

THREE-A RESOURCES BERHAD (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income For the Quarter Ended 30 September 2017 (The figures have not been audited)

	3 months ended 30 September		Cumulative quarter ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	96,542	88,226	302,062	292,681
Cost of sales	(75,781)	(67,136)	(234,514)	(228,963)
Gross Profit	<u>20,761</u>	<u>21,090</u>	<u>67,548</u>	<u>63,718</u>
Other income	245	50	625	97
Other operating expenses	(9,112)	(5,651)	(28,055)	(22,523)
Share of results of a jointly controlled entity, net of tax	(832)	(1,426)	(3,156)	(4,363)
Profit from Operations	<u>11,062</u>	<u>14,063</u>	<u>36,962</u>	<u>36,929</u>
Finance costs	(289)	(221)	(727)	(859)
Profit before Tax	<u>10,773</u>	<u>13,842</u>	<u>36,235</u>	<u>36,070</u>
Income tax	(2,648)	(3,704)	(8,613)	(10,102)
Profit net of tax	<u>8,125</u>	<u>10,138</u>	<u>27,622</u>	<u>25,968</u>
Other comprehensive income: Foreign currency translation	99	208	(14)	(902)
Total comprehensive income for the year	<u><u>8,224</u></u>	<u><u>10,346</u></u>	<u><u>27,608</u></u>	<u><u>25,066</u></u>
Profit for the period attributable to:				
Owners of the parent	8,125	10,138	27,622	25,968
Non-controlling interest	-	-	-	-
	<u>8,125</u>	<u>10,138</u>	<u>27,622</u>	<u>25,968</u>
Total comprehensive income attributable to:				
Owners of the parent	8,224	10,346	27,608	25,066
Non-controlling interest	-	-	-	-
	<u>8,224</u>	<u>10,346</u>	<u>27,608</u>	<u>25,066</u>
Basic Earnings per Share (sen)	<u>1.65</u>	<u>2.06</u>	<u>6.45</u>	<u>6.07</u>

(The Condensed Consolidated Statement of Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Changes in Equity
For the Quarter Ended 30 September 2017
 (The figures have not been audited)

	<u>Share Capital</u>	<u>Non-distributable Reserve</u>	<u>Non-distributable Reserve</u>	<u>Distributable Reserve</u>		
	Nominal value	Foreign currency translation reserve	Share premium	Retained earnings	Total reserves	Grand total
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
At 1 January 2016	78,720	3,483	70,367	95,601	169,451	248,171
Total comprehensive income	-	(902)	-	25,968	25,066	25,066
At 30 September 2016	<u>78,720</u>	<u>2,581</u>	<u>70,367</u>	<u>121,569</u>	<u>194,517</u>	<u>273,237</u>
At 1 January 2017	78,720	2,911	70,367	127,437	200,715	279,435
Issuance of ordinary shares pursuant to bonus issue	19,680	-	(19,680)	-	(19,680)	-
Total comprehensive income	-	(14)	-	27,622	27,608	27,608
At 30 September 2017	<u>98,400</u>	<u>2,897</u>	<u>50,687</u>	<u>155,059</u>	<u>208,643</u>	<u>307,043</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 2016 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)

(Incorporated in Malaysia)

Condensed Consolidated Statement of Financial Position

As at 30 September 2017

(The figures have not been audited)

	As at 30-Sep-17 RM'000	As at 31-Dec-16 RM'000
Non-current Assets		
Property, plant & equipment	180,698	161,851
Land use rights	1,461	1,503
Investment in a joint venture	-	6,772
Total Non-current Assets	182,159	170,126
Current Assets		
Inventories	52,513	48,848
Trade and other receivables	84,787	91,844
Tax recoverable	28	45
Cash and bank balances	43,393	28,714
	180,721	169,451
Non-current assets classified as held for sale	3,175	-
Total Current Assets	183,896	169,451
TOTAL ASSETS	366,055	339,577
EQUITY AND LIABILITIES		
Share capital	98,400	78,720
Reserves	208,643	200,715
Total Equity	307,043	279,435
Non-current Liabilities		
Borrowings	17,548	12,237
Deferred tax liabilities	14,776	14,325
Total Non-current Liabilities	32,324	26,562

THREE-A RESOURCES BERHAD (481559-M)

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Condensed Consolidated Statement of Financial Position

As at 30 September 2017

(The figures have not been audited)

	As at 30-Sep-17 RM'000	As at 31-Dec-16 RM'000
Current Liabilities		
Trade and other payables	21,947	27,182
Borrowings	3,218	2,672
Current tax liabilities	1,523	3,726
Total Current Liabilities	26,688	33,580
TOTAL LIABILITIES	59,012	60,142
TOTAL EQUITY AND LIABILITIES	366,055	339,577
Net Assets Value per share (sen)	62.41	56.80 *

* For comparative purpose, Net Assets Value per share as at 31 December 2016 had been adjusted to reflect the bonus issue of 1 for 4 existing ordinary share which was completed on 26 May 2017.

