

**Three-A Resources Berhad (481559-M)**  
**(Incorporated in Malaysia)**

**21. Finance Costs**

|                        | <b>Group</b>     |                  |
|------------------------|------------------|------------------|
|                        | <b>2012</b>      | <b>2011</b>      |
|                        | <b>RM</b>        | <b>RM</b>        |
| Interest expense on:   |                  |                  |
| Term loans             | 1,661,205        | 1,324,070        |
| Bankers acceptance     | 959,150          | 1,413,833        |
| Bank overdrafts        | 73,701           | 98,218           |
| Hire purchase payables | 297,754          | 265,278          |
|                        | <u>2,991,810</u> | <u>3,101,399</u> |

**22. Income Tax Expense/(Benefit)**

The major components of income tax expense for the financial years ended 31 December 2012 and 2011 are:

|   | <b>Group</b>     |                  | <b>Company</b> |                |
|---|------------------|------------------|----------------|----------------|
|   | <b>2012</b>      | <b>2011</b>      | <b>2012</b>    | <b>2011</b>    |
|   | <b>RM</b>        | <b>RM</b>        | <b>RM</b>      | <b>RM</b>      |
| Malaysian income tax:   |                  |                  |                |                |
| Tax expense for the year                                      | 1,427,291        | 536,128          | 83,536         | -              |
| Under/(over) provision in prior years                         | 7,849            | 24,618           | -              | (2,770)        |
|   | <u>1,435,140</u> | <u>560,746</u>   | <u>83,536</u>  | <u>(2,770)</u> |
| Deferred tax (Note 15):                                       |                  |                  |                |                |
| Relating to origination and reversal of temporary differences | 2,356,945        | (48,051)         | -              | -              |
| Under/(over) provision in prior years                         | 568,708          | (416,051)        | -              | -              |
|   | <u>2,925,653</u> | <u>(464,102)</u> | <u>-</u>       | <u>-</u>       |
| Income tax expense/(benefit) recognised in profit or loss     | <u>4,360,793</u> | <u>96,644</u>    | <u>83,536</u>  | <u>(2,770)</u> |

Domestic income tax is calculated at the Malaysian statutory tax rate of 25% (2011: 25%) of the estimated assessable profit for the year.

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the financial years ended 31 December 2012 and 2011 are as follows:

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**22. Income Tax Expense/(Benefit) (Contd.)**

|   | Group       |             | Company     |             |
|---|-------------|-------------|-------------|-------------|
|   | 2012<br>RM  | 2011<br>RM  | 2012<br>RM  | 2011<br>RM  |
| Profit before taxation                                      | 21,999,006  | 15,352,140  | 5,050,346   | 5,205,844   |
| Taxation at Malaysian statutory tax rate of 25% (2011: 25%) | 5,499,752   | 3,838,035   | 1,262,587   | 1,301,461   |
| Income not subject to tax                                   | -           | (142,210)   | (1,250,796) | (1,375,704) |
| Expenses not deductible for tax purposes                    | 313,127     | 405,608     | 71,745      | 74,243      |
| Utilisation of current year's reinvestment allowance        | (2,421,697) | (1,250,095) | -           | -           |
| Deferred tax assets recognised on reinvestment allowance    | -           | (2,460,062) | -           | -           |
| Under/(over) provision of deferred tax in prior years       | 568,708     | (416,051)   | -           | -           |
| Under/(over) provision of income tax expense in prior years | 7,849       | 24,618      | -           | (2,770)     |
| Net share of results of joint venture (foreign)             | 393,054     | 96,801      | -           | -           |
| Income tax expense/(benefit) recognised in profit or loss   | 4,360,793   | 96,644      | 83,536      | (2,770)     |

**23. Earnings Per Share**

Basic earnings per share amounts are calculated by dividing profit for the year, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the financial year.

