



**THREE-A RESOURCES BERHAD**

199901006659 (481559-M)  
Incorporated in Malaysia

Advancing Through  
***Efficiency***

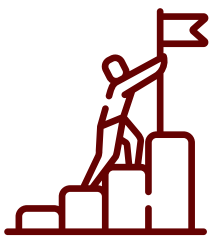


Annual Report  
**2019**



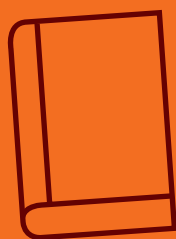
### VISION

To excel as one of the Global Market Leaders in the manufacture of Food & Beverage ingredients



### MISSION

To excel as one of the Global Quality Brands in the industries



### RATIONALE

The flowing, expanding and converging lines on the cover design of this year's annual report are an abstract representation of the achievement of our goals to increase production through modernisation of our manufacturing facilities and implementing sustainable efficiency in our operational processes without sacrificing the quality of our products. The design concept further symbolises the development and expansion of our product range that has remained the core strength of our focus on business advancement beyond Asian horizons into the international market with increased productivity, reduced costs, and maximised profits.





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# CORPORATE PROFILE

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## ABOUT US

The history of San Soon Seng Food Industries Sdn Bhd ("SSSFI") dates back to 1977, initiated as a liquid caramel producer and subsequently became a wholly-owned subsidiary of Three-A Resources Berhad ("3A"). 3A is an investment holding company, a listed company since 2002 and has ascended to the main board of Bursa Malaysia in 2008. The success and achievements of SSSFI is the epitome of unwavering determination, perseverance, dedication and collective efforts in producing quality and satisfying products to customers.

Taking root from a humble beginning as liquid caramel producer to the leading food and beverage ingredients manufacturing company, SSSFI has developed and expanded its product portfolio that have made strong footprints in many parts of the world. SSSFI has remained focused in its core strength of manufacturing food and beverage ingredients and firmly believes in producing products of the highest quality. SSSFI has successfully expanded beyond Asian horizons and making its mark in the international market.

## OUR PRODUCT PORTFOLIO

The following products in our portfolio each make a different contribution to the company's bottom line.

- Liquid Caramel, Caramel Colour
- Natural Fermented Vinegar, Distilled Vinegar, Rice Vinegar
- Glucose Syrup, High Maltose Syrup
- Soya Protein Sauce ("HVP")
- Hydrolysed Vegetable Protein ("HVP") Powder
- Caramel Powder
- Soya Sauce Powder
- Maltodextrin

SSSFI serves businesses of all sizes across a broad spectrum of industries and sectors. Our versatile range of ingredients have different functional properties and unique characteristics that can be tailored to customer needs. All ingredients are Halal and Kosher certified.

SSSFI offers diverse range of packaging options to accommodate customer needs. There are various package sizes ranging from bulk road tanker to small packing such as jerrycan and carton box. Customised packaging can be arranged to accommodate customer requirements.

## ACCREDITATION & RECOGNITION

FSSC 22000 Certification by Intertek Certification International Sdn. Bhd.

HACCP Certification by Ministry of Health Malaysia ("MOH")

HALAL Certification by Islamic Development Department of Malaysia ("JAKIM")

KOSHER Certification by Orthodox Union



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Jagjit Singh a/l Bant Singh**  
Independent Non-Executive Chairman

**Fong Chu King @ Tong Chu King**  
Managing Director

**Chew Eng Chai**  
Independent Non-Executive Director

**Tan Chon Sing @ Tan Kim Tieng**  
Independent Non-Executive Director

**Khoo Wee Boon**  
Independent Non-Executive Director

**Mohd Zaki Bin Hamzah**  
Independent Non-Executive Director

**Loo Cheau Leong**  
Non-Independent Non-Executive Director

**Gurpreet Singh Vohra**  
Non-Independent Non-Executive Director

**Liew Kuo Shin**  
Non-Independent Executive Director

**Fang Siew Ping**  
Non-Independent Executive Director

## COMPANY SECRETARY

**Ng Bee Lian** MAICSA 7041392  
SSM PC No 201908003459  
**Yap Sit Lee** MAICSA 7028098  
SSM PC No 202008001865  
**Wong Wai Foong** MAICSA 7001358  
SSM PC No 202008001472

## AUDIT COMMITTEE

**Chew Eng Chai** (Chairman)  
**Tan Chon Sing @ Tan Kim Tieng**  
**Mohd Zaki Bin Hamzah**  
**Khoo Wee Boon**  
**Dato' Jagjit Singh a/l Bant Singh**

## NOMINATION COMMITTEE

**Mohd Zaki Bin Hamzah** (Chairman)  
**Chew Eng Chai**  
**Khoo Wee Boon**  
**Dato' Jagjit Singh a/l Bant Singh**

## REMUNERATION COMMITTEE

**Tan Chon Sing @ Tan Kim Tieng** (Chairman)  
**Chew Eng Chai**  
**Khoo Wee Boon**  
**Dato' Jagjit Singh a/l Bant Singh**

## RISK MANAGEMENT COMMITTEE

**Dato' Jagjit Singh a/l Bant Singh** (Chairman)  
**Fong Chu King @ Tong Chu King**  
**Fang Siew Ping**

## AUDITORS

**BDO PLT**  
Chartered Accountants  
BDO @ Menara CenTARa  
Level 8, 360 Jalan Tuanku Abdul Rahman  
50100 Kuala Lumpur  
Tel no. : +603 2616 2888  
Fax no. : +603 2616 3190

## SHARE REGISTRAR

**Boardroom Share Registrars Sdn Bhd**  
11<sup>th</sup> Floor, Menara Symphony  
No. 5, Jalan Prof Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan  
Tel no. : +603 7890 4700  
Fax no. : +603 7890 4670

## REGISTERED ADDRESS

AL 308, Lot 590 & Lot 4196  
Jalan Industri U19  
Kampung Baru Sungai Buloh  
40160 Shah Alam  
Selangor Darul Ehsan, Malaysia  
Tel no : +603 6156 2655  
Fax no : +603 6156 2657  
E-mail : info@three-a.com.my

## COMPANY NO

199901006659 (481559-M)

## WEBSITE

www.three-a.com.my

## PRINCIPAL BANKERS

United Overseas Bank (Malaysia) Bhd  
OCBC Bank (Malaysia) Berhad  
CIMB Bank Berhad  
Hong Leong Bank Berhad

## STOCK EXCHANGE LISTING

Main Market  
Bursa Malaysia Securities Berhad

## STOCK NAME AND CODE

3A I 0012

## INVESTOR RELATION

**Fong Peng Fai**  
Group Financial Controller

**Jessica Fang Siew Yee**  
Senior Manager  
Tel no. : +603 6156 2655  
E-mail : info@three-a.com.my

# PROFILE OF BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT

## DATO' JAGJIT SINGH A/L BANT SINGH

### **Independent Non-Executive Chairman**

Age 64, Male, Malaysian

Dato' Jagjit Singh a/l Bant Singh was appointed to the Board on 28 August 2019 and serves as an Independent Non-Executive Chairman of the Company and a Director of its wholly owned subsidiaries, San Soon Seng Food Industries Sdn Bhd ("SSSFI") and Three-A Food Industries (M) Sdn Bhd ("3A Food"). He also serves as Chairman of Risk Management Committee and is a member of Audit Committee, Remuneration Committee, Nomination Committee and various Committees of the 3A Group.

Dato' Jagjit Singh a/l Bant Singh holds a Bachelor of Law (LLB Hons) and Master of Law ("LLM") from the King's College, University of London. He was called to the Malaysian Bar in September 2011 and was awarded Kesatria Mangku Negara ("KMN") in 2008, Setia Mahkota Pahang ("SMP") in 2010 and Darjah Indera Mahkota Pahang ("DIMP") in 2011.

Dato' Jagjit Singh a/l Bant Singh was a former Judge and has served the Malaysian Legal and Judicial Service for 28 years in various positions including that of a Senior Federal Counsel, Deputy Treasury Solicitor, Legal Advisor to the Ministry of Health, Deputy Public Prosecutor and Senior Assistant Parliamentary Draftsman. He was also formerly an Independent Director and member of various Board Committee in Tokio Marine Insurans (Malaysia) Berhad.

Dato' Jagjit Singh a/l Bant Singh currently serves as a member of the Malaysia Competition Commission ("MyCC") under the Ministry of Domestic Trade and Consumer Affairs ("KPDNHEP") and he practices as an Advocate and Solicitor and is a Partner in Jagjit Ariff & Co.

Dato' Jagjit Singh a/l Bant Singh attended one (1) Board Meeting held during the financial year ended 31 December 2019 since his appointment on 28 August 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## MR. FONG CHU KING @ TONG CHU KING

### **Managing Director/Key Senior Management**

Age 75, Male, Malaysian

Mr. Fong Chu King was re-designated to the Board on 28 August 2019 and serves as Managing Director of the Company and a Director of its wholly owned subsidiaries, SSSFI and 3A Food. He also serves as a member of Risk Management Committee, Sustainability Committee and various Committees of the 3A Group. Previously, he was a Non-Independent Executive Director of the Company from May 2002 to August 2019.

Mr. Fong Chu King holds a Bachelor of Science in Chemical Engineering from the National Taiwan University. He is a qualified Professional Engineer of Lembaga Jurutera Malaysia and also a member of the Institution Engineers Malaysia. In his past 20 years of service with the Lion Group of Companies, he held a number of positions including Manager of Amsteel Mills Sdn Bhd and General Manager of Megasteel Sdn Bhd.

Mr Fong Chu King is equipped with more than 40 years of experience in manufacturing industry combining technical, operational, as well as extensive knowledge in managerial finance and business development. His strategic leadership entails a more sustainable competitive advantage for the Company in the food & beverage industry.

Mr. Fong Chu King attended all four (4) Board Meetings held during the financial year ended 31 December 2019. He is a sibling of the major shareholder, Mr Fang Chew Ham. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

**MR. CHEW ENG CHAI****Independent Non-Executive Director**

Age 70, Male, Malaysian

Mr. Chew Eng Chai was appointed to the Board on 17 June 2002 and serves as an Independent Non-Executive Director of the Company. He also serves as a Chairman of Audit Committee and a member of Nomination Committee and Remuneration Committee of the Company.

Mr. Chew Eng Chai is a fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr. Chew Eng Chai was formerly the Director of Yeo Hiap Seng (Malaysia) Berhad, a company he had joined since 1975. He has more than 27 years of experience in the food & beverage industry.

Mr. Chew Eng Chai attended all four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

**MR. TAN CHON SING @ TAN KIM TIENG****Independent Non-Executive Director**

Age 81, Male, Malaysian

Mr. Tan Chon Sing @ Tan Kim Tieng was appointed to the Board on 17 June 2002 and serves as an Independent Non-Executive Director of the Company. He also serves as a Chairman of Remuneration Committee and member of Audit Committee of the Company.

Mr. Tan Chon Sing graduated in 1963 with a Bachelor of Commerce in Accounting from Nanyang University, Singapore. He was a banker for eleven years before joining the securities industry in 1976 and was admitted as a member of Bursa Malaysia Securities Berhad in 1987.

Mr. Tan Chon Sing was appointed as Executive Director of Seremban Securities Sdn Bhd, now known as Malpac Management Sdn Bhd till November 2001. He is currently a Director of Malpac Holdings Berhad and also serves as Director of several private limited companies.

Mr. Tan Chon Sing attended all four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.



## PROFILE OF BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONTINUED)

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### MR. KHOO WEE BOON

#### **Independent Non-Executive Director**

Age 71, Male, Malaysian

Mr. Khoo Wee Boon was appointed to the Board on 27 September 2004 and serves as an Independent Non-Executive Director of the Company. He also serves as a member of Nomination Committee, Audit Committee and Remuneration Committee of the Company.

Mr. Khoo Wee Boon had completed GCE in 1966 from University of Cambridge and completed Advance Bank Management Program from Asia Institute of Management, Eugenio Lopez Foundation - an affiliate of Ateneo De Manila University and La Salle University, Manila in 1989.

Mr. Khoo Wee Boon began his career as an Internal Auditor in Malayan Banking Berhad from 1973 to 1979, and as a Credit Officer in Maybank from 1979 to 1982. From 1984 to 1995, he was a Manager in Affin Bank Berhad and as a Dealer Representative in Omega Securities Berhad from 1995 to 1998. He is currently attached as a Dealer Representative with Hwang-DBS Investment Bank Berhad.

Mr. Khoo Wee Boon attended all four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

### MR. MOHD ZAKI BIN HAMZAH

#### **Independent Non-Executive Director**

Age 62, Male, Malaysian

Mr. Mohd Zaki Bin Hamzah was appointed to the Board on 9 January 2007 and serves as an Independent Non-Executive Director of the Company and its wholly-owned subsidiary, SSSFI. He also serves as a Chairman of the Nomination Committee and a member of Audit Committee of the Company.

Mr. Mohd Zaki Bin Hamzah graduated from the State University of New York, Binghamton with a Bachelor of Science in Accounting and has a Master Degree in Business Administration majoring in Management Information System and Finance.

Mr. Mohd Zaki Bin Hamzah was a consultant with Arthur Andersen & Co. prior to joining Bank Bumiputra Malaysia Berhad as an EDP Audit Manager in 1986. He subsequently assumed the role of Chief Internal Auditor of the banking group until his resignation in 1998.

Mr. Mohd Zaki Bin Hamzah attended all four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.



**MR. LOO CHEAU LEONG****Non-Independent Non-Executive Director**

Age 46, Male, Singaporean

Mr. Loo Cheau Leong was appointed to the Board on 11 May 2017 and serves as a Non-Independent Non-Executive Director of the Company.

Mr. Loo Cheau Leong graduated with a Bachelor of Accountancy from Nanyang Technological University, Singapore. He is also a member of The Institute of Singapore Chartered Accountant. He was previously with Ernst & Young from 1998 to 2010. He joined Wilmar International Limited in 2010 and currently serves as the Deputy Chief Financial Officer of Wilmar International Limited

Mr. Loo Cheau Leong attended three (3) out of four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

**MR. GURPREET SINGH VOHRA****Non-Independent Non-Executive Director**

Age 45, Male, Indian

Mr. Gurpreet Singh Vohra was appointed to the Board on 11 May 2017 and serves as a Non-Independent Non-Executive Director of the Company.

Mr. Gurpreet Singh Vohra graduated with a Bachelor of Engineering in Electrical (First Class Honour) from the Regional Engineering College, Surat, India. He also holds a Masters of Business Administration from S.P. Jain Institute of Management & Research, Mumbai, India. He was previously the Managing Director, Head of Asia (Metal & Mining) in Standard Chartered Bank from 2009 to 2016. He joined Wilmar International Limited in 2017 and currently serves as the General Manager in the Business Development Division.

Mr. Gurpreet Singh Vohra attended three (3) out of four (4) Board Meetings held during the financial year ended 31 December 2019. He does not have any family relationship with any Director and/or major shareholder, nor any conflict of interest with the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

## PROFILE OF BOARD OF DIRECTORS AND KEY SENIOR MANAGEMENT (CONTINUED)

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### MR. LIEW KUO SHIN

#### **Non-Independent Executive Director/Key Senior Management**

Age 42, Male, Malaysian

Mr. Liew Kuo Shin was reappointed to the Board on 28 August 2019 and serves as a Non-Independent Executive Director of the Company. He also serves as Chief Sustainability Officer of the Sustainability Committee, a member of Risk Management Working Committee and various Committees of the 3A Group. Previously, he was an Alternate Director to Executive Director, Mr. Fong Chu King from Feb 2012 to August 2019.

Mr. Liew Kuo Shin graduated as a Mechanical Engineer and has joined the Company in 2001. He currently holds the position of General Factory Manager and oversees the daily operations and overall co-ordination of all the manufacturing plants. He is also the Head of Logistic and Maintenance Department of SSSFI.

Mr. Liew Kuo Shin attended one (1) Board Meeting held during the financial year ended 31 December 2019 since his appointment as Director on 28 August 2019. He is the spouse of Ms. Fang Siew Yee, a major shareholder of the Company. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

### MS. FANG SIEW PING

#### **Non-Independent Executive Director/Key Senior Management**

Age 38, Female, Malaysian

Ms. Fang Siew Ping was reappointed to the Board of the Company on 28 August 2019 and serves as a Non-Independent Executive Director of the Company and its wholly-owned subsidiary, SSSFI. She also serves as a member of the Risk Management Committee, Sustainability Committee and various Committees of the 3A Group. Previously, she was an Alternate Director to Executive Director, Ms. Fang Siew Yee from Feb 2012 to August 2019.

Ms. Fang Siew Ping holds a Bachelor Degree in Chemistry from the University of Kentucky, USA. She joined SSSFI in 2004 and currently serves as Senior Manager of Business Development cum Research and Development. She collaborates with the Sales and Marketing team for new business opportunities and she is also Head of R&D and Quality Assurance Department of SSSFI.

Ms. Fang Siew Ping attended one (1) Board Meeting held during the financial year ended 31 December 2019 since her appointment as Director on 28 August 2019. She is the daughter of Mr. Fang Chew Ham and a sibling of Ms. Fang Siew Yee, who both are the major shareholders of the Company. She has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

**MS. FANG SIEW YEE****Senior Manager/Key Senior Management**

Age 40, Female, Malaysian

Ms. Fang Siew Yee was appointed to the Company in 2011 and currently serves as the Senior Manager. She also serves as a member of the Risk Management Working Committee and Sustainability Committee of the Company. Previously, she was a Non-Independent Executive Director from March 2004 to August 2019.

Ms. Fang Siew Yee holds a Bachelor of Arts with Honours in Business Management from University of Greenwich, London. She is responsible for the overall business operations and corporate plans of the Company.

Ms. Fang Siew Yee is the spouse of Executive Director, Mr. Liew Kuo Shin and a sibling of Executive Director, Ms. Fang Siew Ping. She is also the daughter of Mr. Fang Chew Ham, a major shareholder of the Company. She has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

**MR. FONG PENG FAI****Group Financial Controller/Key Senior Management**

Age 43, Male, Malaysian

Mr. Fong Peng Fai was appointed to the Company in 2013 and currently serves as the Group Financial Controller. He graduated with a Bachelor of Commerce majoring in Accounting from University of Otago, New Zealand. He is a Chartered Global Management Accountant of the Chartered Institute of Management Accountants ("CIMA"), UK and American Institute of CPAs ("AICPA") and a member of the Malaysian Institute of Accountants ("MIA").

Mr. Fong Peng Fai also holds a Masters of Business Administration from University of Strathclyde, UK. His professional working experience started in external audit firms. Then he moved on to business recovery and consulting assignments in PriceWaterhouseCoopers and later, he joined Digi as Head of Accounting and Financial Reporting.

Mr. Fong Peng Fai is the son of Managing Director, Mr. Fong Chu King @ Tong Chu King. He has no convictions for any offences within the past five years (other than traffic offences, if any), nor any public sanction or penalty imposed by regulatory bodies during the financial year.

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

We are proud to report commendable results for the financial year ended 31 December 2019 in spite of the challenging business environment.

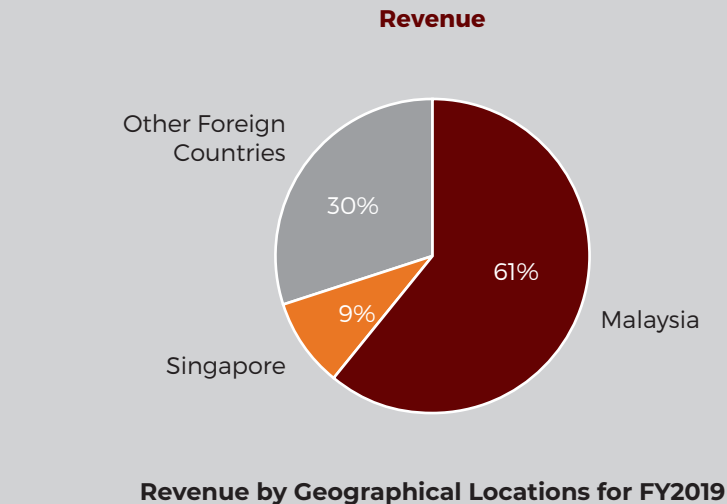
The Group attributed its continued success to our business philosophy, careful planning and execution of multi-year strategic business plans. Again, the achievements are the result of our business philosophy of good product quality at competitive prices and also continuous investments on production facilities including automation to improve capacity and efficiency. These strategic plans were executed with meticulous planning and execution of suitable marketing strategies and investment decisions.

In view of the persistent rise in energy and packaging costs, the Group is carefully adapting to market conditions with our core competency to develop new products with excellent quality and also our agility to change the sales mix.

Although the Group remains cautious in our business approaches, the Group is continuing its business plans to commit adequate resources to expand and upgrade production plants. The Group strongly believes that we are on target to be a recognised global leader in the food and beverage ingredients industry known for products with exceptional quality.

## FINANCIAL REVIEW

The Group recorded higher profit before tax and profit after tax of RM40.2 million and RM29.4 million respectively for FY2019 as compared with RM34.2 million and RM29.1 million respectively in FY2018. This was achieved albeit the Group recorded a slightly lower revenue



for FY2019 of RM436.0 million as compared with RM437.9 million in FY2018. On another positive note, our export revenue grew to 39% of our total revenue as compared with 34% in FY2018.

The Group credited the better performance to relatively stable raw materials costs coupled with effective sales mix and product pricing strategies in FY2019 as compared to FY2018. This was achieved even though the Group registered impairment losses on trade receivables amounting to RM2.2 million in FY2019.

During the year, the Group continued with its business strategies to develop good quality products and services in order to serve our valued customers better. Besides, the Group also carried out initiatives on operational efficiency in our manufacturing plants through upgrading and modernisation engineering works. These plans are long-term in nature in order to enable us to reduce the reliance on foreign labour and to enhance our manufacturing facilities to be more efficient to produce more as well as to generate cost savings.

At the end of financial year 2019, total cash holdings of the Group were RM44.2 million as compared to RM9.0 million in the last financial year. Meanwhile, our total borrowings remain manageable at RM14.5 million. The Group is in a sound financial position to continue with the implementation of our business plans to achieve our vision.





As at 31 December 2019, total assets and shareholders' equity of the Group grew to RM406.5 million and RM348.1 million respectively. We wish to report that the Group's net asset per share stood at 70.7 sen as at the end of 2019 and earnings per share for the year was 6.0 sen.

### OUTLOOK AND PROSPECTS

The Group expects the ongoing automation plans for selected production plants to significantly improve plant efficiency and achieve savings in manpower costs, especially from the recently commissioned plants. Besides, the Group also believes such efforts will bring major improvements to products' quality in

order to meet untapped customers' stringent requirements.

In addition, the Group foresees the utilisation of maltodextrin plant no. 3 to gradually improve and eventually achieve optimal utilisation by the end of year 2020. A large number of major customers have conducted audits and subsequently approved the plant by the end of last year. Maltodextrin plant no. 3 was designed to produce certain grades of maltodextrin products for certain specific applications. Furthermore, maltodextrin plant no. 2 is currently being upgraded with the installation of a leading-edge automatic product packing machinery. Once completed, the plant will become more efficient and we will also be able to meet complex packaging demands from a growing segment of large and sophisticated customers.

Besides, the expansion and upgrading of the glucose plant was completed in year 2019 and was meant to increase its capacity to meet the surge in demand. In view of the increase in demand for maltodextrin products, the Group is planning to construct another glucose plant with a higher capacity and the decision should be made by the end of year 2020.

As part of our review of operations, the Group is also carrying out a feasibility study to convert our first-generation maltodextrin plant to produce caramel powder and other powder products.

In response to the increasing demand for our HVP and caramel products, the Group had launched capacity expansion plans for both plants. The expansion of the existing HVP production plant and the subsequent relocation of the Vinegar production plant would take place towards the end of year 2020. Besides, there are plans for the setting up of new

laboratory facilities while construction of a new office building cum warehouse is currently underway and expected to be completed by the third quarter of 2020.

Our products are getting more acceptance globally as our sales to overseas markets continue to grow strongly. Backed by more than four decades of experience in the food and beverage industry, the Group is aware of the need to continue developing products to meet the ever-changing customers' requirements everywhere. The Group will leverage on our core competency and also continue to invest in research and development to stay ahead of the competition. We also hope our efforts can broaden the range of our existing products. So, the Group is committed to allocate resources to put in place up-to-date and modern laboratory facilities and also recruit suitably qualified skilled personnel.

