

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

**Directors' Report and Audited Financial Statements**  
**31 December 2003**

**481559-M**

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

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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 2003.

**PRINCIPAL ACTIVITIES**

The principal activity of the Company is investment holding. The principal activities of the subsidiary company are disclosed in Note 4 to the financial statements.

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

**RESULTS**

	<b>Group RM</b>	<b>Company RM</b>
Net profit/(loss) for the year	<u>2,616,938</u>	<u>(162,620)</u>

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

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 other than the effects arising from the changes in accounting policies resulting in an increase in the Group's net profit for the year by RM67,000 as disclosed in Note 21 to the financial statements.

**DIVIDEND**

No dividend has been declared or paid by the Company since the end of the previous financial year. The directors do not recommend the payment of any dividend for the current financial year.

**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  
 Foong Chiew Fatt  
 Fong Chiew Hean  
 Fong Chu King @ Tong Chu King  
 Dato' Mohd Nor Bin Abdul Wahid  
 Chew Eng Chai  
 Tan Chon Sing @ Tan Kim Tieng  
 Dato' Samsudin Bin Abu Hassan  
 Fang Siew Yee (Appointed on 3.3.2004)  
 Mazlan Bin Ibrahim (Resigned on 3.3.2004)

**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 22 to the financial statements.

**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 corporation during the financial year were as follows:

	Number of Ordinary Shares of RM0.20 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
<b>The Company</b>				
<b>Direct interest</b>				
Fang Chew Ham	48,590,300	-	(4,000,000)	44,590,300
Foong Chiew Fatt	7,935,480	600,000	(600,000)	7,935,480
Fong Chiew Hean	7,935,480	-	-	7,935,480

**DIRECTORS' INTERESTS (CONTD.)**

	Number of Ordinary Shares of RM0.20 each			At 31.12.2003
	At 1.1.2003	Bought	Sold	
<b>The Company</b>				
<b>Direct interest</b>				
Fong Chu King @ Tong Chu King	3,967,740	500,000	-	4,467,740
Dato' Mohd Nor Bin Abdul Wahid	6,371,000	23,000,000	(24,851,000)	4,520,000
Mazlan Bin Ibrahim	70,000	-	(70,000)	-
Chew Eng Chai	100,000	-	(10,000)	90,000
Tan Chon Sing @ Tan Kim Tieng	169,200	57,800	-	227,000

**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 all known bad debts had been written off 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) the amount written off for 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.

**OTHER STATUTORY INFORMATION (CONTD.)**

- (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 or 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 of the Group or of the Company which has arisen since the end of the financial year other than as disclosed in Note 27 to the financial statements.
- (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.

**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



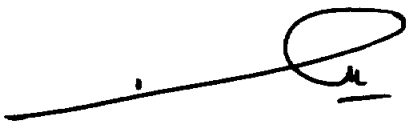
Fang Chew Ham

Kuala Lumpur, Malaysia  
21 April 2004


**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 8 to 39 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 2003 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  
21 April 2004

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

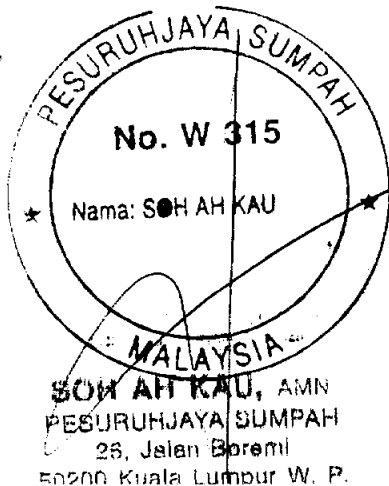
I, Fang Chew Ham, being the Director primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 39 are in my opinion correct, and I make this solemn declaration conscientiously believing 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 21/04/2004



Fang Chew Ham

Before me,



**481559-M**

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

We have audited the accompanying financial statements set out on pages 8 to 39. 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 2003 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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

