

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 September 2020 (The figures have not been audited)

	3 months ended 30 September		Cumulative quarter ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Revenue	113,853	111,463	321,506	321,843
Cost of sales	(93,898)	(93,426)	(264,181)	(267,250)
Gross Profit	<u>19,955</u>	<u>18,037</u>	<u>57,325</u>	<u>54,593</u>
Other income	-	859	603	1,278
Other operating expenses	(11,071)	(9,765)	(26,216)	(27,697)
Profit from Operations	<u>8,884</u>	<u>9,131</u>	<u>31,712</u>	<u>28,174</u>
Finance costs	(138)	(204)	(499)	(711)
Profit before Tax	<u>8,746</u>	<u>8,927</u>	<u>31,213</u>	<u>27,463</u>
Income tax	(2,871)	(3,241)	(9,810)	(8,031)
Profit net of tax	<u>5,875</u>	<u>5,686</u>	<u>21,403</u>	<u>19,432</u>
Total other comprehensive income, net of tax	-	-	-	-
Total comprehensive income for the year	<u><u>5,875</u></u>	<u><u>5,686</u></u>	<u><u>21,403</u></u>	<u><u>19,432</u></u>
Profit for the period attributable to:				
Owners of the parent	5,875	5,686	21,403	19,432
Non-controlling interest	-	-	-	-
	<u>5,875</u>	<u>5,686</u>	<u>21,403</u>	<u>19,432</u>
Total comprehensive income attributable to:				
Owners of the parent	5,875	5,686	21,403	19,432
Non-controlling interest	-	-	-	-
	<u>5,875</u>	<u>5,686</u>	<u>21,403</u>	<u>19,432</u>
Basic Earnings per Share (sen)	<u>1.20</u>	<u>1.16</u>	<u>4.39</u>	<u>3.95</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 September 2020 (The figures have not been audited)

	Share Capital		Non-distributable Reserve		Treasury shares	Distributable Reserve	Retained earnings	Grand total
	Nominal value	Share premium	Share premium	Treasury shares				
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2019	98,400	-	50,687	-	-	179,508	328,595	
Net Profit for the period	-	-	-	-	-	19,432	19,432	
At 30 September 2019	<u>98,400</u>	<u>-</u>	<u>50,687</u>	<u>-</u>	<u>-</u>	<u>198,940</u>	<u>348,027</u>	
At 1 January 2020	149,087	-	-	-	-	199,087	348,174	
Net Profit for the period	-	-	-	-	-	21,403	21,403	
Purchase of treasury shares	-	-	-	(1,078)	(1,078)	-	(1,078)	
At 30 September 2020	<u>149,087</u>	<u>-</u>	<u>-</u>	<u>(1,078)</u>	<u>(1,078)</u>	<u>220,490</u>	<u>368,499</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 September 2020 (The figures have not been audited)

	As at 30-Sep-20 RM'000	As at 31-Dec-19 RM'000
Non-current Assets		
Property, plant & equipment	151,204	141,801
Right-of-use assets	61,132	54,088
Total Non-current Assets	212,336	195,889
Current Assets		
Inventories	76,892	49,824
Trade and other receivables	109,138	116,599
Cash and bank balances	34,710	44,207
Total Current Assets	220,740	210,630
TOTAL ASSETS	433,076	406,519
EQUITY AND LIABILITIES		
Share capital	149,087	149,087
Reserves	219,412	199,087
Total Equity	368,499	348,174
Non-current Liabilities		
Borrowings	11,353	12,770
Deferred tax liabilities	15,330	14,003
Total Non-current Liabilities	26,683	26,773

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Condensed Consolidated Statement of Financial Position As at 30 September 2020 (The figures have not been audited)

	As at 30-Sep-20 RM'000	As at 31-Dec-19 RM'000
Current Liabilities		
Trade and other payables	28,283	28,418
Borrowings	1,802	1,762
Income tax liabilities	7,809	1,392
Total Current Liabilities	37,894	31,572
TOTAL LIABILITIES	64,577	58,345
TOTAL EQUITY AND LIABILITIES	433,076	406,519
Net assets value per share (sen)	74.90	71.46

(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)

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

	Year-To-Date 30-Sep-20 (RM'000)	Year-To-Date 30-Sep-19 (RM'000)
Cash flows from operating activities		
Profit before taxation	31,213	27,463
Adjustments for:		
Depreciation of property, plant and equipment	6,468	6,268
Depreciation of right-of-use assets	689	593
Impairment loss on receivables	571	2,233
Interest expense	499	711
Interest income	(675)	(607)
Loss on disposal of property, plant and equipment	130	(3)
Unrealised foreign exchange loss/(gain)	60	(363)
Operating profit before working capital changes	<u>38,955</u>	<u>36,295</u>
Working capital changes:		
Inventories	(27,068)	33,169
Trade and other receivables	6,823	3,273
Trade and other payables	(135)	(13,763)
Cash generated from operations	<u>18,575</u>	<u>58,974</u>
Tax refunded	13	28
Tax paid	(2,079)	(5,181)
Net cash generated from operating activities	<u>16,509</u>	<u>53,821</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(16,000)	(8,454)
Purchase of Right-of-use assets	(7,734)	-
Proceeds from disposal of property, plant and equipment	-	14
Interest received	675	607
Net cash used in investing activities	<u>(23,059)</u>	<u>(7,833)</u>

