



THREE-A RESOURCES BERHAD (61559-M)

[www.three-a.com.my](http://www.three-a.com.my)

**ENHANCING INNOVATIONS  
TOWARDS GROWTH**

ANNUAL REPORT 2018

**THREE-A  
RESOURCES  
BERHAD**  
(61559-M)

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ANNUAL REPORT **2018**



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## Rationale

The brightly coloured expansion circle concept represents the enhancement efforts and innovation initiatives set in motion by Three-A Resources that will drive the company's continuous growth and expansion.





## **Mission**

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

## **Vision**

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

# Corporate Profile

## 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 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")
- Hydrolyzed 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.

## Awards and 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

Malaysian Business :

- CIMA Enterprise Governance Award 2008
- Malaysian Business Corporate Governance Award 2006
- Asiamoney Awards 2009



FSSC 22000



# Corporate Information

## Board of Directors

### Fang Chew Ham

*Deputy Executive Chairman & Managing Director*

### Fong Chu King @ Tong Chu King

*Non-Independent Executive Director  
(Alternate Director: Liew Kuo Shin)*

### Chew Eng Chai

*Independent Non-Executive Director*

### Tan Chon Sing @ Tan Kim Tieng

*Independent Non-Executive Director*

### Fang Siew Yee

*Non-Independent Executive Director  
(Alternate Director: Fang Siew Ping)*

### Khoo Wee Boon

*Independent Non-Executive Director*

### Mohd Zaki Bin Hamzah

*Independent Non-Executive Director*

### Loo Chau Leong

*Non-Independent Non-Executive Director*

### Gurpreet Singh Vohra

*Non-Independent Non-Executive Director*

## Company Secretary

**Ng Bee Lian** MAICSA 7041392

**Yap Sit Lee** MAICSA 7028098

**Wong Wai Foong** MAICSA 7001358

## Audit Committee

**Chew Eng Chai** (Chairman)

**Tan Chon Sing @ Tan Kim Tieng**

**Mohd Zaki Bin Hamzah**

**Khoo Wee Boon**

## Nomination Committee

**Mohd Zaki Bin Hamzah** (Chairman)

**Chew Eng Chai**

**Khoo Wee Boon**

## Remuneration Committee

**Tan Chon Sing @ Tan Kim Tieng** (Chairman)

**Chew Eng Chai**

**Khoo Wee Boon**

## Risk Management Committee

**Fang Chew Ham**

**Fong Chu King @ Tong Chu King**

## 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.

Level 6 Symphony House

Pusat Dagangan Dana 1, Jalan PJU 1A  
47301 Petaling Jaya, Selangor

Tel no. : +603 7841 8000

Fax no. : +603 7841 8151

## 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

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 of

Bursa Malaysia Securities Berhad

## Stock Name and Code

3A I 0012

## Investor Relations

### Fong Peng Fai

*Group Financial Controller*

### Jessica Fang Siew Yee

*Executive Director*

Tel no. : +603 6156 2655

E-mail : info@three-a.com.my

# Financial Calendar Year 2018

## 13 February 2018

- General announcement by Three-A Resources Berhad

## 20 February 2018

- Announcement on Quarterly Report on consolidated results for the financial period ended 31/12/2017
- 

## 06 April 2018

- Announcement on dealings in listed securities – Dealings outside closed period
- Announcement on Change in Director's Interest [Section 219 of the Companies Act 2016 ("CA 2016")]

## 11 April 2018

- Announcement on dealings in listed securities – Intention to deal during closed period
- Announcement on dealings in listed securities – Dealings during closed period
- Announcement on Change in Director's Interest (Section 219 of the CA 2016)

## 13 April 2018

- Announcement on Proposed Renewal of Authority for Share Buy-back and Proposed Renewal of Shareholders Mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature

## 26 April 2018

- Announcement on General Meetings: Notice of Meeting

## 27 April 2018

### Announcement of the following:-

- Submission of Annual Report & CG Report – 2017
  - Submission of Circular to shareholders in relation to the proposed renewal of shareholders mandate for the company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature
  - Submission of statement to shareholders in relation to the proposed renewal of authority for share buy-back
- 

## 07 May 2018

- Announcement on Quarterly Report on consolidated results for the financial period ended 31/03/2018
- 

## 25 June 2018

- Announcement on General Meetings: Outcome of Meeting
- 

## 07 August 2018

- Announcement on Quarterly Report on consolidated results for the financial period ended 30/06/2018

