

THREE-A RESOURCES BERHAD

Registration no. 199901006659 (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Quarter Ended 31 December 2019

(The figures have not been audited)

	3 months ended 31 December		Cumulative quarter ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	114,223	120,354	436,066	437,977
Cost of sales	(92,959)	(101,056)	(360,209)	(370,198)
Gross Profit	<u>21,264</u>	<u>19,298</u>	<u>75,857</u>	<u>67,779</u>
Other income	417	254	1,188	2,045
Other operating expenses	(8,683)	(9,369)	(35,873)	(34,427)
Profit from Operations	<u>12,998</u>	<u>10,183</u>	<u>41,172</u>	<u>35,397</u>
Finance costs	(203)	(273)	(914)	(1,193)
Profit before Tax	<u>12,795</u>	<u>9,910</u>	<u>40,258</u>	<u>34,204</u>
Income tax	(2,809)	(712)	(10,840)	(5,084)
Profit net of tax	<u>9,986</u>	<u>9,198</u>	<u>29,418</u>	<u>29,120</u>
Total other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	<u><u>9,986</u></u>	<u><u>9,198</u></u>	<u><u>29,418</u></u>	<u><u>29,120</u></u>
Profit for the period attributable to:				
Owners of the parent	9,986	9,198	29,418	29,120
Non-controlling interest	-	-	-	-
	<u><u>9,986</u></u>	<u><u>9,198</u></u>	<u><u>29,418</u></u>	<u><u>29,120</u></u>
Total comprehensive income attributable to:				
Owners of the parent	9,986	9,198	29,418	29,120
Non-controlling interest	-	-	-	-
	<u><u>9,986</u></u>	<u><u>9,198</u></u>	<u><u>29,418</u></u>	<u><u>29,120</u></u>
Basic Earnings per Share (sen)	<u><u>2.03</u></u>	<u><u>1.87</u></u>	<u><u>5.98</u></u>	<u><u>5.92</u></u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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Condensed Consolidated Statement of Changes in Equity For the Quarter Ended 31 December 2019 (The figures have not been audited)

	Share Capital	Non-distributable Reserve	Distributable Reserve	Grand total
	Nominal value	Share premium	Retained earnings	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2018	98,400	50,687	160,228	309,315
Net Profit for the period	-	-	29,120	29,120
Transactions with owners Dividends	-	-	(9,840)	(9,840)
At 31 December 2018	<u>98,400</u>	<u>50,687</u>	<u>179,508</u>	<u>328,595</u>
At 1 January 2019	98,400	50,687	179,508	328,595
Net Profit for the period	-	-	29,418	29,418
Transfer pursuant to Companies Act 2016	50,687	(50,687)	-	-
Transactions with owners Dividends	-	-	(9,840)	(9,840)
At 31 December 2019	<u>149,087</u>	<u>-</u>	<u>199,086</u>	<u>348,173</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 2018 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD

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Condensed Consolidated Statement of Financial Position As at 31 December 2019 (The figures have not been audited)

	As at 31-Dec-19 RM'000	As at 31-Dec-18 RM'000
Non-current Assets		
Property, plant & equipment	141,801	190,018
Right-of-use assets	54,087	-
Land use rights	-	1,391
Total Non-current Assets	195,888	191,409
Current Assets		
Inventories	49,824	80,064
Trade and other receivables	116,599	110,020
Current tax assets	-	3,951
Cash and bank balances	44,207	9,058
Total Current Assets	210,630	203,093
TOTAL ASSETS	406,518	394,502
EQUITY AND LIABILITIES		
Share capital	149,087	98,400
Reserves	199,086	230,195
Total Equity	348,173	328,595
Non-current Liabilities		
Loans and borrowings	12,733	14,462
Deferred tax liabilities	14,003	14,556
Total Non-current Liabilities	26,736	29,018

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Condensed Consolidated Statement of Financial Position

As at 31 December 2019

(The figures have not been audited)

	As at 31-Dec-19 RM'000	As at 31-Dec-18 RM'000
Current Liabilities		
Trade and other payables	28,419	31,337
Loans and borrowings	1,798	5,552
Income tax	1,392	-
Total Current Liabilities	31,609	36,889
TOTAL LIABILITIES	58,345	65,907
TOTAL EQUITY AND LIABILITIES	406,518	394,502
Net assets value per share (sen)	70.77	66.79

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD

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Condensed Consolidated Statement of Cash Flow For the Quarter Ended 31 December 2019 (The figures have not been audited)

