

THREE-A RESOURCES BERHAD (481559-M)
(Incorporated in Malaysia)

Directors' Report and Audited Financial Statements
31 December 2002

Company No: 481559-M

**THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)**

**DIRECTORS' REPORT AND AUDITED FINANCIAL STATEMENTS
31 DECEMBER 2002**

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THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

DIRECTORS' REPORT

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary company are disclosed in Note 5 to the financial statements.

There have been no significant changes in the nature of the principal activities during the financial year.

RESULTS

	Group RM	Company RM
Net profit/(loss) for the year	<u>1,876,839</u>	<u>(45,646)</u>

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

DIVIDEND

There were no dividends declared and paid by the Company since the end of the previous financial year.

No dividend is proposed in respect of the financial year ended 31 December 2002.

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DIRECTORS

The names of the directors of the Company in office since the date of the last report and at the date of this report are:

Fang Chew Ham	(appointed on 10.5.2002)
Foong Chiew Fatt	(appointed on 10.5.2002)
Fong Chiew Hean	(appointed on 10.5.2002)
Fong Chu King @ Tong Chu King	(appointed on 10.5.2002)
Dato' Mohd Nor Bin Abdul Wahid	(appointed on 10.5.2002)
Mazlan Bin Ibrahim	(appointed on 10.5.2002)
Chew Eng Chai	(appointed on 17.6.2002)
Tan Chon Sing @ Tan Kim Tieng	(appointed on 17.6.2002)
Dato' Samsudin Bin Abu Hassan	(appointed on 30.8.2002)
Tan Sri Dato' Abdul Samad Idris	(appointed on 10.5.2002 and resigned on 27.6.2002)
Tan Kee @ Tan Zern Kee	(resigned on 11.5.2002)
Ahmad Mahir bin Mohd Isa	(resigned on 11.5.2002)

DIRECTORS BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 17 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporation) by reason of a contract made by the Company or a related corporation with any director or with a firm of which he is a member, or with a Company in which he has a substantial financial interest, except as disclosed in Note 21 to the financial statements.

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DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	<u>Number of Ordinary Shares of RM0.20 each</u>				
	<u>At</u> <u>1.1.2002</u>	<u>Acquired*</u>	<u>Bought</u>	<u>Sold</u>	<u>At</u> <u>31.12.2002</u>
<u>The Company</u>					
<u>Direct interest</u>					
Fang Chew Ham	-	46,290,300	2,500,000	(200,000)	48,590,300
Foong Chiew Fatt	-	7,935,480	-	-	7,935,480
Fong Chiew Hean	-	7,935,480	-	-	7,935,480
Fong Chu King @ Tong Chu King	-	3,967,740	-	-	3,967,740
Dato' Mohd Nor Bin Abdul Wahid	-	4,221,000	7,150,000	(5,000,000)	6,371,000
Mazlan Bin Ibrahim	-	-	100,000	(30,000)	70,000
Chew Eng Chai	-	-	100,000	-	100,000
Tan Chon Sing @ Tan Kim Tieng	-	-	169,200	-	169,200

* Shares issued by the Company in connection with the acquisition of a subsidiary, San Soon Seng Food Industries Sdn. Bhd. as disclosed in Note 14 to the financial statements.

ISSUE OF SHARES

On 30 April 2002, 20,100,000 ordinary shares of RM1 each were issued at par as consideration for the acquisition of San Soon Seng Food Industries Sdn. Bhd., a company in which certain directors of the Company have substantial financial interests as disclosed in Note 21 to the financial statements.

At an Extraordinary General Meeting convened on 17 June 2002, it was resolved that the Company subdivide each of the ordinary shares in the authorised and issued share capital of RM1 each into 5 ordinary shares of RM0.20 each.

In connection with the Initial Public Offering ("IPO"), 39,500,000 ordinary shares of RM0.20 each were issued at a premium of RM0.05 each for cash.

The issued and paid-up share capital of the Company upon completion of the restructuring exercise and allotment of shares in connection with the IPO was RM28,000,002 divided into 140,000,010 ordinary shares of RM0.20 each.

OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements of the Group and of the Company were made out, the directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their value as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
- (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent; and
 - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
 - (ii) any contingent liability in respect of the Group and of the Company which has arisen since the end of the financial year.

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OTHER STATUTORY INFORMATION (CONTD.)

(f) In the opinion of the directors:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 25 to the financial statements.