Although the Group is confident of our prospects, we remain cautious of



## MANAGEMENT DISCUSSION & ANALYSIS (CONTINUED)

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key challenges, amongst others, in the forms of volatility in raw materials prices and fierce competition in the market. In order to counter the volatility in raw materials prices, the Group continues with expansion plans of warehousing facilities. In terms of market competition, the Group will continue to make necessary adjustments to our marketing strategies. So far, the Group has achieved encouraging outcomes from our initiatives based on the results for the financial year 2019.

We are pleased to inform that the Group continues to maintain a healthy cash flow and remains in a strong financial position. So, the Group has the ability to carry out all of our business plans laid out above with our internally generated funds and also banking facilities that are already made available to the Group.

As the Group continues with our business activities, we remain true to our philosophy of producing safe and quality products at competitive pricing. The Groups strongly believes that we can realise our vision to become a recognised market leader in the industry globally.

### DIVIDENDS

On the payment of dividend, the Board of Directors has always taken the shareholders' interests as well as the financial positions of the Group into consideration before making any decisions. Key factors such as cash flow requirements for operating and investing activities and market conditions are considered before decisions are made.

After taking into account the financial positions of the Group, the Board of Directors had declared an interim dividend per share of 2.0 sen for FY2019, amounting to total dividend payout of RM9.84 million and was paid on 20 December 2019.

### NOTE OF APPRECIATION

First and foremost, we would like to welcome Dato' Jagjit Singh a/l Bant Singh to the Board and we believe the Group will benefit greatly from his vast knowledge and experience.

We would like to thank all devoted employees of the Group for their hard work to produce good results in 2019 in spite of the challenging market conditions. The Management strongly believes that we would be able to overcome all prevailing uncertainties in the business environment and continue to deliver good performance in the future.

We also would like to thank our loyal shareholders, customers, vendors, bankers and business associates for all the support and confidence in the Group.

Last but not least, we would like to appreciate all Board members who have contributed to the success of the Group with their extraordinary leadership and commitment.

Thank you.



#### REVENUE

RM **436.0**  
2019

RM **437.9**  
2018

**-0.4%**  
% change



#### PROFIT BEFORE TAX

RM **40.2**  
2019

RM **34.2**  
2018

**17.7%**  
% change

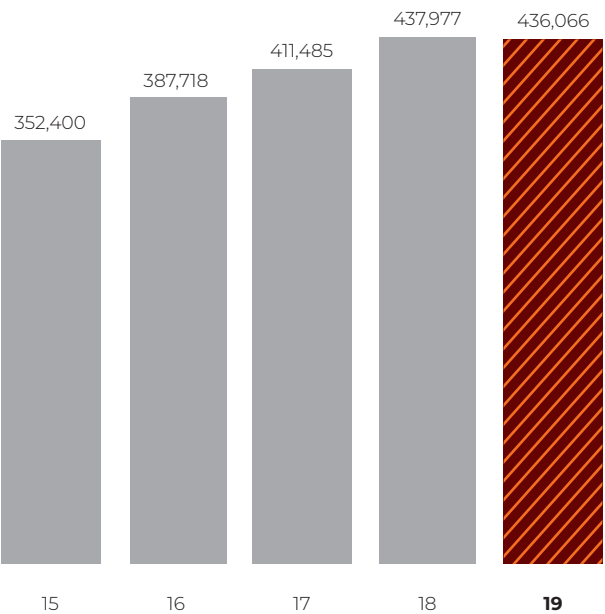
# FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

	<b>2019</b> <b>RM'000</b>	<b>2018</b> RM'000	<b>2017</b> RM'000	<b>2016</b> RM'000	<b>2015</b> RM'000
Revenue	<b>436,066</b>	437,977	411,485	387,718	352,400
Profit Before Tax	<b>40,259</b>	34,204	55,790	53,448	30,350
Profit After Tax	<b>29,419</b>	29,120	41,647	38,921	20,082
Total Assets	<b>406,519</b>	394,502	372,415	339,577	319,119
Total Liabilities	<b>58,345</b>	65,907	63,100	60,142	70,948
Share Capital	<b>149,087</b>	98,400	98,400	78,720	78,720
Shareholders' Equity	<b>348,174</b>	328,595	309,315	279,435	248,171
Earnings per Share(sen)	<b>6.0</b>	5.9	9.2	8.6	5.1
Net Assets per Share (sen)	<b>70.7</b>	66.7	62.9	71.0	63.1
Net Dividend per Share (sen)	<b>2.0</b>	2.0	1.8	1.8	1.4
Return on Equity	<b>8.4</b>	8.9	13.4	13.9	8.1
Return on Assets	<b>7.2</b>	7.4	11.1	11.5	6.3
Dividend Payout Ratio	<b>33.3</b>	33.9	21.3	18.2	27.5

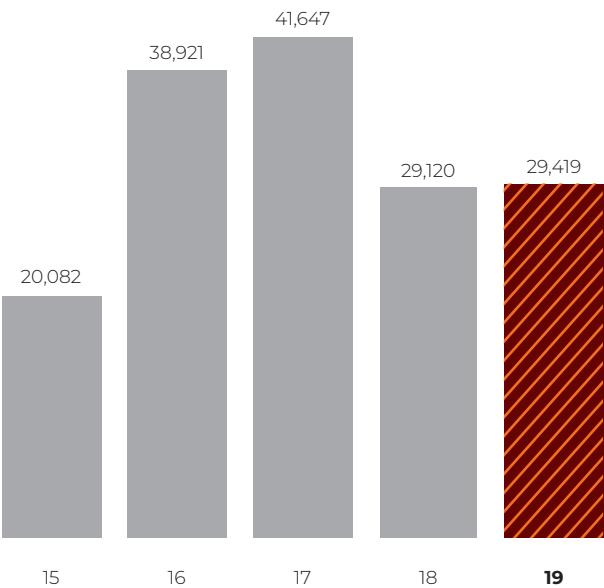
FIVE-YEAR  
GROUP FINANCIAL HIGHLIGHTS (CONTINUED)

14

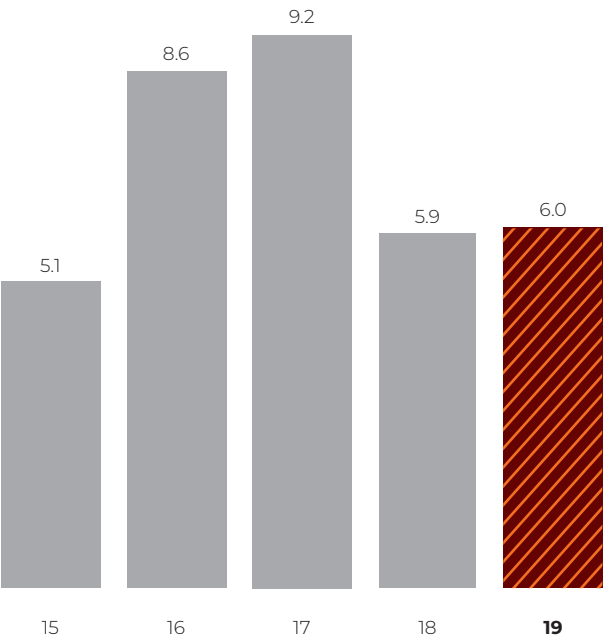
REVENUE  
(RM'000)



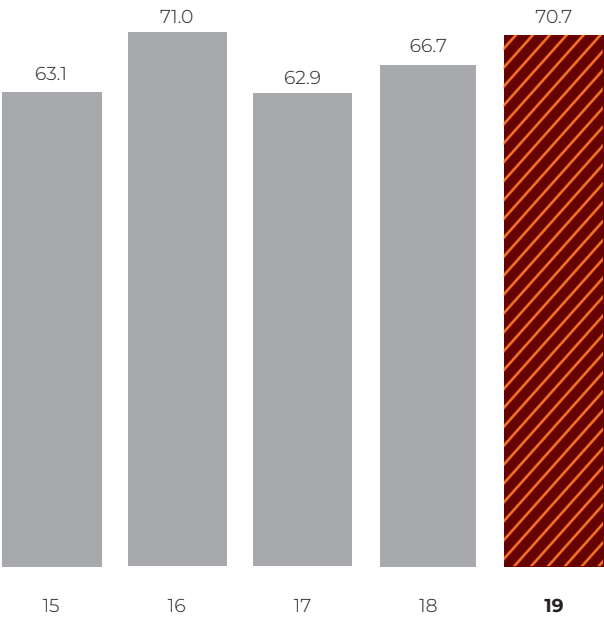
PROFIT AFTER TAX  
(RM'000)



EARNINGS PER SHARE  
(Sen)

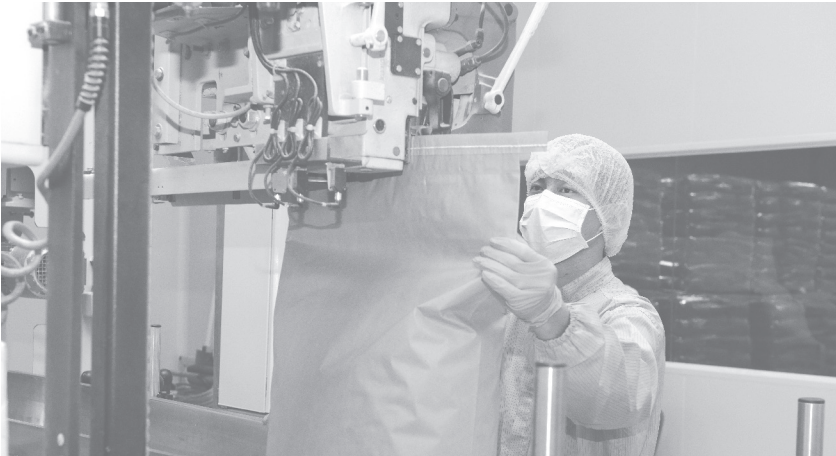


NET ASSETS PER SHARE  
(Sen)





# SUSTAINABILITY STATEMENT



## CORE VALUES AND BUSINESS PRINCIPLES IN SUPPORT OF SUSTAINABILITY

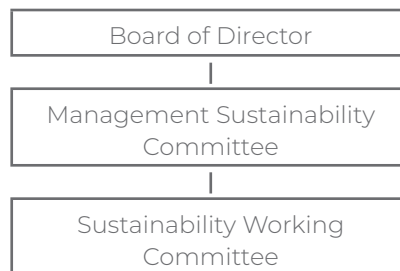
Sustainability is a key aspect in our conduct of business and the following are our core values that are firmly ingrained in us:

- Our Mission is to excel as One of the Global Quality Brands in the Industries with our strong commitment to produce safe and quality products that exceed our customers' expectations;
- We value the environment and we always do our best to protect the environment and conserve resources in our business activities;
- We commit to maintain high standards of integrity and corporate governance practices in order to achieve excellence in our daily operations;
- Our business activities impact our local communities and we include community considerations and values into our decision-making and business practices; and
- For our shareholders, we work to achieve sustainable long term growth.

## Scope of Sustainability Report

This report covers the reporting period between January and December 2019. It encompasses the operations of Three-A Resources Berhad (199901006659) (481559-M) (Company) and its subsidiaries (Group).

## Governance Structure in Place



The Board of Directors ("the Board") governs and supervise the sustainability matters of the Group. They are supported by the Management Sustainability Committee ("MSC") that comprises of members of the Management who makes recommendations to the Board on significant economic, environmental and social ("EES") sustainability matters. In turn, a Sustainability Working Committee ("SWC") assists the MSC and is responsible for the identification, implementation, assessment, monitoring and reporting of sustainability matters.

Amongst the Roles and Responsibilities of the Management Sustainability Committee include:

- Advise the Board on the strategies in the area of sustainability;
- Recommend to the Board for its approval on material sustainability matters identified, sustainability-related policies and its goals or targets;
- Monitor the implementation of sustainability strategies, policies and initiatives as approved by the Board with assistance from the SWC;
- Oversee the management of sustainability matters, with particular focus on matters material to the organisation; and
- Oversee stakeholder engagement to ensure that issues, grievance and suggestions raised are taken into consideration in managing sustainability matters; and
- Oversee the preparation of Sustainability Statement and recommending it for Board's approval.

The Board had considered and incorporated those EES matters relevant to us and is proud to present the Group's Sustainability Report for the year 2019.

## Determination of Material Sustainability Matters

We have reviewed and identified the following stakeholders who wield significant impact and particular influence in our business as below:

- Shareholders
- Customers
- Suppliers
- Employees
- Local communities
- Government/regulators

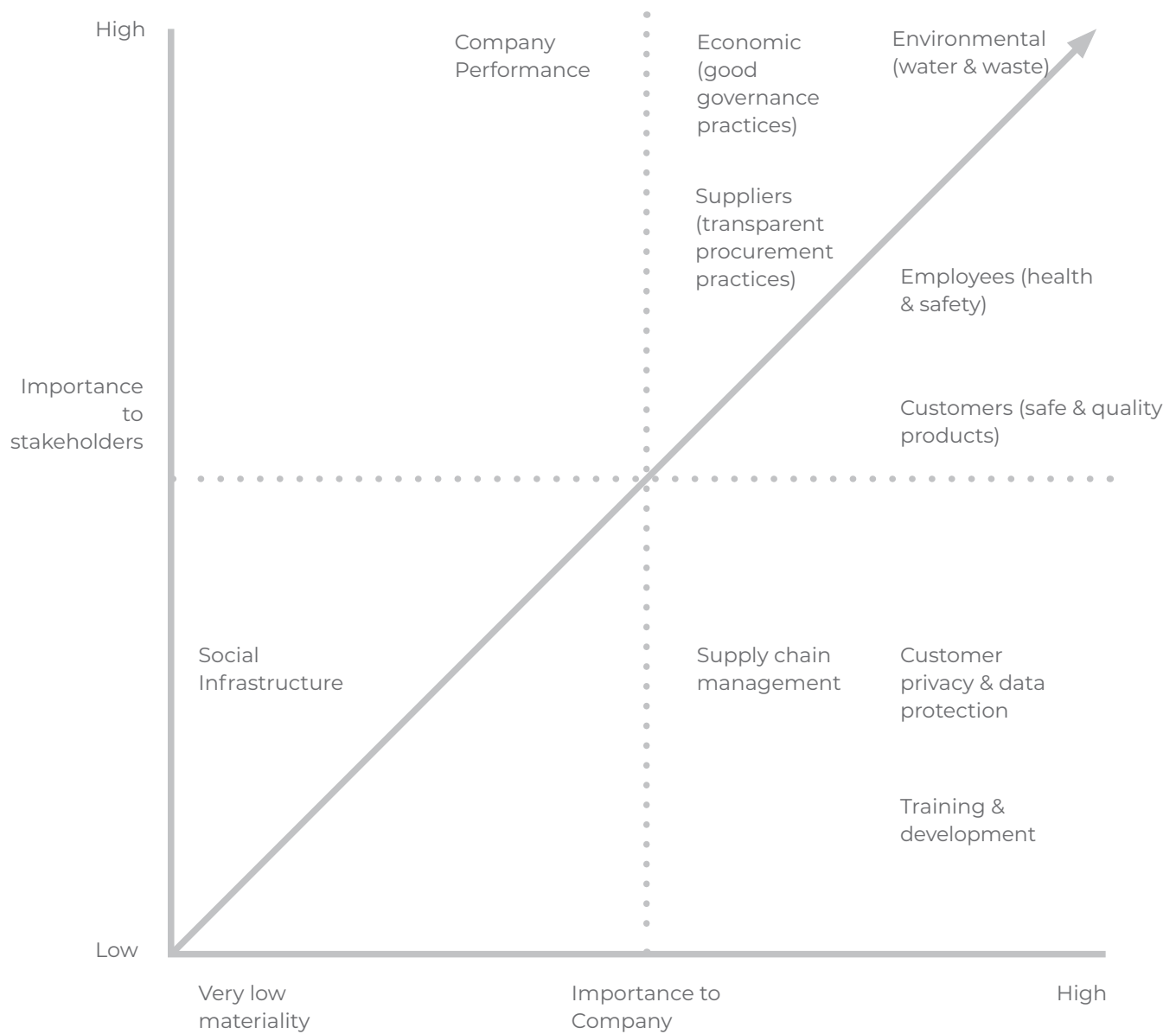
## SUSTAINABILITY STATEMENT (CONTINUED)

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### Key Stakeholder Groups and Types of Engagement Conducted

STAKEHOLDER GROUP	TYPE OF ENGAGEMENT	SUSTAINABILITY MATTERS DISCUSSED
 <b>Shareholders</b>	<ul style="list-style-type: none"> <li>Investors/analysts briefings</li> <li>Investor relationship feedback</li> <li>Website</li> </ul>	<ul style="list-style-type: none"> <li>Company performance</li> <li>Corporate governance</li> </ul>
 <b>Customers</b>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Survey feedback</li> </ul>	<ul style="list-style-type: none"> <li>Safe and Quality products</li> <li>Compliances to International Quality Standards</li> </ul>
 <b>Suppliers</b>	<ul style="list-style-type: none"> <li>Regular meetings</li> <li>Site visits</li> <li>Correspondences</li> </ul>	<ul style="list-style-type: none"> <li>Suppliers chain responsibility</li> <li>Transparent procurement practices</li> <li>Ethical practices</li> </ul>
 <b>Employees</b>	<ul style="list-style-type: none"> <li>Management meetings</li> <li>Feedback and survey</li> <li>Social events</li> </ul>	<ul style="list-style-type: none"> <li>Welfare and safety</li> <li>Talent attraction and development</li> <li>Environment responsibilities</li> </ul>
 <b>Regulators</b>	<ul style="list-style-type: none"> <li>On-site inspection</li> <li>Periodic meetings</li> </ul>	<ul style="list-style-type: none"> <li>Regulatory compliance</li> <li>Environmental concerns – water usage, waste management</li> </ul>
 <b>Local Communities</b>	<ul style="list-style-type: none"> <li>CSR events</li> <li>Site visit</li> </ul>	<ul style="list-style-type: none"> <li>CSR activities</li> <li>Air or water pollution at manufacturing plant</li> </ul>

## MATERIALITY MATRIX



## SUSTAINABILITY STATEMENT (CONTINUED)

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### SIGNIFICANT SUSTAINABILITY MATTERS (ECONOMIC, ENVIRONMENT AND SOCIAL)

#### Economic

The Group believes that adopting good governance practices provide long-term benefits and value creation towards sustainable growth and profitability. We uphold high standards of ethics and behaviours in the conduct of business with strict compliance with the laws and regulations of Malaysia and of those countries within the reach of our products.

The Group's Code of Ethics and Conduct ("the Code") describes the values and behaviours expected of our employees at the workplace and key principles by which business should be carried out with our stakeholders. In order to demonstrate our commitment, we make known the Code in our Group's website as awareness to all our stakeholders.

Similarly, we expect our business partners such as suppliers adhere to ethical procurement practices and follows best practices in standard operating and fair trading procedures. Whenever possible, we also encourage them to comply with industry best practices such as attaining the Hazard Analysis and Critical Control Point ("HACCP") and FSSC 22000 Food Safety System certifications.

Besides, the Group regularly review our policies and procedures and continuously enhance our corporate governance practices including put into place policies such as

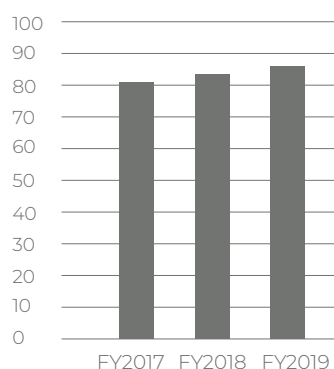
"No Bribery and Corruption Policy" in the Supplier Code of Conduct as well as "Whistle-Blowing Policy" to encourage the reporting of improper conduct.

A key element of the Supplier Code of Conduct is to ensure transparent procurement practices when procuring of raw materials and services.

As one of the leading food and beverage ingredients manufacturers in the country, we are committed to provide safe and quality products to our customers. Throughout the years, we have consistently ensure compliances to Food Safety System certifications including HALAL and KOSHER certifications.

As part of our commitment to meet our customers' expectations, we always gather feedback and suggestions to continuously improve our products and services. We are proud to inform that we have consistently received high customer satisfaction rates throughout the years as a testament of our efforts.

Customer Satisfaction Rate (%)



Indicator	2017	2018	2019
Customer satisfaction rate (%)	81.27	83.93	86.20

#### Environmental

Organisations are increasingly aware of the need to conduct businesses sustainably. One of the ways we do our part to protect the environment is through efforts to recondition our used plastic packaging containers and repackage them with our products. In this way, we drastically reduce the amount of plastic usage in our business.

Indicator	2017	2018	2019
Percentage of used plastic packaging containers reconditioned and reused by weight yearly (%)	29%	30%	28%

Besides, we advocate practices in conservation of energy including replacing old lighting systems with LED lighting systems in our facilities. We also tailor our work instructions, in particular to our production workers to ensure efficient use of energy, water and raw materials in all our operations. We also set limits to paper printing per user and we encourage our staff to go digital wherever possible.

We regularly conduct awareness sessions for all our staff on environmental protection initiatives together with posters and stickers in our premises.

#### Social

Our employees are most valuable to the Group and they give us strength to continue charging ahead. As a Group, we ensure we comply with the local labour laws and regulations.



## SIGNIFICANT SUSTAINABILITY MATTERS (ECONOMIC, ENVIRONMENT AND SOCIAL) (CONTINUED)

### Social (continued)

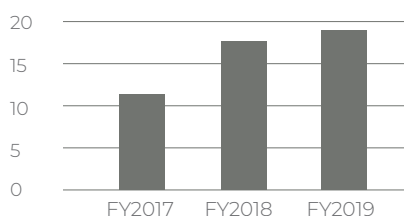
The Group also believes that diversity and equal opportunity in workplace enable us to be more progressive, creative and resilient in meeting challenges. With this in mind, we have policies to protect our employees, such as no discrimination on gender and ethnicity when assessing remuneration and promotion.

We look after our employee welfare by providing employee benefits such as insurance and medical. In order to instil a positive work environment, the Group had organised social activities such as annual dinner, sponsored sport activities and get-together events.

In 3A, we believe human capital development is a key factor for us to have sustainable long-term success. Therefore, we place utmost emphasis on talent management and development for our employees. We conduct a variety of training programmes to upscale our employees.

The Group has consistently invested in the training of our staff and officers. Our employees attend trainings that are required to them and the amount of time they spent on trainings for FYE 2019 is as follows:

Training & Talent Development  
Year 2017 to 2019



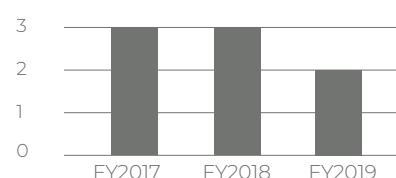
Indicator	FY17	FY18	FY19
Average Training Hours/Employee	11.66	17.25	18.17

One way that we promote safe working environment for our staff is by making sure our employees attend comprehensive training and awareness programs.

In addition, we also have an occupational safety and health policy that highlights our commitment in the following:

- prevention of injury to our employees and promote work life balance to keep our staff healthy;
- ensure compliance to laws and regulations in relation to occupational safety and health;
- require contractors to meet our occupational safety and health standards across all our operations; and
- instil a culture where all employees share the commitment to prevent harm to the safety and health of our employees, contractors and general public.

Workplace Health & Safety  
Year 2017 to 2019



Indicator	FY17	FY18	FY19
No of Accidents	3	3	2

### Our Community

As a responsible corporate citizen, we value our relationships with the local community and are concerned with its well-being and welfare. The Group continues to carry out various initiatives and activities such as to provide employment to people from the surrounding communities, contributions to various charitable causes and sponsorships of various social events.

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

**The Board of Directors (“the Board”) of Three-A Resources Berhad (“3A” or “the Company”) are committed to the best practices and principles of good corporate governance as set out in the Malaysian Code on Corporate Governance (“the Code”) as well as the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”) for the Main Market.**

Excellent corporate governance is essential to good business performance and the numerous past corporate governance awards accorded to 3A testify that the Board, Management and staff of 3A remain steadfast and focused in ensuring the highest level of corporate governance so that the interest of investors and all other stakeholders are well taken care of.

