

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 June 2017 (The figures have not been audited)

	3 months ended 30 June		Cumulative quarter ended 30 June	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Revenue	102,338	96,887	205,520	204,455
Cost of sales	<u>(80,714)</u>	<u>(75,734)</u>	<u>(158,733)</u>	<u>(161,827)</u>
Gross Profit	21,624	21,153	46,787	42,628
Other income	230	21	380	47
Other operating expenses	(9,494)	(6,010)	(18,943)	(16,872)
Share of results of a jointly controlled entity, net of tax	<u>(1,142)</u>	<u>(1,924)</u>	<u>(2,324)</u>	<u>(2,937)</u>
Profit from Operations	11,218	13,240	25,900	22,866
Finance costs	<u>(216)</u>	<u>(296)</u>	<u>(438)</u>	<u>(638)</u>
Profit before Tax	11,002	12,944	25,462	22,228
Income tax	(1,828)	(3,806)	(5,965)	(6,398)
Profit net of tax	<u>9,174</u>	<u>9,138</u>	<u>19,497</u>	<u>15,830</u>
Other comprehensive income: Foreign currency translation	(74)	42	(113)	(1,110)
Total comprehensive income for the year	<u>9,100</u>	<u>9,180</u>	<u>19,384</u>	<u>14,720</u>
Profit for the period attributable to:				
Owners of the parent	9,174	9,138	19,497	15,830
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,174</u>	<u>9,138</u>	<u>19,497</u>	<u>15,830</u>
Total comprehensive income attributable to:				
Owners of the parent	9,100	9,180	19,384	14,720
Non-controlling interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>9,100</u>	<u>9,180</u>	<u>19,384</u>	<u>14,720</u>
Basic Earnings per Share (sen)	<u>2.12</u>	<u>2.32</u>	<u>4.83</u>	<u>4.02</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 (481558-M)
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**Condensed Consolidated Statement of Changes in Equity
For the Quarter Ended 30 June 2017
(The figures have not been audited)**

	Share Capital	Non-distributable Reserve	Non-distributable Reserve	Share premium	Distributable Reserve	Total reserves	Grand total
	(RM'000)	Foreign currency translation reserve (RM'000)	Share premium (RM'000)	Share premium (RM'000)	Retained earnings (RM'000)	(RM'000)	(RM'000)
At 1 January 2016	78,720	3,483	70,367	70,367	95,601	169,451	248,171
Total comprehensive income	-	(1,110)	-	-	15,830	14,720	14,720
At 30 June 2016	<u>78,720</u>	<u>2,373</u>	<u>70,367</u>	<u>70,367</u>	<u>111,431</u>	<u>184,171</u>	<u>262,891</u>
At 1 January 2017	78,720	2,911	70,367	70,367	127,437	200,715	279,435
Issuance of ordinary shares pursuant to bonus issue	19,680	-	(19,680)	(19,680)	-	(19,680)	-
Total comprehensive income	-	(113)	-	-	19,497	19,384	19,384
At 30 June 2017	<u>98,400</u>	<u>2,798</u>	<u>50,687</u>	<u>50,687</u>	<u>146,934</u>	<u>200,419</u>	<u>298,819</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)

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Condensed Consolidated Statement of Financial Position

As at 30 June 2017

(The figures have not been audited)

	As at 30-Jun-17 RM'000	As at 31-Dec-16 RM'000
Non-current Assets		
Property, plant & equipment	171,859	161,851
Land use rights	1,475	1,503
Investment in a jointly controlled entity	4,334	6,772
	<u>177,668</u>	<u>170,126</u>
Current Assets		
Inventories	54,972	48,848
Trade and other receivables	101,367	91,844
Tax recoverable	21	45
Cash and bank balances	25,596	28,714
	<u>181,956</u>	<u>169,451</u>
TOTAL ASSETS	<u>359,624</u>	<u>339,577</u>
EQUITY AND LIABILITIES		
Share capital	98,400	78,720
Reserves	200,419	200,715
Total equity	<u>298,819</u>	<u>279,435</u>
Non-current Liabilities		
Borrowings	18,755	12,237
Deferred tax liabilities	14,706	14,325
	<u>33,461</u>	<u>26,562</u>