	Year-To-Date 31-Dec-19 (RM'000)	Year-To-Date 31-Dec-18 (RM'000)
Cash flows from operating activities		
Profit before taxation	40,258	34,204
Adjustments for:		
Amortisation of land use rights	-	56
Depreciation of right-of-use assets	790	-
Depreciation of property, plant and equipment	8,455	8,856
Net impairment loss on receivables	2,233	-
Interest expense	914	1,193
Interest income	(1,001)	(1,158)
Gain on disposal of property, plant and equipment	(3)	(7)
Unrealised foreign exchange loss/(gain)	455	(446)
Operating profit before working capital changes	52,101	42,698
Working capital changes:		
Inventories	30,240	(34,854)
Trade and other receivables	(9,310)	(14,330)
Trade and other payables	(2,901)	4,548
Cash generated from/(used in) operations	70,130	(1,938)
Income tax refunded	1,075	31
Income tax paid	(7,142)	(11,605)
Net cash generated from/(used in) operating activities	64,063	(13,512)
Cash flows from investing activities		
Purchase of property, plant and equipment	(13,737)	(14,909)
Proceeds from disposal of property, plant and equipment	14	390
Interest received	1,001	1,158
Net cash used in investing activities	(12,722)	(13,361)

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Condensed Consolidated Statement of Cash Flow For the Quarter Ended 31 December 2019 (The figures have not been audited)

	Year-To-Date 31-Dec-19 (RM'000)	Year-To-Date 31-Dec-18 (RM'000)
Cash flows from financing activities		
Dividends paid	(9,840)	(9,840)
Interest paid	(914)	(1,193)
Repayment of bankers acceptances	(3,045)	3,045
Net Repayments of term loans	(2,283)	(2,337)
Repayments of hire purchase obligations	(154)	(712)
Net cash used in financing activities	<u>(16,236)</u>	<u>(11,037)</u>
Net increase/(decrease) in cash and cash equivalents	35,105	(37,910)
Effect of exchange rate changes on cash and cash equivalents	44	(45)
Cash and cash equivalents at beginning of year	9,058	47,013
Cash and cash equivalents at end of the period	<u>44,207</u>	<u>9,058</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2018 and the accompanying explanatory notes attached to the interim financial statements)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 31 DECEMBER 2019

(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

A1 Basis of Preparation

The 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 applicable disclosure provisions 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 2018.

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 2018.

The accounting policies are consistent with the recent audited financial statements for the year ended 31 December 2018 except for the adoption of the following new MFRS, amendment to MFRSs and IC interpretations which are effective for annual periods beginning on or after 1 January 2019.

MFRS 16 Leases

Amendments to MFRS 3 Business Combinations (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 9 Prepayment Features with Negative Compensation

Amendments to MFRS 11 Joint Arrangements (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 112 Income Taxes (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 119 Employee Benefits: Plan Amendment, Curtailment or Settlement

Amendments to MFRS 123 Borrowings Costs (Annual Improvements 2015-2017 Cycle)

Amendments to MFRS 128 Investments in Associates and Joint Ventures: Long term Interests in Associates and Joint Ventures

IC Interpretations 23 Uncertainty over Income Tax Treatments

The Group has adopted MFRS 16, which is effective on 1 January 2019 and applied the modified retrospective approach, with no restatement of comparative and cumulative adjustments resulting from the initial application of MFRS 16 has been recognised in the statement of financial position at 1 January 2019 as follows:

Impact of adoption of MFRS 16 to opening balance at 1 January 2019

Non-current Assets

Decrease in property, plant and equipment	(55,719)
Decrease in land use rights	(1,391)
Increase in rights-of-use assets	57,110

Current Liabilities

Decrease in loan and borrowings	(154)
Increase in finance lease liability	154

A2 Audit report of the preceding annual financial statements

The audited financial statements of the Group for the year ended 31 December 2018 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.

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(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

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 2.0 sen per ordinary share in respect of financial year ended 31 December 2019 amounting to RM9.840 million was paid on 20 December 2019. (2018 : 2.0 sen)

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	264,565	60%
Singapore	41,294	10%
Other countries	130,207	30%
	<u>436,066</u>	

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.

