortisation	1,827	1,842	7,149	7,275
Realised foreign exchange gain	(2,804)	(944)	(967)	(4,670)
Unrealised foreign exchange (gain)/loss	(806)	1,905	(905)	(32)

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Additional Information Required By The Bursa Malaysia Listing Requirements

B16 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company.

	Current Quarter		Cumulative Quarter	
	31-Dec-16	31-Dec-15	31-Dec-16	31-Dec-15
Net profit (RM'000)	12,953	3,069	38,921	20,082
Weighted average number of ordinary shares in issue ('000)	393,600	393,600	393,600	393,600
EPS (sen) - Basic	<u>3.29</u>	<u>0.78</u>	<u>9.89</u>	<u>5.10</u>
- Diluted	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>