The following reflect the profit and share data used in the computation of basic earnings per share for the years ended 31 December:

|   | Group       |             |
|---|-------------|-------------|
|   | 2012        | 2011        |
| Net profit for the year (RM)                        | 17,638,213  | 15,255,496  |
| Weighted average number of ordinary shares in issue | 393,600,019 | 393,600,019 |
| Basic earnings per share (sen)                      | 4.5         | 3.9         |

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

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**24. Dividends**

|   | Dividend in respect |           | Dividend recognised |           |
|---|---------------------|-----------|---------------------|-----------|
|   | of year             |           | in year             |           |
|   | 2012                | 2011      | 2012                | 2011      |
|   | RM                  | RM        | RM                  | RM        |
| <b>Declared and paid subsequent to year end</b>     |                     |           |                     |           |
| Interim dividend:                                   |                     |           |                     |           |
| - 1.2 sen tax exempt on 393,600,019 ordinary shares | 4,723,200           | 4,723,200 | 4,723,200           | 4,723,200 |

**25. Significant Related Party Transactions**

- (a) In addition to the related party transactions detailed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

|   | 2012        | 2011        | Outstanding balances |              |
|---|-------------|-------------|----------------------|--------------|
|   |             |             | 2012                 | 2011         |
|   | RM          | RM          | RM                   | RM           |
| <b>Group</b>                                    |             |             |                      |              |
| Sales to Seong Chan Sauce & Foodstuff Sdn. Bhd. | (911,980)   | (775,610)   | (164,262)            | (104,211)    |
| <b>Company</b>                                  |             |             |                      |              |
| Advances to subsidiaries                        | (6,234,698) | (9,450,530) | (20,474,367)         | (14,239,669) |

Seong Chan Sauce & Foodstuff Sdn. Bhd. is a company of which Fang Chew Ham and Fong Chu King @ Tong Chu King, who are Directors of the Company, have financial interests.

- (b) Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group during the year was as follows:

|   | 2012             | 2011             |
|---|------------------|------------------|
|   | RM               | RM               |
| Salaries and other emoluments                       | 2,220,840        | 2,147,040        |
| Bonus   | 898,500          | 894,500          |
| Defined contribution plan                           | 338,067          | 350,700          |
|   | <u>3,457,407</u> | <u>3,392,240</u> |
| Included in the total key management personnel are: |                  |                  |
| Directors' remuneration (Note 20)                   | <u>2,469,351</u> | <u>3,142,592</u> |

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**26. Commitments**

|                                  | <b>Group</b>     |                  |
|----------------------------------|------------------|------------------|
|                                  | <b>2012</b>      | <b>2011</b>      |
|                                  | <b>RM</b>        | <b>RM</b>        |
| Capital expenditure              |                  |                  |
| Approved and contracted for:     |                  |                  |
| Property, plant and equipment    | 5,400,917        | 1,217,580        |
| Approved but not contracted for: |                  |                  |
| Property, plant and equipment    | -                | 2,943,142        |
|                                  | <u>5,400,917</u> | <u>4,160,722</u> |

**27. Financial Guarantees**

|   | <b>Company</b>    |                   |
|---|-------------------|-------------------|
|   | <b>2012</b>       | <b>2011</b>       |
|   | <b>RM</b>         | <b>RM</b>         |
| Guarantees to licensed financial institutions in respect of credit facilities granted to a subsidiary company | <u>67,457,298</u> | <u>46,533,985</u> |

The Directors have assessed the financial guarantee contracts and concluded that the guarantees are unlikely to be called upon by the banks. This is because the guarantees are collateralised by fixed charges over certain properties, plant and equipment of the Group (Note 3 and 14). The Directors have estimated the financial impact of the guarantees as at 31 December 2012 to be insignificant.

**28. Financial Instruments**

**Fair Values**

Financial instruments that are not measured at fair value and whose carrying amounts are reasonable approximation of fair value

Included in these classes of financial instruments are certain financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

|             | <b>Note</b> |
|-------------|-------------|
| Receivables | 8           |
| Borrowings  | 14          |
| Payables    | 16          |

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to either the insignificant impact of discounting from their short term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date except for the following:

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**28. Financial Instruments (Contd.)**

|                            | Note | Carrying<br>Amount<br>RM | Fair<br>Value<br>RM |
|----------------------------|------|--------------------------|---------------------|
| <b>At 31 December 2012</b> |      |                          |                     |
| <b>Financial liability</b> |      |                          |                     |
| Hire purchase payables     | 14   | <u>4,144,894</u>         | <u>4,133,065</u>    |
| <b>At 31 December 2011</b> |      |                          |                     |
| <b>Financial liability</b> |      |                          |                     |
| Hire purchase payables     | 14   | <u>4,660,022</u>         | <u>4,645,282</u>    |

**29. Financial Risk Management Objectives and Policies**

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its market risk (including interest rate risk, foreign currency risk, market price risk and commodity price risk), liquidity risk and credit risk. The Group operates within clearly defined guidelines and the Group's policy is not to engage in speculative transactions.