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Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

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 2019 :

	3 months ended 31 December		Cumulative quarter ended 31 December	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sales of products to:				
Seong Chan Sauce & Foodstuff Sdn. Bhd. (A company in which certain directors have financial interests)	225	299	1,158	1,236
Purchases of products from:				
Qinhuangdao Gold Delicious Food Industries Co., Ltd (A subsidiary of a significant corporate shareholder)	-	665	1,194	4,993

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 of the Company as at 31 December 2019 is RM14.531 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 RM12.7 million.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

	4th Quarter Ended 31-Dec-19 RM'000	4th Quarter Ended 31-Dec-18 RM'000	Variance %	Year to date Ended 31-Dec-19 RM'000	Year to date Ended 31-Dec-18 RM'000	Variance %
Revenue	114,223	120,354	-5.1%	436,066	437,977	-0.4%
Profit before Tax	12,795	9,910	29.1%	40,258	34,204	17.7%

The revenue of the Group for the current quarter of RM114.223 million was 5.1% lower than RM120.354 million recorded in the corresponding quarter in the preceding year mainly due to lower average selling prices and quantities of products sold. Meanwhile, the Group's profit before tax increased by 29.1% to RM12.795 million from RM9.910 million and was mainly a result of lower raw materials costs in the current interim quarter under review.

The Group recorded 0.4% lower revenue of RM436.066 million for the year ended 31 December 2019 as compared to RM437.977 million recorded last year on both lower quantities of products sold and average selling prices. However, profit before taxation for the same period increased by 17.7% to RM40.258 million from RM34.204 million recorded for the same period last year and was mainly a result of lower raw materials costs.

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:-

	4th Quarter Ended 31-Dec-19 RM'000	3rd Quarter Ended 30-Sep-19 RM'000	Variance %
Revenue	114,223	111,463	2.5%
Profit before taxation	12,795	8,927	43.3%

The Group's revenue for the current quarter of RM114.223 million was 2.5% higher as compared to RM111.463 million recorded in the immediate preceding quarter was mainly due to higher quantities of products sold. Meanwhile, profit before taxation for the current quarter of RM12.795 million was 43.3% higher than that recorded in the immediate preceding quarter of RM8.927 million and was mainly a result of lower raw materials costs in the current quarter under review and there was an impairment loss on receivables in the immediate preceding quarter.

B3 Prospects

As the general business environment of the Group remains competitive, the Group remained focus on efficiency initiatives through economies of scale, cost optimization and efforts to increase productivity and deliver good quality products to achieve better performance.

Expansion plans for lands acquired in the vicinity of existing factories are still underway and the Group is optimistic its plans would contribute positively to the Group going forward.

Barring unforeseen circumstances, the Directors anticipate that the Group achieve a satisfactory performance for the financial year 2020.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B4 Forecast of profit after tax

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

B5 Tax expenses

	Current quarter quarter up to 31-Dec-19 RM'000	Cumulative quarter up to 31-Dec-19 RM'000
Income tax expense		
- current period	3,517	10,161
- underprovision in the prior year	-	1,232
Deferred Taxation		
- current year	(574)	(109)
- overprovision in the prior year	(134)	(444)
	<u>2,809</u>	<u>10,840</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 the current quarter is lower than the statutory income tax rate and is mainly due to overprovision of deferred taxation in previous interim quarters. Meanwhile, the effective tax rate for the financial year-to-date is higher than the statutory income tax rate and is mainly due to expenses not allowable for tax deduction.

B6 Unquoted investments and/or properties

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

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.

B8 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 25 February 2020 for the current quarter and financial year-to-date.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B9 Group borrowings and debt securities

The total Group secured borrowings as at 31 December 2019 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	1,798	12,733	14,531

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 25 February 2020.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 25 February 2020.

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 Additional disclosures

Profit for the period is arrived at after (crediting)/charging:

(RM'000)	Current Period		Cumulative Period	
	31-Dec-19	31-Dec-18	31-Dec-19	31-Dec-18
Interest income	(394)	(231)	(1,001)	(1,158)
Depreciation and amortisation	2,383	2,280	9,245	8,912
Net impairment loss on receivable:	-	-	2,233	-
Realised foreign exchange loss/(gain)	153	(373)	(28)	(246)
Unrealised foreign exchange loss/(gain)	818	457	455	(446)

B15 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-19	31-Dec-18	31-Dec-19	31-Dec-18
Net profit (RM'000)	9,986	9,198	29,418	29,120
Weighted average number of ordinary shares in issue ('000)	492,000	492,000	492,000	492,000
EPS (sen) - Basic and Diluted	2.03	1.87	5.98	5.92