This Corporate Governance Overview Statement is to be read in conjunction with the Corporate Governance Report (“CG Report”) which contains detailed application for each practice as set out in the Code for the financial year 2019 and is made available on the corporate website; [www.three-a.com.my](http://www.three-a.com.my).

## **A. BOARD LEADERSHIP AND EFFECTIVENESS**

### **1.0 Board’s Leadership on Governance and Objectives**

The Board is responsible for the overall governance of the Group and discharges this responsibility through compliance with relevant rules, laws, regulations, directives and guidelines in addition to adopting the best practices in the Code. Collectively, the Directors combine their diverse experience and qualifications on commercial, regulatory, industry and financial expertise to discharge their duties and responsibilities.

The Board’s main responsibility is to lead and manage the Group in an effective manner including to develop strategic directions and objectives in line with its vision and missions, implement plans and supervise the conduct of the Group’s business as a whole. The Board’s role is to provide leadership of the Group within a framework of prudent and effective controls whilst ensuring risks are consistently assessed and controlled.

The Board conducts ongoing review and evaluation of the Group’s strategic plans to ensure the Group’s focus is in line with the constantly evolving market conditions as well as identifying new businesses and opportunities. The Board also ensures that an adequate system of internal controls is in place and adopts appropriate measures to mitigate any foreseeable and/or unexpected risks.

The Board Members are attentive to applying high ethical standards in their decision-making, taking into account the interests of all stakeholders.

Certain functions of the Board have been delegated to various Board Committees, which reviews and make recommendations to the Board on specific areas. There are currently four Board Committees, namely: -

- Audit Committee (“AC”);
- Nomination Committee (“NC”);
- Remuneration Committee (“RC”); and
- Risk Management Committee (“RMC”).

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 1.1 Duties and Responsibilities of the Board

The Company acknowledges the importance of having an effective Board for the overall governance and management of the Group. The core responsibilities of the Board include reviewing and approving the Company's business strategies and plans, significant policies and monitoring the Management's performance in implementing them.

In carrying out their duties and responsibilities, the Board exercises great care to ensure that high ethical standards are upheld, and that the interest of stakeholders are not compromised. The Board Members are consistently mindful that the interests of the Group's stakeholders are always being protected.

The Board's principle functions include the following responsibilities:-

- approves the Group's medium-term and long-term strategic business plans;
- oversees the conduct of the Group's business operations and financial performance against the approved strategic business plans;
- ensures that the operating infrastructure, systems of control, systems of risk management as well as financial and operational controls are in place and properly implemented; and
- undertakes various functions and responsibilities as specified in guidelines and directives issued by the regulatory authorities from time to time.

The Independent Non-Executive Directors by virtue of their roles and responsibilities, in effect represent the minority shareholders' interest of the 3A Group. The Independent Non-Executive Directors engage proactively with the Management and with both the external and internal auditors. The Independent Non-Executive Directors play a significant role in bringing objectivity and scrutiny to the Board's deliberations and decision-making. They also serve to inspire and challenge the Management in an objective and constructive manner.

In enhancing the function of the Independent Non-Executive Directors, the Board has also defined their roles and responsibilities to include the following:-

- provides independent and objective views, assessment and suggestions in Board's deliberations;
- ensures effective check and balance in the Board's proceedings;
- mitigate any possible conflict of interest between the policy-making process and the day-to-day management of the Group; and
- constructively challenge and contribute to the development of the business strategies and direction of the Group.

The Independent Directors are at liberty to obtain advice from independent professionals if deemed necessary for the proper discharge of their duties at the expense of the Group. The Independent Directors also have direct access to the advice and services of internal and external auditors and the Company Secretary who is responsible for ensuring that the Board procedures are followed. The Group has in place a procedure whereby the Independent Director who wishes to obtain advice from independent professionals, will seek approval from the Chairman of the Board and will obtain and submit a quotation of fee for the Board's approval prior to the engagement of such independent professionals.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 1.2 Board Meetings and Supply of Information to the Board

Board meetings for the following financial year are scheduled in advance before the end of the current financial year so as to facilitate the Directors to plan ahead and organise the next year's Board meetings into their respective schedules.

The Chairman of the respective committees would inform the Directors at Board meetings, of any salient matters noted by the committee and which require the Board's notice or direction.

The members of the Board are provided with the agenda and board papers including status report, quarterly report, performance and management report at least five (5) business days before each meeting so that the Directors have ample time to review matters to be deliberated at the Board meeting and to facilitate informed decision making by the Directors. The Chairman of all Board meetings ensured that each of the agenda items is adequately reviewed and thoroughly deliberated within a reasonable timeframe.

The board papers provide, amongst others, periodical financial and corporation information, significant operational, financial and corporate issues, by the Group and management proposals that requires Board's approval.

At the Board meetings, the Board reviews the Group's business operations by analysing the financial statements and its accompanying notes and disclosures as contained in the quarterly report of the Group as compared to the same corresponding period. The Board also notes the decisions and salient issues deliberated by the Audit Committee which are tabled to the Board.

The Directors are regularly updated by the Company Secretary on the new statutory as well as regulatory requirements relating to Directors' duties and responsibilities or the discharge of their duties as Director of the Company. The Company Secretary attends all Board meetings and ensures that accurate and adequate records of the proceedings of the Board meetings and decisions made are properly kept.

All Board members have full and timely access to information on the Company's businesses and affairs for the discharge of their duties and responsibilities. Where necessary, senior management staff as well as advisors and professionals appointed to act for the Company on corporate proposal may be invited to attend the Board meeting to furnish the Board with their comments and advice on the relevant proposal tabled.

#### 1.3 Board Charter

The primary objective of the Company's Board Charter ("Charter") is to set out the roles and responsibilities of the Board to achieve the vision and mission of the Company. The Board is guided by the Charter which provides reference for Directors in relation to the Board's role, powers, duties and functions.

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 1.3 Board Charter (Continued)

Apart from reflecting the current best practices and the applicable rules and regulations, the Charter also outlines processes and procedures for the Board and their committees to be effective and efficient. The Board will regularly review the Charter to ensure it remains consistent with the Board's objectives and responsibilities and all the relevant standards of corporate governance. The Board Charter is made available on 3A's website, [www.three-a.com.my](http://www.three-a.com.my).

### 1.4 Sustainability of Business

The Board is mindful of the importance of business sustainability and its growing impact to the Group, whilst no less emphasis been put into managing the social and environmental impact of its business operations. The Group also embraces sustainability through collaboration and partnership with its suppliers, customers and other stakeholders. The Group is committed to the continuous efforts in maintaining a delicate balance between the sustainability agenda and the shareholders' interests.

### 1.5 Board Gender Diversity Policies and Targets and the Measures

The Board takes note of the need to establish a policy formalising the approach to boardroom diversity and to set targets and measures for the adoption of the Practice 4.5 of the Code. However, the Board has no immediate plans to implement a diversity policy or target but will continue to identify suitable candidates for appointment to the Board as and when vacancies arise. Such candidates will be strictly assessed based on merit, their competencies, time commitment, experience, gender diversity, age and cultural background competencies required for an effective Board.

A NC will oversee the overall composition of the Board and Board Committees, including succession planning to maintain the appropriate size and skills, the balance between Executive Directors, Non-Executive Directors and Independent Directors as well as the mixture of skills and other core competencies required on the Board.

### 1.6 Code of Conduct and Ethics

The Board will continue to adhere to the Code of Conduct and Ethics which is applicable to all directors, management and employees of the Group. The Code of Conduct and Ethics as established by the Board which was published in the Company's website, [www.three-a.com.my](http://www.three-a.com.my) is based on the following principles:-

- Uphold of human rights of workers and commitment to a safe and healthy work environment;
- Social responsibility and protection of the environment;
- Duty to act in the best interest of the Group;
- Conduct of fair trade in business;
- Honesty and integrity;
- No conflict of interests and no-profit rule; and
- Compliance with legal and regulatory requirements and Group policies.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 1.7 Whistle-Blowing Policy

The Board acknowledges that misconduct such as violation of laws, rules, regulations, production fraud, health and safety infringements or corruption are usually known first by people who work in or with the Group. An early warning system such as a whistle-blowing policy and procedure can help the Group to detect wrongdoings and alert the Group to take corrective action before a problem becomes a crisis.

The Board in its effort to enhance corporate governance has put in place a whistle blowing policy to provide an avenue for employees, suppliers and stakeholders to report genuine concerns about malpractices, unethical behaviour or misconduct without fear of reprisal. Any concerns raised will be received by the members of the Whistle-blowing Committee, investigated and outcome of such investigation will be reported to the Board. Appropriate action will be taken to resolve the issue. The whistle-blower's identity will be kept confidential. 3A will assign a senior officer from the Human Resources ("HR") Department as Whistle-blower protector who will keep in touch with the whistle-blower to monitor and assess any signs of victimisation or stress.

#### 1.8 Promoting Sustainability

3A's approach to governance is to drive business revenues and profits and manage risks prudently in order to deliver long-term profitability and provide value to shareholders on a sustainable basis. This includes meeting expectations of stakeholders such as customers, shareholders, regulators, bankers, joint-venture partners and the communities in which 3A operates.

The Board and Management of 3A uphold Sustainability efforts in terms of achieving Economic, Environment and Social sustainable objectives as part of its responsibility to its stakeholders and the communities in which it operates. 3A is committed to the implementation of safe work practices and aims to provide an injury-free workplace for all its employees. Besides, 3A is dedicated to do its part to protect the environment in its business activities and support the local communities.

#### 1.9 Qualified and Competent Company Secretaries

The Company Secretaries are appointed by the Board. The appointments are based on criteria related to the qualifications, experience and competence of the individual concerned to carry out their duties and responsibilities having regard to the 3A's business, size of operations and compliance with the Listing Requirements. The Company Secretaries are MAICSA members and their role and responsibilities includes the following:-

- preparation and submission of forms as required under the Companies Act 2016 to the Companies Commission Malaysia;
- ensure compliance of regulatory requirements, updates on new Bursa Malaysia Listing Requirements to the Board;
- submissions of corporate announcements electronically via LINK to Bursa Malaysia Securities Berhad;
- support the Board by ensuring adherence to Board policies and procedures, rules, relevant laws and best practices on Corporate Governance;
- attendance at Annual General Meeting, Audit Committee, Nomination Committee and Remuneration Committee meetings and ensure minutes of meetings are well documented; and
- follow-up on matters arising.

The Board is satisfied with the performance and support rendered by the Company Secretaries in assisting them to discharge their duties.

## **A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)**

### **2.0 Board Composition**

Good governance principles require fairness, transparency, accountability and responsibility. The Board acknowledges the importance of the Board structure.

The Board consists of ten (10) members; comprising two (2) Non-Independent Non-Executive Directors, three (3) Non-Independent Executive Directors (including the Managing Director) and five (5) Independent Non-Executive Directors. Half of the Board members are Independent Non-Executive Directors.

The Board comprises members with a wide range of business, financial and technical service background. The size of the Board is optimum given the scope, size and complexity of the Group's operations. The composition of the Board complies with the Bursa Malaysia Securities Berhad/Main Board Listing Requirements that requires a minimum of two (2) or one-third (1/3) of the Board to be Independent Directors. With this existing composition, the Board has further fulfilled Practice 4.1 of the Code whereby at least half of the Board Composition comprises of Independent Directors.

There is a clearly accepted division of responsibility between the Chairman and the Managing Director to ensure balance of power and authority. The Executive Directors have primary responsibilities for managing the Group's day-to-day operations and together with the other Directors, to ensure that the strategies are fully discussed and examined and to take into consideration the long term interests of the various stakeholders including shareholders, employees, customers, suppliers and the various communities in which the Group conducts its business.

The Independent Non-Executive Directors do not engage in the day-to-day management of the Group and do not participate in any business dealings and are not involved in any other relationship with the Group. This ensures that the Independent Non-Executive Directors remain free from conflict of interest and facilitate them to carry out their roles and responsibilities as Independent Directors effectively. The Independent Directors are at liberty to seek independent professional advice on matters relating to the discharge of their duties. The cost of securing such professional services will be borne by 3A.

### **2.1 Appointment to the Board**

The proposed appointment of a new Member to the Board will be deliberated on by the full Board based upon a report, prepared by the Nomination Committee on the necessity for and qualification and experience of the proposed Director.

The appointment of any additional Director is made as and when it is deemed necessary by the Board with due consideration given to the mix of expertise, skills, experience, gender diversity, age and cultural background competencies required for an effective Board.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 2.2 Re-Election of Directors

In accordance with the Company's Constitution, it provides that at every Annual General Meeting, at least one-third (1/3) of the Directors for the time being shall retire from office and be eligible for re-election provided always that all Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election.

The re-election of Directors at the Annual General Meeting is subject to the prior assessment by the Nomination Committee.

The Directors, namely, Mr. Tan Chon Sing @ Tan Kim Tieng (Independent Non-Executive Director) and Mr. Loo Cheau Leong (Non-Independent Non-Executive Director) are due to retire pursuant to Clause 76(3) of the Company's Constitution while Dato' Jagjit Singh a/l Bant Singh (Independent Non-Executive Chairman), Mr. Liew Kuo Shin (Executive Director) and Ms Fang Siew Ping (Executive Director) are due to retire pursuant to Clause 78 of the Company's Constitution at the forthcoming Annual General Meeting.

In determining whether to recommend a Director for re-election, the aforesaid Director's time commitment such as attendance at meetings, participation, contribution to the activities of the Board, character, integrity and experience will be duly considered by the Nomination Committee.

The Nomination Committee is satisfied that the abovementioned Directors have met the requirements set out above and have recommended to the Board of Directors for their re-election at the forthcoming Annual General Meeting. All the above-mentioned Directors (except for Mr. Loo Cheau Leong who had indicated that he would not be seeking for re-election and would retire as Director at the forthcoming Annual General Meeting) have consented to serve as Directors, if re-elected by the shareholders at the forthcoming Annual General Meeting.

The Directors of 3A are individuals of high calibre and integrity and their knowledge and expertise in their respective fields bring perspectives from other businesses, thereby enhancing the effectiveness of the Board and Board Committees.

The Board is of the view that given the size of the Group and its business complexity, the current number of Directors remains optimum and conducive for effective deliberations at Board meetings and for efficient conduct of Board meetings.

The profile of the above Directors is set out in the section entitled "Profile of Directors" on pages 4 to 8 of 2019 Annual Report.

#### 2.3 The Board Committees

The Board delegates certain authorities to the Board Committees that operate under clearly defined written terms of reference and operating procedures duly approved by the Board.

The functions and terms of reference of the Board Committees as well as authority delegated by the Board to these Committees, have been approved by the Board and are reviewed from time to time to ensure that they are relevant and up-to-date.

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2.3 The Board Committees (Continued)

The various Committees report the outcome of their meetings to the Board which are then incorporated in the Board's minutes. The Board Committees are as follows:-

- Audit Committee;
- Nomination Committee;
- Remuneration Committee; and
- Risk Management Committee.

### 2.4 Nomination Committee

The Board has established a Nomination Committee ("NC") and its principal objectives are in line with the term of reference of the NC which is available in the Company's website, [www.three-a.com.my](http://www.three-a.com.my). as follows:-

- To assist the Board in evaluating and proposing nominees for appointment to the Board;
- To oversee the overall composition of the Board and Board Committee in terms of the appropriate skills and size, the balance between Executive Directors, Non-Executive and Independent Directors and the mixture of skills and other core competencies required through annual review;
- To assist the Board annually in carrying out annual assessment on the effectiveness of the Board and Board Committees as a whole, the contribution, competencies, commitment and performance by each Director and the Board's various Committees. From the results of the assessment including the mix skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election of Directors at the Company's forthcoming Annual General Meeting;
- To review management's proposals for the appointment, dismissal, transfer and promotion of senior executives;
- To review Board's succession plans;
- To facilitate achievement of Board gender diversity, targets and measures to achieve it;
- To carry out the annual assessment of the independence of the Independent Directors; and
- To review training programme for the Board and to facilitate Board induction and training programme.

Meetings are held as and when necessary and at least once per year. The quorum for each meeting is two (2) members. Recommendations of the Committee are submitted to the Board for approval.

To carry out the assessment of those Directors who are eligible to stand for re-election, the NC will base on formal reviews of the performance of the Directors, their contribution to the Board through their skills, experience, strength and qualities, their level of independence and abilities to exercise independent judgment, demonstrate objectivity, clarity of thought during deliberations at meetings and ability to spend sufficient time and commitment to the Group.

That for the annual assessment carried out on the effectiveness of the Board and Board Committees as a whole, the Nomination Committee was satisfied with the existing Board composition and was of the view that all the Directors and Board Committee of 3A had discharged their responsibilities in a commendable manner and had performed competently and effectively. The Board's effectiveness is assessed in the areas of composition, administration and process, accountability and responsibility, conduct and communication, decision-making and Boardroom activities, each Director's skills and competencies, as well as Board diversity.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 2.4 Nomination Committee (Continued)

The NC had on 25 February 2020 reviewed and conducted the annual assessment for all Directors.

For the Board diversity, the evaluation of the candidates' suitability by the Board is solely based on their competence, character, time commitment, integrity and experience in meeting the needs of the Group.

For the financial year ended 31 December 2019, the Committee met three (3) times and the composition of the NC and their attendance at meetings of Committee are as follows:-

#### Members of Nomination Committee and Meeting Attendance during the financial year 2019

Membership Status	Name	Attendance
Chairman Independent Non-Executive Director	Mohd Zaki Bin Hamzah	3/3
Member Independent Non-Executive Director	Chew Eng Chai	3/3
Member Independent Non-Executive Director	Khoo Wee Boon	3/3
Member Independent Non-Executive Director	Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	-

The NC had undertaken the following activities in respect of the financial year ended 31 December 2019:-

- reviewed and recommended the appointment of new directors and new Chairman of the Board;
- reviewed the Self and Peer Assessment Forms of the Directors retiring pursuant to the Company's Constitution and re-election of Directors and submitted their recommendation for re-election at the 18th Annual General Meeting;
- reviewed the yearly Self and Peer Assessment Forms of Board Members, Board's mix of skills and performance of committees;
- reviewed the continuation in office of Independent Non-Executive Directors who have served the Board for more than nine (9) years and submitted their recommendation for retaining them as Independent Non-Executive Directors of the Company;
- reviewed the independence of Independent Directors; and
- key officer evaluation.

In 3A Group, all appointments and employments are based on merits and not determined by gender, ethnicity and age bias. The current structure of gender, ethnicity and age of the employees of the Group are as follows:-

Gender		Age		Ethnicity	
Male	88%	19 – 30	44%	Malaysian – Bumiputera	31.3%
Female	12%	31 – 40	37%	Malaysian – Chinese	7.4%
		41 – 50	15%	Malaysian – Indian	0.2%
		Above 51	4%	Foreigners	61.1%



## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2.5 Remuneration Committee

The Remuneration Committee has a formal and transparent procedure to review each Director's remuneration package which takes into consideration on corporate and individual performance; experience and level of responsibilities of the Directors concerned. The Remuneration Committee is responsible for recommending the remuneration framework for Directors, the remuneration packages of Executive Directors to the Board as well as to review and deliberate on the quantum of Directors' fee.

None of the Executive Directors participate in any way in determining their individual remuneration.

The Board as a whole determines the level of remuneration of Non-Executive Directors with individual Directors abstaining from decisions in respect of their individual remuneration. Directors' fees and benefits, if any, are approved at the Annual General Meeting by the shareholders.

The policy practiced on Directors' remuneration by the Remuneration Committee is to recommend the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Group and to align the interest of the Directors with those of the shareholders.

Information prepared by independent consultants and survey data on the remuneration practices of comparable companies are taken into consideration in determining the remuneration packages, where necessary.

The components of Directors' remuneration are structured so as to link rewards to corporate and individual performance in the case of Executive Directors. In the case of Non-Executive Directors, the level of remuneration reflects the experience and level of responsibilities undertaken by the individual Non-Executive Director concerned.

Meetings are held as and when necessary and at least once a year. The quorum for each meeting shall be two (2) members. Minutes of each meeting shall be kept by the Secretary as evidence that the Committee has discharged its functions.

The Remuneration Committee held three (3) meetings which were attended by all members during the financial year to review and recommend to the Board on the remuneration of the Directors.

#### Members of Remuneration Committee and Meeting Attendance during the financial year 2019

Membership Status	Name	Attendance
Chairman Independent Non-Executive Director	Tan Chon Sing @ Tan Kim Tieng	3/3
Member Independent Non-Executive Director	Chew Eng Chai	3/3
Member Independent Non-Executive Director	Khoo Wee Boon	3/3
Member Independent Non-Executive Director	Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	1/1
Member Independent Non-Executive Director	Dato' Mohd Nor Bin Abdul Wahid (vacated office on 14 March 2019)	–

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 2.6 Remuneration of Directors

The remuneration package for Directors comprise the following elements:-

- Directors' Fees**

The Directors' fees are only payable to Non-Executive Directors. The Remuneration Committee recommends the framework of Directors' fees to the Board. The fees structure is determined after a study of comparable organisations' practices as well as the level of responsibilities involved.

- Salaries and Bonuses**

The basic salaries for the Executive Directors are recommended by the Remuneration Committee to the Board for the approval of the Board. In the evaluation process, consideration is given to the salary scales for similar jobs in the industry.

The details of the remuneration Directors for the financial year ended 31 December 2019 are as follows:-

	<b>Fees (RM)</b>	<b>Salaries (RM)</b>	<b>Allowance (RM)</b>	<b>Bonus (RM)</b>	<b>Other Emoluments (RM)</b>	<b>Total (RM)</b>
<b><u>Received from the Company</u></b>						
Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	126,000	-	-	-	-	126,000
Chew Eng Chai	65,000	-	-	-	-	65,000
Tan Chon Sing @ Tan Kim Tieng	51,000	-	-	-	-	51,000
Mohd Zaki Bin Hamzah	51,000	-	-	-	-	51,000
Khoo Wee Boon	51,000	-	-	-	-	51,000
Loo Cheau Leong	15,000	-	-	-	-	15,000
Gurpreet Singh Vohra	15,000	-	-	-	-	15,000
	<b>374,000</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>374,000</b>
<b><u>Received from a Subsidiary</u></b>						
Dato' Mohd Nor Bin Abdul Wahid (vacated on 14 March 2019)	-	-	108,000	-	-	108,000
Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	48,000	-	-	-	-	48,000
Fang Chew Ham (resigned on 28 August 2019)	-	600,000	400,000	475,000	59,000	1,534,000
Fang Siew Yee (resigned on 28 August 2019)	-	280,000	40,000	170,000	58,800	548,800
Fong Chu King @ Tong Chu King	-	600,000	240,000	475,000	52,600	1,367,600
Fang Siew Ping (appointed on 28 August 2019)	-	156,000	20,000	96,333	32,680	305,013
Liew Kuo Shin (appointed on 28 August 2019)	-	156,000	20,000	96,333	32,680	305,013
	<b>422,000</b>	<b>1,792,000</b>	<b>828,000</b>	<b>1,312,666</b>	<b>235,760</b>	<b>4,590,426</b>

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2.7 Remuneration of Top Five Senior Management

The remuneration of top five Senior Management Team of the Group for the financial year ended 31 December 2019 is as follows:-

Range of Remuneration (RM)	Top Five Senior Management
RM750,000 - RM800,000	1
RM800,000 - RM850,000	1
RM900,000 - RM950,000	2
RM1,350,000 - RM1,400,000	1
Total	5

### 2.8 Independence of the Board

The Independent Non-Executive Directors with their extensive knowledge and experience contribute independent views, advice and judgement on interests, not only of the Company but also of shareholders, employees, customers and suppliers in which the Group conducts its business. Independent Non-Executive Directors are essential for protecting the interests of shareholders and stakeholders and can make significant contributions to the Group's decision making by bringing in detached impartiality.

The roles of the Independent Non-Executive Chairman and Managing Director of the Company are distinct and separate with individual responsibilities. Each of them has clearly defined duties and authority thus ensuring balance of power and greater capacity for independent decision-making.