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Condensed Consolidated Statement of Financial Position

As at 30 June 2017

(The figures have not been audited)

	As at 30-Jun-17 RM'000	As at 31-Dec-16 RM'000
Current Liabilities		
Trade and other payables	19,277	27,182
Borrowings	2,653	2,672
Current tax liabilities	5,414	3,726
	<u>27,344</u>	<u>33,580</u>
TOTAL LIABILITIES	<u>60,805</u>	<u>60,142</u>
TOTAL EQUITY AND LIABILITIES	<u>359,624</u>	<u>339,577</u>
Net assets value per share (sen)	<u>69.15</u>	<u>64.67</u>

(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 June 2017
(The figures have not been audited)

	Year-To-Date 30-Jun-17 (RM'000)	Year-To-Date 30-Jun-16 (RM'000)
Cash flows from operating activities		
Profit before taxation	25,462	22,228
Adjustments for:		
Amortisation of land use rights	28	239
Depreciation of property, plant and equipment	4,208	3,449
Unrealised foreign exchange loss	2,006	908
Interest expense	438	638
Interest income	(335)	(1)
Property, Plant and equipment written off	-	5
Share of results of joint venture	2,324	2,937
Operating profit before working capital changes	<u>34,131</u>	<u>30,403</u>
Working capital changes:		
Inventories	(6,124)	8,814
Trade and other receivables	(11,501)	(11,934)
Trade and other payables	<u>(7,125)</u>	<u>7,627</u>
Cash generated from operations	9,381	34,910
Income tax paid	(4,651)	(3,325)
Net cash generated from operating activities	<u>4,730</u>	<u>31,585</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(4,716)	(11,694)
Acquisition of prepaid lease payment for land	(9,500)	(2,251)
Interest received	335	1
Net cash used in investing activities	<u>(13,881)</u>	<u>(13,944)</u>

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

	Year-To-Date 30-Jun-17 (RM'000)	Year-To-Date 30-Jun-16 (RM'000)
Cash flows from financing activities		
Dividends paid	-	(5,510)
Interest paid	(438)	(638)
Net repayment of bankers acceptances	-	(11,140)
Net drawdown/(repayment) of term loans	6,790	(569)
Net repayments of hire purchase obligations	(291)	(326)
Net cash generated from/(used in) financing activities	6,061	(18,183)
Net decrease in cash and cash equivalents	(3,090)	(542)
Effect of exchange rate changes on cash and cash equivalents	(28)	(992)
Cash and cash equivalents at beginning of year	28,714	12,753
Cash and cash equivalents at end of the period	25,596	11,219

(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)

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**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
30 JUNE 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 except for a Bonus Issue of Shares as disclosed in Note B8 pursuant to Bursa Malaysia Listing Requirements.

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	127,795
Singapore	20,460
Other countries	<u>57,265</u>
	<u>205,520</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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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 June 2017 and 30 June 2016:

	3 months ended 30 June		Cumulative quarter ended 30 June	
	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)	241	260	504	448
Three-A (Qinhuangdao) Food Industries Co., Ltd (A company in which the Group has significant influence)	11	-	11	(176)
Purchases of products from:				
Three-A (Qinhuangdao) Food Industries Co., Ltd (A company in which the Group has significant influence)	537	-	537	-

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.

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 June 2017 is RM20.217 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 RM1.737 million.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

	2nd Quarter Ended 30-Jun-17 RM'000	2nd Quarter Ended 30-Jun-16 RM'000	Variance %	Year to date 30-Jun-17 RM'000	Year to date 30-Jun-16 RM'000	Variance %
Revenue	102,338	96,887	5.6%	205,520	204,455	0.5%
Profit before taxation	11,002	12,944	-15.0%	25,462	22,228	14.5%

The revenue of the Group for the current quarter of RM102,338 million is 5.6% higher than RM96,887 million recorded in the corresponding quarter in the preceding year is mainly a result of higher sales volume of quantity sold of the Group's products.

