

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 30 June 2020 (The figures have not been audited)

	3 months ended 30 June		Cumulative quarter ended 30 June	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	106,955	107,877	207,652	210,380
Cost of sales	<u>(88,333)</u>	<u>(90,656)</u>	<u>(170,283)</u>	<u>(173,824)</u>
Gross Profit	18,622	17,221	37,369	36,556
Other income	-	343	2,384	420
Other operating expenses	<u>(8,830)</u>	<u>(8,917)</u>	<u>(16,925)</u>	<u>(17,931)</u>
Profit from Operations	9,792	8,647	22,828	19,045
Finance costs	<u>(170)</u>	<u>(232)</u>	<u>(361)</u>	<u>(507)</u>
Profit before Tax	9,622	8,415	22,467	18,538
Income tax	(2,935)	(2,147)	(6,939)	(4,790)
Profit net of tax	6,687	6,268	15,528	13,748
Total other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	<u>6,687</u>	<u>6,268</u>	<u>15,528</u>	<u>13,748</u>
Profit for the period attributable to:				
Owners of the parent	6,687	6,268	15,528	13,748
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,687</u>	<u>6,268</u>	<u>15,528</u>	<u>13,748</u>
Total comprehensive income attributable to:				
Owners of the parent	6,687	6,268	15,528	13,748
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>6,687</u>	<u>6,268</u>	<u>15,528</u>	<u>13,748</u>
Basic Earnings per Share (sen)	<u>1.36</u>	<u>1.27</u>	<u>3.16</u>	<u>2.79</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019 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 30 June 2020 (The figures have not been audited)

	Share Capital		Non-distributable Reserve		Distributable Reserve		Grand total
	Nominal value	Share premium	Treasury shares	Retained earnings	Reserve	(RM'000)	
At 1 January 2019	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
	98,400	50,687	-	179,508		328,595	
Net Profit for the period	-	-	-	13,748		13,748	
At 30 June 2019	<u>98,400</u>	<u>50,687</u>	<u>-</u>	<u>193,256</u>		<u>342,343</u>	
At 1 January 2020	149,087	-	-	199,087		348,174	
Net Profit for the period	-	-	-	15,528		15,528	
Purchase of treasury shares	-	-	(1,078)	-		(1,078)	
At 30 June 2020	<u>149,087</u>	<u>-</u>	<u>(1,078)</u>	<u>214,615</u>		<u>362,624</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 2019 and the accompanying explanatory notes attached to the interim financial statements)

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Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(The figures have not been audited)

	As at 30-Jun-20 RM'000	As at 31-Dec-19 RM'000
Non-current Assets		
Property, plant & equipment	147,638	141,801
Right-of-use assets	55,668	54,088
Total Non-current Assets	203,306	195,889
Current Assets		
Inventories	82,583	49,824
Trade and other receivables	115,461	116,599
Cash and bank balances	26,394	44,207
Total Current Assets	224,438	210,630
TOTAL ASSETS	427,744	406,519
EQUITY AND LIABILITIES		
Share capital	149,087	149,087
Reserves	213,537	199,087
Total Equity	362,624	348,174
Non-current Liabilities		
Borrowings	11,820	12,770
Deferred tax liabilities	15,008	14,003
Total Non-current Liabilities	26,828	26,773

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Condensed Consolidated Statement of Financial Position

As at 30 June 2020

(The figures have not been audited)

	As at 30-Jun-20 RM'000	As at 31-Dec-19 RM'000
Current Liabilities		
Trade and other payables	31,240	28,418
Borrowings	1,802	1,762
Income tax liabilities	5,250	1,392
Total Current Liabilities	38,292	31,572
TOTAL LIABILITIES	65,120	58,345
TOTAL EQUITY AND LIABILITIES	427,744	406,519
Net assets value per share (sen)	73.70	70.90

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019 and 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 30 June 2020 (The figures have not been audited)

	<u>Year-To-Date 30-Jun-20 (RM'000)</u>	<u>Year-To-Date 30-Jun-19 (RM'000)</u>
Cash flows from operating activities		
Profit before taxation	22,467	18,538
Adjustments for:		
Depreciation of right-of-use assets	413	396
Depreciation of property, plant and equipment	4,291	4,166
Impairment loss on receivables	571	1,058
Interest expense	361	507
Interest income	(572)	(262)
Loss on disposal of property, plant and equipment	130	-
Unrealised foreign exchange loss/(gain)	(444)	(97)
Operating profit before working capital changes	<u>27,217</u>	<u>24,306</u>
Working capital changes:		
Inventories	(32,759)	18,598
Trade and other receivables	1,007	2,761
Trade and other payables	2,821	(10,200)
Cash (used in)/generated from operations	<u>(1,714)</u>	<u>35,465</u>
Income tax refunded	-	28
Income tax paid	(2,076)	(5,181)
Net cash (used in)/generated from operating activities	<u>(3,790)</u>	<u>30,312</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,257)	(4,277)
Purchase of Right-of-use assets	(1,993)	-
Interest received	572	262
Net cash used in investing activities	<u>(11,678)</u>	<u>(4,015)</u>

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Condensed Consolidated Statement of Cash Flow For the Quarter Ended 30 June 2020 (The figures have not been audited)

	Year-To-Date 30-Jun-20 (RM'000)	Year-To-Date 30-Jun-19 (RM'000)
Cash flows from financing activities		
Interest paid	(361)	(507)
Purchase of treasury shares	(1,078)	-
Repayment of bankers acceptances	-	(3,045)
Net Repayments of term loans	(908)	(1,161)
Repayments of hire purchase obligations	-	(154)
Net cash used in financing activities	(2,347)	(4,867)
Net (decrease)/increase in cash and cash equivalents	(17,815)	21,430
Effect of exchange rate changes on cash and cash equivalents	2	41
Cash and cash equivalents at beginning of year	44,207	9,058
Cash and cash equivalents at end of the period	26,394	30,529

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2019 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED

30 JUNE 2020

(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 2019.