Where a potential conflict of interest may arise, it is mandatory practice for the or the Director concerned to declare his or her interest and abstain from the decision-making process.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 2.8 Independence of the Board (Continued)

During the financial year, the Board through the Nomination Committee assessed the independence of its Independent Non-Executive Directors based on criteria set out in the Listing Requirements of Bursa Malaysia Securities Berhad. The Board Charter provides a limit of a cumulative term of nine (9) years on the tenure of an Independent Director. However, an Independent Director may continue to serve on the Board upon reaching the 9 year limit subject to the Independent Director's re-designated as a Non-Independent Director. In the event, the Board intends to retain the Director and seek shareholders' approval at general meeting. In justifying the decision, the Board is required to assess the candidate's suitability to continue as an Independent Non-Executive Director based on the criteria on independence as adopted by the Board.

Following an assessment by the Nomination Committee, Independent Non-Executive Directors, namely Mr. Chew Eng Chai and Mr. Tan Chon Sing @ Tan Kim Tieng, Mr. Mohd Zaki Bin Hamzah and Mr. Khoo Wee Boon who have served as Independent Non-Executive Directors for a cumulative term of more than nine (9) years as at the end of the financial year under review, have been recommended by the Board to continue to act as Independent Non- Executive Director, subject to shareholders' approval at the forthcoming Eighteenth Annual General Meeting of the Company. The Board recommends retaining their designation as Independent Non-Executive Directors based on the following justifications:-

- they have fulfilled the criteria under the definition of Independent Directors as stated in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and therefore, are able to bring independent and objective judgment to the Board;
- they have been with the Company for many years and are familiar with the Company's business operations and the food manufacturing industry, thus enabling them to contribute actively and effectively during deliberations or discussions at Board meetings;
- their length of services on the Board does not in any way interfere with their exercise of independent judgment. They have remained objective and independent in expressing their views and participating in deliberation and decision making of the Board and Board Committees;
- their vast experience in finance, manufacturing industry and securities market enable them to provide the Board, as the case maybe, with pertinent expertise, skills and competence;
- they have continued to exercise their independence and due care during their tenure as an Independent Non-Executive Directors of the Company and carried out their duties in the interest of the Company and Shareholders; and
- they have devoted sufficient time and commitment to discharge their responsibilities as Independent Directors.

And since Mr. Mohd Zaki Bin Hamzah, Mr. Tan Chon Sing @ Tan Kim Tieng, Mr. Chew Eng Chai and Mr. Khoo Wee Boon had served the Company for a cumulative term of more than 12 years respectively, approval from the Company's shareholders to retain them as Independent Director through a two-tier voting process at the forthcoming Eighteenth Annual General Meeting shall be sought.

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2.9 Board Meetings

The Board meets every three (3) months in regular Board of Directors' meetings during the year to approve the quarterly results on a pre-scheduled basis. Additional meetings are convened when urgent and important decisions need to be taken between scheduled meetings.

The Board met four (4) times during the financial year ended 31 December 2019. Additional meetings are held as and when required. The dates of the Board Meetings are as follows:-

- 20 February 2019
- 15 May 2019
- 19 August 2019
- 19 November 2019

Details of attendance of each Director at the Board meetings held under the financial year are set out as follows:-

Director	Number of Board Meetings Held	Number of Board Meetings Attended
Dato' Mohd Nor bin Abdul Wahid (vacated office on 14 March 2019)	1	1/1
Fang Chew Ham (resigned on 28 August 2019)	3	3/3
Fong Chu King @ Tong Chu King	4	4/4
Chew Eng Chai	4	4/4
Tan Chon Sing @ Tan Kim Tieng	4	4/4
Fang Siew Yee (resigned on 28 August 2019)	3	3/3
Khoo Wee Boon	4	4/4
Mohd Zaki bin Hamzah	4	4/4
Gurpreet Singh Vohra	4	3/4
Loo Cheau Leong	4	3/4
Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	1	1/1
Liew Kuo Shin (appointed on 28 August 2019)	1	1/1
Fang Siew Ping (appointed on 28 August 2019)	1	1/1

All Directors are expected to notify the Board of their acceptance of any new directorship in other listed issuers.

Directors of the Company do not hold more than five (5) directorships in public listed companies and there is no restriction on number of directorships in non-public listed companies, as stipulated in the Listing Requirements.

The listing of directorships held by Directors is disclosed by the respective Directors to the Board to ensure compliance to the above Listing Requirements.



## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

#### 3.0 Directors' Training and Education

The Directors have continued to participate in relevant training programmes to keep abreast with the latest developments in the security industry, in particular in areas of corporate governance and regulatory changes so that they would be able to discharge their duties as Directors effectively.

For the year ended 31 December 2019, the conferences, seminars and training programmes attended by each of the Directors were in respect of the following areas:-

Director	Seminars/Training Programmes
Dato' Jagjit Singh a/l Bant Singh	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, Macc Act 2009</li> <li>• Mandatory Accreditation Programme (Map)</li> </ul>
Fong Chu King @ Tong Chu King	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> <li>• ISO 17025:2017 Laboratory Management System- Interpretation, Documentation &amp; Implementation</li> <li>• FSSC 22000 V5 Implementing Changes Training Course</li> <li>• ISO 17025 AWARENESS TRAINING</li> </ul>
Chew Eng Chai	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> <li>• Independent Directors : Towards Boardroom Excellence</li> <li>• Corporate Liability Provision (Section 17A) of the MACC Act 2009</li> </ul>
Tan Chon Sing @ Tan Kim Tieng	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> </ul>
Khoo Wee Boon	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> <li>• Money Laundering and Misconduct</li> <li>• Technical Analysis for Currency Trading</li> </ul>
Mohd Zaki bin Hamzah	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> </ul>
Liew Kuo Shin	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> <li>• Warehouse, Inventory &amp; Safety Control</li> <li>• Critical Thinking Skill and Decision Making Strategies</li> <li>• ISO 17025:2017 Laboratory Management System- Interpretation, Documentation &amp; Implementation</li> <li>• FSSC 22000 V5 Implementing Changes Training Course</li> <li>• ISO 22000:2018 Internal Auditing Training Course</li> <li>• ISO 17025 Awareness Training</li> </ul>
Fang Siew Ping	<ul style="list-style-type: none"> <li>• Sustainability Reporting</li> <li>• General Understanding of Section 17A, MACC Act 2009</li> <li>• ISO 17025:2017 Laboratory Management System- Interpretation, Documentation &amp; Implementation</li> <li>• FSSC 22000 V5 Implementing Changes Training Course</li> <li>• ISO 22000:2018 Internal Auditing Training Course</li> <li>• ISO 17025 Awareness Training</li> </ul>
Loo Cheau Leong	<ul style="list-style-type: none"> <li>• Singapore IFRS</li> </ul>
Gurpreet Singh Vohra	<ul style="list-style-type: none"> <li>• Capital Markets Outlook with Prof Robert Swiller</li> <li>• Unlocking Opportunities Through Digitisation Webinar</li> </ul>

**A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)****3.0 Directors' Training and Education (Continued)**

The Company Secretary regularly update the relevant guidelines on statutory and regulatory requirements from time to time for the Board's reference and briefs the Board quarterly on these updates, where applicable, at Board meetings. The External Auditors also briefed the Board members on any changes to the Malaysian Financial Reporting Standards that would affect the Group's financial statement during the financial year under review. The Directors will continue to undergo relevant training programmes to further enhance their skills and knowledge in the discharge of their stewardship role.

**B. EFFECTIVE AUDIT AND RISK MANAGEMENT****1.0 Audit Committee**

The Audit Committee currently comprises of five (5) Independent Non-Executive Directors. The Committee meets not less than four (4) times a year and is governed by clearly defined terms of reference. In the financial year ended 31 December 2019, the Committee met four (4) times. The main responsibilities of the Audit Committee are to ensure integrity of financial reporting, a sound internal control system with effective risk monitoring procedures and adherence to compliance matters. The Chairman of Audit Committee is not the Chairman of the Board. Details of the composition of the Audit Committee and attendance of Members at Meetings held in 2019 are as follows:-

<b>Membership Status</b>	<b>Name</b>	<b>Attendance</b>
Chairman Independent Non-Executive Director	Chew Eng Chai	4/4
Member Independent Non-Executive Director	Tan Chon Sing @ Tan Kim Tieng	4/4
Member Independent Non-Executive Director	Mohd Zaki bin Hamzah	4/4
Member Independent Non-Executive Director	Khoo Wee Boon	4/4
Member Independent Non-Executive Director	Dato' Jagjit Singh a/l Bant Singh (appointed on 28 August 2019)	1/1

Meetings are held as and when necessary. The quorum for each meeting is two (2) members. The minutes of the Audit Committee meetings are tabled at the Board for noting and for action by the Board, where appropriate. Recommendations of the Committee are submitted to the Board for approval.

The activities carried out by the Audit Committee during the year are set out under the Audit Committee Report on pages 44 to 48 on this Annual Report.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### B. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

#### 1.1 Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to provide a balanced, clear and comprehensive assessment of the financial performance and prospects of the Company and the Group in all the disclosures made to the stakeholders and the regulatory authorities. Following discussions with the External Auditors, the Directors consider that the Company and the Group uses appropriate accounting policies that are consistently applied and supported by reasonable as well as prudent judgments and estimates; and that financial statements are prepared in accordance with applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016. The Directors recognise the responsibility for ensuring that accounting records are properly kept.

The Audit Committee who assist the Board in overseeing the financial reporting process of the Company's and the Group, has adopted a policy for the types of non-audit services permitted to be provided by the External Auditors, including the need for the Audit Committee's approval prior to such services can be provided by the External Auditors. The procedure included in the policy requires the engagement team conducting the non-audit services to be different from the External Audit team.

In assessing the independence of External Auditors, the Audit Committee requires written assurance by the External Auditors, confirming that they are and have been independent throughout the conduct of the audit engagement with the Group in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

Early announcements of the quarterly results and issuance of annual report to Bursa Securities reflect the Board's commitment to provide timely, transparent and up-to-date assessments on the Company's and the Group's performance and prospects.

The Board is assisted by the Audit Committee to oversee the quality of the financial reporting of the Company and the Group. The Audit Committee reviews and monitors the integrity of the Company's and the Group's annual and interim financial statements and reviews the appropriateness of the Company's and the Group's accounting policies and changes to these policies as well as ensures these financial statements comply with accounting and regulatory requirements.

Audit Committee had on 25 February 2020 conducted an assessment on the suitability and independence of the external auditors, Messrs BDO PLT. Having considered their independence, competency, resources and the audit team assigned and the tenure of the change of its audit engagement partner, the Audit Committee had recommended to the Board on their suitability and independence and to re-appoint Messrs BDO PLT as Auditors of the Group for the ensuing year. The Board has recommended Messrs BDO PLT for re-appointment as Auditors of the Group for the shareholders' approval at the Eighteenth Annual General Meeting.

The Board of Directors also have overall responsibilities for taking such steps as are reasonably open to them to safeguard the assets of the Company and the Group and for the implementation and continued operation of adequate accounting and internal control systems for the prevention of fraud and other irregularities.

## B. EFFECTIVE AUDIT AND RISK MANAGEMENT (CONTINUED)

### 1.2 Statement on Directors' Responsibility

The Directors are required by the Companies Act 2016 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year and of their results and cash flow for the financial year then ended. In preparing these financial statements, the Directors have:-

- adopted suitable accounting policies and applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed; and
- prepared the financial statements on the going concern basis.

The Directors are responsible for ensuring that the Company and the Group keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and of Group which enable them to ensure that the financial statements comply with the Companies Act 2016.

The Directors have overall responsibility for taking such steps that are reasonably open to them to safeguard the assets of the Company and the Group to prevent and detect fraud and other irregularities.

### 1.3 Risk Management and Internal Control Framework

The Board requires the Company and the Group to maintain a rigorous risk management framework for identifying, evaluating, monitoring and managing the risks taken to achieve the Company's and the Group's business objectives. This process is periodically reviewed by the Board.

The Group's Internal Audit function is outsourced to an independent consultant whose credentials and qualifications had been reviewed and found to be competent by the Board and had adequate resources to carry out the scope of activities as outlined in the internal audit plan of the Company. They report directly to the Audit Committee on the effectiveness of the current system of internal controls from the perspectives of governance, risks and controls. The internal audit function is independent of the activities it audits. The internal audit function carries out the internal audit reviews based on internal audit plans approved by the Audit Committees and the Board of Directors. The results of the audits are presented to the Audit Committee at their quarterly meetings.

Follow-up reviews are also carried out to assess the status of implementation of management action plans, which are based on internal audit recommendations. The results of these follow-up reviews are also highlighted to the Audit Committee at their quarterly meetings.

On 25 February 2020, the Audit Committee performed an assessment and review of the adequacy and scope of the Internal Audit Function and the backgrounds of Internal Auditors as part of ongoing effort to ensure an effective and sound internal controls system. The areas covered are the competency and independence of Internal Auditors as well as the scope, functions, resources and authority of the Internal Audit Function that is in place.

For further details on the focus areas for internal audit during the financial year, please refer to the Statement of Risk Management and Internal Control on page 40 to 43.

The Statement of Risk Management and Internal Control furnished in the annual report provide an overview of the state of internal controls within the Group.

## CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONTINUED)

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### C. INTEGRITY IN CORPORATE REPORTING & RELATIONSHIP WITH STAKEHOLDERS

#### 1.0 Communication with Stakeholders

The Company recognises the importance of maintaining accountability and transparency to its shareholders through proper communication with its shareholders and stakeholders. The Company reaches out to its stakeholders through its distribution of the annual reports, public announcements, company website, investor relations through telephone or emails.

All shareholders are encouraged to attend the Company's Annual General Meeting ("AGM") and to participate in the proceedings. Shareholders' suggestions received during Annual General Meeting are reviewed and considered for implementation, whenever possible. Every opportunity is given to the shareholders to ask questions and seek clarification on the performance of the Company and the Group.

The Group also provides corporate information as well as highlighting key financial information in order to facilitate shareholders' easy access to the information.

The Company maintained a website ([www.three-a.com.my](http://www.three-a.com.my)) to which shareholders can access information related to the Group. Investors and members of the public who wish to assess corporate and financial information that is made public such as the quarterly announcement of the financial results of the Group, announcements and disclosures made pursuant to the disclosure requirement of Bursa Malaysia Main Market Listing Requirements and other corporate information and events related to the Company can channel their queries to the following personnel:-

Fong Peng Fai  
Group Financial Controller  
E-mail : [fong.pengfai@three-a.com.my](mailto:fong.pengfai@three-a.com.my)

Jessica Fang Siew Yee  
Senior Manager  
E-mail : [jessica.fang@three-a.com.my](mailto:jessica.fang@three-a.com.my)

Tel No. : +603 6156 2655  
Website : [www.three-a.com.my](http://www.three-a.com.my)

While the Company endeavours to provide as much information as possible to its shareholders and stakeholders, the Company is mindful of the legal and regulatory framework governing the release of material and price sensitive information. Any information that may be regarded as undisclosed material information about the Company will not be disclosed to the public.



## **C. INTEGRITY IN CORPORATE REPORTING & RELATIONSHIP WITH STAKEHOLDERS (CONTINUED)**

### **2.0 Conduct of General Meeting**

The Notice of the Seventeenth AGM was issued and dated on 26 April 2019, or 52 days prior to the scheduled AGM in 2019. This provided sufficient time to the shareholders to understand and evaluate the matters involved as well as to make necessary arrangements to attend, participate and vote either in person, by Corporate representative, by proxy or by attorney, to exercise their ownership rights on an informed basis during the AGM.

In line with Main Market Listing Requirements of Bursa Securities, any resolution set out in the notice of any general meeting, or in any notice of resolution which may be or intended to be moved at any general meeting must be voted by way of poll voting. Therefore, an independent scrutineer will be appointed to validate the vote cast in the poll at general meetings in this AGM and future general meetings.

At the previous AGM, the Directors were present in person to engage directly with the shareholders. The Chairperson invited shareholders to raise questions before putting the resolutions to vote. The Directors, managements and external auditors where in attendance to respond to the shareholders' queries.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") is pleased to present this Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2019. This statement is prepared pursuant to paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") and guided by the "Statement on Risk Management and Internal Control-Guidelines for Directors of Listed Issuers" which was endorsed by Bursa Malaysia Securities Berhad ("Bursa Securities").

## BOARD RESPONSIBILITIES

In accordance with the Malaysian Code of Corporate Governance, the Board is being responsible for the Group's risk management and internal control systems, formulated policies on risk management and internal control and seek assurance that the systems are functioning effectively.

The Board understands the principal risks of the business that the Group involves and accepts that business decisions require the incurrence and balancing of risk and return in order to reward the shareholders.

Following are the main review mechanism conducted by the Board in reviewing the effectiveness of the risk management and system of internal control:-

- Audit Committee's review and consultation with management on the interim financial results, annual report and audited financial statements in order to assess the integrity of the financial information and performance;
- Board discussions with management during the board meetings on business and operational issues as well as the measures taken by management to mitigate and manage the business and operational issues;
- Annually, upon completion of audit, the External Auditors will report to the Audit Committee on their key audit findings. As part of this review, Audit Committee will obtain feedback from the External Auditors on financial and internal control matters noted by them during the course of their statutory audit;
- The Audit Committee assesses the adequacy and effectiveness of internal control based on the internal audit findings presented by the Internal Auditors. These reviews were done quarterly where the Internal Auditors will present their internal audit report to the Audit Committee and audit issues and action taken by management to address control deficiencies will be deliberated; and
- Management assurance that the Group's risk management and internal control systems are adequate and effective, in all material respects.

## RISK MANAGEMENT

The risk management framework adopted by the Group is based on the general principles of the international risk management framework. This risk management framework consists of risk identification, impact assessment, profiling matrix as well as the management action plans.

The Board has established a Risk Management Committee ("RMC") to oversee the risk management framework of the Group. Following are the composition of RMC: -

Chairman : Dato' Jagjit Singh a/l Bant Singh  
*(Independent Non-Executive Director)*

Members : Mr. Fong Chu King @ Tong Chu King  
*(Managing Director)*  
Ms Fang Siew Ping  
*(Non-Independent Executive Director)*

During the financial year, RMC had conducted 2 meetings to deliberate the overall progress, status of mitigation plans and effectiveness of risk management in each department.

On the other hand, at the management level, a Risk Management Working Committee ("RMWC") was formed to identify, manage business risks, execute the identified mitigation plans and report the progress of risk management status to RMC.

Overall, there was no significant risks being identified during the year. The common routine risks faced by the Group are mainly operational in nature in the areas of raw materials price fluctuation as well as new regions and overseas market expansions. Ongoing management mitigation plans to address these risks are as follows:

- Engage in active negotiations with customers on matters such as price and size of order as well as continual improvements on product quality and services;
- Appropriate inventory policy in line with customer orders and also fluctuations of raw materials price;
- Expansion of production lines;
- Exploring substitutes for existing raw materials; and
- Increase in efforts to identify and penetrate new markets.

## STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONTINUED)

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### KEY ELEMENTS OF INTERNAL CONTROL

In addition to the risk management process, the Board derives its further comfort on the state of internal control and risk management in the Group through the following processes, information and review mechanisms:-

- i. Management organisation structure defining the management responsibilities and hierarchical structure for planning, executing, controlling and monitoring the business operations;
- ii. Limit of authority and approval facilitating delegation of authority;
- iii. The adoption, certification and compliance of Food Safety System 22000 version 4.1 consisting of ISO 22000: 2005 and ISO/TS 22002-1:2009 for the products ensuring safety of food;
- iv. Management meeting and Credit Control Committee meeting for identifying operational issues; and monitoring and reviewing actions taken to address the issues in order to ensure that the business performance objectives of the Group are met;
- v. Continual implementation and compliance with Halal, Kosher, and HACCP Certifications setting the fundamental of management control in the Group;
- vi. Job descriptions providing understanding to employees of the actions needed in discharging their responsibilities; and
- vii. The Audit Committee:
  - a. reviews and discusses with the management on Group's unaudited quarterly financial results and year-end financial statements before presenting these results and statements to the Board for approval; and
  - b. reviews internal control issues identified by the External and Internal Auditors and action taken by Management in respect of the findings arising therefrom.

### MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Bursa Securities Guidelines, management is responsible to identify risks; implementing and maintaining sound systems of risk management and internal control; and monitoring and reporting to the Board of significant control deficiencies and changes in risks that could significantly affect the Group achievement of its objectives and performance.

The Board has received assurance from the Managing Director and the Group Financial Controller that, to the best of their knowledge that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects.

## **BOARD ASSURANCE AND LIMITATION**

The Board is satisfied that there is ongoing process for identifying, evaluating and managing significant risks faced by the Group and the existing level of systems of internal control and risk management is effective to enable the Group to achieve its business objectives. During the current financial year, there were no material losses resulted from significant control weaknesses that would require separate disclosure in this Annual Report.

Despite the above, it should be noted that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

## **REVIEW OF STATEMENT ON INTERNAL CONTROL BY EXTERNAL AUDITORS**

Pursuant to Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement on Risk Management and Internal Control in accordance with the Audit and Assurance Practice Guide 3 (AAPG 3): Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report.

The External Auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in this Annual Report and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board and management in reviewing the adequacy and integrity of the risk management and effectiveness of the systems of risk management and internal control of the Group..

# AUDIT COMMITTEE REPORT

## Chairman

Chew Eng Chai  
*Independent Non-Executive Director*  
*Member of the Malaysian Institute of Accountants*

## Members

Tan Chon Sing @ Tan Kim Tieng  
*Independent Non-Executive Director*

Mohd Zaki Bin Hamzah  
*Independent Non-Executive Director*

Khoo Wee Boon  
*Independent Non-Executive Director*

Dato' Jagjit Singh a/l Bant Singh  
*Independent Non-Executive Director*  
*(appointed on 28 August 2019)*

## MEMBERSHIP AND ATTENDANCE

A total of four (4) meetings were held during the financial year. The record of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2019 are as follows:-

Composition of Audit Committee	Numbers of Audit Committee Meetings	
	Held	Attendance
Chew Eng Chai Chairman, Independent Non-Executive Director	4	4
Tan Chon Sing @ Tan Kim Tieng Member, Independent Non-Executive Director	4	4
Mohd Zaki bin Hamzah Member, Independent Non-Executive Director	4	4
Khoo Wee Boon Member, Independent Non-Executive Director	4	4
Dato' Jagjit Singh a/l Bant Singh Member, Independent Non-Executive Director (appointed on 28 August 2019)	1	1

Upon invitation by the Audit Committee, the Directors, Group Financial Controller, Internal Auditors, External Auditors and other members of senior management attended all the meetings as and where required. The meetings were appropriately structured through the use of agendas, which were distributed to members with sufficient notification.



## COMPOSITION AND TERMS OF REFERENCE

### Members

The Audit Committee shall comprise at least three (3) Non-Executive Directors (but not their alternate), the majority of whom are independent, including the Chairman. All members of the Audit Committee shall be financially literate and at least one (1) member shall be a professional or qualified accountant. A former key audit partner shall observe a cooling-off period of at least 2 years before being appointed as a member of the committee. Any vacancy resulting in there being no majority of Independent Directors shall be filled within three (3) months.

The Board through the Nomination Committee shall review the terms of office and performance of the Audit Committee and its members annually to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

### Chairman

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an Independent Non-Executive Director.

### Meetings

- The Audit Committee shall meet at least four (4) times annually. Additional meetings may be called at any time at the Audit Committee Chairman's discretion or if requested by any Audit Committee member, the Management, the Internal or External auditors;
- The Group Financial Controller will attend the meetings. Other Board and representatives of the Internal Auditors and External Auditors' members may attend meetings upon the invitation of the Audit Committee;
- The Chairman of the Audit Committee shall engage on a continuous basis with senior management such as the Managing Director, Group Financial Controller, Internal Auditors and the External Auditors in order to be kept informed of matters affecting the Company;
- The quorum for each meeting shall be two (2);
- The Company Secretary shall be the Secretary to the Audit Committee; and
- Minutes of each meeting will be circulated to each member of the Audit Committee and the Audit Committee Chairman shall report on each meeting to the Board.

### Authority

- The Audit Committee shall, at the Company's expenses, have authority to investigate any matter within its terms of reference or as otherwise directed by the Board, to determine the resources and to have full access to any information including to employees and Internal and External Auditors which are required to perform its duties; and
- The Audit Committee shall have direct communication channels with the Internal and External Auditors and is authorised to seek independent professional or other advice and to secure the attendance of outsiders with relevant experience and expertise if it considers this necessary and to convene meeting with the Internal Auditors and External Auditors or both, excluding the attendance of the other Directors and employees of the listed company whenever deemed necessary.