**(a) Market Risk**

Market risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market prices.

**(i) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest rate exposure of the Group arises mainly from the Group's interest bearing loans and borrowings.

The Group manages its interest rate exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group actively reviews its debt portfolio to mitigate the impact of interest risk. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculation purposes.

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(a) Market Risk (Contd.)**

**(i) Interest Rate Risk (Contd.)**

The information on maturity dates and effective interest rates of financial assets and liabilities are disclosed in their respective notes.

At the reporting date, the interest rate profile of the interest-bearing financial instruments is as follows:

|                                  | <b>Group</b> |             | <b>Company</b> |             |
|----------------------------------|--------------|-------------|----------------|-------------|
|                                  | <b>2012</b>  | <b>2011</b> | <b>2012</b>    | <b>2011</b> |
|                                  | <b>RM</b>    | <b>RM</b>   | <b>RM</b>      | <b>RM</b>   |
| <u>Fixed rate instruments</u>    |              |             |                |             |
| Financial liabilities            | 4,144,894    | 4,660,022   | -              | -           |
| <u>Floating rate instruments</u> |              |             |                |             |
| Financial assets                 | 5,000,000    | 12,025,519  | 5,000,000      | 12,025,519  |
| Financial liabilities            | 67,842,297   | 48,433,286  | -              | -           |

Sensitivity analysis for floating rate instruments

A change of 25 basis points in interest rates at the reporting date would result in the profit before tax of the Group and of the Company to be (lower)/higher by (RM157,106) and RM12,500 (2011: (RM91,019) and RM30,064) respectively, assuming that all other variables remain constant.

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(a) Market Risk (Contd.)**

**(ii) Foreign Currency Risk**

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency rates.

The Group has transactional currency exposure arising from transactions that are denominated in a currency other than the functional currency of the Group entities. The foreign currencies giving rise to this risk are primarily United States Dollars ("USD"), Singapore Dollars ("SGD"), and European Dollars ("EURO").

Approximately 31% (2011: 28%) of the Group's sales are denominated in foreign currencies whilst almost 31% (2011: 30%) of costs are denominated in the respective functional currencies of the Group entities.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investments are located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The Group is also exposed to currency translation risk arising from its net investments in foreign operations in People's Republic of China ("PRC"). The Group's net investment in PRC is not hedged as currency positions in RMB is considered to be long-term in nature.

The net unhedged financial assets and financial liabilities of the Group that are not denominated in their functional currencies are as follows:

| <b>Functional currency<br/>of the Group<br/>in Ringgit Malaysia</b> | <b>United States<br/>Dollar<br/>RM</b> | <b>Singapore<br/>Dollar<br/>RM</b> | <b>Euro<br/>Dollar<br/>RM</b> | <b>Total<br/>RM</b> |
|---|--|------------------------------------|-------------------------------|---------------------|
| <b>At 31 December 2012</b>  |  |                                    |                               |                     |
| Receivables   | 20,309,387                             | 3,092,877                          | -                             | 23,402,264          |
| Cash and bank balances  | 846,249                                | 35,940                             | -                             | 882,189             |
| Payables  | (423,523)                              | (202,177)                          | (113,282)                     | (738,982)           |
|   | <u>20,732,113</u>                      | <u>2,926,640</u>                   | <u>(113,282)</u>              | <u>23,545,471</u>   |
| <b>At 31 December 2011</b>  |  |                                    |                               |                     |
| Receivables   | 17,211,075                             | 2,808,095                          | 1,162                         | 20,020,332          |
| Cash and bank balances  | 2,152,094                              | 8,272                              | -                             | 2,160,366           |
| Payables  | (1,211,672)                            | (6,944)                            | (199,695)                     | (1,418,311)         |
|   | <u>18,151,497</u>                      | <u>2,809,423</u>                   | <u>(198,533)</u>              | <u>20,762,387</u>   |

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(a) Market Risk (Contd.)**

**(ii) Foreign Currency Risk (Contd.)**

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, SGD and EURO exchange rates against the functional currency of the Group entities, with all other variables remain constant:

| <b>Group</b>                                    |                              | <b>2012</b> | <b>2011</b> |
|---|------------------------------|-------------|-------------|
| <u>Increase/(decrease) to profit before tax</u> |                              | <b>RM</b>   | <b>RM</b>   |
| USD/RM  | - strengthened 6% (2011: 8%) | 1,243,927   | 1,452,120   |
|   | - weakened 6% (2011: 8%)     | (1,243,927) | (1,452,120) |
| SGD/RM  | - strengthened 5% (2011: 4%) | 146,332     | 112,377     |
|   | - weakened 5% (2011: 4%)     | (146,332)   | (112,377)   |
| EURO/RM   | - strengthened 6% (2011: 7%) | (6,797)     | (13,897)    |
|   | - weakened 6% (2011: 7%)     | 6,797       | 13,897      |

**(iii) Market Price Risk**

Market price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than interest or exchange rates).