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

	<u>Year-To-Date 30-Sep-20 (RM'000)</u>	<u>Year-To-Date 30-Sep-19 (RM'000)</u>
Cash flows from financing activities		
Interest paid	(499)	(711)
Purchase of treasury shares	(1,078)	-
Repayment of bankers acceptances	-	(3,045)
Net Repayments of term loans	(1,376)	(1,722)
Repayments of hire purchase obligations	-	(154)
Net cash used in financing activities	<u>(2,953)</u>	<u>(5,632)</u>
Net (decrease)/increase in cash and cash equivalents	(9,503)	40,356
Effect of exchange rate changes on cash and cash equivalents	6	43
Cash and cash equivalents at beginning of year	44,207	9,058
Cash and cash equivalents at end of the period	<u>34,710</u>	<u>49,457</u>

(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)

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED 30 SEPTEMBER 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.

A7 Dividends

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

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(The figures have not been audited)

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	164,987	51%
Singapore	32,166	10%
Other countries	124,353	39%
	<u>321,506</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.

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 September 2020 :

	3 months ended 30 September		Cumulative quarter ended 30 September	
	2020 RM'000	2019 RM'000	2020 RM'000	2019 RM'000
Sales of products to:				
Seong Chan Sauce & Foodstuff Sdn. Bhd. (A company in which certain directors have financial interests)	297	300	803	933
Purchases of products from:				
Qinhuangdao Gold Delicious Food Industries Co., Ltd (A subsidiary of a significant corporate shareholder)	-	201	-	1,194

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.

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Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

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 September 2020 is RM13.155 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 RM11.3 million.

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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

	3rd Quarter Ended 30-Sep-20 RM'000	3rd Quarter Ended 30-Sep-19 RM'000	Variance %	Year to date Ended 30-Sep-20 RM'000	Year to date Ended 30-Sep-19 RM'000	Variance %
Revenue	113,853	111,463	2.1%	321,506	321,843	-0.1%
Profit before Tax	8,746	8,927	-2.0%	31,213	27,463	13.7%

The revenue of the Group for the current quarter of RM113.853 million was 2.1% higher than RM111.463 million recorded in the corresponding quarter in the preceding year mainly due to higher quantities of products sold. However, the Group's profit before tax decreased by 2.0% to RM8.746 million from RM8.927 million and was mainly a result of foreign exchange losses in the current interim quarter under review.

The Group recorded marginally lower revenue of RM321.506 million for the nine months ended 30 September 2020 as compared to RM321.843 million recorded for the same period last year on lower average selling prices of products sold. In spite of this, profit before tax for the same period increased by 13.7% to RM31.213 million from RM27.463 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:-

	3rd Quarter Ended 30-Sep-20 RM'000	2nd Quarter Ended 30-Jun-20 RM'000	Variance %
Revenue	113,853	106,955	6.4%
Profit before taxation	8,746	9,622	-9.1%

The Group's revenue for the current quarter of RM113.853 million was 6.4% higher as compared to RM106.955 million recorded in the immediate preceding quarter and was mainly due to higher quantities of products sold. However, profit before taxation for the current quarter of RM8.746 million was 9.1% lower than that recorded in the immediate preceding quarter of RM9.622 million and was mainly a result of lower average products selling prices.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B3 Prospects

The Covid-19 pandemic continued to pose significant challenges to the business environment of the Group in the current interim quarter under review. As a result, the Group remained vigilant and continued with various measures to counter its impacts to business operations.

Despite 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.

B4 Forecast of profit after tax

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

B5 Tax expenses

	Current quarter 30-Sep-20 RM'000	Cumulative quarter up to 30-Sep-20 RM'000
Income tax expense		
- current period	2,549	8,483
Deferred Taxation		
- current year	(216)	(326)
- underprovision in the prior year	538	1,653
	<u>2,871</u>	<u>9,810</u>

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Additional Information Required By The Bursa Malaysia Listing Requirements

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 underprovision of deferred taxation in prior year and 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 3 November 2020 for the current quarter and financial year-to-date.

B9 Group borrowings and debt securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	1,802	11,353	13,155

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 3 November 2020.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 3 November 2020.

B12 Dividend

On 3 November 2020, the Board of Directors is pleased to declare an interim single tier dividend of 2.2 sen per ordinary share amounting to RM10.785 million for the current interim period. (2019: 2.0 sen per ordinary share)

B13 Disclosure of nature of outstanding derivatives

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

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Additional Information Required By The Bursa Malaysia Listing Requirements

B14 Additional disclosures

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

	Current Period		Cumulative Period	
	30-Sep-20 RM'000	30-Sep-19 RM'000	30-Sep-20 RM'000	30-Sep-19 RM'000
Interest income	(103)	(345)	(675)	(607)
Depreciation of property, plant and equipment	2,176	2,102	6,468	6,268
Depreciation of right-of-use assets	277	198	689	593
Impairment loss on receivables	-	1,175	571	2,233
Realised foreign exchange loss/(gain)	1,365	(190)	305	(180)
Unrealised foreign exchange loss/(gain)	504	(266)	60	(363)

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-Sep-20	30-Sep-19	30-Sep-20	30-Sep-19
Net profit (RM'000)	5,875	5,686	21,403	19,432
Weighted average number of ordinary shares in issue ('000)	490,231	492,000	487,196	492,000
EPS (sen) - Basic and Diluted	1.20	1.16	4.39	3.95