## AUDIT COMMITTEE REPORT (CONTINUED)

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### DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Audit Committee are as follows:-

#### Internal Audit and Risk Management

- To review the competency of the Internal Auditors and to ensure that the Internal Auditors have the adequate resources to carry out the internal audit work in line with the Company's growth;
- To review and report the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its works as well as to review the status reports from Internal Auditors and ensure the appropriate actions have been taken to implement the internal audit recommendations;
- To review the adequacy and effectiveness of risk management and internal control system instituted within the Group; and
- To request and review any special audit which it deems necessary.

#### External Audit

- To discuss and review with the External Auditors' audit plan, the nature and scope of the audit plan, audit report and the areas of audits of the Group; and to ensure co-ordination when more than one audit firm is involved;
- To discuss with the External Auditors on their evaluation of the system of internal controls and audit findings;
- To discuss problems and reservations arising from the interim and final audit, and any other matters the Auditors may wish to discuss in the absence of the management where necessary and to review the External Auditors' findings arising from audits in particularly any comments and responses in management letters as well as assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken;
- To review the audit report with the External Auditors; and
- To review the suitability of the External Auditors for recommendation to the Board for re-appointment and the audit fee thereof and to make appropriate recommendations to the Board on matters of resignation or dismissal of External Auditors.

#### Financial Reporting

- To review the annual audited financial statements of the Group and quarterly results of the Group, and thereafter submit them to the Board for approval, focusing particularly on:-
  - i. Any significant changes to accounting policies and practices;
  - ii. The going concern assumptions;
  - iii. Significant adjustments arising from the audit;
  - iv. Compliance with accounting standards and other legal requirements;
  - v. Significant and unusual events; and
  - vi. Significant audit findings including key audit matters.
- To ensure prompt publication of annual audited financial statements.

#### Related Party Transactions

- To review any related party transactions that may arise within the Group.

#### Other Functions

- To perform any other functions as may be agreed by the Audit Committee and the Board;
- To consider the major findings of internal investigations and management's response; and
- To review interim financial reports and preliminary announcement in relation to the preparation of financial statement.

## ACTIVITIES FOR THE YEAR

In line with the terms of reference of the Audit Committee, the following activities were carried out by the Committee for the financial year ended 31 December 2019 under review in accordance with its functions and duties.

### Internal Audit

- Reviewed the Internal Audit plan, resources and scope of audit;
- Reviewed the major findings of Internal Audit reports, their recommendation and updates on their follow up relating there to;
- Reviewed the Group's systems and practices for the identification and management of risks; and
- Reviewed and assessed the suitability and resources of the Internal Auditor.

### Financial Results

- Reviewed the annual audited financial statements of the Group, quarterly results of the Group, and thereafter recommend to the Board for approval; and
- Reviewed the new accounting standards applicable in the preparation of the consolidated financial statements and the additional regulatory disclosure requirements.

### External Audit

- Reviewed the suitability of the External Auditors and recommended to the Board for re-appointment and the audit fee thereof;
- Discussed and reviewed the External Auditors' audit plan, the nature and scope of the audit plan, audit report and the areas of audits of the Group;
- Reviewed the External Auditors' evaluation of the system of internal controls;
- Reviewed the External Auditors' findings arising from audits in particularly any comments and responses in management letters as well as assistance given by the employees of the Group in order to be satisfied that appropriate action is being taken; and
- Reviewed the External Auditors' audit report;

### Related Party Transactions

- Reviewed the recurrent related party transactions of a revenue nature that had arisen within the Group, and the Group's procedures for monitoring and reviewing of related party transactions to satisfy itself that the procedures were sufficient to ensure that the related party transactions were carried out on normal commercial terms which were not prejudicial to the interests of shareholders and that the terms of the related parties transactions were not more favourable to the related parties than those generally available to the public and also not detrimental to interests of minority shareholders.

## AUDIT COMMITTEE REPORT (CONTINUED)

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### INTERNAL AUDIT FUNCTION

The Committee acknowledges the need for an effective system of internal control covering all aspects of the Group's activities including the mapping and management of risks which the Group may be exposed to.

The Group's Internal Audit function is outsourced to an independent consultant to assist the Audit Committee and the costs incurred for the Internal Audit function in respect of the financial year ended 31 December 2019 was about RM70,400. The function, which is independent of the activities and operations conducts independent, regular and systematic reviews of the key controls and processes in the operating units and assess compliance with the established policies and procedures. This provides reasonable assurance that such system would continue to operate satisfactorily and effectively in the Company and the Group. The Internal Audit function reports directly to the Audit Committee and assists the Board in monitoring the internal controls to mitigate the risks.

The scope of internal audit plan covers the risk management, control and governing processes, and audit of the Group's operations. The activities of the Internal Audit for the financial year ended 31 December 2019 under review include the following:-

- Ascertained the extent of compliance with established policies, procedures and statutory requirements;
- Undertook special reviews requested by the Audit Committee and/or management;
- Assessed the means of safeguarding assets and verified their existence; and
- Approved the Internal Audit Plan each year. Present internal audit findings and makes appropriate recommendations on any areas of concern within the Company and the Group for the Committee's deliberation and to enhance efficiencies to the appropriate level of management capable of achieving satisfactory results and ensured corrective actions were taken.

In year 2019, a total of five (5) audit reports were issued and presented to the Audit Committee with the recommended corrective actions acted upon.

The Audit Committee and the Board of Directors are satisfied with the performance of the Internal Auditor and have the interest of greater independence and continuity in the Internal Audit function, taken the decision to continue with the outsource of the Internal Audit Function.

# ADDITIONAL COMPLIANCE INFORMATION

The information set out below is disclosed in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

## 1. Utilisation of Proceeds

During the financial year ended 31 December 2019, there were no proceeds raised by the Company from any corporate proposals.

## 2. Audit and Non-Audit Fees

The amount of audit fees and non-audit fees paid or payable to the Company's External Auditors and a firm affiliated to the External Auditors' by the Company and Group for the financial year ended 31 December 2019 are as follows:-

	Company (RM'000)	Group (RM'000)
Audit Fees	48	128
Non-Audit Fees	8	8
Total	56	136

## 3. Material Contracts

There were no material contracts entered into by the Company or its subsidiaries which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2019 or entered into since the end of the previous financial year that have been entered by the Company or its subsidiary involving the interests of the Directors and major shareholders.

## 4. Related Party Transactions of a Revenue/Trading Nature ("RRPT")

In accordance with Paragraph 3.1.5 of Practice Note 12 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the details of the recurrent related party transactions transacted during the financial year ended 31 December 2019 pursuant to the shareholders' mandate were as follows:-

Related Party	Interested Directors/Major shareholders/Persons connected	Nature of Transactions	Value of Transactions
Qinhuangdao Gold Delicious Food Industries Co Ltd (formerly known as Three-A (Qinhuangdao) Food Industries Co Ltd ("QGD"))	Yihai Kerry Investment Ltd Wilmar International Ltd Gurpreet Singh Vohra Loo Cheau Leong	Purchase of products by San Soon Seng Food Industries Sdn Bhd from QGD	RM1,193,526

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# DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	GROUP RM'000	COMPANY RM'000
Profit for the financial year, attributable to owners of the parent	29,419	8,304

## DIVIDEND

Dividend paid, declared or proposed since the end of the previous financial year was as follows:

	RM'000
In respect of financial year ended 31 December 2019:	
Interim single tier dividend of 2 sen per ordinary share, paid on 20 December 2019	9,840

The Directors do not recommend any payment of final dividend for the financial year ended 31 December 2019.

## RESERVES AND PROVISIONS

Other than those disclosed in Note 13 to the financial statements, there were no material transfers to or from reserves or provisions during the financial year.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the financial year.

## DIRECTORS' REPORT (CONTINUED)

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### DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Fong Chu King @ Tong Chu King*	
Chew Eng Chai	
Tan Chon Sing @ Tan Kim Tieng	
Khoo Wee Boon	
Mohd Zaki Bin Hamzah*	
Gurpreet Singh Vohra	
Loo Cheau Leong	
Dato' Jagjit Singh a/l Bant Singh*	(Appointed on 28 August 2019)
Liew Kuo Shin	(Appointed on 28 August 2019)
Fang Siew Ping*	(Appointed on 28 August 2019)
Fang Chew Ham*	(Resigned on 28 August 2019)
Fang Siew Yee*	(Resigned on 28 August 2019)

\* These Directors of the Company are also the Directors of certain subsidiaries of the Company.

### DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2019 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares			
	Balance as at 1.1.2019	Bought	Sold	Balance as at 31.12.2019
<b>Direct interests:</b>				
Fong Chu King @ Tong Chu King	13,687,500	-	-	13,687,500
Chew Eng Chai	200,000	-	-	200,000
Mohd Zaki Bin Hamzah	625,000	-	-	625,000
Liew Kuo Shin	125,000	-	-	125,000
<b>Indirect interests:</b>				
Fong Chu King @ Tong Chu King <sup>a</sup>	1,714,975	-	-	1,714,975
Tan Chon Sing @ Tan Kim Tieng <sup>b</sup>	2,793,625	-	-	2,793,625
Chew Eng Chai <sup>c</sup>	8,750	-	-	8,750

**DIRECTORS' INTERESTS (CONTINUED)**

- <sup>a</sup> Indirect interest via shareholdings of his son, Fong Peng Fai (137,375 ordinary shares) pursuant to Section 59(11)(c) of Companies Act 2016 ("CA2016") and Seong Chan Sauce & Foodstuff Sdn. Bhd. (1,577,600 ordinary shares) pursuant to Section 8 of CA2016.
- <sup>b</sup> Indirect interest via shareholdings of his spouse, Ng Faai @ Ng Yoke Pei pursuant to Section 59(11)(c) of CA2016.
- <sup>c</sup> Indirect interest via shareholdings of his spouse, Lim Tong Lean pursuant to Section 59(11)(c) of CA2016.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares of the Company during the financial year.

**DIRECTORS' BENEFITS**

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, other than the following:

- a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- b) certain Directors who received remuneration from a subsidiary as Directors of the subsidiary.

The details of the above transactions are disclosed in Note 28 to the financial statements.

There were no arrangements during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**DIRECTORS' REMUNERATION**

The details of the Directors' remuneration for the current financial year of the Group and of the Company are as follows:

	<b>Group RM'000</b>	<b>Company RM'000</b>
Executive Directors' remuneration:		
- Salaries and other emoluments	4,061	-
Non-Executive Directors' remuneration:		
- Fees	422	374
- Other emoluments	108	-
<b>Total</b>	<b>4,591</b>	<b>374</b>

## DIRECTORS' REPORT (CONTINUED)

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### INDEMNITY AND INSURANCE FOR OFFICERS, DIRECTORS AND AUDITORS

The Group and the Company effected Directors' liability insurance during the financial year to protect the Directors of the Group and of the Company against potential costs and liabilities arising from claims brought against the Directors. The insurance premium paid by the Group during the financial year amounted to RM11,500.

There were no indemnity given to or insurance effected for the auditors of the Group and of the Company during the financial year.

### OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

#### (I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, 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 had satisfied themselves that there are no known bad debts to be written off and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

#### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
  - (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
  - (i) there has not arisen any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (CONTINUED)****(III) AS AT THE DATE OF THIS REPORT**

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

**SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

Significant event subsequent to the end of the reporting period are disclosed in Note 30 to the financial statements.

**Auditors**

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Group and of the Company for the financial year ended 31 December 2019 amounted to RM128,000 and RM48,000 respectively.

Signed on behalf of the Board in accordance with a resolution of the Directors.

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**Fong Chu King @ Tong Chu King**  
Director

Kuala Lumpur  
15 May 2020

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**Fang Siew Ping**  
Director

# STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 62 to 101 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

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**Fong Chu King @ Tong Chu King**  
Director

Kuala Lumpur  
15 May 2020

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**Fang Siew Ping**  
Director

# STATUTORY DECLARATION

I, Fong Peng Fai (CA 23408), being the officer primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the financial statements set out on pages 62 to 101 are, to the best of my knowledge and belief, 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 at )  
Kuala Lumpur, this )  
15 May 2020 )

**Fong Peng Fai**

Before me:



# INDEPENDENT AUDITORS' REPORT

to the Members of Three-A  
Resources Berhad (Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Three-A Resources Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 62 to 101.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing ("ISAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITORS'  
REPORT  
to the Members of Three-A Resources Berhad  
(Incorporated In Malaysia) (CONTINUED)**

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**Key Audit Matters (continued)**

***Recoverability of trade receivables***

As at 31 December 2019, trade receivables of the Group amounted to RM100,538,000. The details of trade receivables and their credit risk have been disclosed in Note 10 to the financial statements.

We determine this to be a key audit matter because it requires management to exercise significant judgements in determining the probability of default by trade receivables, appropriate forward looking information and significant increase in credit risk.

***Audit response***

Our audit procedures included the following:

- (a) Recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- (b) Recomputed the correlation coefficient between the macroeconomic indicators used by the Group and historical losses to determine the appropriateness of the forward looking information used by the Group;
- (c) Inquiries of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and
- (d) Assessed actual loss events subsequent to the end of reporting period for its relationship with the indicators of significant increase in credit risk applied by management.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

### **Information Other than the Financial Statements and Auditors' Report Thereon**

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of the Directors for the Financial Statements**

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

# INDEPENDENT AUDITORS' REPORT to the Members of Three-A Resources Berhad (Incorporated In Malaysia) (CONTINUED)

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## Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

**Auditors' Responsibilities for the Audit of the Financial Statements (continued)**

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Other Matters**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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**BDO PLT**

LLP0018825-LCA & AF 0206  
Chartered Accountants

Kuala Lumpur  
15 May 2020

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**Ho Kok Khiaw**

03412/02/2021 J  
Chartered Accountant

# STATEMENT OF FINANCIAL POSITION

As At 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	<b>141,801</b>	190,018	-	-
Right-of-use assets	6	<b>54,088</b>	-	-	-
Prepaid lease payments for land	7	-	1,391	-	-
Investments in subsidiaries	8	-	-	<b>163,382</b>	151,359
		<b>195,889</b>	191,409	<b>163,382</b>	151,359
<b>Current assets</b>					
Inventories	9	<b>49,824</b>	80,064	-	-
Trade and other receivables	10	<b>116,599</b>	110,020	<b>700</b>	12,850
Current tax assets		-	3,951	-	20
Cash and bank balances	11	<b>44,207</b>	9,058	<b>76</b>	1,336
		<b>210,630</b>	203,093	<b>776</b>	14,206
<b>TOTAL ASSETS</b>		<b>406,519</b>	394,502	<b>164,158</b>	165,565
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	12	<b>149,087</b>	98,400	<b>149,087</b>	98,400
Reserves	13	<b>199,087</b>	230,195	<b>14,619</b>	66,842
<b>TOTAL EQUITY</b>		<b>348,174</b>	328,595	<b>163,706</b>	165,242
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	15	<b>12,770</b>	14,462	-	-
Deferred tax liabilities	14	<b>14,003</b>	14,556	-	-
		<b>26,773</b>	29,018	-	-
<b>Current liabilities</b>					
Trade and other payables	17	<b>28,418</b>	31,337	<b>441</b>	323
Borrowings	15	<b>1,762</b>	5,552	-	-
Current tax liabilities		<b>1,392</b>	-	<b>11</b>	-
		<b>31,572</b>	36,889	<b>452</b>	323
<b>TOTAL LIABILITIES</b>		<b>58,345</b>	65,907	<b>452</b>	323
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>406,519</b>	394,502	<b>164,158</b>	165,565

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



# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For The Financial Year Ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	20	<b>436,066</b>	437,977	<b>9,000</b>	1,330
Cost of sales		<b>(360,209)</b>	(370,198)	-	-
Gross profit		<b>75,857</b>	67,779	<b>9,000</b>	1,330
Other income	21	<b>1,188</b>	2,045	-	591
Administrative expenses		<b>(24,973)</b>	(24,462)	<b>(696)</b>	(691)
Other operating expenses		<b>(10,899)</b>	(9,965)	-	-
Profit from operations		<b>41,173</b>	35,397	<b>8,304</b>	1,230
Finance costs	23	<b>(914)</b>	(1,193)	-	-
Profit before tax		<b>40,259</b>	34,204	<b>8,304</b>	1,230
Tax expense	24	<b>(10,840)</b>	(5,084)	-	-
Profit for the financial year		<b>29,419</b>	29,120	<b>8,304</b>	1,230
Total other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		<b>29,419</b>	29,120	<b>8,304</b>	1,230
Profit attributable to owners of the parent		<b>29,419</b>	29,120	<b>8,304</b>	1,230
Total comprehensive income attributable to owners of the parent		<b>29,419</b>	29,120	<b>8,304</b>	1,230
Earnings per share attributable to equity holders of the Company (sen):					
Basic and diluted	25	<b>6.0</b>	5.9		

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

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Note	Share capital RM'000	Non-distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>Balance as at 1 January 2018</b>		98,400	50,687	160,228	309,315
Profit for the financial year		-	-	29,120	29,120
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	29,120	29,120
<b>Transaction with owners</b>					
Dividend	26	-	-	(9,840)	(9,840)
<b>Balance as at 31 December 2018</b>		98,400	50,687	179,508	328,595
Profit for the financial year		-	-	29,419	29,419
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	29,419	29,419
<b>Transaction with owners</b>					
Dividend	26	-	-	(9,840)	(9,840)
Transfer pursuant to Companies Act 2016*		50,687	(50,687)	-	-
<b>Balance as at 31 December 2019</b>		<b>149,087</b>	<b>-</b>	<b>199,087</b>	<b>348,174</b>

\* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account upon the expiry of transitional period of twenty-four (24) months to utilise the amount in the share premium account.

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

# STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Note	Share capital RM'000	Non- distributable Share premium RM'000	Distributable Retained earnings RM'000	Total RM'000
<b>Balance as at 1 January 2018</b>		98,400	50,687	24,765	173,852
Profit for the financial year		-	-	1,230	1,230
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	1,230	1,230
<b>Transaction with owners</b>					
Dividend	26	-	-	(9,840)	(9,840)
<b>Balance as at 31 December 2018</b>		98,400	50,687	16,155	165,242
Profit for the financial year		-	-	8,304	8,304
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income		-	-	8,304	8,304
<b>Transaction with owners</b>					
Dividend	26	-	-	(9,840)	(9,840)
Transfer pursuant to Companies Act 2016*		50,687	(50,687)	-	-
<b>Balance as at 31 December 2019</b>		<b>149,087</b>	<b>-</b>	<b>14,619</b>	<b>163,706</b>

\* Pursuant to the Companies Act 2016, the credit balance in the share premium account was transferred to the share capital account upon the expiry of transitional period of twenty-four (24) months to utilise the amount in the share premium account.

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

# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		<b>40,259</b>	34,204	<b>8,304</b>	1,230
Adjustments for:					
Amortisation of prepaid lease payments for land	7	-	56	-	-
Depreciation of property, plant and equipment	5	<b>8,267</b>	8,856	-	-
Depreciation of right-of-use assets	6	<b>979</b>	-	-	-
Dividend income from a subsidiary	20	-	-	<b>(9,000)</b>	(1,330)
Gain on disposal of property, plant and equipment	21	<b>(3)</b>	(7)	-	-
Impairment losses on investments in subsidiaries	8(d)	-	-	-	170
Impairment losses on trade receivables	10(f)	<b>2,233</b>	-	-	-
Interest expense	23	<b>914</b>	1,193	-	-
Interest income	21	<b>(1,001)</b>	(1,158)	-	(591)
Unrealised loss/(gain) in foreign exchange		<b>455</b>	(446)	-	-
Operating profit/(loss) before changes in working capital		<b>52,103</b>	42,698	<b>(696)</b>	(521)
Changes in working capital:					
Inventories		<b>30,240</b>	(34,854)	-	-
Trade and other receivables		<b>(9,293)</b>	(14,330)	-	-
Trade and other payables		<b>(4,552)</b>	4,548	<b>118</b>	9
Cash generated from/(used in) operations		<b>68,498</b>	(1,938)	<b>(578)</b>	(512)
Tax refunded		<b>1,091</b>	31	<b>43</b>	33
Tax paid		<b>(7,141)</b>	(11,605)	<b>(12)</b>	(18)
Net cash from/(used in) operating activities		<b>62,448</b>	(13,512)	<b>(547)</b>	(497)

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

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Repayments from/(Advances to) subsidiaries		-	-	127	(6,322)
Dividend received from a subsidiary	20	-	-	9,000	1,330
Interest received	21	1,001	1,158	-	591
Proceeds from disposal of property, plant and equipment		14	390	-	-
Purchase of property, plant and equipment	5(c)	(12,122)	(14,909)	-	-
Net cash (used in)/from investing activities		(11,107)	(13,361)	9,127	(4,401)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid	26	(9,840)	(9,840)	(9,840)	(9,840)
Interest paid	23	(914)	(1,193)	-	-
Payments of lease liabilities		(154)	-	-	-
(Repayments)/Drawdown of bankers' acceptance		(3,045)	3,045	-	-
Repayments of term loans		(2,283)	(2,337)	-	-
Repayments of hire purchase obligations		-	(712)	-	-
Net cash used in financing activities		(16,236)	(11,037)	(9,840)	(9,840)
Net increase/(decrease) in cash and cash equivalents		35,105	(37,910)	(1,260)	(14,738)
Effect of exchange rate changes on cash and cash equivalents		44	(45)	-	-
Cash and cash equivalents at beginning of financial year		9,058	47,013	1,336	16,074
Cash and cash equivalents at end of financial year	11	44,207	9,058	76	1,336

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

# STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONTINUED)

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## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Group			
	Bankers' acceptance (Note 15) RM'000	Term loans (Note 15) RM'000	Hire purchase creditors (Note 16) RM'000	Lease liabilities (Note 6) RM'000
At 1 January 2019, as previously reported	3,045	16,815	154	-
Effect on adoption of MRFS 16	-	-	(154)	154
At 1 January 2019, as restated	3,045	16,815	-	154
Cash flows	(3,045)	(2,283)	-	(154)
At 31 December 2019	-	14,532	-	-

	Group		
	Bankers' acceptance (Note 15) RM'000	Term loans (Note 15) RM'000	Hire purchase creditors (Note 16) RM'000
At 1 January 2018	-	19,152	866
Cash flows	3,045	(2,337)	(712)
At 31 December 2018	3,045	16,815	154

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

# NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

## 1. CORPORATE INFORMATION

Three-A Resources Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia, and listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office and principal place of business of the Company is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan.

The consolidated financial statements for the financial year ended 31 December 2019 comprise the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 15 May 2020.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are disclosed in Note 8 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and the provisions of the Companies Act 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and Amendments to MFRSs adopted during the financial year are disclosed in Note 31 to the financial statements.

The Group and the Company applied MFRS 16 *Leases* for the first time during the current financial year, using the cumulative effect method as at 1 January 2019. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 4. OPERATING SEGMENTS

#### Segmental information

Segment analysis has not been prepared as the business of the Group is focused only in manufacturing and trading of food and beverage ingredients.

The Group does not have any non-current assets that are located in countries other than Malaysia.

The Chief Operating Decision Maker reviews the business performance of the Group as a whole and management monitors the operating results of its business for the purpose of making decisions on resources allocation and performance assessment.

#### Geographical information

For the purpose of disclosing geographical information, revenue is based on the geographical location of customers from which the sales transactions originated. The customers are predominantly based in Malaysia, Singapore and other foreign countries.

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Revenue:		
Malaysia	<b>264,565</b>	289,126
Singapore	<b>41,294</b>	36,567
Other foreign countries	<b>130,207</b>	112,284
	<b>436,066</b>	437,977

#### Major customers

There are no major customers with revenue equal or more than ten percent (10%) of the Group's revenue. As such, information on major customers is not presented.