## 16 August 2018

- Announcement on dealings in listed securities: Dealings outside closed period
  - Announcement on Change in Director's Interest (Section 219 of the CA 2016)
- 

## 18 September 2018

- Announcement on Non Related Party Transaction – Proposed Acquisitions by San Soon Seng Food Industries Sdn. Bhd. (SSSFI), a wholly owned subsidiary of the Company, of the following:- (I) One piece of vacant land held under title HSM 12526, PT No. 64, Tempat Kg Paya Jaras, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor (The Property I); and (II) All that piece of land held under title H.S.(D) 295891, PT 583, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor together with a factory enacted thereon ("The property II") (Completion Announcement)
-



## Financial Calendar Year 2018 (continued)

### 26 November 2018

- Announcement on Interim Dividend
- Announcement on Quarterly Report on consolidated results for the financial period ended 30/09/2018

### 27 November 2018

- Announcement on Notice of Book Closure
- 

### 03 December 2018

- Announcement on dealings in listed securities: Dealings outside closed period
- Announcements on Change in Substantial Shareholder's interest (Section 138 of the CA 2016)
  - i. Fang Chew Ham Holdings Sdn.Bhd.
  - ii. Fang Chew Ham
  - iii. Fang Siew Yee
- Announcements on Change in Director's Interest (Section 219 of the CA 2016)
  - i. Fang Chew Ham
  - ii. Fong Chu King @ Tong Chu King
  - iii. Fang Siew Yee



# Profile of Board of Directors and Key Senior Management

## MR. FANG CHEW HAM

*Deputy Executive Chairman and Managing Director/Key Senior Management*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 71 years |  |

Mr. Fang Chew Ham was appointed to the Board of the Company on 10 May 2002 and serves as a Deputy Executive Chairman and Managing Director of the Company. He also serves as a Managing Director and Executive Director of both the Company's wholly-owned subsidiaries, San Soon Seng Food Industries Sdn. Bhd. and Three-A Food Industries (M) Sdn. Bhd. He also serves as a member of Risk Management Committee of the Company.

Mr. Fang Chew Ham started the business producing Caramel Colour for more than 30 years ago. In 1977, he set up the Soon Seng Sauce Mixture & Food Factory to manufacture Caramel Colour and this partnership was subsequently converted into San Soon Seng Food Industries Sdn. Bhd. in 1989; and became the wholly-owned subsidiary of the Company in 2002.

Mr. Fang Chew Ham is equipped with his vast experience in the food & beverage business heads the management of San Soon Seng Food Industries Sdn. Bhd.. His leadership together with the expanded management team will result in broad and flexible goal setting; and to meet the quality of the ever-changing demands and development of new range of products related to the food & beverage ingredients industry.

Mr. Fang Chew Ham is the co-opted member of the Working Group of Sauces which prepared the Malaysian Standard MS 513:1993 ("SIRIM"); a specification for Caramel in the manufacture of soya sauce.

Mr. Fang Chew Ham has attended all four Board Meetings held during the financial year ended 31 December 2018. He has no conflict of interest with the Company and 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. Fang Chew Ham is a sibling of Non-Independent Executive Director Mr. Fong Chu King; father of Non-Independent Executive Director Ms. Fang Siew Yee and Alternate Director Ms. Fang Siew Ping and father-in-law of Alternate Director Mr. Liew Kuo Shin.

## MR. FONG CHU KING @ TONG CHU KING

*Non-Independent Executive Director/Key Senior Management*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 74 years |  |

Mr. Fong Chu King @ Tong Chu King was appointed to the Board of the Company on 10 May 2002 and serves as a Non-Independent Executive Director of the Company. He also serves as an Executive Director and General Manager of the Company's wholly-owned subsidiary, San Soon Seng Food Industries Sdn. Bhd.. Additionally, he serves as a member of Risk Management Committee of the Company.

Mr. Fong Chu King graduated with 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 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 joined San Soon Seng Food Industries Sdn. Bhd. in 2002 after his retirement from Megasteel Mills Sdn. Bhd.. He has more than 25 years of working experience in manufacturing industry. As the Executive Director and General Manager, he is fully in charge of the operation and plant expansion of the Group.

Mr. Fong Chu King has attended all four Board Meetings held during the financial year ended 31 December 2018. He has no conflict of interest with the Company and 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 is a sibling of Deputy Executive Chairman and Managing Director Mr. Fang Chew Ham.