The accounting policies are consistent with the recent audited financial statements for the year ended 31 December 2019.

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 2019.

A2 Audit report of the preceding annual financial statements

The audited financial statements of the Group for the year ended 31 December 2019 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 except for the repurchase of 268,800 of the Company's own issued ordinary shares from the open market at an average price of RM0.6287 per share. The total consideration paid for the repurchase including transaction costs was RM169,588 and this was financed by internally generated funds for the financial period under review. The total treasury shares held as at 30 June 2020 was 1,768,800 and were held as treasury shares in accordance with Section 127 of the Companies Act 2016.

A7 Dividends

No dividend was paid during the current interim period under review.

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	103,644	49%
Singapore	20,855	11%
Other countries	83,153	40%
	<u>207,652</u>	

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

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED

30 JUNE 2020

(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

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 30 June 2020 :

	3 months ended		Cumulative quarter ended	
	30 June		30 June	
	2020	2019	2020	2019
	RM'000	RM'000	RM'000	RM'000
Sales of products to:				
Seong Chan Sauce & Foodstuff Sdn. Bhd. (A company in which certain directors have financial interests)	224	326	505	633
Purchases of products from:				
Qinhuangdao Gold Delicious Food Industries Co., Ltd (A subsidiary of a significant corporate shareholder)	-	469	-	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 30 June 2020 is RM13.622 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 RM10.5 million.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUNE 2020

(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

	2nd Quarter Ended 30-Jun-20 RM'000	2nd Quarter Ended 30-Jun-19 RM'000	Variance %	Year to date Ended 30-Jun-20 RM'000	Year to date Ended 30-Jun-19 RM'000	Variance %
Revenue	106,955	107,877	-0.9%	207,652	210,380	-1.3%
Profit before Tax	9,622	8,415	14.4%	22,467	18,538	21.2%

The revenue of the Group for the current quarter of RM106.955 million was marginally lower than RM107.877 million recorded in the corresponding quarter in the preceding year mainly due to lower quantities of products sold. Meanwhile, the Group's profit before tax increased by 14.4% to RM9.622 million from RM8.415 million and was mainly a result of lower main raw materials costs in the current interim quarter under review.

The Group recorded 1.3% lower revenue of RM207.652 million for the six months ended 30 June 2020 as compared to RM210.380 million recorded last year on lower average selling prices of products sold. In spite of this, profit before tax for the same period increased by 21.2% to RM22.467 million from RM18.538 million recorded for the same period last year and was mainly a result of lower main 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:-

	2nd Quarter Ended 30-Jun-20 RM'000	1st Quarter Ended 31-Mar-20 RM'000	Variance %
Revenue	106,955	100,697	6.2%
Profit before taxation	9,622	12,845	-25.1%

The Group's revenue for the current quarter of RM106.955 million was 6.2% higher as compared to RM100.697 million recorded in the immediate preceding quarter and was mainly due to higher average selling prices of products sold. However, profit before taxation for the current quarter of RM9.622 million was 25.1% lower than that recorded in the immediate preceding quarter of RM12.845 million was mainly a result of higher main raw materials costs and impairment of receivables in the current quarter under review.

B3 Prospects

The Covid-19 pandemic posed challenges to the competitive business environment of the Group in the current interim quarter under review and beyond. In view thereof, the Group remained vigilant and continued with various measures to counter its impacts to business operations.

In spite of this, the Group remained focus on efficiency initiatives through economies of scale, cost optimization and efforts to increase productivity and deliver good quality products. Besides, the Group is continuing with expansion plans for lands acquired in the vicinity of existing factories and the Group is optimistic that 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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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 JUNE 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 30-Jun-20 RM'000	Cumulative quarter up to 30-Jun-20 RM'000
Income tax expense		
- current period	3,142	5,934
Deferred Taxation		
- current year	(546)	(110)
- underprovision in the prior year	339	1,115
	<u>2,935</u>	<u>6,939</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 and 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 except as disclosed in **Note A6**.

B8 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 24 August 2020 for the current quarter and financial year-to-date.

B9 Group borrowings and debt securities

The total Group secured borrowings as at 30 June 2020 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	<u>1,802</u>	<u>11,820</u>	<u>13,622</u>

All the abovementioned borrowings were denominated in Ringgit Malaysia.

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Additional Information Required By The Bursa Malaysia Listing Requirements

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 24 August 2020.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 24 August 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:

	Current Period		Cumulative Period	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Interest income	(248)	(237)	(572)	(262)
Depreciation and amortisation	2,375	2,282	4,704	4,562
Impairment loss on receivables	571	1,058	571	1,058
Realised foreign exchange (gain)/loss	(672)	(523)	(1,059)	10
Unrealised foreign exchange loss/(gain)	1,207	85	(444)	(97)

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	
	30-Jun-20	30-Jun-19	30-Jun-20	30-Jun-19
Net profit (RM'000)	6,687	6,268	15,528	13,748
Weighted average number of ordinary shares in issue ('000)	490,237	492,000	491,054	492,000
EPS (sen) - Basic and Diluted	<u>1.36</u>	<u>1.27</u>	<u>3.16</u>	<u>2.79</u>