## 5. PROPERTY, PLANT AND EQUIPMENT

Group		Long-term leasehold land	Factory and office buildings	Plant and machinery, tools and implements	Furniture and fittings and equipment	Renovations and electrical installations	Motor vehicles	Construction- in-progress	Total
2019	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Cost</b>									
As at 1 January 2019		58,713	66,957	123,719	5,818	4,852	13,744	5,143	278,946
Effect on adoption of MFRS 16	31.2	(58,713)	-	(3,746)	-	-	-	-	(62,459)
As at 1 January 2019, as restated		-	66,957	119,973	5,818	4,852	13,744	5,143	216,487
Additions		-	294	3,414	206	339	1,951	7,533	13,737
Disposal		-	-	-	-	-	(55)	-	(55)
Transfer from right- of-use assets		-	-	3,746	-	-	-	-	3,746
As at 31 December 2019		-	67,251	127,133	6,024	5,191	15,640	12,676	233,915
<b>Accumulated depreciation</b>									
As at 1 January 2019		5,225	11,813	58,891	4,116	2,606	6,277	-	88,928
Effect on adoption of MFRS 16	31.2	(5,225)	-	(1,515)	-	-	-	-	(6,740)
As at 1 January 2019, as restated		-	11,813	57,376	4,116	2,606	6,277	-	82,188
Charges for the financial year		-	1,342	5,423	327	349	826	-	8,267
Disposal		-	-	-	-	-	(44)	-	(44)
Transfer from right- of-use assets		-	-	1,703	-	-	-	-	1,703
As at 31 December 2019		-	13,155	64,502	4,443	2,955	7,059	-	92,114
<b>Carrying amount</b>									
As at 31 December 2019		-	54,096	62,631	1,581	2,236	8,581	12,676	141,801

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 5. PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Long-term leasehold land RM'000	Factory and office buildings RM'000	Plant and machinery, tools and implements RM'000	Furniture and fittings and equipment RM'000	Renovations and electrical installations RM'000	Motor vehicles RM'000	Construction- in-progress RM'000	Total RM'000
<b>2018</b>								
<b>Cost</b>								
As at 1 January 2018	54,529	60,912	119,856	5,668	4,164	12,495	6,003	263,627
Additions	4,184	291	3,863	150	688	1,673	4,894	15,743
Reclassification	-	5,754	-	-	-	-	(5,754)	-
Disposal	-	-	-	-	-	(424)	-	(424)
As at 31 December 2018	58,713	66,957	123,719	5,818	4,852	13,744	5,143	278,946
<b>Accumulated depreciation</b>								
As at 1 January 2018	4,521	10,487	53,453	3,752	2,283	5,617	-	80,113
Charges for the financial year	704	1,326	5,438	364	323	701	-	8,856
Disposal	-	-	-	-	-	(41)	-	(41)
As at 31 December 2018	5,225	11,813	58,891	4,116	2,606	6,277	-	88,928
<b>Carrying amount</b>								
As at 31 December 2018	53,488	55,144	64,828	1,702	2,246	7,467	5,143	190,018

**5. PROPERTY, PLANT AND EQUIPMENT (continued)**

<b>Company</b>	<b>Furniture and fittings</b>	
	<b>2019 RM'000</b>	<b>2018 RM'000</b>
<b>Cost</b>		
At 1 January/31 December	<b>5</b>	5
<b>Accumulated depreciation</b>		
At 1 January/31 December	<b>5</b>	5
<b>Carrying amount</b>		
At 31 December	-	-

- (a) All items of property, plant and equipment are initially measured at cost. After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The estimated useful lives represent common life expectancies applied in the manufacturing industry within which the Group operates.

Long-term leasehold land	56 to 99 years
Factory and office buildings	50 years
Plant and machinery, tools and implements	10 to 20 years
Furniture and fittings and equipment	10 years
Renovations and electrical installations	10 years
Motor vehicles	7 to 15 years

Construction-in-progress represents factory and plant and machinery under construction and is stated at cost. Construction-in-progress is not depreciated until such time when the asset is available for use.

- (b) In the previous financial year, the Group had assessed and classified land use rights (i.e. long-term leasehold land) of the Group as finance leases based on the extent to which risks and rewards incidental to ownership of the land resides with the Group arising from the lease term. Consequently, the Group had classified the unamortised upfront payment for land use rights (i.e. long-term leasehold land) as finance leases in accordance with MFRS 117 *Leases*.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 5. PROPERTY, PLANT AND EQUIPMENT (continued)

- (c) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchase of property, plant and equipment	<b>13,737</b>	15,743
Financed by credit purchase (Note 17(c))	<b>(1,615)</b>	(834)
Cash payments on purchase of property, plant and equipment	<b>12,122</b>	14,909

- (d) The carrying amounts of the property, plant and equipment of the Group under hire purchase arrangements at the end of the reporting period were as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Plant and machinery	-	2,231

- (e) As at the end of the reporting period, certain long-term leasehold land, factory and office buildings, plant and machinery of the Group with a total carrying amount of RM32,288,000 (2018: RM54,183,000) have been charged to a licensed bank for credit facilities granted to the Group as disclosed in Note 15 to the financial statements.

### 6. LEASES

#### The Group as lessee

#### Right-of-use assets

<b>Carrying amount</b>	<b>Balance as at 1.1.2019 RM'000</b>	<b>Effect on adoption of MFRS 16 (Note 31.2) RM'000</b>	<b>Depreciation RM'000</b>	<b>Transfer to property, plant and equipment RM'000</b>	<b>Balance as at 31.12.2019 RM'000</b>
Long-term leasehold land	-	<b>53,488</b>	<b>(735)</b>	-	<b>52,753</b>
Short-term leasehold land	-	<b>1,391</b>	<b>(56)</b>	-	<b>1,335</b>
Plant and machineries	-	<b>2,231</b>	<b>(188)</b>	<b>(2,043)</b>	-
	-	<b>57,110</b>	<b>(979)</b>	<b>(2,043)</b>	<b>54,088</b>

## 6. LEASES (continued)

### The Group as lessee (continued)

#### Lease liabilities

Group	Note	Plant and machineries RM'000	Total RM'000
<b>2019</b>			
Carrying amount			
As at 1 January 2019		-	-
Effect on adoption of MFRS 16	<b>31.2</b>	<b>154</b>	<b>154</b>
Lease payments		<b>(154)</b>	<b>(154)</b>
As at 31 December 2019		-	-

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Long-term leasehold land	56 to 99 years
Short-term leasehold land	36 to 45 years
Plant and machineries	10 to 20 years

- (b) As at the end of the reporting period, certain leasehold land with a carrying amount of RM26,102,000 were charged as securities for bank facilities granted to the Group as disclosed in Note 15 to the financial statements.
- (c) The Group has certain leases of machineries, hostel and premises with lease term of 12 months or less. The Group applies the "short-term lease" exemptions for these leases.
- (d) The following are the amounts recognised in profit or loss:

	Group 2019 RM'000
Depreciation charge of right-of-use assets (included in administrative expenses)	<b>979</b>
Expense relating to short-term leases (included in administrative expenses)	<b>291</b>
	<b>1,270</b>

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 7. PREPAID LEASE PAYMENTS FOR LAND

Group	Balance as at 1.1.2019 RM'000	Effect on adoption of MFRS 16 (Note 31.2) RM'000	Balance as at 1.1.2019, as restated RM'000	Balance as at 31.12.2019 RM'000
<b>Carrying amount</b>				
Short-term leasehold land	1,391	(1,391)	-	-

At 31.12.2019			
Group	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
<b>Carrying amount</b>			
Short-term leasehold land	-	-	-

Group	Balance as at 1.1.2018 RM'000	Amortisation charge for the financial year RM'000	Balance as at 31.12.2018 RM'000
<b>Carrying amount</b>			
Short-term leasehold land	1,447	(56)	1,391

At 31.12.2018			
Group	Cost RM'000	Accumulated amortisation RM'000	Carrying amount RM'000
<b>Carrying amount</b>			
Short-term leasehold land	2,201	(810)	1,391

In the previous financial year, prepaid lease payments for land of the Group with a carrying amount of RM864,000 were charged as securities for bank facilities granted to the Group as disclosed in Note 15 to the financial statements.

## 8. INVESTMENTS IN SUBSIDIARIES

	Group	
	2019 RM'000	2018 RM'000
Unquoted shares - at cost	189,923	177,900
Less: Impairment losses	(26,541)	(26,541)
	163,382	151,359

(a) Investments in subsidiaries are stated in the separate financial statements of the Company at cost less impairment losses.

## 8. INVESTMENTS IN SUBSIDIARIES (continued)

(b) The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective interest in equity		Principal activities
		2019 %	2018 %	
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100	100	Manufacturing and sale of food and beverage ingredients
Three-A Food Industries (M) Sdn. Bhd.	Malaysia	100	100	Investment holding

All subsidiaries of the Company are audited by BDO PLT.

- (c) On 18 November 2019, the Company subscribed an additional 17,000,000 ordinary shares in San Soon Seng Food Industries Sdn. Bhd. by way of capitalisation of RM12,023,000 of the amount owing by San Soon Seng Food Industries Sdn. Bhd..
- (d) In the previous financial year, an impairment loss on investments in subsidiaries amounted to RM170,000 relating to a subsidiary, Three-A Food Industries (M) Sdn. Bhd. had been recognised because the Directors did not anticipate any future economic benefits associated with this investment as a result of declining business operations.

## 9. INVENTORIES

	Group	
	2019 RM'000	2018 RM'000
<b>At cost</b>		
Raw materials	27,481	57,005
Work-in-progress	4,377	4,880
Packing materials	1,868	2,134
Finished goods	16,098	16,045
	<b>49,824</b>	80,064

- (a) Cost is determined using the first-in first-out basis and stated at the lower of cost and net realisable value. Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:
- (i) raw materials and goods-in-transit: all purchase costs.
  - (ii) finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.
- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM343,141,000 (2018: RM345,668,000).

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 10. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Trade receivables</b>				
Third parties	<b>103,598</b>	107,848	-	-
Related party	<b>129</b>	228	-	-
	<b>103,727</b>	108,076	-	-
Less: Impairment losses				
- third parties	<b>(3,189)</b>	(956)	-	-
	<b>100,538</b>	107,120	-	-
<b>Other receivables</b>				
Amounts owing by subsidiaries	-	-	<b>699</b>	12,849
Other receivables	<b>2</b>	9	<b>1</b>	1
Deposits	<b>959</b>	333	-	-
	<b>961</b>	342	<b>700</b>	12,850
Total receivables	<b>101,499</b>	107,462	<b>700</b>	12,850
Prepayments	<b>15,100</b>	2,558	-	-
	<b>116,599</b>	110,020	<b>700</b>	12,850

- (a) Trade receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 150 days (2018: 30 to 150 days). They are recognised at their original invoice amounts, which represent their fair values on initial recognition.
- (c) Amount owing by a related party is due from Seong Chan Sauce & Foodstuff Sdn. Bhd., a company in which certain Directors have financial interests. Amount owing by a related party is non-interest bearing and credit terms range from 60 to 90 days (2018: 60 to 90 days).
- (d) The amounts due from subsidiaries are unsecured, interest-free and payable within the next twelve (12) months in cash and cash equivalents.



**10. TRADE AND OTHER RECEIVABLES (continued)**

- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method separately for exposures in different segments based on the following common credit risk characteristic - age of customer relationship.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information such as unemployment rate and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within impairment allowance on receivables in the statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by receivables, appropriate forward looking information and significant increase in credit risk.

- (f) Movements in the impairment allowance for trade receivables are as follows:

	<b>Group Lifetime ECL</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
At the beginning of the year	<b>956</b>	956
Charged for the financial year	<b>2,233</b>	-
At the end of the year	<b>3,189</b>	956

- (g) Lifetime expected loss provision for trade receivables are as follows:

	<b>Gross carrying amount RM'000</b>	<b>Lifetime ECL RM'000</b>	<b>Net balance RM'000</b>
As at 31 December 2019			
Not past due	<b>100,070</b>	-	<b>100,070</b>
Past due:			
- 1 to 30 days	<b>430</b>	<b>(8)</b>	<b>422</b>
- 31 to 60 days	<b>557</b>	<b>(525)</b>	<b>32</b>
- 61 to 90 days	<b>871</b>	<b>(868)</b>	<b>3</b>
- 91 to 120 days	<b>804</b>	<b>(803)</b>	<b>1</b>
- more than 120 days	<b>995</b>	<b>(985)</b>	<b>10</b>
	<b>3,657</b>	<b>(3,189)</b>	<b>468</b>
	<b>103,727</b>	<b>(3,189)</b>	<b>100,538</b>

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 10. TRADE AND OTHER RECEIVABLES (continued)

(g) Lifetime expected loss provision for trade receivables are as follows: (continued)

	Gross carrying amount RM'000	Lifetime ECL RM'000	Net balance RM'000
As at 31 December 2018			
Not past due	106,793	-	106,793
Past due:			
- 1 to 30 days	135	-	135
- 31 to 60 days	15	-	15
- 61 to 90 days	37	-	37
- 91 to 120 days	84	-	84
- more than 120 days	1,012	(956)	56
	1,283	(956)	327
	108,076	(956)	107,120

(h) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. At the end of the reporting period, the Company assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which credit risk had increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The probability of non-payment by other receivables is adjusted by forward looking information such as gross domestic product ("GDP") and inflation rate as the key macroeconomic factors and multiplied by the amount of the expected loss arising from default to determine the twelve-month or lifetime expected credit losses for other receivables. The Group and the Company defined significant increase in credit risk when there is changes in contractual terms and delay in payment from its other receivables.

No expected credit loss is recognised arising from other receivables as it is negligible.

**10. TRADE AND OTHER RECEIVABLES (continued)**

## (i) Credit risk concentration profile

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

	2019		2018	
	RM'000	% of total	RM'000	% of total
<b>By country:</b>				
Malaysia	<b>73,064</b>	<b>73%</b>	87,715	82%
Singapore	<b>8,472</b>	<b>8%</b>	6,298	6%
Other foreign countries	<b>19,002</b>	<b>19%</b>	13,107	12%
	<b>100,538</b>	<b>100%</b>	107,120	100%

At the end of each reporting period, approximately 58% (2018: 60%) of the trade receivables of the Group were due from 10 (2018: 10) major customers.

The Company does not have any significant concentration of credit risk other than the amount owing by a subsidiary, which constitutes 96% (2018: 99%) of total receivables of the Company as at the end of each reporting period.

## (j) The currency exposure profiles of trade and other receivables (excluding prepayments) are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	<b>74,855</b>	88,791	<b>700</b>	12,850
United States Dollar	<b>24,329</b>	15,848	-	-
Singapore Dollar	<b>2,315</b>	2,821	-	-
Other foreign currency	-	2	-	-
	<b>101,499</b>	107,462	<b>700</b>	12,850

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 10. TRADE AND OTHER RECEIVABLES (continued)

- (k) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Effects of 3% changes to RM against foreign currencies				
Profit after tax				
- United States Dollar	555	361	-	-
- Singapore Dollar	53	64	-	-

Sensitivity analysis of other foreign currency is not disclosed as it is not material to the Group.

## 11. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and bank balances	8,358	9,057	76	1,336
Placement in funds	35,849	1	-	-*
	44,207	9,058	76	1,336

\* The amount is less than RM1,000.

- (a) The weighted average effective interest rates of the Group and of the Company at the reporting date were as follows:

	Group		Company	
	2019	2018	2019	2018
<b>Weighted average effective interest rate (%)</b>				
Placement in funds				
- Floating rates	3.94%	3.58%	-	3.57%

- (b) The following table demonstrates the sensitivity analysis of the Group and of the Company if interest rates for placement in funds at the end of each reporting period changed by three hundred (300) basis points with all other variables held constant:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Profit after tax</b>				
- increase by 3% (2018: 3%)	817	-*	-	-*
- decrease by 3% (2018: 3%)	(817)	-*	-	-*

\* The amount is less than RM1,000.

**11. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS (continued)**

- (c) The currency exposure profiles of cash and bank balances and placement in funds are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Ringgit Malaysia	<b>44,061</b>	4,451	<b>76</b>	1,336
United States Dollar	<b>140</b>	4,576	-	-
Other foreign currencies	<b>6</b>	31	-	-
	<b>44,207</b>	9,058	<b>76</b>	1,336

- (d) Sensitivity analysis of RM against foreign currency at the end of the reporting period, assuming that all other variables remain constant, is as follows:

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Effects of 3% changes to RM against foreign currency</b>		
Profit after tax		
- United States Dollar	<b>3</b>	104

Sensitivity of other foreign currencies are not disclosed as they are not significant to the Group.

- (e) Placement in funds aim to invest in highly liquid instruments which are investing its assets in Ringgit Malaysia deposits with financial institutions in Malaysia and are redeemable with one (1) day notice. These funds are subject to an insignificant risk of changes in value and form part of net cash and cash equivalents. Funds distribution income from these funds is tax-exempted, is calculated daily and distributed at every month end.
- (f) No expected credit losses were recognised arising from the deposits with financial institutions because the probability of default by these financial institutions were negligible.

**12. SHARE CAPITAL**

	<b>Group and Company</b>			
	<b>2019</b>		<b>2018</b>	
	<b>Number of</b>		<b>Number of</b>	
	<b>shares</b>		<b>shares</b>	
	<b>('000)</b>	<b>RM'000</b>	<b>('000)</b>	<b>RM'000</b>
<b>Issued and fully paid</b>				
At beginning of financial year	<b>492,000</b>	<b>98,400</b>	492,000	98,400
Transfer pursuant to Companies Act 2016	-	<b>50,687</b>	-	-
At end of financial year	<b>492,000</b>	<b>149,087</b>	492,000	98,400

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 12. SHARE CAPITAL (continued)

- (a) The owners of the parent are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (b) Companies Act 2016 ("CA2016") has come into effect on 31 January 2017. Following the adoption of CA2016 the share premium account would be merged with the Group's share capital account. The Group and the Company have consolidated the share premium account into share capital account upon the expiry of transitional period of twenty-four (24) months to utilise the amount in the share premium account.

### 13. RESERVES

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
<b>Non-distributable</b>				
Share premium				
Balance as at 1 January	<b>50,687</b>	50,687	<b>50,687</b>	50,687
Transfer pursuant to Companies Act 2016 (Note 12(b))	<b>(50,687)</b>	-	<b>(50,687)</b>	-
Balance as at 31 December	-	50,687	-	50,687
<b>Distributable</b>				
Retained earnings	<b>199,087</b>	179,508	<b>14,619</b>	16,155
	<b>199,087</b>	230,195	<b>14,619</b>	66,842

### 14. DEFERRED TAX LIABILITIES

- (a) The deferred tax liabilities are made up of the following:

	Group	
	2019 RM'000	2018 RM'000
Balance as at 1 January	<b>14,556</b>	16,271
Recognised in profit or loss (Note 24)	<b>(553)</b>	(1,715)
Balance as at 31 December	<b>14,003</b>	14,556

**14. DEFERRED TAX LIABILITIES (continued)**

- (b) The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

**Deferred tax assets of the Group**

	<b>Provisions RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2018	(2,217)	2,217	-
Recognised in profit or loss	562	(562)	-
Balance as at 31 December 2018	(1,655)	1,655	-
Recognised in profit or loss	(614)	614	-
Balance as at 31 December 2019	<b>(2,269)</b>	<b>2,269</b>	<b>-</b>

**Deferred tax liabilities of the Group**

	<b>Property, plant and equipment RM'000</b>	<b>Others RM'000</b>	<b>Offsetting RM'000</b>	<b>Total RM'000</b>
Balance as at 1 January 2018	16,126	2,362	(2,217)	16,271
Recognised in profit or loss	(23)	(2,254)	562	(1,715)
Balance as at 31 December 2018	16,103	108	(1,655)	14,556
Recognised in profit or loss	169	(108)	(614)	(553)
Balance as at 31 December 2019	<b>16,272</b>	<b>-</b>	<b>(2,269)</b>	<b>14,003</b>

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 15. BORROWINGS

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>		
Secured: Term loans	<b>12,770</b>	14,462
<b>Current liabilities</b>		
Secured:		
Term loans	<b>1,762</b>	2,353
Bankers' acceptance	-	3,045
Hire purchase creditors (Note 16)	-	154
	<b>1,762</b>	5,552
<b>Total borrowings</b>		
Secured:		
Term loans	<b>14,532</b>	16,815
Bankers' acceptance	-	3,045
Hire purchase creditors (Note 16)	-	154
	<b>14,532</b>	20,014

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) The bank borrowings of the Group, other than hire purchase creditors are secured by the following:
- (i) fixed charges over the long-term leasehold land, short-term leasehold land, factory and office buildings, plant and machinery of a subsidiary as disclosed in Notes 5, 6 and 7 to the financial statements respectively;
  - (ii) negative pledge on two adjoining pieces of leasehold land of a subsidiary;
  - (iii) a corporate guarantee of RM14,532,000 (2018: RM16,815,000) by the Company; and
  - (iv) letters of subordination of debts by the Company to its subsidiary.
- (c) All borrowings are denominated in RM.
- (d) The following table sets out the financial instruments not carried at fair value for which fair value is disclosed together with their carrying amount shown in the statements of financial position:

<b>Group</b>	<b>2019</b>		<b>2018</b>	
	<b>Carrying amount</b>	<b>Fair value</b>	<b>Carrying amount</b>	<b>Fair value</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Hire purchase creditors	-	-	154	146

The fair value of the borrowings was categorised as Level 2 in the fair value hierarchy. There was no transfer between levels in the hierarchy during the previous financial year.



**15. BORROWINGS (continued)**

- (e) The fair values of these financial instruments were estimated by discounting expected future cash flows at market incremental lending rate for similar type of lending, borrowings or leasing arrangements at the end of each reporting period.
- (f) The table below summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations:

Group	On demand or within one year RM'000	Two to five years RM'000	Over five years RM'000	Total RM'000
<b>As at 31 December 2019</b>				
Term loans	<b>2,492</b>	<b>12,834</b>	<b>853</b>	<b>16,179</b>
Total undiscounted financial liabilities	<b>2,492</b>	<b>12,834</b>	<b>853</b>	<b>16,179</b>
<b>As at 31 December 2018</b>				
Term loans	3,160	14,905	1,428	19,493
Bankers' acceptance	3,045	-	-	3,045
Hire purchase creditors	156	-	-	156
Total undiscounted financial liabilities	6,361	14,905	1,428	22,694

- (g) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by three hundred (300) basis points with all other variables held constant:

	Group	
	2019 RM'000	2018 RM'000
Profit after tax		
Floating rate instrument		
- increase by 3% (2018: 3%)	<b>(331)</b>	(383)
- decrease by 3% (2018: 3%)	<b>331</b>	383

Sensitivity analysis for fixed rate borrowings as at end of the previous reporting period was not presented as fixed rate instruments were not affected by change in interest rates.

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 15. BORROWINGS (continued)

- (h) The following table sets out the carrying amounts, the weighted average effective interest rates ("WAEIR") as at the end of each reporting period and the remaining maturities the financial instruments of the Group that are exposed to interest rate risk:

	WAEIR %	Within 1 year RM'000	1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	More than 5 years RM'000	Total RM'000
<b>As at 31 December 2019</b>								
<u>Floating rates</u>								
Term loans	5.63	1,762	6,181	5,040	346	374	829	14,532
<b>As at 31 December 2018</b>								
<u>Fixed rate</u>								
Hire purchase creditors	7.19	154	-	-	-	-	-	154
Bankers' acceptance	3.62	3,045	-	-	-	-	-	3,045
<u>Floating rate</u>								
Term loans	5.28	2,353	1,800	6,239	5,109	393	921	16,815

**16. HIRE PURCHASE CREDITORS**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Minimum hire purchase and lease payments:		
- not later than one (1) year	-	156
Less: Future finance charges	-	(2)
Present value of hire purchase and lease payments	-	154
Repayable as follows:		
Current liabilities:		
- not later than one (1) year	-	154

**17. TRADE AND OTHER PAYABLES**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Trade payables</b>				
Third parties	<b>12,711</b>	16,791	-	-
Other payables	<b>6,200</b>	5,993	-	-
Deposit received	<b>1,194</b>	1,026	-	-
Accruals	<b>8,313</b>	7,527	<b>441</b>	323
	<b>15,707</b>	14,546	<b>441</b>	323
	<b>28,418</b>	31,337	<b>441</b>	323

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2018: 30 to 60 days).
- (c) Included in other payables of the Group are credit purchase of property, plant and equipment amounting to RM1,615,000 (2018: RM834,000) as disclosed in Note 5(c) to the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 17. TRADE AND OTHER PAYABLES (continued)

(d) The currency exposure profiles of trade and other payables are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Ringgit Malaysia	20,812	19,481	441	323
United States Dollar	7,328	11,443	-	-
Other foreign currencies	278	413	-	-
	28,418	31,337	441	323

(e) Sensitivity analysis of RM against foreign currencies at the end of the reporting period, assuming that all other variables remain constant, are as follows:

	Group	
	2019 RM'000	2018 RM'000
<b>Effects of 3% changes to RM against foreign currencies</b>		
Profit after tax		
- United States Dollar	(167)	(261)

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

(f) The maturity profile of trade and other payables of the Group and of the Company at the reporting date based on contractual undiscounted repayment obligations is repayable on demand or within one year.