(The Condensed Consolidated Statement of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 and and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)

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Condensed Consolidated Statement of Cash Flow For the Quarter Ended 30 September 2017 (The figures have not been audited)

	Year-To-Date 30-Sep-17 (RM'000)	Year-To-Date 30-Sep-16 (RM'000)
Cash flows from operating activities		
Profit before taxation	36,235	36,070
Adjustments for:		
Amortisation of land use rights	42	88
Depreciation of property, plant and equipment	6,441	5,234
Unrealised foreign exchange loss/(gain)	1,874	(99)
Interest expense	727	859
Interest income	(557)	(11)
Gain on disposal of Property, Plant and Equipment	-	(12)
Share of results of a joint venture, net of tax	3,156	4,363
Loss on disposal of investment in a joint venture	427	-
Operating profit before working capital changes	48,345	46,492
Working capital changes:		
Inventories	(3,665)	13,374
Trade and other receivables	5,204	2,361
Trade and other payables	(5,235)	1,514
Cash generated from operations	44,649	63,741
Income tax paid	(10,347)	(9,011)
Net cash generated from operating activities	34,302	54,730
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,247)	(14,087)
Acquisition of prepaid lease payment for land	(17,041)	(2,251)
Proceeds from disposal of Property, Plant and Equipment	-	17
Interest received	557	11
Net cash used in investing activities	(24,731)	(16,310)

THREE-A RESOURCES BERHAD (481559-M)

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Condensed Consolidated Statement of Cash Flow For the Quarter Ended 30 September 2017 (The figures have not been audited)

	Year-To-Date 30-Sep-17 (RM'000)	Year-To-Date 30-Sep-16 (RM'000)
Cash flows from financing activities		
Dividends paid	-	(5,510)
Interest paid	(727)	(859)
Net repayment of bankers acceptances	-	(26,073)
Net drawdown of term loans	6,298	2,289
Net repayments of hire purchase obligations	(441)	(488)
Net cash generated from/(used in) financing activities	<u>5,130</u>	<u>(30,641)</u>
Net increase in cash and cash equivalents	14,701	7,779
Effect of exchange rate changes on cash and cash equivalents	(22)	(765)
Cash and cash equivalents at beginning of year	28,714	12,753
Cash and cash equivalents at end of the period	<u>43,393</u>	<u>19,767</u>

(The Condensed Consolidated Statement of Cash Flow should be read in conjunction with the Annual Financial Report for the year ended 31 December 2016 and the accompanying explanatory notes attached to the interim financial statements)

THREE-A RESOURCES BERHAD (481559-M)
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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
30 SEPTEMBER 2017**

(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

A1 Basis of Preparation

These 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 2016.

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 2016.

A2 Audit report of the preceding annual financial statements

The audited financial statements of the Group for the year ended 31 December 2016 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.

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	186,684
Singapore	28,225
Other countries	87,153
	<u>302,062</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.

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(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

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 2017 and 30 September 2016:

	3 months ended 30 September		Cumulative quarter ended 30 September	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Sales of products to:				
Seong Chan Sauce & Foodstuff Sdn. Bhd. (A company in which certain directors have financial interests)	309	249	812	697
Three-A (Qinhuangdao) Food Industries Co., Ltd (A company in which the Group has significant influence)	-	233	11	56
Purchases of products from:				
Three-A (Qinhuangdao) Food Industries Co., Ltd (A company in which the Group has significant influence)	980	-	1,517	-

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 except for the proposed disposal of an investment in a joint venture as disclosed in **Note B6-Unquoted Investments and/or Properties** of this report.

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 2017 is RM19.724 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 RM2.442 million.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

	3rd Quarter Ended 30-Sep-17 RM'000	3rd Quarter Ended 30-Sep-16 RM'000	Variance %	Year to date 30-Sep-17 RM'000	Year to date 30-Sep-16 RM'000	Variance %
Revenue	96,542	88,226	9.4%	302,062	292,681	3.2%
Profit before taxation	10,773	13,842	-22.2%	36,235	36,070	0.5%

The revenue of the Group for the current quarter of RM96.542 million is 9.4% higher than RM88.226 million recorded in the corresponding quarter in the preceding year as a result of higher sales volume in terms of products quantities sold.

The Group's profit before taxation decreased by 22.2% or from RM13.842 million to RM10.773 million is mainly a result of lower product margins and net foreign currency exchange losses for the current quarter as compared to net foreign currency exchange gains in the preceding year corresponding quarter.

The Group achieved 3.2% higher sales revenue of RM302.062 million for 9 months ended 30 September 2017 as compared to RM292.681 million registered for the same period last year on the back of higher quantities of products sold. Meanwhile, profit before taxation for this period increased slightly to RM36.235 million, mainly contributed from higher products quantities sold as compared to the same period last year.

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-17 RM'000	2nd Quarter Ended 30-Jun-17 RM'000	Variance %
Revenue	96,542	102,338	-5.7%
Profit before taxation	10,773	11,002	-2.1%

The Group's revenue for the current quarter of RM96.542 million is 5.7% lower as compared to RM102.338 million recorded in the immediate preceding quarter mainly due to lower quantities of products sold.