The Group does not have significant exposure to market price risk.

**(iv) Commodity Price Risk**

The price of agricultural commodities are subject to wide fluctuations due to unpredictable factors such as weather, government policies, changes in global demand resulting from population growth and changes in standards of living, and global production of similar and competitive crops. During its ordinary course of business, the value of the Group's open sales and purchases commitments and inventory of raw material changes continuously in line with movements in the prices of the underlying commodities. To the extent that its open sales and purchases commitments do not match at the end of each business day, the Group is subject to price fluctuations in the commodities market.

While the Group is exposed to fluctuations in agricultural commodities prices, its policy is to minimise their risks arising from such fluctuations either through purchase of the commodity in advance or through increases in sales price, where appropriate.

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(b) Liquidity Risk**

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to the shortage of funds.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funds so as to ensure that refinancing, repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash or cash convertible investments to meet its working capital requirements. In addition, the Group strives to maintain available banking facilities at a reasonable level to its overall debt position. As far as possible, the Group raises committed funding from both capital markets and financial institutions and prudently balances its portfolio with some short term funding so as to achieve overall cost effectiveness.

At the reporting date, approximately 68% (2011: 51%) of the Group's loans and borrowings (Note 14) will mature in less than one year based on the carrying amount reflected in the financial statements.

**Analysis of undiscounted financial instruments by remaining contractual maturities**

|  | On demand<br>or within<br>one year<br>RM | Two to<br>five years<br>RM | Over five<br>years<br>RM | Total<br>RM       |
|--|--|----------------------------|--------------------------|-------------------|
| <b>Group</b>   |  |                            |                          |                   |
| <b>At 31 December 2012</b>   |  |                            |                          |                   |
| <b>Financial assets</b>  |  |                            |                          |                   |
| Receivables  | 82,163,700                               | -                          | -                        | 82,163,700        |
| Cash and bank balances   | 17,782,192                               | -                          | -                        | 17,782,192        |
| <b>Total undiscounted<br/>financial assets</b>                       | <b>99,945,892</b>                        | <b>-</b>                   | <b>-</b>                 | <b>99,945,892</b> |
| <b>Financial liabilities</b>   |  |                            |                          |                   |
| Payables   | 13,258,905                               | -                          | -                        | 13,258,905        |
| Bank overdrafts  | 384,999                                  | -                          | -                        | 384,999           |
| Bankers acceptance   | 45,465,084                               | -                          | -                        | 45,465,084        |
| Term loans   | 5,776,838                                | 12,830,782                 | 8,328,501                | 26,936,121        |
| Hire purchase payables   | 1,083,827                                | 3,116,162                  | 777,420                  | 4,977,409         |
| <b>Total undiscounted<br/>financial liabilities</b>                  | <b>65,969,653</b>                        | <b>15,946,944</b>          | <b>9,105,921</b>         | <b>91,022,518</b> |
| <b>Total net undiscounted<br/>financial<br/>assets/(liabilities)</b> | <b>33,976,239</b>                        | <b>(15,946,944)</b>        | <b>(9,105,921)</b>       | <b>8,923,374</b>  |

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(b) Liquidity Risk (Contd.)**