### 18. COMMITMENTS

(a) Operating lease commitments

In the previous financial year, the Group had entered into several tenancy agreements for the rental of warehouses, resulting in future rental commitments which could, subject to certain terms in the agreements, be revised based on prevailing market rates. The Group had aggregate future minimum lease commitment as at the end of each reporting period as follows:

	Group	
	2019 RM'000	2018 RM'000
Not later than one (1) year	-	48
Later than one (1) year and not later than five (5) years	-	8
	-	56

**18. COMMITMENTS (continued)**

## (b) Capital commitments

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<b>12,731</b>	3,100

**19. CONTINGENT LIABILITIES**

	<b>Group</b>	
	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Corporate guarantees given to banks for credit facilities granted to a subsidiary - secured	<b>14,532</b>	16,815

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The Directors have assessed the financial guarantee contracts and concluded that the guarantees are unlikely to be called upon by the financial institutions as the guarantees are collateralised by fixed charges over certain properties, plant and machinery of the Group as disclosed in Notes 5, 6, 7 and 15 to the financial statements. Accordingly, the fair value of the above corporate guarantees is negligible.

**20. REVENUE**

	<b>Group</b>	<b>Company</b>	
	<b>2019</b>	<b>2018</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>2019</b>
			<b>2018</b>
			<b>RM'000</b>
			<b>RM'000</b>
Revenue from contracts with customers:			
Sale of goods	<b>436,066</b>	437,977	-
Other revenue:			
Dividend income from a subsidiary	-	-	<b>9,000</b>
	<b>436,066</b>	437,977	1,330

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 20. REVENUE (continued)

#### *Disaggregation of revenue from contracts with customers*

Revenue from contracts with customers is disaggregated by geographical market as disclosed in Note 4 to the financial statements.

Revenue from contracts with customers is disaggregated in the table below by timing of revenue recognition.

	2019 RM'000	2018 RM'000
<b>Timing of revenue recognition</b>		
Transferred at a point in time	<b>436,066</b>	437,977

#### (i) Sale of goods

Revenue from sale of products is recognised at a point in time when the products has been transferred or the services has been rendered to the customer and coincides with the delivery of products and services and acceptance by customers.

There is no significant financing component in the revenue arising from sale of products as the sales are made on the normal credit terms not exceeding twelve months.

#### (ii) Dividend income

Dividend income is recognised when the right to receive payment is established.

### 21. OTHER INCOME

Included in other operating income are:

	<b>Group</b>		<b>Company</b>	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	<b>1,001</b>	1,158	-	591
Gain on disposal of property, plant and equipment	<b>3</b>	7	-	-
Realised foreign exchange gain	<b>28</b>	246	-	-
Rental income	<b>94</b>	102	-	-
Unrealised foreign exchange gain	-	446	-	-
Other income	<b>62</b>	86	-	-
	<b>1,188</b>	2,045	-	591

**21. OTHER INCOME (continued)**

Interest income is recognised as it accrues, using the effective interest method.

**22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES**

Other than those disclosed elsewhere in the financial statements, included in administrative and other operating expenses are:

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Impairment losses on trade receivables	<b>2,233</b>	-	-	-
Rental of machineries	<b>95</b>	84	-	-
Rental of hostel	<b>30</b>	-	-	-
Rental of premises	<b>166</b>	171	-	-
Unrealised loss in foreign exchange	<b>455</b>	-	-	-

**23. FINANCE COSTS**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest expense on:				
- term loans	<b>875</b>	1,033	-	-
- bankers' acceptances	<b>33</b>	120	-	-
- others	<b>6</b>	40	-	-
	<b>914</b>	1,193	-	-

**24. TAX EXPENSE**

	<b>Group</b>		<b>Company</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current tax				
Current tax expense based on profit for the financial year	<b>10,162</b>	7,278	-	-
Under/(Over)provision in prior years	<b>1,231</b>	(479)	-	-
	<b>11,393</b>	6,799	-	-
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	<b>(109)</b>	724	-	-
Overprovision in prior years	<b>(444)</b>	(2,439)	-	-
	<b>(553)</b>	(1,715)	-	-
	<b>10,840</b>	5,084	-	-

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 24. TAX EXPENSE (continued)

- (a) Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 24%) of the estimated taxable profits for the fiscal year.
- (b) The numerical reconciliations between the average effective tax rates and the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax	<b>40,259</b>	34,204	<b>8,304</b>	1,230
Tax at Malaysian statutory tax rate of 24% (2018: 24%)	<b>9,662</b>	8,209	<b>1,993</b>	295
Tax effects in respect of:				
Non-allowable expenses	<b>598</b>	728	<b>167</b>	166
Non-taxable income	<b>(207)</b>	(935)	<b>(2,160)</b>	(461)
	<b>10,053</b>	8,002	-	-
Under/(Over)provision of current tax expense in prior years	<b>1,231</b>	(479)	-	-
Overprovision of deferred tax in prior years	<b>(444)</b>	(2,439)	-	-
	<b>10,840</b>	5,084	-	-

### 25. EARNINGS PER SHARE

- (a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2019 RM'000	2018 RM'000
Profit attributable to owners of the parent	<b>29,419</b>	29,120
Weighted average number of ordinary shares in issue ('000)	<b>492,000</b>	492,000
Basic earnings per ordinary share (sen)	<b>6.0</b>	5.9

- (b) The diluted earnings per ordinary share for the financial year is the same as the basic earnings per ordinary share for the financial year as there were no dilutive potential ordinary shares.



## 26. DIVIDEND

	Group and Company			
	2019		2018	
	Dividend per share Sen	Amount of dividend RM'000	Dividend per share Sen	Amount of dividend RM'000
Interim single tier dividend	2.0	9,840	2.0	9,840

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2019.

## 27. EMPLOYEE BENEFITS

	Group	
	2019 RM'000	2018 RM'000
Salaries, wages, allowances and bonuses	26,711	26,529
Contributions to defined contribution plan	1,634	1,604
Social security contributions	151	119
Other employee benefits	37	35
	<b>28,533</b>	<b>28,287</b>

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM4,061,000 (2018: RM4,521,000).

## 28. RELATED PARTIES DISCLOSURES

### (a) Identities of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties could be individuals or other entities.

The Group and the Company have controlling related party relationships with its subsidiaries, companies related to the Directors and the significant corporate shareholder of the Company as follows:

Seong Chan Sauce & Foodstuff Sdn. Bhd.

A company of which Fong Chu King @ Tong Chu King and Fang Siew Ping, who are Directors of the Company, have financial interests and Fang Chew Ham Holdings Sdn. Bhd., a significant corporate shareholder of the Company.

Qinhuangdao Gold Delicious Food Industries Co., Ltd

A subsidiary of a significant corporate shareholder of the Company.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 28. RELATED PARTIES DISCLOSURES (continued)

#### (b) Significant related party transactions

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Sale of products				
- Seong Chan Sauce & Foodstuff Sdn. Bhd.	<b>1,158</b>	1,236	-	-
Dividend income from a subsidiary				
- San Soon Seng Food Industries Sdn. Bhd.	-	-	<b>9,000</b>	1,330
Purchase of products from				
- Qinhuangdao Gold Delicious Food Industries Co., Ltd	<b>1,194</b>	4,993	-	-

The related party transactions described above were carried out on negotiated terms and conditions in the ordinary course of business between the related parties and the Company.

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 is disclosed in Note 10 to the financial statements.

#### (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director of the Group and of the Company.

The remunerations of Directors and other key management personnel during the financial year were as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short-term employee benefits	<b>5,937</b>	6,519	-	-
Contributions to defined contribution plan	<b>476</b>	530	-	-
Directors' fees	<b>422</b>	272	<b>374</b>	272
	<b>6,835</b>	7,321	<b>374</b>	272

## 29. CAPITAL MANAGEMENT

The primary objective of the capital management of the Group is to ensure that entities of the Group would be able to continue as going concerns whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged from that in the previous financial year.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 31 December 2019 and 31 December 2018.

The Group monitors capital using a net debt-to-capital ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, loans and borrowings, trade and other payables, less cash and bank balances and placement in funds. Capital represents equity attributable to the owners of the parent.

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	<b>14,532</b>	20,014	-	-
Trade and other payables	<b>28,418</b>	31,337	<b>441</b>	323
Total liabilities	<b>42,950</b>	51,351	<b>441</b>	323
Less:				
Cash and bank balances	<b>(8,358)</b>	(9,057)	<b>(76)</b>	(1,336)
Placement in funds	<b>(35,849)</b>	(1)	-	-*
Net (cash)/debt	<b>(1,257)</b>	42,293	<b>365</b>	(1,013)
Total equity	<b>348,174</b>	328,595	<b>163,706</b>	165,242
Net (cash)/debt	<b>(1,257)</b>	42,293	<b>365</b>	(1,013)
	<b>346,917</b>	370,888	<b>164,071</b>	164,229
Ratio (%)	-^	11	-^	-^

\* The amount is less than RM1,000.

^ Gearing ratio is not presented as the Group and the Company are in net cash's position or less than 1%.

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than the twenty-five percent (25%) of the issued and paid-up capital and such shareholders' equity is not less than RM40,000,000. The Group has complied with this requirement during the financial year ended 31 December 2019.

The Group is not subject to any other external imposed capital requirements.

## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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### 30. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a pandemic on 11 March 2020. This was followed by the Government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ("MCO") effective from 18 March 2020 to 31 March 2020 arising from COVID-19. The MCO was subsequently extended until 12 May 2020 followed by a Conditional MCO until 9 June 2020.

Since these developments occurred subsequent to the end of the reporting period, the COVID-19 pandemic is treated as a non-adjusting event in accordance with MFRS 110 Events after the Reporting Period. Consequently, the financial statements for the financial year ended 31 December 2019 do not reflect the effects arising from this non-adjusting event.

The financial reporting impact of the COVID-19 pandemic could be significant to the Group due to:

- (a) Reduced consumer demand for goods and services of the Group owing to lost income and/or restrictions on consumers' ability to move freely;
- (b) Lack of investment in capital improvements and construction, thus reducing demand for goods and services of the Group;
- (c) Reduction in market prices of financial assets, including debt and equity instruments; and
- (d) Disruption of global supply chains due to the restrictions imposed on the movement of people and goods.

The Group is in the process of assessing the financial reporting impact of COVID-19 pandemic since ongoing developments remain uncertain and cannot be reasonably predicted as at the date of authorisation of the financial statements.

The Group anticipates that the potential financial reporting impact of COVID-19 would be recognised in the financial statements of the Group during the financial year ending 31 December 2020.

### 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

#### 31.1 New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year:

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015 - 2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019

### 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSS (CONTINUED)

#### 31.1 New MFRSs adopted during the financial year (continued)

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year: (continued)

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company, except for the adoption of MFRS 16 as described in the following section.

##### **MFRS 16 Leases**

MFRS 16 supersedes MFRS 117 *Leases*, IFRIC 4 *Determining whether an Arrangement contains a Lease*, SIC-15 *Operating Leases-Incentives* and SIC-27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. MFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the financial statements.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 117. Lessors would continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have a material impact for leases for which the Group and the Company is the lessor.

The Group and the Company applied MFRS 16 using the modified retrospective approach, for which the cumulative effect of initial application is recognised in retained earnings as at 1 January 2019, if any. Accordingly, the comparative information presented is not restated.

In order to compute the transition impact of MFRS 16, a significant data extraction exercise was undertaken by management to summarise all property and equipment lease data such that the respective inputs could be uploaded into management's model. The incremental borrowing rate method has been adopted where the implicit rate of interest in a lease is not readily determinable.

For leases previously classified as finance leases, the Group recognised the carrying amount of the lease asset and lease liability immediately before transition as the carrying amount of the right of use asset and the lease liability respectively at the date of initial application. The measurement principles of MFRS 16 are only applied after that date.

In applying MFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- (a) Applying a single discount rate, if any, to a portfolio of leases with reasonably similar characteristics;
- (b) Relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review - there were no onerous contracts as at 1 January 2019;
- (c) Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 and do not contain a purchase option as short-term leases;
- (d) Excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- (e) Using hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

# NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2019 (CONTINUED)

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## 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSS (CONTINUED)

### 31.2 Effect on adoption of MFRS 16

On transition to MFRS 16, the Group recognised right-of-use assets and lease liabilities. The impact on transition is summarised below:

Group 1 January 2019	Note	As previously stated RM'000	Effect on adoption of MFRS 16 RM'000	As restated RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment		190,018	(55,719)	134,299
Prepaid lease payments for land		1,391	(1,391)	-
Right-of-use assets	(a)	-	57,110	57,110
<b>Current liabilities</b>				
Hire purchase payables		154	(154)	-
Lease liabilities	(b)	-	154	154
		191,255	-	191,255

(a) The associated right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied. Other right-of use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the financial statements as at 31 December 2018.

(b) Lease liabilities are measured as follows:

	Group RM'000
Operating lease commitments at 31 December 2018 as disclosed under MFRS 117	56
Finance lease liabilities recognised as at 31 December 2018	154
Recognition exemption for leases with less than 12 months of lease term at transition	(56)
<b>Lease liabilities recognised at 1 January 2019</b>	<b>154</b>

### 31. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

#### 31.3 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2020

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to References to the <i>Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 <i>Interest Rate Benchmark Reform</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2022
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

#### 31.4 IFRIC Agenda Decision - An assessment of the lease term (IFRS 16)

The IFRS Interpretations Committee ('IFRIC') issued a final agenda decision on 26 November 2019 regarding 'Lease term and useful life of leasehold improvements (IFRS 16 and IAS 16)'.

The submission to the IFRIC raised a question pertaining the determination of the lease term of a cancellable lease or a renewable lease based on the requirements of IFRS 16.B34.

Based on the final agenda decision, the IFRIC concluded that the determination of the enforceable period of a lease and the lease term itself shall include broad economic circumstances beyond purely commercial terms.

The Group anticipates an increase in lease liabilities and corresponding right-of-use assets arising from the reassessment of the lease term of existing leasing arrangements due to this final agenda decision.

The Group is in the process of implementing the requirements of this final agenda decision and the impact upon adoption is expected to be recognised during the financial year ending 31 December 2020.

# PARTICULAR OF PROPERTIES HELD BY THE GROUP

Location	Title No. PM 472 Lot 4196 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. PN 21710 Lot 47720 (Lot 590) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. PN 57895 Lot 53150 (Lot 585 & 586) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor
Existing Use	Office Building Production Factory Warehouse	Office Building Production Factory Warehouse	Production Factory Warehouse
Types of Land	Industrial Land	Industrial Land	Industrial Land
Tenure	Leasehold 99 years	Leasehold 99 years	Leasehold 99 years
Remaining Lease Period (Expiry Date)	50 years (30 May 2070)	82 years (03 Jul 2102)	82 years (03 Jul 2102)
Age of Property	24 years	43 years	15 years
Land Area (Sq. Feet)	110,976	34,950	93,032
Cost (RM'000)	15,341	4,465	8,802
Net Book Value as at 31 Dec 2019 (RM'000)	10,807	2,922	6,627
Date of Acquisition	03 Oct 1995	03 Jan 1997	19 May 1997
Year of Last Revaluation	2003	2003	2003

Location	Title No. H.S.(M) 4098 PT 2317 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(M) 4651 PT 5938 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(M) 3999 PT Lot 584 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor
Existing Use	Warehouse	Warehouse	Production Factory
Types of Land	Residential Land	Residential Land	Industrial Land
Tenure	Leasehold 60 years	Leasehold 60 years	Leasehold 60 years
Remaining Lease Period (Expiry Date)	22 years (22 Jun 2042)	26 years (26 Jun 2046)	21 years (24 May 2041)
Age of Property	21 years	21 years	12 years
Land Area (Sq. Feet)	8,168	6,806	46,005
Cost (RM'000)	577	874	5,425
Net Book Value as at 31 Dec 2019 (RM'000)	338	512	4,006
Date of Acquisition	27 May 1997	31 Mar 1998	23 Aug 2004
Year of Last Revaluation	2003	2003	2010



Location	Title No. H.S.(M) 11086 PT Lot 66 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(D) 264602 PT 12294 (Lot 589) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(M) 9078 PT 669 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor
Existing Use	Warehouse	Production Factory Warehouse	Hostel
Types of Land	Industrial Land	Industrial Land	Residential Land
Tenure	Leasehold 99 years	Leasehold 60 years	Leasehold 60 years
Remaining Lease Period (Expiry Date)	50 years (30 May 2070)	50 years (25 Jul 2070)	34 years (19 Jul 2054)
Age of Property	10 years	9 years	10 years
Land Area (Sq. Feet)	87,123	43,560	7,631
Cost (RM'000)	7,285	6,153	681
Net Book Value as at 31 Dec 2019 (RM'000)	5,892	4,932	537
Date of Acquisition	05 Dec 2005	13 Feb 2008	07 Apr 2009
Year of Last Revaluation	2009	2008	2009

Location	Title No. H.S.(M) 9111 PT 27687 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. PN 67417 Lot 2306 Jalan Welfare, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(M) 14513 PT 12493 (Lot 9107 & Lot 9108) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor
Existing Use	Vacant	Hostel	Production Factory Warehouse
Types of Land	Industrial Land	Residential Land	Industrial Land
Tenure	Leasehold 99 years	Leasehold 60 years	Leasehold 99 years
Remaining Lease Period (Expiry Date)	73 years (22 Sep 2093)	45 years (17 July 2065)	73 years (22 Sep 2093)
Age of Property	-	10 years	16 years (Lot 9108) 9 years (Lot 9107)
Land Area (Sq. Feet)	42,281	7,535	103,570
Cost (RM'000)	999	1,030	19,436
Net Book Value as at 31 Dec 2019 (RM'000)	893	845	16,555
Date of Acquisition	10 Dec 2009	11 Jan 2010	26 Mar 2010 (Lot 9108) 09 Oct 2009 (Lot 9107)
Year of Last Revaluation	-	-	2010

## PARTICULAR OF PROPERTIES HELD BY THE GROUP (CONTINUED)

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Location	Title No. H.S.(D) 321305 PT 13116 Jln Khalifah Zakaria 2, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(D) 261056 PT 12202 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	
Existing Use	Warehouse	Hostel	
Types of Land	Industrial Land	Residential Land	
Tenure	Leasehold 99 years	Leasehold 99 years	
Remaining Lease Period (Expiry Date)	92 years (15 Jan 2112)	88 years (21 Dec 2108)	
Age of Property	4 years (Lot 847) 2 years (Lot 848)	8 years	
Land Area (Sq. Feet)	161,674	7,623	
Cost (RM'000)	23,216	1,025	
Net Book Value as at 31 Dec 2019 (RM'000)	20,750	889	
Date of Acquisition	30 Apr 2010 (PT 847) 03 Dec 2012 (PT 848)	12 Apr 2011	
Year of Last Revaluation	2010 (Lot 847) 2013 (Lot 848)	-	

Location	Title No. PM 3855 Lot 582 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. H.S.(M) 9109 PT 27685 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. HSD 295891 PT 583 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor
Existing Use	Warehouse	Under Construction	Under Construction
Types of Land	Industrial Land	Industrial Land	Industrial Land
Tenure	Leasehold 99 years	Leasehold 99 years	Leasehold 99 years
Remaining Lease Period (Expiry Date)	94 years (05 Oct 2114)	73 years (22 Sep 2093)	92 years (30 Dec 2112)
Age of Property	3 years	-	-
Land Area (Sq. Feet)	46,005	48,265	47,641
Cost (RM'000)	7,883	5,561	10,995
Net Book Value as at 31 Dec 2019 (RM'000)	7,602	5,402	10,805
Date of Acquisition	17 Sep 2015	17 Sep 2015	24 Feb 2017
Year of Last Revaluation	2015	2015	2017

Location	Title No. HSM 12526 PT 64 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	Title No. HSM 9110 PT 27684 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor	
Existing Use	Under Construction	Under Construction	
Types of Land	Industrial Land	Industrial Land	
Tenure	Leasehold 99 years	Leasehold 99 years	
Remaining Lease Period (Expiry Date)	50 years (30 May 2070)	73 years (22 Sep 2093)	
Age of Property	-	-	
Land Area (Sq. Feet)	87,123	43,637	
Cost (RM'000)	12,535	4,845	
Net Book Value as at 31 Dec 2019 (RM'000)	12,069	4,762	
Date of Acquisition	03 Jan 2017	06 Jun 2018	
2017	2017	2018	

# ANALYSIS OF SHAREHOLDINGS

## As At 21 April 2020

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Total Number of Issued Shares : 492,000,010 Ordinary Shares (including 1,768,800 treasury shares)  
 Class of Shares : Ordinary Share  
 Voting Rights : One (1) Voting Right per Ordinary Share

### Distribution of Shareholdings

Size of Shareholdings	No. of Shareholders	Shareholders (%)	No. of Shareholdings	Shareholdings (%)
less than 100	264	6.32	11,224	0.00
100 to 1,000	429	10.26	164,210	0.03
1,001 to 10,000	1,831	43.80	9,277,900	1.89
10,001 to 100,000	1,383	33.09	43,952,276	8.97
100,001 to 24,511,559 (*)	271	6.48	259,075,600	52.85
24,511,560 and above (**)	2	0.05	177,750,000	36.26
<b>TOTAL</b>	<b>4,180</b>	<b>100.00</b>	<b>490,231,210</b>	<b>100.00</b>

Note: \* Less than 5% of issued holdings

Note: \*\* 5% and above of issued holdings

Note: Exclude treasury shares

### LIST OF TOP 30 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	(%)
1	FANG CHEW HAM HOLDINGS SDN BHD	86,250,000	17.59
2	WILMAR INTERNATIONAL LIMITED	77,000,000	15.71
3	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO SIEW LAI	24,100,000	4.92
4	UOB KAY HIAN NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEO KWEE HOCK	22,463,400	4.58
5	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTSSMALL-CAP FUND	16,915,875	3.45
6	FOONG CHIEW FATT	15,618,825	3.19
7	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FANG CHEW HAM HOLDINGS SDN BHD (MY3185)	14,500,000	2.96
8	CITIGROUP NOMINEES (TEMPATAN) SDN BHD EMPLOYEES PROVIDENT FUND BOARD	14,382,350	2.93
9	FONG CHU KING @ TONG CHU KING	13,687,500	2.79
10	FONG CHIEW HEAN	8,000,000	1.63
11	TEO KWEE HOCK	7,211,150	1.47

No.	Name of Shareholders	No. of Shares	(%)
12	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR APEX DANA AL-SOFI-I (ADAS-I) (410325)	6,289,800	1.28
13	CITIGROUP NOMINEES (TEMPATAN) SDN BHD KUMPULAN WANG PERSARAAN (DIPERBADANKAN) (ESPG IV SC E)	4,563,175	0.93
14	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR FONG PENG MAN (MY3238)	4,063,000	0.83
15	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR DATO' SRI TAN HOW YAP (7004055)	4,000,000	0.82
16	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YOONG FUI KIEN	3,230,000	0.66
17	TAN BOOI CHARN	3,220,000	0.66
18	MAYBANK NOMINEES (TEMPATAN) SDN BHD MAYBANK TRUSTEES BERHAD FOR APEX DANA AL-FAIZ-I (ADAF-I) (410324)	3,056,625	0.62
19	MAYBANK NOMINEES (TEMPATAN) SDN BHD ETIQA LIFE INSURANCE BERHAD (LIFE PAR)	2,770,900	0.57
20	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG FAAI @ NG YOKE PEI (SRB/PMS)	2,243,625	0.46
21	CHAN CHAI BEE	2,181,850	0.45
22	FONG CHIEW HEAN	2,166,100	0.44
23	CHAN SEONG KUN	2,028,900	0.41
24	T.B.R SHOPPING CENTRE (M) SDN. BHD.	2,000,000	0.41
25	CHAN CHU WEI	1,978,750	0.40
26	DB (MALAYSIA) NOMINEE (TEMPATAN) SENDIRIAN BERHAD DEUTSCHE TRUSTEES MALAYSIA BERHAD FOR EASTSPRING INVESTMENTS ISLAMIC SMALL-CAP FUND	1,893,000	0.39
27	CGS-CIMB NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN TUAN PHIN (JALAN DEDAP-CL)	1,828,300	0.37
28	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN AH CHAI (E-SRB)	1,680,100	0.34
29	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON SEONG (E-SRB)	1,674,850	0.34
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN BOON THIAM (E-SRB)	1,640,300	0.33

## ANALYSIS OF SHAREHOLDINGS AS AT 21 APRIL 2020 (CONTINUED)

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### SUBSTANTIAL SHAREHOLDERS

Name	Direct Interest		Indirect Interest	
	No. of Shares	Shareholdings %	No. of shares	Shareholdings %
Fang Chew Ham Holdings Sdn Bhd	100,750,000	20.55	1,577,600 <sup>(1)</sup>	0.32
Wilmar International Limited	77,000,000	15.71	-	-
Fang Chew Ham	100,000	0.02	102,327,600 <sup>(2)</sup>	20.87
Fang Siew Yee	-	-	102,327,600 <sup>(2)</sup>	20.87
Teo Kwee Hock	29,793,150	6.08	554,375 <sup>(3)</sup>	0.11

### DIRECTORS' SHAREHOLDINGS

Name	Direct Interest		Indirect Interest	
	No. of Shares	Shareholdings (%)	No. of Shares	Shareholdings (%)
Dato' Jagjit Singh a/l Bant Singh	-	-	-	-
Fong Chu King @ Tong Chu King	13,745,500	2.80	1,714,975 <sup>4</sup>	0.35
Chew Eng Chai	200,000	0.04	8,750 <sup>5</sup>	negligible
Tan Chon Sing @ Tan Kim Tieng	-	-	2,243,625 <sup>5</sup>	0.46
Khoo Wee Boon	-	-	-	-
Mohd Zaki Bin Hamzah	625,000	0.13	-	-
Loo Cheau Leong	-	-	-	-
Gurpreet Singh Vohra	-	-	-	-
Liew Kuo Shin	125,000	0.03	-	-
Fang Siew Ping	-	-	-	-

Note:

- 1 Deemed interest through Seong Chan Sauce @ Foodstuff Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 ("the Act").
- 2 Indirect interest via shareholdings of Fang Chew Ham Holdings Sdn Bhd (100,750,000 ordinary shares) and Seong Chan Sauce & Foodstuff Sdn Bhd (1,577,600 ordinary shares) pursuant to Section 8 of the Act.
- 3 Deemed interest via shareholdings held by his family pursuant to Section 8 of the Act.
- 4 Indirect interest via shareholdings of his son (137,375 ordinary shares) pursuant to Section 59 (1) (C) of the Act, and Seong Chan Sauce & Foodstuff Sdn Bhd (1,577,600 ordinary shares) pursuant to Section 8 of the Act.
- 5 Indirect interest via shareholdings of his spouse pursuant to Section 59 (1) (C) of the Act.

# NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Eighteenth Annual General Meeting of the Company will be conducted entirely through live streaming from the broadcast venue at Auditorium, 3A Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Monday, 29 June 2020 at 10.00 a.m. to transact the following business:-

## AGENDA

### ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon. **(Please refer to Explanatory Note 1 on Ordinary Business)**
2. To approve the payment of Directors' fees of RM422,000 for the financial year ended 31 December 2019. **(Resolution 1)  
(Please refer to Explanatory Note 2 on Ordinary Business)**
3. To approve the payment of Director's benefits of RM108,000 for the financial year ended 31 December 2019 **(Resolution 2)  
(Please refer to Explanatory Note 2 on Ordinary Business)**
4. To re-elect Mr Tan Chon Sing @ Tan Kim Tieng who retires by rotation pursuant to Clause 76(3) of the Company's Constitution. **(Resolution 3)  
  
(Please refer to Explanatory Note 3 on Ordinary Business)**
5. To re-elect the following Directors who retire pursuant to Clause 78 of the Company's Constitution:- **(Please refer to Explanatory Note 3 on Ordinary Business)**

Dato' Jagjit Singh a/l Bant Singh;  
Liew Kuo Shin; and  
Fang Siew Ping. **(Resolution 4)  
(Resolution 5)  
(Resolution 6)**
6. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 7)  
  
(Please refer to Explanatory Note 4 on Ordinary Business)**

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONTINUED)

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### Special Business

To consider and if thought fit, to pass, with or without modifications, the following resolutions:-

**7. ORDINARY RESOLUTION  
AUTHORITY TO ALLOT AND ISSUE SHARES**

**(Please refer to  
Explanatory Note 1 on  
Special Business)**

"THAT subject always to the Companies Act, 2016 ("the Act"), the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirement and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby authorised, pursuant to Sections 75 and 76 of the Act, to allot shares in the Company from time to time at such price, upon such terms and conditions, and for such purposes and to such person or persons whomsoever as the Directors may in their absolute discretion deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being and THAT the Directors be and are hereby also authorised to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued on the Bursa Securities AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company after the approval was given or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier, unless such approval is revoked or varied by the Company at a general meeting."

**(Resolution 8)**

**8. ORDINARY RESOLUTION  
PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES  
BY THE COMPANY**

**(Please refer to  
Explanatory Note 2 on  
Special Business)**

"THAT subject always to the Companies Act 2016 ("the Act"), the Constitution of the Company, Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirements ("Listing Requirements") and all other applicable laws, guidelines, rules and regulations, the Company be and is hereby authorised, to the fullest extent permitted by law, to purchase such number of issued shares in the Company as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that:-

**(Resolution 9)**

- (i) the aggregate number of issued shares in the Company ("Shares") purchased ("Purchased Shares") and/or held as treasury shares pursuant to this ordinary resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company as quoted on Bursa Securities as at point of purchase; and
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the shares shall not exceed the aggregate of the retained profits of the Company based on the latest audited financial statements and/or the latest management accounts (where applicable) available at the time of the purchase,



("Proposed Share Buy-Back").

AND THAT the authority to facilitate the Proposed Share Buy-Back will commence immediately upon passing of this Ordinary Resolution and will continue to be in force until:-

- (a) the conclusion of the next Annual General Meeting of the Company following at which time the authority shall lapse unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
- (b) the expiration of the period within which the next Annual General Meeting of the Company is required by law to be held; or
- (c) revoked or varied by ordinary resolution passed by the shareholders of the Company at a general meeting,

whichever occurs first, but shall not prejudice the completion of purchase(s) by the Company of its own Shares before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements and any applicable laws, rules, regulations, orders, guidelines and requirements issued by any relevant authorities.

AND THAT the Directors of the Company be and are hereby authorised, at their discretion, to deal with the Purchased Shares until all the Purchased Shares have been dealt with by the Directors in the following manner as may be permitted by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force:-

- i. To cancel all or part of the Purchased Shares;
- ii. To retain all or part of the Purchased Shares as treasury shares as defined in Section 127 of the Act;
- iii. To distribute all or part of the treasury shares as dividends to the shareholders of the Company;
- iv. To resell all or part of the treasury shares;
- v. To transfer all or part of the treasury shares for the purposes of or under the employees' share scheme established by the Company and/or its subsidiaries;
- vi. To transfer all or part of the treasury shares as purchase consideration;
- vii. To sell, transfer or otherwise use the shares for such other purposes as the Minister may by order prescribe; and/or
- viii. To deal with the treasury shares in the manners as allowed by the Act, Listing Requirements, applicable laws, rules, regulations, guidelines, requirements and/or orders of any relevant authorities for the time being in force.

AND THAT the Directors of the Company be and are authorised to take all such steps as are necessary or expedient [including without limitation, the opening and maintaining of central depository account(s) under Securities Industry (Central Depositories) Act, 1991, and the entering into all other agreements, arrangements and guarantee with any party or parties] to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities."

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONTINUED)

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9. **ORDINARY RESOLUTIONS  
CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS**

(Please refer to  
Explanatory Note 3 on  
Special Business)

(i) "THAT approval be and is hereby given to Encik Mohd Zaki bin Hamzah who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

**(Resolution 10)**

(ii) "THAT subject to the passing of the Resolution 3 above approval be and is hereby given to Mr Tan Chon Sing @ Tan Kim Tieng who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

**(Resolution 11)**

(iii) "THAT approval be and is hereby given to Mr Chew Eng Chai who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

**(Resolution 12)**

(iv) "THAT approval be and is hereby given to Mr Khoo Wee Boon who has served as an Independent Director of the Company for a cumulative term of more than nine (9) years, to continue to act as an Independent Director of the Company to hold office until the conclusion of next Annual General Meeting of the Company."

**(Resolution 13)**

10. **ORDINARY RESOLUTION  
PROPOSED GRATUITY PAYMENT TO FORMER INDEPENDENT NON-EXECUTIVE CHAIRMAN**

(Please refer to  
Explanatory Note 4 on  
Special Business)

"THAT approval be and is hereby given for the Company to pay a gratuity amounting to RM100,000/- to Dato' Mohd Nor Bin Abdul Wahid, the former Independent Non-Executive Chairman of the Company, in recognition of his 20 years of service and contribution to the Company and its subsidiaries AND THAT authority be and is hereby given to the Directors of the Company to take all such actions as they may consider necessary to give full effect to this resolution."

**(Resolution 14)**

11. To consider any other business of which due notice shall have been given.

By Order of the Board,

**WONG WAI FOONG [SSM PC NO. 202008001472 (MAICSA 7001358)]**

**NG BEE LIAN [SSM PC NO. 201908003459 (MAICSA 7041392)]**

**YAP SIT LEE [SSM PC NO. 202008001865 (MAICSA 7028098)]**

Company Secretaries

Kuala Lumpur  
29 May 2020

**NOTES:-****IMPORTANT NOTES**

The Broadcast Venue is **strictly for the purpose of complying with section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this AGM via the Remote Participation and Voting ("RPV") facilities provided by Boardroom Share Registrars Sdn. Bhd. ("Boardroom") via its Boardroom Smart Investor Portal at <https://boardroomlimited.my>.

**Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.**

**APPOINTMENT OF PROXY**

- (a) For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors** as at 22 June 2020. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
- (b) A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the General Meeting.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.
- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONTINUED)

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(h) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:-

(i) In hard copy form

In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.

(ii) By electronic means via facsimile

In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03 – 7890 4670.

For option (ii), the Company may request any member to deposit original executed proxy form to the Company's Share Registrar before or on the day of meeting for verification purpose.

(i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.

(j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.

(k) Last date and time for lodging this proxy form is Saturday, 27 June 2020 at 10 a.m.

(i) For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please deposit the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

### **EXPLANATORY NOTES ON ORDINARY BUSINESS**

#### **1. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019**

The Audited Financial Statements are laid in accordance with Section 340(1) of the Companies Act, 2016 for discussion only. They do not require shareholders' approval and hence, will not be put forward for voting by shareholders of the Company.

#### **2. PAYMENT OF DIRECTORS' FEES AND BENEFITS**

Pursuant to Section 230(1) of the Companies Act 2016, the fees of the Directors and any benefits payable to the Directors shall be approved at a general meeting.

The proposed Resolutions 1 and 2 are to facilitate the payment of Directors' fees and benefits to Non-Executive Directors of the Company.

### 3. RE-ELECTION OF DIRECTORS

Mr Tan Chon Sing @ Tan Kim Tieng, Dato' Jagjit Singh a/l Bant Singh, Liew Kuo Shin and Fang Siew Ping are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Eighteenth Annual General Meeting of the Company.

The Board has through the Nomination Committee, considered the assessed of the said Directors and agreed that they meet the criteria as prescribed by Paragraph 2.20A of the Listing Requirement of Bursa Securities on character, experience, integrity, competence and time commitment to effectively discharge their roles as Directors.

The Board has also through the Nomination Committee assessed the independence of Mr Tan Chon Sing @ Tan Kim Tieng and Dato' Jagjit Singh a/l Bant Singh and satisfied that they have complied with the criteria on independence as prescribed by the Listing Requirements of Bursa Securities.

Mr. Loo Cheau Leong who is retiring pursuant to Clause 76(3) of the Constitution of the Company had indicated to the Company that he would not be seeking for re-election at the Eighteenth Annual General Meeting. Therefore, Mr. Loo Cheau Leong shall retire as Director at the conclusion of the Eighteenth Annual General Meeting.

### 4. RE-APPOINTMENT OF AUDITORS

The Audit Committee had at its meeting held on 25 February 2020 assessed the suitability and independence of the External Auditors and recommended the re-appointment of Messrs BDO PLT as External Auditors of the Company for the financial year ending 31 December 2020. The Board has in turn reviewed the recommendation of the Audit Committee and recommended the same be tabled to the shareholders for approval at the forthcoming Eighteenth Annual General Meeting of the Company under Resolution 7.

## **EXPLANATORY NOTES ON SPECIAL BUSINESS**

### 1. AUTHORITY TO ALLOT AND ISSUE SHARES

The proposed Resolution 8 is the renewal of the mandate obtained from the members at the last Annual General Meeting. As at the date of this Notice, the Company did not allot any shares pursuant to the mandate granted to the Directors at the Seventeenth Annual General Meeting held on 17 June 2019 as there were no requirements for such fund raising activities.

The proposed Resolution 8, if passed, would provide flexibility to the Directors to undertake fund raising activities, including but not limited to placement of shares for the purpose of funding the Company's future investment project(s), working capital and/or acquisition(s), any time as the Directors may deem fit provided that the aggregate number of shares issued pursuant to the mandate does not exceed ten per centum (10%) of the total number of issued shares (excluding treasury shares) of the Company for the time being, without having to convene a general meeting. This authority, unless revoked or varied by the Company in a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company or at the expiry of the period within which the next Annual General Meeting is required to be held after the approval was given, whichever is earlier.

## NOTICE OF EIGHTEENTH ANNUAL GENERAL MEETING (CONTINUED)

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### 2. PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY THE COMPANY

The proposed Resolution 9, if passed, will allow the Company to purchase its own shares through Bursa Securities up to ten per centum (10%) of the total number of issued shares of the Company. Please refer to the Statement to Shareholders dated 29 May 2020 in relation to the Proposed Renewal of Authority to Purchase its own Shares by the Company for further details.

### 3. CONTINUATION IN OFFICE AS AN INDEPENDENT DIRECTOR

Pursuant to the Malaysian Code on Corporate Governance, it is recommended that approval of shareholders be sought in the event the Company intends to retain an Independent Director who has served in that capacity for more than nine years.

Mr Chew Eng Chai and Mr Tan Chon Sing @ Tan Kim Tieng were appointed to the Board on 17 June 2002 while Mr Khoo Wee Boon and Encik Zaki Bin Hamzah were appointed to the Board on 27 September 2004 and 9 January 2007 respectively and have therefore served as the Independent Directors of the Company for a cumulative term of more than nine (9) years.

The Board has through the Nomination Committee assessed the independence of Mr Tan Chon Sing @ Tan Kim Tieng, Mr Chew Eng Chai, Mr Khoo Wee Boon and Encik Mohd Zaki Bin Hamzah and recommended them to continue to act as Independent Directors of the Company based on the following justifications:-

- (i) they have fulfilled the criteria under the definition on Independent Director as stated in the Listing Requirements of Bursa Securities and, therefore, are able to bring independent and objective judgement to the Board;
- (ii) they have been with the Company for many years and are familiar with the Company's business operations and the food manufacturing industry, thus enabling them to contribute actively and effectively during deliberations or discussions at Board meetings.
- (iii) their length of services on the Board does not in any way interfere with their exercise of independent judgement. They have remained objective and independent in expressing their views and participating in deliberation and decision making of the Board and Board Committees;
- (iv) their vast experience in finance, manufacturing industry and securities market enable them to provide the Board, as the case may be, with pertinent expertise, skills and competence;
- (v) they have continued to exercise their independence and due care during their tenure as an Independent Non-Executive Directors of the Company and carried out their duties in the interest of the Company and shareholders; and
- (vi) they have devoted sufficient time and commitment to discharge their responsibilities as Independent Directors.

The proposed Resolutions 10,11,12 and 13, if passed, will enable Mr Tan Chon Sing @ Tan Kim Tieng, Mr Chew Eng Chai, Mr Khoo Wee Boon and Encik Mohd Zaki Bin Hamzah to continue serving as Independent Directors of the Company.

#### **4. PROPOSED GRATUITY PAYMENT TO MOHD NOR BIN ABDUL WAHID, THE FORMER INDEPENDENT NON-EXECUTIVE CHAIRMAN OF THE COMPANY**

Dato' Mohd Nor Bin Abdul Wahid, the former Independent Non-Executive Chairman of the Company, was appointed to the Board of Directors of the Company on 10 May 2002 and its subsidiaries on 28 September 1998. Dato' Mohd Nor Bin Abdul Wahid had served the Company and its subsidiaries ("Three-A Group") for 20 years prior to his departure from Three-A Group on 14 March 2019.

The proposed gratuity payment to Dato' Mohd Nor Bin Abdul Wahid is in recognition and appreciation of his long service, dedication and contribution to Three-A Group.

The proposed resolution 14, if passed, will give approval to the Company to make payment of gratuity amounting to RM100,000 to Dato' Mohd Nor Bin Abdul Wahid, the former Independent Non-Executive Chairman of the Company, in recognition and appreciation of his long service, dedication and contribution to Three-A Group.

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# PROXY FORM

THREE-A RESOURCES BERHAD

199901006659 (481559-M)

(Incorporated in Malaysia)

CDS Account No.	No. of Shares Held

I/We, \_\_\_\_\_ Tel.: \_\_\_\_\_  
(Full name in block, NRIC/Passport/Company No.)

of \_\_\_\_\_  
(Address)

being a member of **Three-A Resources Berhad**, hereby appoint:-

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and

Full Name (in Block)	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her, the Chairperson of the Meeting as my/our proxy to vote for me/us and on my/our behalf, at the Eighteenth Annual General Meeting of the Company which will be conducted entirely through live streaming from the broadcast venue at Auditorium, 3A Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia ("Broadcast Venue") on Monday, 29 June 2020 at 10.00 a.m. and at any adjournment thereof and to vote as indicated below:-

ITEM	AGENDA	RESOLUTION	FOR	AGAINST
<b>ORDINARY BUSINESS</b>				
1.	To approve the payment of Directors' Fees of RM422,000 for the financial year ended 31 December 2019.	Ordinary		
2.	To approve the payment of Director's benefits of RM108,000 for the financial year ended 31 December 2019	Ordinary		
3.	To re-elect Mr. Tan Chon Sing @ Tan Kim Tieng as Director.	Ordinary		
4.	To re-elect Dato' Jagjit Singh a/l Bant Singh as Director.	Ordinary		
5.	To re-elect Mr. Liew Kuo Shin as Director.	Ordinary		
6.	To re-elect Ms. Fang Siew Ping as Director.	Ordinary		
7.	To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	Ordinary		
<b>SPECIAL BUSINESS</b>				
8.	To grant authority to allot and issue shares.	Ordinary		
9.	To approve the Proposed Renewal of Authority to Purchase its own Shares by the Company.	Ordinary		
10.	To approve Encik Mohd Zaki bin Hamzah to continue to act as an Independent Director.	Ordinary		
11.	To approve Mr. Tan Chon Sing @ Tan Kim Tieng to continue to act as an Independent Director.	Ordinary		
12.	To approve Mr. Chew Eng Chai to continue to act as an Independent Director.	Ordinary		
13.	To approve Mr. Khoo Wee Boon to continue to act as Independent Director.	Ordinary		
14.	To approve the proposed gratuity payment to former Independent Non-Executive Chairman	Ordinary		

Please indicate with an "X" in the space provided whether you wish your votes to be cast for or against the resolutions. In the absence of specific direction, your proxy will vote or abstain as he thinks fit.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2020

\_\_\_\_\_  
Signature\*  
Member

*\*Manner of execution:-*

- a) *If you are an individual member, please sign where indicated.*
- b) *If you are a corporate member which has a common seal, this proxy form should be executed under seal in accordance with the constitution of your corporation.*
- c) *If you are a corporate member which does not have a common seal, this proxy form should be affixed with the rubber stamp of your company (if any) and executed by:-*
  - (i) *at least two (2) authorised officers, of whom one shall be a director; or*
  - (ii) *any director and/or authorised officers in accordance with the laws of the country under which your corporation is incorporated.*

## **NOTES:-**

### **IMPORTANT NOTES**

The Broadcast Venue is **strictly for the purpose of complying with section 327(2) of the Companies Act 2016** which requires the Chairman of the meeting to be present at the main venue of the meeting.

Shareholders **will not be allowed** to attend this Annual General Meeting ("AGM") in person at the Broadcast Venue on the day of the meeting.

Shareholders are to attend, speak (including posing questions to the Board via real time submission of typed texts) and vote (collectively, "participate") remotely at this AGM via the Remote Participation and Voting ("RPV") facilities provided by Boardroom Share Registrars Sdn. Bhd. ("Boardroom") via its Boardroom Smart Investor Portal at <https://boardroomlimited.my>.

**Please read these Notes carefully and follow the procedures in the Administrative Guide for the AGM in order to participate remotely via RPV.**

### **APPOINTMENT OF PROXY**

- (a) For the purpose of determining who shall be entitled to participate in this AGM via RPV, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to make available to the Company, a **Record of Depositors** as at 22 June 2020. Only a member whose name appears on this Record of Depositors shall be entitled to participate in this AGM via RPV.
- (b) A member who is entitled to participate in this AGM via RPV is entitled to appoint a proxy or attorney or in the case of a corporation, to appoint a duly authorised representative to participate in his/her place. A proxy may but need not be a member of the Company.
- (c) A member of the Company who is entitled to attend and vote at a General Meeting of the Company may appoint not more than two (2) proxies to participate instead of the member at the General Meeting.
- (d) If two (2) proxies are appointed, the entitlement of those proxies to vote on a show of hands shall be in accordance with the listing requirements of the stock exchange.
- (e) Where a member of the Company is an authorised nominee as defined in the Securities Industry (Central Depositories) Act 1991 ("Central Depositories Act"), it may appoint not more than two (2) proxies in respect of each securities account it holds in ordinary shares of the Company standing to the credit of the said securities account.

- (f) Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of Section 25A(1) of the Central Depositories Act.
- (g) Where a member appoints more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- (h) The appointment of a proxy may be made in a hard copy form or by electronic means in the following manner and must be received by the Company not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote:-
  - (i) In hard copy form  
In the case of an appointment made in hard copy form, this proxy form must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor.
  - (ii) By electronic means via facsimile  
In the case of an appointment made by facsimile transmission, this proxy form must be received via facsimile at 03 – 7890 4670.

For option (ii), the Company may request any member to deposit original executed proxy form to the Company's Share Registrar before or on the day of meeting for verification purpose.

- (i) Any authority pursuant to which such an appointment is made by a power of attorney must be deposited at the Share Registrar of the Company at 11th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor not less than forty-eight (48) hours before the time appointed for holding the General Meeting or adjourned General Meeting at which the person named in the appointment proposes to vote. A copy of the power of attorney may be accepted provided that it is certified notarially and/or in accordance with the applicable legal requirements in the relevant jurisdiction in which it is executed.
- (j) Please ensure ALL the particulars as required in this proxy form are completed, signed and dated accordingly.
- (k) Last date and time for lodging this proxy form is Saturday, 27 June 2020 at 10 a.m.
- (l) For a corporate member who has appointed an authorised representative instead of a proxy to attend this meeting, please deposit the **ORIGINAL** certificate of appointment executed in the manner as stated in this proxy form if this has not been lodged at the Company's registered office earlier.

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STAMP/SETEM

**THREE-A RESOURCES BERHAD**

C/O BOARDROOM SHARE REGISTRARS SDN BHD

11<sup>th</sup> Floor, Menara Symphony

No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13

46200 Petaling Jaya, Selangor

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**THREE-A  
RESOURCES  
BERHAD**

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