AUDITORS

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board
in accordance with a resolution
of the directors



DATO' MOHD NOR BIN ABDUL WAHID



FANG CHEW HAM

Kuala Lumpur, Malaysia
24 April 2003

Company No: 481559-M

**STATEMENT BY DIRECTORS
PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965**

We, DATO' MOHD NOR BIN ABDUL WAHID and FANG CHEW HAM, being two of the directors of THREE-A RESOURCES BERHAD, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 9 to 40 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board
in accordance with a resolution
of the directors



DATO' MOHD NOR BIN ABDUL WAHID



FANG CHEW HAM

Kuala Lumpur, Malaysia
24 April 2003

**STATUTORY DECLARATION
PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965**

I, FANG CHEW HAM, being the director primarily responsible for the financial management of THREE-A RESOURCES BERHAD, do solemnly and sincerely declare that the accompanying financial statements set out on pages 9 to 40 are in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by
the abovenamed FANG CHEW HAM
at Kuala Lumpur in the Federal
Territory on 24 April 2003



FANG CHEW HAM

Before me,



20th Floor, Bgn. Arab-Malaysia
No. 55, Jln. Raja Chulan
50200 Kuala Lumpur
H/P: 013-3600383

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**REPORT OF THE AUDITORS TO THE MEMBERS OF
THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)**

We have audited the financial statements set out on pages 9 to 40. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion:

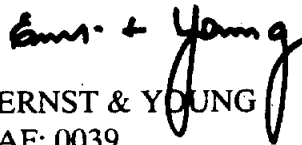
- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Approved Accounting Standards in Malaysia so as to give a true and fair view of:
 - (i) the financial position of the Group and of the Company as at 31 December 2002 and of the results and the cash flows of the Group and of the Company for the year then ended; and
 - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary have been properly kept in accordance with the provisions of the Act.


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**REPORT OF THE AUDITORS TO THE MEMBERS OF
THREE-A RESOURCES BERHAD (CONTD.)
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We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary was not subject to any qualification material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.


ERNST & YOUNG
AF: 0039
Chartered Accountants


Dato' Nordin Baharuddin
837/3/04(J)
Partner

Kuala Lumpur, Malaysia
24 April 2003

THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

BALANCE SHEETS
AS AT 31 DECEMBER 2002

	Note	Group 2002 RM	Company 2002 RM	2001 RM
NON-CURRENT ASSETS				
Property, plant and equipment	3	36,800,428	4,558	-
Deferred expenditure	4	-	-	548,000
Investment in a subsidiary	5	-	20,100,000	-
Amount owing by a subsidiary	6	-	8,632,873	-
Reserve on consolidation	7	(2,599,596)	-	-
		<u>34,200,832</u>	<u>28,737,431</u>	<u>548,000</u>
CURRENT ASSETS				
Inventories	8	3,391,448	-	-
Trade receivables	9	9,930,988	-	-
Other receivables	10	147,636	1,160	-
Cash and bank balances		33,434	25,874	-
		<u>13,503,506</u>	<u>27,034</u>	<u>-</u>
CURRENT LIABILITIES				
Trade payables		1,834,265	-	-
Other payables	11	1,001,225	29,188	561,698
Hire purchase payables	12	60,000	-	-
Bank borrowings	13	10,862,884	-	-
Provision for taxation		272,274	-	-
		<u>14,030,648</u>	<u>29,188</u>	<u>561,698</u>
NET CURRENT LIABILITIES		<u>(527,142)</u>	<u>(2,154)</u>	<u>(561,698)</u>
		<u>33,673,690</u>	<u>28,735,277</u>	<u>(13,698)</u>

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THREE-A RESOURCES BERHAD
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BALANCE SHEETS
AS AT 31 DECEMBER 2002 (CONTD.)

		Group	Company	
	Note	2002	2002	2001
		RM	RM	RM
FINANCED BY:				
Share capital	14	28,000,002	28,000,002	2
Reserves		<u>2,657,760</u>	<u>735,275</u>	<u>(13,700)</u>
Shareholders' equity/(deficit)		<u>30,657,762</u>	<u>28,735,277</u>	<u>(13,698)</u>
Deferred taxation	15	2,900,928	-	-
Hire purchase payables	12	<u>115,000</u>	<u>-</u>	<u>-</u>
Non-current liabilities		<u>3,015,928</u>	<u>-</u>	<u>-</u>
		<u>33,673,690</u>	<u>28,735,277</u>	<u>(13,698)</u>

The accompanying notes form an integral part of the financial statements.

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THREE-A RESOURCES BERHAD
(Incorporated in Malaysia)

INCOME STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

		Group	Company	
	Note	2002	2002	2001
		RM	RM	RM
Revenue	16	23,780,757	-	-
Cost of sales		<u>(17,519,439)</u>	-	-
Gross profit		6,261,318	-	-
Other operating income		<u>186,683</u>	<u>21,402</u>	-
		6,448,001	21,402	-
Administrative expenses		(2,649,581)	(67,048)	(6,150)
Other operating expenses		<u>(505,882)</u>	-	-
Profit from operations	17	3,292,538	(45,646)	(6,150)
Finance costs	18	<u>(702,803)</u>	-	-
Profit/(loss) before taxation		2,589,735	(45,646)	(6,150)
Taxation	19	<u>(712,896)</u>	-	-
Net profit/(loss) for the year		<u>1,876,839</u>	<u>(45,646)</u>	<u>(6,150)</u>
Basic earnings per share (sen)	20	<u>2.3</u>		

The accompanying notes form an integral part of the financial statements.