**Analysis of undiscounted financial instruments by remaining contractual maturities  
(Contd.)**

|  | <b>On demand<br/>or within<br/>one year<br/>RM</b> | <b>Two to<br/>five years<br/>RM</b> | <b>Over five<br/>years<br/>RM</b> | <b>Total<br/>RM</b> |
|--|--|-------------------------------------|-----------------------------------|---------------------|
| <b>Group</b>   |  |                                     |                                   |                     |
| <b>At 31 December 2011</b>   |  |                                     |                                   |                     |
| <b>Financial assets</b>  |  |                                     |                                   |                     |
| Receivables  | 64,618,123   | -                                   | -                                 | 64,618,123          |
| Cash and bank balances   | 20,371,170   | -                                   | -                                 | 20,371,170          |
| <b>Total undiscounted<br/>financial assets</b>                       | <b>84,989,293</b>                                  | <b>-</b>                            | <b>-</b>                          | <b>84,989,293</b>   |
| <b>Financial liabilities</b>   |  |                                     |                                   |                     |
| Payables   | 14,167,057   | -                                   | -                                 | 14,167,057          |
| Bank overdrafts  | 1,899,301  | -                                   | -                                 | 1,899,301           |
| Bankers acceptance   | 21,303,124   | -                                   | -                                 | 21,303,124          |
| Term loans   | 5,776,838  | 15,462,551                          | 9,022,066                         | 30,261,455          |
| Hire purchase payables   | 1,345,430  | 2,981,337                           | 1,399,355                         | 5,726,122           |
| <b>Total undiscounted<br/>financial liabilities</b>                  | <b>44,491,750</b>                                  | <b>18,443,888</b>                   | <b>10,421,421</b>                 | <b>73,357,059</b>   |
| <b>Total net undiscounted<br/>financial<br/>assets/(liabilities)</b> | <b>40,497,543</b>                                  | <b>(18,443,888)</b>                 | <b>(10,421,421)</b>               | <b>11,632,234</b>   |
| <b>Company</b>   |  |                                     |                                   |                     |
| <b>At 31 December 2012</b>   |  |                                     |                                   |                     |
| <b>Financial assets</b>  |  |                                     |                                   |                     |
| Receivables  | 20,487,178   | -                                   | -                                 | 20,487,178          |
| Cash and bank balances   | 6,823,222  | -                                   | -                                 | 6,823,222           |
| <b>Total undiscounted<br/>financial assets</b>                       | <b>27,310,400</b>                                  | <b>-</b>                            | <b>-</b>                          | <b>27,310,400</b>   |
| <b>Financial liabilities</b>   |  |                                     |                                   |                     |
| Payables   | 43,553   | -                                   | -                                 | 43,553              |
| <b>Total net undiscounted<br/>financial assets</b>                   | <b>27,266,847</b>                                  | <b>-</b>                            | <b>-</b>                          | <b>27,266,847</b>   |

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(b) Liquidity Risk (Contd.)**

**Analysis of undiscounted financial instruments by remaining contractual maturities (Contd.)**

|   | On demand<br>or within<br>one year<br>RM | Two to<br>five years<br>RM | Over five<br>years<br>RM | Total<br>RM       |
|---|--|----------------------------|--------------------------|-------------------|
| <b>Company</b>                          |  |                            |                          |                   |
| <b>At 31 December 2011</b>              |  |                            |                          |                   |
| <b>Financial assets</b>                 |  |                            |                          |                   |
| Receivables                             | 14,240,829                               | -                          | -                        | 14,240,829        |
| Cash and bank balances                  | 12,777,984                               | -                          | -                        | 12,777,984        |
| Total undiscounted financial assets     | <u>27,018,813</u>                        | -                          | -                        | <u>27,018,813</u> |
| <b>Financial liabilities</b>            |  |                            |                          |                   |
| Payables                                | <u>43,288</u>                            | -                          | -                        | <u>43,288</u>     |
| Total net undiscounted financial assets | <u>26,975,525</u>                        | -                          | -                        | <u>26,975,525</u> |

**(c) Credit Risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties both domestic and foreign. It is the Group's policy that all customers who wish to trade on credit terms are subject to stringent credit verification procedures. Each customer has a maximum credit limit. The Group seeks to maintain control over its outstanding receivables and has a credit control committee to minimise credit risk. Overdue balances are reviewed regularly by senior management with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amounts of the financial assets recorded on the statements of financial position.

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**29. Financial Risk Management Objectives and Policies (Contd.)**

**(c) Credit Risk (Contd.)**

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the reporting date are as follows:

|                    | <b>Group</b>      |                   |                   |                   |
|--------------------|-------------------|-------------------|-------------------|-------------------|
|                    | <b>2012</b>       |                   | <b>2011</b>       |                   |
| <b>By country:</b> | <b>RM</b>         | <b>% of total</b> | <b>RM</b>         | <b>% of total</b> |
| Malaysia           | 63,277,866        | 78%               | 51,856,171        | 81%               |
| Singapore          | 3,648,737         | 5%                | 4,488,276         | 7%                |
| Other countries    | 13,889,781        | 17%               | 8,110,784         | 12%               |
|                    | <u>80,816,384</u> | <u>100%</u>       | <u>64,455,231</u> | <u>100%</u>       |

At the reporting date, approximately 58% (2011: 52%) of the Company's trade receivables were due from 10 major customers.