Meanwhile, the profit before taxation for the current quarter of RM10.773 million is 2.1% lower than that recorded in the immediate preceding quarter of RM11.002 million, mainly a result of lower quantities of products sold in line with the lower revenue recorded as compared to the immediate preceding quarter.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B3 Prospects

Currently, the Group continues its efforts to increase utilisation of the production facilities especially the recently completed Maltodextrin product Plant no 3 and roll out plans for lands acquired in the vicinity of the existing production facilities. The Board expects plants utilisation to increase progressively and contribute positively to the Group's earnings.

In view of the increasing competitive environment and volatility of raw material prices, the Group continues to place utmost emphasis and commitment on efficiency through economies of scale, cost optimization and increase productivity and simultaneously produce good quality products to achieve better performance.

Barring unforeseen circumstances, the Directors anticipate that the Group achieve a satisfactory performance for the financial year 2017.

B4 Forecast of profit after tax

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

B5 Tax expenses

	Current quarter 30-Sep-17 RM'000	Cumulative quarter up to 30-Sep-17 RM'000
Income tax expense		
- current	2,316	7,899
- underprovision in the prior year	263	263
Deferred Taxation		
- recognised in income statement	69	451
	<u>2,648</u>	<u>8,613</u>

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for the current interim period is higher than the statutory income tax rate due to underprovision of income tax in the prior year while it is lower for the financial year-to-date, mainly a result of utilisation of reinvestment allowance.

B6 Unquoted investments and/or properties

On 5 September 2017, the Group announced that Three-A Food Industries (M) Sdn Bhd ("TAFISB"), a wholly-owned subsidiary of the Company, has entered into a Share Purchase Agreement with Yihai Kerry Investments Co. Ltd., a wholly-owned subsidiary of Wilmar International Limited, for the proposed disposal of the entire 50% equity interest held by TAFISB in Three-A (Qinhuangdao) Food Industries Co. Ltd ("TAQ") for RMB5,000,000.00. ("Proposed Disposal")

Upon completion of the Proposed Disposal, TAQ will cease to be a joint venture entity of the Group.

The expected loss from the Proposed Disposal is calculated by the difference between the disposal consideration and the carrying amount of the 3A Group's investment in TAQ as at date of disposal and presented as follows:

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Additional Information Required By The Bursa Malaysia Listing Requirements

	RM'000
Carrying amount as at 31 December 2016	6,772
Less: Share of results for year 2017 up to the date of disposal	(3,156)
Less: Exchange differences	(14)
Carrying amount as at date of proposed disposal	3,602
Proposed Disposal Consideration at reporting date (RMB5 million at exchange rate of RMB1:RM0.6351)	3,175
Impairment loss on proposed disposal	(427)

There were no sale or purchase of unquoted investments and properties for the current quarter and financial year-to-date except for the above.

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 6 November 2017 for the current quarter and financial year-to-date.

B9 Group borrowings and debt securities

The total Group secured borrowings as at 30 September 2017 are as follows:-

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	2,607	17,117	19,724
Hire Purchase Creditors	611	431	1,042
Total	3,218	17,548	20,766

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 6 November 2017.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 6 November 2017.

B12 Dividend

On 6 November 2017, the Board of Directors is pleased to declare an interim single tier dividend of 1.8 sen per ordinary share amounting to RM8.86 million for the current interim period. (2016: 1.8 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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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B14 Realised and unrealised profits/losses disclosure

	As at 30-Sep-17 RM'000	As at 31-Dec-16 RM'000
Total retained profits of Three-A Resources Berhad and its subsidiaries:		
- Realised	182,654	152,113
- Unrealised	12,902	12,663
	<u>195,556</u>	<u>164,776</u>
Total share of retained earnings from a jointly controlled entity:		
- Realised	(28,573)	(25,416)
- Unrealised	-	-
	<u>166,983</u>	<u>139,360</u>
Less: Consolidation adjustments	(11,924)	(11,923)
Total group retained profits as per consolidated accounts	<u>155,059</u>	<u>127,437</u>

B15 Additional disclosures

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

(RM'000)	Current Period		Cumulative Period	
	2017	2016	2017	2016
Interest income	(222)	(10)	(557)	(11)
Depreciation and amortisation	2,247	1,634	6,483	5,322
Impairment loss on disposal of investment in a joint venture	427	-	427	-
Realised foreign exchange loss/(gain)	645	(340)	480	1,838
Unrealised foreign exchange loss/(gain)	(132)	(1,007)	1,874	(99)

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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B16 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-17	30-Sep-16	30-Sep-17	30-Sep-16
Net profit (RM'000)	8,125	10,138	27,622	25,968
Weighted average number of ordinary shares in issue ('000)	492,000	492,000 *	428,107	428,107 *
EPS (sen) - Basic and Diluted	<u>1.65</u>	<u>2.06</u>	<u>6.45</u>	<u>6.07</u>

*For comparative purpose, the number of ordinary shares issued as at 30 September 2016 had been adjusted to reflect the bonus issue of 1 for 4 existing ordinary share which was completed on 26 May 2017.