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THREE-A RESOURCES BERHAD
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**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2002**

Group	Note	Share Capital RM	Share Premium* RM	Revenue Reserve # RM	Total RM
At 1 January 2002	2	-	-	(13,700)	(13,698)
Issue of share capital	14	28,000,000	-	-	28,000,000
Premium of RM0.05 per share on the issue of 39,500,000 ordinary shares of RM0.20 each arising from the Initial Public Offering		-	1,975,000	-	1,975,000
Expenses relating to the Initial Public Offering		-	(1,180,379)	-	(1,180,379)
Net profit for the year		-	-	1,876,839	1,876,839
At 31 December 2002		28,000,002	794,621	1,863,139	30,657,762

* Non-distributable
Distributable

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THREE-A RESOURCES BERHAD
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**STATEMENTS OF CHANGES IN EQUITY (CONTD.)
FOR THE YEAR ENDED 31 DECEMBER 2002**

Company

	Note	Share Capital RM	Non-distributable Share Premium RM	Accumulated Losses RM	Total RM
At 1 January 2001	2	-	-	(7,550)	(7,548)
Net loss for the year		-	-	(6,150)	(6,150)
At 31 December 2001	2	-	-	(13,700)	(13,698)
Issue of share capital	14	28,000,000	-	-	28,000,000
Premium of RM0.05 per share on the issue of 39,500,000 ordinary shares of RM0.20 each arising from the Initial Public Offering		-	1,975,000	-	1,975,000
Expenses relating to the Initial Public Offering		-	(1,180,379)	-	(1,180,379)
Net loss for the year		-	-	(45,646)	(45,646)
At 31 December 2002		<u>28,000,002</u>	<u>794,621</u>	<u>(59,346)</u>	<u>28,735,277</u>

The accompanying notes form an integral part of the financial statements.

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THREE-A RESOURCES BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002

	Group 2002 RM	Company 2002 RM	2001 RM
	Note		
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss) before taxation	2,589,735	(45,646)	(6,150)
Adjustments for:			
Depreciation	1,161,174	117	-
Provision for doubtful debts	105,000	-	-
Unrealised foreign exchange losses	1,294	-	-
Interest expense	629,060	-	-
Interest income	(21,402)	(21,402)	-
Operating profit/(loss) before working capital changes	4,464,861	(66,931)	(6,150)
Working capital changes:			
Inventories	(218,427)	-	-
Receivables	(472,450)	(1,160)	-
Payables	(1,118,534)	(116,510)	6,150
Bankers acceptances	86,064	-	-
Cash generated from/(used in) operations	2,741,514	(184,601)	-
Interest received	21,402	21,402	-
Interest paid	(596,889)	-	-
Income tax paid	(766,359)	-	-
Net cash generated from/(used in) operating activities	1,399,668	(163,199)	-

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THREE-A RESOURCES BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTD.)

	Note	Group 2002 RM	Company 2002 RM	2001 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	5	(8,177,739)	-	-
Purchase of property, plant and equipment		<u>(4,204,498)</u>	<u>(4,675)</u>	<u>-</u>
Net cash used in investing activities		<u>(12,382,237)</u>	<u>(4,675)</u>	<u>-</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of shares		9,875,000	9,875,000	-
Listing expenses paid		(840,379)	(840,379)	-
Loan to a subsidiary		-	(9,200,000)	-
Payment made on behalf by a subsidiary		-	359,127	-
Repayment of term loans		(1,639,289)	-	-
Repayment of hire purchase financing		<u>(645,846)</u>	<u>-</u>	<u>-</u>
Net cash generated from financing activities		<u>6,749,486</u>	<u>193,748</u>	<u>-</u>
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,233,083)	25,874	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		<u>-</u>	<u>-</u>	<u>-</u>
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (a)		<u><u>(4,233,083)</u></u>	<u><u>25,874</u></u>	<u><u>-</u></u>

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THREE-A RESOURCES BERHAD
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CASH FLOW STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2002 (CONTD.)

NOTES TO CASH FLOW STATEMENT

- (a) Cash and cash equivalents stated in the cash flow statements comprise the following balance sheet amounts:

	Group	Company	
	2002	2002	2001
	RM	RM	RM
Cash and bank balances	33,434	25,874	-
Bank overdrafts (Note 13)	(4,266,517)	-	-
	<u>(4,233,083)</u>	<u>25,874</u>	<u>-</u>

The accompanying notes form an integral part of the financial statements.