**30. Capital Management**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic condition. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

The Group's capital management is dependent on capital requirements of the business or investments. Management would evaluate various options taking into consideration market conditions, nature of investment and the Group's structure.

The Group monitors capital using a gearing ratio, which is total debt divided by total capital. The Group's policy is to keep the gearing ratio at a manageable level. The Group includes within debt, loans and borrowings. Capital includes equity attributable to the owners of the parent.

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**30. Capital Management (Contd.)**

|   |             | <b>Group</b>       |                    |
|---|-------------|--------------------|--------------------|
|   | <b>Note</b> | <b>2012</b>        | <b>2011</b>        |
|   |             | <b>RM</b>          | <b>RM</b>          |
| Borrowings                                      | 14          | 71,987,191         | 53,093,308         |
| Payables  | 16          | 13,258,905         | 14,167,057         |
|   |             | <u>85,246,096</u>  | <u>67,260,365</u>  |
| Equity attributable to the owners of the parent |             | <u>213,753,522</u> | <u>200,987,389</u> |
| Gearing ratio                                   |             | <u>40%</u>         | <u>33%</u>         |

**31. Significant Event**

- (a) On 3 December 2012, a subsidiary of the Company entered into a Sale and Purchase Agreement ("SPA") to purchase a piece of leasehold agricultural land held under No. Hakmilik HSM 1366 for PT No. 848 situated in Sungai Buloh New Village, Mukim of Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan comprising an area of approximately 0.7537 hektar subject to 60 years lease expiring on 20 January 2038 for a total consideration of RM5,000,000 from Mdm. Chong Foong Tai.

**32. Segment Information**

The Group's activities are predominantly in the manufacturing industry segment.

The Group's geographical segments are based on geographical location of its customers. The foreign customers are predominantly based in Singapore, Hong Kong, China, South Korea, Indonesia, Philippines, Vietnam, Australia and United States of America.

The following table presents revenue regarding the Group's geographical segment:

|                   | <b>Group</b>       |                    |
|-------------------|--------------------|--------------------|
|                   | <b>2012</b>        | <b>2011</b>        |
|                   | <b>RM</b>          | <b>RM</b>          |
| Malaysia          | 212,576,128        | 194,588,226        |
| Singapore         | 24,194,905         | 24,111,982         |
| Foreign countries | 69,657,430         | 50,105,727         |
|                   | <u>306,428,463</u> | <u>268,805,935</u> |

The Group's assets and liabilities are solely located in Malaysia other than investment in joint venture amounting to RM14,039,043 (2011: RM7,884,243) which is located in People's Republic of China.

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**33. Supplementary Information – Breakdown of Retained Earnings into Realised and Unrealised**

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2012 and 2011 into realised and unrealised earnings is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, issued by the Malaysian Institute of Accountants.

|   | <b>Group</b>      |                   | <b>Company</b>   |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | <b>2012</b>       | <b>2011</b>       | <b>2012</b>      | <b>2011</b>      |
|   | <b>RM</b>         | <b>RM</b>         | <b>RM</b>        | <b>RM</b>        |
| Total retained earnings of the Company and its subsidiaries |                   |                   |                  |                  |
| - Realised  | 88,231,220        | 70,972,344        | 1,914,981        | 1,671,371        |
| - Unrealised  | (10,552,217)      | (7,400,454)       | -                | -                |
|   | <u>77,679,003</u> | <u>63,571,890</u> | <u>1,914,981</u> | <u>1,671,371</u> |
| Total share of retained earnings from joint venture         |                   |                   |                  |                  |
| - Realised  | (1,919,952)       | (596,563)         | -                | -                |
| - Unrealised  | 347,735           | 216,446           | -                | -                |
|   | <u>76,106,786</u> | <u>63,191,773</u> | <u>1,914,981</u> | <u>1,671,371</u> |
| Less: Consolidation adjustments                             | (11,923,063)      | (11,923,063)      | -                | -                |
| Retained profits as per financial statements                | <u>64,183,723</u> | <u>51,268,710</u> | <u>1,914,981</u> | <u>1,671,371</u> |