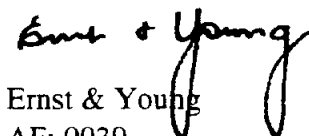


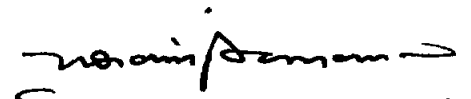
481559-M

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

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  
No.837/3/06(J)  
Partner

Kuala Lumpur, Malaysia  
21 April 2004

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

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2003**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	39,654,100	36,800,428	4,207	4,558
Investment in a subsidiary	4	-	-	20,100,000	20,100,000
Amount owing by a subsidiary	5	-	-	8,492,613	8,632,873
Reserve on consolidation	6	(4,553,656)	(4,553,656)	-	-
		<u>35,100,444</u>	<u>32,246,772</u>	<u>28,596,820</u>	<u>28,737,431</u>
<b>CURRENT ASSETS</b>					
Inventories	7	3,662,057	3,391,448	-	-
Trade receivables	8	12,312,925	9,930,988	-	-
Other receivables	9	105,499	147,636	1,160	1,160
Tax recoverable		186,454	-	-	-
Cash and bank balances		235,657	33,434	1,425	25,874
		<u>16,502,592</u>	<u>13,503,506</u>	<u>2,585</u>	<u>27,034</u>
<b>CURRENT LIABILITIES</b>					
Borrowings	10	10,856,018	10,922,884	-	-
Trade payables	12	2,279,878	1,834,265	-	-
Other payables	13	2,093,612	1,001,225	26,748	29,188
Tax payable		-	272,274	-	-
		<u>15,229,508</u>	<u>14,030,648</u>	<u>26,748</u>	<u>29,188</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>					
		<u>1,273,084</u>	<u>(527,142)</u>	<u>(24,163)</u>	<u>(2,154)</u>
		<u>36,373,528</u>	<u>31,719,630</u>	<u>28,572,657</u>	<u>28,735,277</u>

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

**BALANCE SHEETS**  
**AS AT 31 DECEMBER 2003 (CONTD.)**

		Group		Company	
	Note	2003	2002	2003	2002
		RM	RM	RM	RM
<b>FINANCED BY:</b>					
Share capital	14	28,000,002	28,000,002	28,000,002	28,000,002
Reserves		5,162,337	2,545,399	572,655	735,275
Shareholders' equity		<u>33,162,339</u>	<u>30,545,401</u>	<u>28,572,657</u>	<u>28,735,277</u>
Borrowings	10	1,657,537	115,000	-	-
Deferred tax liabilities	15	1,553,652	1,059,229	-	-
Non-current liabilities		<u>3,211,189</u>	<u>1,174,229</u>	<u>-</u>	<u>-</u>
		<u>36,373,528</u>	<u>31,719,630</u>	<u>28,572,657</u>	<u>28,735,277</u>

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

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

**INCOME STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
Revenue	16	40,501,207	23,780,757	-	-
Cost of sales		(31,179,073)	(17,519,439)	-	-
Gross profit		9,322,134	6,261,318	-	-
Other operating income		68,254	186,683	-	21,402
		9,390,388	6,448,001	-	21,402
Administrative expenses		(3,937,960)	(2,649,581)	(157,616)	(67,048)
Other operating expenses		(1,416,743)	(505,882)	-	-
Profit/(loss) from operations	17	4,035,685	3,292,538	(157,616)	(45,646)
Finance costs	18	(798,048)	(702,803)	-	-
Profit/(loss) before taxation		3,237,637	2,589,735	(157,616)	(45,646)
Taxation	19	(620,699)	(825,257)	(5,004)	-
Net profit/(loss) for the year		2,616,938	1,764,478	(162,620)	(45,646)
Basic earnings per share (sen)	20	1.9	2.2		