The Group's profit before taxation decreased by 15.0% or from RM12,944 million to RM11,002 million is mainly a result of lower product average selling prices, net foreign currency exchange losses for the current quarter under review as compared to net foreign currency exchange gains in the preceding year corresponding quarter and higher overheads costs but these were offset with lower raw material prices.

The Group achieved a slightly higher sales revenue of RM205,520 million for the 6 months ended 30 June 2017 as compared to RM204,455 million registered for the same period last year. Meanwhile, profit before taxation recorded for this period increase 14.5% to RM25,462 million, mainly contributed from raw material costs, net foreign currency exchange losses and share of losses from a jointly controlled entity that were all lower 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:-

	2nd Quarter Ended 30-Jun-17 RM'000	1st Quarter Ended 31-Mar-17 RM'000	Variance %
Revenue	102,338	103,182	-0.8%
Profit before taxation	11,002	14,460	-23.9%

The Group's revenue for the current quarter of RM102,338 million is 0.8% lower as compared to RM103,182 million recorded in the immediate preceding quarter mainly due to lower sales of the Group's products. Meanwhile, the profit before taxation for the current quarter of RM11,002 million is 23.9% lower than that recorded in the immediate preceding quarter of RM14,460 million, mainly a result of lower product margins and higher net foreign currency exchange losses recorded in the current quarter as compared to the

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immediate preceding quarter.

B3 Prospects

The Group has positioned itself strategically to leverage on the expansion of production facilities especially the completed Maltodextrin product Plant no 3 and also acquisition of lands located in the vicinity of the existing production facilities. The anticipated utilisation increase in plant additions is expected to contribute positively to the Group's earnings and the acquisition of lands is for future expansion.

With the increasing competitive environment and volatility of the raw material prices, the Group continues to place utmost emphasis and commitment on quality to meet customer requirements and simultaneously improve efficiency through economies of scale, cost optimization and increase productivity to achieve profitability.

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-Jun-17 RM'000	Cumulative quarter up to 30-Jun-17 RM'000
Income tax expense		
- current	1,743	5,583
Deferred Taxation		
- recognised in income statement	85	382
	<u>1,828</u>	<u>5,965</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 both the current interim period and the financial year-to-date are lower than the statutory income tax rate is mainly a result of utilisation of reinvestment allowance.

B6 Unquoted investments and/or properties

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

The Group has 50% (2016:50%) equity interest in a jointly-controlled entity, Three-A (Qinhuangdao) Food Industries Co. Ltd that is held through a subsidiary. This joint venture is incorporated in the People's Republic of China on 9 August 2010 and is in the business of manufacturing, processing, and trading of Hydrolyzed Vegetable Protein (HVP) (in Liquid and Powder form) and all related by-products.

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Additional Information Required By The Bursa Malaysia Listing Requirements

The Group recognises its interest in joint venture using the equity method. Under the equity method, the investment in joint venture is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired.

	Group 30-Jun-17 RM'000
Unquoted shares, at cost	29,277
Share of post-acquisition results	<u>(27,740)</u>
	1,537
Exchange differences	<u>2,797</u>
	<u>4,334</u>

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entity are as follows:

	Group 30-Jun-17 RM'000
Assets and liabilities:	
Current assets	5,996
Non-current assets	<u>28,589</u>
Total assets	<u>34,585</u>
Current liabilities	30,251
Non-current liabilities	-
Total liabilities	<u>30,251</u>
Income and expenses for the period ended	
Income	4,212
Expenses	<u>(6,536)</u>

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.