## Profile of Board of Directors and Key Senior Management (continued)

### MR. CHEW ENG CHAI

*Independent Non-Executive Director*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 69 years |  |

Mr. Chew Eng Chai was appointed to the Board of the Company 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 has attended all four Board Meetings held during the financial year ended 31 December 2018. 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*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 80 years |  |

Mr. Tan Chon Sing @ Tan Kim Tieng was appointed to the Board of the Company 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 has attended all four Board Meetings held during the financial year ended 31 December 2018. 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.

**MS. FANG SIEW YEE**

*Non-Independent Executive Director/  
Key Senior Management*

**Nationality****Age**

39 years

**Gender**

Ms. Fang Siew Yee was appointed to the Board of the Company on 3 March 2004 and serves as a Non-Independent Executive Director of the Company.

Ms. Fang Siew Yee graduated with a Bachelor of Art in Business Administration (Honours Degree). She joined San Soon Seng Food Industries Sdn. Bhd. in 2001 and currently serves as an Executive Director and Senior Manager of the Company.

Ms. Fang Siew Yee has attended all the four Board Meetings held during the financial year ended 31 December 2018. She has no conflict of interest with 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 is the spouse of Alternate Director Mr. Liew Kuo Shin, daughter of Deputy Executive Chairman and Managing Director Mr. Fang Chew Ham and sibling of Alternate Director Ms. Fang Siew Ping.

**MR. KHOO WEE BOON**

*Independent Non-Executive Director*

**Nationality****Age**

70 years

**Gender**

Mr. Khoo Wee Boon was appointed to the Board of the Company 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 has attended all four Board Meetings held during the financial year ended 31 December 2018. 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)

### MR. MOHD ZAKI BIN HAMZAH

*Independent Non-Executive Director*

#### Nationality



#### Age

61 years

#### Gender



Mr. Mohd Zaki Bin Hamzah was appointed to the Board of the Company on 9 January 2007 and serves as an Independent Non-Executive Director of the Company. 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 has attended all four Board Meetings held during the financial year ended 31 December 2018. 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*

#### Nationality



#### Age

45 years

#### Gender



Mr. Loo Cheau Leong was appointed to the Board of the Company 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 Group Financial Controller of Wilmar International Limited.

Mr. Loo Cheau Leong has attended three out of four Board Meetings held during the financial year ended 31 December 2018. 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*

**Nationality**



**Age**

44 years

**Gender**



Mr. Gurpreet Singh Vohra was appointed to the Board of the company 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 Business Development Division.

Mr. Gurpreet Singh Vohra has attended two out of four Board Meetings held during the financial year ended 31 December 2018. 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. LIEW KUO SHIN**

*Alternate Director to Non-Independent Executive Director Mr. Fong Chu King @ Tong Chu King/Key Senior Management*

**Nationality**



**Age**

41 years

**Gender**



Mr. Liew Kuo Shin was re-appointed to the Board of the Company on 29 February 2012 and serves as an Alternate Director to Non-Independent Executive Director Mr. Fong Chu King @ Tong Chu King of the Company. He had served as a Non-Independent Executive Director since 27 September 2004 and had resigned on 29 February 2012.

Mr. Liew Kuo Shin graduated as a Mechanical Engineer and has joined San Soon Seng Food Industries Sdn. Bhd. in 2001. He serves as a General Factory Manager and responsible for the plant production functions and overall co-ordination of all manufacturing plants. He is also heading the Maintenance and Logistic Department of the Company.

Mr. Liew Kuo Shin has no conflict of interest with the Company and 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. Liew Kuo Shin is the spouse of Non-Independent Executive Director Ms. Fang Siew Yee and son-in-law of Deputy Executive Chairman and Managing Director Mr. Fang Chew Ham.

## Profile of Board of Directors and Key Senior Management (continued)

### MS. FANG SIEW PING

*Alternate Director to Non-Independent Executive Director Ms. Fang Siew Yee/  
Key Senior Management*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 37 years |  |

Ms. Fang Siew Ping was re-appointed to the Board of the Company on 29 February 2012 and serves as an Alternate Director to Non-Independent Executive Director Ms. Fang Siew Yee of the Company. She had served as a Non-Independent Executive Director since 27 September 2004 and had resigned on 29 February 2012.