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

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

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Share Capital RM	Share Premium* RM	Revenue Reserve # RM	Total RM
<b>At 1 January 2002</b>		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	21	-	-	1,764,478	1,764,478
<b>At 31 December 2002</b>		<u>28,000,002</u>	<u>794,621</u>	<u>1,750,778</u>	<u>30,545,401</u>
<b>At 1 January 2003</b>					
As previously stated		28,000,002	794,621	1,863,139	30,657,762
Prior year adjustment	21	-	-	(112,361)	(112,361)
<b>At 1 January 2003 (restated)</b>		<u>28,000,002</u>	<u>794,621</u>	<u>1,750,778</u>	<u>30,545,401</u>
Net profit for the year		-	-	2,616,938	2,616,938
<b>At 31 December 2003</b>		<u>28,000,002</u>	<u>794,621</u>	<u>4,367,716</u>	<u>33,162,339</u>

\* Non-distributable  
# Distributable

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

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

**COMPANY STATEMENT OF CHANGES IN EQUITY**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Share Capital RM	Share Premium* RM	Accumulated Losses RM	Total RM
<b>At 1 January 2002</b>		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)
<b>At 31 December 2002</b>		<u>28,000,002</u>	<u>794,621</u>	<u>(59,346)</u>	<u>28,735,277</u>
Net loss for the year		-	-	(162,620)	(162,620)
<b>At 31 December 2003</b>		<u>28,000,002</u>	<u>794,621</u>	<u>(221,966)</u>	<u>28,572,657</u>

\* Non-distributable

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

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

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(loss) before taxation		3,237,637	2,589,735	(157,616)	(45,646)
Adjustments for:					
Depreciation		1,997,810	1,161,174	351	117
Provision for doubtful debts		162,500	105,000	-	-
Bad debts written off		5,935	-	-	-
Provision for employee benefits		86,301	-	-	-
Unrealised foreign exchange losses		-	1,294	-	-
Interest expense		667,524	629,060	-	-
Interest income		-	(21,402)	-	(21,402)
Operating profit/(loss) before working capital changes		6,157,707	4,464,861	(157,265)	(66,931)
Working capital changes:					
Inventories		(270,609)	(218,427)	-	-
Receivables		(2,508,235)	(472,450)	-	(1,160)
Payables		1,451,699	(1,118,534)	(2,440)	(116,510)
Bankers acceptances		2,348,376	86,064	-	-
Cash generated from/ (used in) operations		7,178,938	2,741,514	(159,705)	(184,601)
Interest received		-	21,402	-	21,402
Interest paid		(667,524)	(596,889)	-	-
Income tax paid		(585,004)	(766,359)	(5,004)	-
Net cash generated from/(used in) operating activities		5,926,410	1,399,668	(164,709)	(163,199)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of a subsidiary		-	(8,177,739)	-	-
Purchase of property, plant and equipment		(4,851,482)	(4,204,498)	-	(4,675)
Net cash used in investing activities		(4,851,482)	(12,382,237)	-	(4,675)

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

**CASH FLOW STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2003 (CONTD.)**

	Note	Group		Company	
		2003 RM	2002 RM	2003 RM	2002 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
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		-	-	140,260	359,127
Repayment of term loans		1,800,000	(1,639,289)	-	-
Repayment of hire purchase financing		(60,000)	(645,846)	-	-
Net cash generated from financing activities		1,740,000	6,749,486	140,260	193,748
<b>NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS</b>					
		2,814,928	(4,233,083)	(24,449)	25,874
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR</b>					
		(4,233,083)	-	25,874	-
<b>CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR</b>					
	(a)	(1,418,155)	(4,233,083)	1,425	25,874

**NOTES TO CASH FLOW STATEMENT**

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

	Group		Company	
	2003 RM	2002 RM	2003 RM	2002 RM
Cash and bank balances	235,657	33,434	1,425	25,874
Bank overdrafts (Note 10)	(1,653,812)	(4,266,517)	-	-
	(1,418,155)	(4,233,083)	1,425	25,874

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