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(The figures have not been audited)

Additional Information Required By The Bursa Malaysia Listing Requirements

B8 Status of Corporate Proposals

On 13 September 2016, the Company's advisor, RHB Investment Bank Berhad had on behalf of the Company announced that the Company proposes to undertake the following proposals:

- (i) proposed bonus issue of 98,400,004 new ordinary shares of RM0.20 each in the Company on the basis of one (1) Bonus Share for every four (4) existing 3A Shares held on an entitlement date to be determined later;
- (ii) proposed establishment of an employees' share option scheme of up to 10% of the issued and paid-up share capital of 3A (excluding treasury shares, if any) to eligible Directors and employees of 3A, and its subsidiaries;
- (iii) proposed increase in the authorised share capital of 3A from RM100,000,000 comprising 500,000,000 3A Shares to RM250,000,000 comprising 1,250,000,000 3A Shares; and
- (iv) proposed amendments to the memorandum and articles of association of 3A.

On 9 November 2016, RHB Investment Bank announced that the Company had, after careful deliberation, decided to abort the Proposed ESOS as the Company is evaluating alternative incentive schemes for its employees. As a result of this, the Company will not proceed with the Proposed Increase in Authorised Share Capital and the Proposed Amendments as the current authorised share capital of the Company is sufficient to accommodate the increase in the issued and paid-up share capital of the Company pursuant to the issuance of the Bonus Shares. On 30 March 2017, RHB Investment Bank announced that Bursa Malaysia Securities Berhad had resolved to approve the listing of 98,400,004 Bonus Shares, subject to certain conditions.

On 26 May 2017, RHB Investment Bank announced that the Bonus Issue has been completed following the listing of and quotation for 98,399,987 Bonus Shares on the Main Market of Bursa Securities.

Save for the above, there was no corporate proposals announced but not completed as at 16 August 2017.

B9 Group borrowings and debt securities

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

	Short Term RM'000	Long Term RM'000	Total RM'000
Term Loans	1,987	18,230	20,217
Hire Purchase Creditors	666	525	1,191
Total	<u>2,653</u>	<u>18,755</u>	<u>21,408</u>

All the abovementioned borrowings were denominated in Ringgit Malaysia.

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Additional Information Required By The Bursa Malaysia Listing Requirements

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 16 August 2017.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 16 August 2017.

B12 Dividend

The Board does not recommend any dividend for the current quarter under review.

B13 Disclosure of nature of outstanding derivatives

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

B14 Realised and unrealised profits/losses disclosure

	As at 30-Jun-17 RM'000	As at 31-Dec-16 RM'000
Total retained profits of Three-A Resources Berhad and its subsidiaries:		
- Realised	173,897	152,113
- Unrealised	12,700	12,663
	<u>186,597</u>	<u>164,776</u>
Total share of retained earnings from a jointly controlled entity:		
- Realised	(27,740)	(25,416)
- Unrealised	-	-
	<u>158,857</u>	<u>139,360</u>
Less: Consolidation adjustments	(11,923)	(11,923)
Total group retained profits as per consolidated accounts	<u>146,934</u>	<u>127,437</u>

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Additional Information Required By The Bursa Malaysia Listing Requirements

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)	(1)	(335)	(1)
Depreciation and amortisation	2,254	1,879	4,236	3,688
Realised foreign exchange loss/(gain)	958	1,472	(165)	2,178
Unrealised foreign exchange loss/(gain)	205	(2,401)	2,006	908

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-Jun-17	30-Jun-16	30-Jun-17	30-Jun-16
Net profit (RM'000)	9,174	9,138	19,497	15,830
Number of ordinary shares in issue as at beginning of the year ('000)	393,600	393,600	393,600	393,600
Effect of Bonus Issue ('000)	38,504	-	9,705	-
Weighted average number of ordinary shares in issue ('000)	432,104	393,600	403,305	393,600
EPS (sen) - Basic	2.12	2.32	4.83	4.02
- Diluted	-	-	-	-