Ms. Fang Siew Ping graduated with a Bachelor Degree in Chemistry from the United States of America and has joined San Soon Seng Food Industries Sdn. Bhd. in 2004. She serves as a Business Development cum R&D Senior Manager and in charge of the Marketing and R&D Department of the Company.

She has no conflict of interest with the Company and 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 is the daughter of Deputy Executive Chairman and Managing Director Mr. Fang Chew Ham and sibling of Non-Independent Executive Director Ms. Fang Siew Yee.

### MR. FONG PENG FAI

*Group Financial Controller/Key Senior Management*

| Nationality   | Age      | Gender  |
|---|----------|---|
|  | 42 years |  |

Mr. Fong Peng Fai was appointed to the Company in 2013 and serves as the Group Financial Controller. He graduated with a Bachelor of Commerce majoring in Accounting from University of Otago. 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 has no conflict of interest with the Company and 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 is the son of Non-Independent Executive Director Mr. Fong Chu King @ Tong Chu King.



# Management Discussion & Analysis

## OVERVIEW

We are proud to report another record-breaking year, in which the Group registered the highest revenue from sales of our products since listing for the financial year ended 31 December 2018.

The Group continued its journey from strength to strength on successful comprehensive planning and execution of multi-year strategic business plans. The achievements are the result of our philosophy of unrelenting focus on product quality and continuous investments on right production facilities including automation to improve capacity and efficiency. These strategic plans were then put into fruition with meticulous planning and successful execution of suitable marketing strategies and investments.

The results are commendable for the Group as the business environment in the year 2018 was particularly challenging on the backdrop of a significant spike in raw materials costs and coupled with intensive competition in the industry. The spike in raw materials costs for our products beginning from the last quarter of 2017 and continued into year 2018 were the most severe ever experienced in about the last five years. Other costs such as energy costs and packaging costs are also continuing to rise in tandem with volatile market conditions.

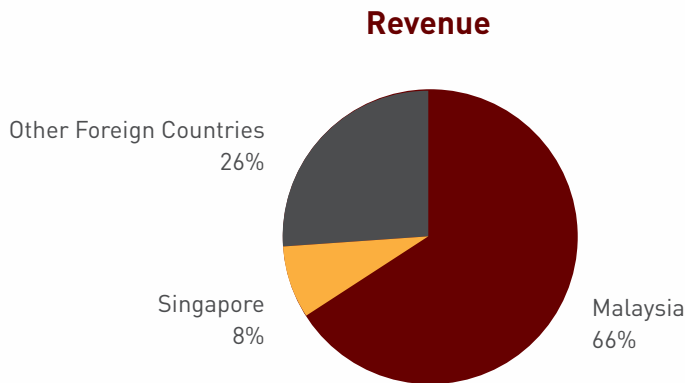
In order to counter these volatilities, the Group continuously adapt to market conditions with its core competency to innovate and develop new products with excellent quality for our customers and agility to change the sales mix.

While the Group is vigilant in our business approaches, the Group is pursuing its business plans to commit adequate resources to acquire strategic lands, expansions and upgrading of manufacturing plants. The Group strongly believes that we can realise our vision to be a recognised global leader in the food and beverage ingredients industry known with products of exceptional quality.

## CHARGING AHEAD

The Group maintained its impressive growth momentum with revenue growing by 6.4% from RM411.4 million in FY2017 to RM437.9 million in FY2018. Our export revenue was 34% of our total revenue, lower than 38% recorded in FY2017 on higher contribution from our local sales.

## Management Discussion & Analysis (continued)



**Revenue by Geographical Locations for FY2018**

Our Profit Before Tax and Profit After Tax for FY2018 were registered at RM34.2 million and RM29.1 million respectively that were lower as compared to RM55.8 million and RM41.6 million respectively in FY2017. It should be noted that financial results in FY2017 last year were boosted by a one-off gain of RM2.5 million on disposal of a jointly-controlled entity, Three-A (Qinghuangdao) Food Industries Co. Ltd. ("TAQ") by Three-A Food Industries (M) Sdn. Bhd., a wholly-owned subsidiary of the Group.

However, the Group's financial performance in FY2018 was negatively affected by a sudden unanticipated surge in the main raw materials prices that stubbornly persisted at elevated levels throughout the year. The trend where the raw materials prices climbed drastically and remained firm at those levels in FY2018 were

rarely seen in more than 5 years. In response, the Group carried out its most aggressive adjustments in its product selling prices in recent years. The extent of the adjustments undertaken were necessary to mitigate the adverse results of the increase of prices in the raw materials and the Group was satisfied with the results of its decisive actions.

In spite of this, the Group continued with its business strategies to develop good quality products and services in order to serve our valued customers better during the year. The Group made further progress on ongoing initiatives on operational efficiency in our manufacturing plants through upgrading and modernisation engineering works. These plans are in line with our ambition to reduce reliance on foreign labour and make our manufacturing facilities more efficient, thereby having able to produce more as well as generate more cost savings.

During the year, the Group completed an acquisition of a parcel of land for RM4.2 million in the vicinity of the Group's existing location using internally generated funds. As the said parcel of land is strategically located, the Group expects to derive synergistic value from the acquisition and it is a significant piece of our business expansion plans.

In the fourth quarter of year 2018, the Group experienced a surge in customer demand for our products. Therefore, the Group sought to increase our stock holding quantities in view of the good demand and together with higher raw materials prices, a higher inventories amount was reported at the close of the financial year.

Consequently, higher investments in inventories and trade receivables have resulted in lower total cash holdings of RM9.0 million as at 31 December 2018 as compared to last financial year. Our total borrowings remain stable at RM20.0 million and thus, the Group is in a sound financial position to press ahead with the implementation of our business plans to achieve our vision.

Total assets and shareholders' equity of the Group grew to RM394.5 million and RM328.5 million respectively as at 31 December 2018. The Group's net asset per share stood at 66.7 sen as at the end of 2018 and earnings per share for the year was 6.4 sen.

## OUTLOOK AND PROSPECTS

With more than four decades of experience in the food and beverage industry, the Group will continue to build on our core competency to develop new and unique products to serve the ever-changing customers' requirements. This ability has been critical to the success of the Group in the industry for all these years in order to gain customer acceptance and loyalty. Therefore, the Group knows it is important to invest continuously in research and development to gain competitive advantage over competitors in the face of rising competition in the marketplace. The Group continues to put attention and resources in setting up up-to-date and modern laboratory facilities and recruit suitably qualified skilled personnel to make sure we stay ahead in product innovation.

As the Group seeks to grow, we always keep tabs on developments in the market in order to continue to be relevant. Last year, the Group had proposed to embark on the construction of a new plant producing Caramel Powder products that was expected to raise its production output considerably. Following a comprehensive market

study and examination of our plants, we had revised expansion plans of our manufacturing facilities. Instead, we are proceeding with the construction of the Hydrolyzed Vegetable Protein/Soya Protein Sauce plant and simultaneously making modifications to our existing plants to cater to a new plant for Caramel Powder products. These changes are necessary as we adjust to market dynamics to serve our customers better.

The Group continuously commits allocations for gradual upgrading and modernisation of our plants in line with our effort to increase efficiency and reduce costs in our plants, especially labour costs with automation of our plants. An example is the investment in new product packaging facilities that was meant to meet stringent demand in the production requirements and to accommodate complex packaging options according to demands from a growing segment of large and sophisticated customers.

As our business grows, the requirements for more raw materials in our production to produce our products will likewise also increase. Besides, the Group also sees the necessity to store more inventories to meet the increasing customers'

demands in light of recent volatility in raw materials prices. Therefore, the Group plans to continue with construction of additional warehousing facilities on vacant lands that were acquired in the last few years.

As the Group continues carrying out our business plans, we wish to inform that the Group still maintains a healthy cash flows and is in good financial position. So, the Group would like to inform that we plan to utilise our internally generated funds and also credit facilities already made available to us to fund most of our business plans.

In carrying out our business activities, the Group also pays attention to its impacts on the surrounding environment that we live in. Hence, we are continuing with our efforts to protect the environment as well as giving back to the local communities through social and charitable contributions.

With all business plans and our preparations so far, the Group is confident of our prospects in the ensuing years. However, we are still wary of our key challenge in the volatility of raw materials prices. The Group understands that market demand on the raw materials is still strong from major importer countries and further exacerbated by weather conditions and trade dispute of major



### TOTAL SHAREHOLDERS' EQUITY FY2018

RM **328.6**  
MILLION



### PROFIT AFTER TAX FY2018

RM **29.1**  
MILLION



## Management Discussion & Analysis (continued)

economies. The Group has taken steps to make adjustments to products selling prices and would continue to do so whenever necessary to counter its negative effects going forward.

Then, the Group is always mindful about the growing threat of competition in the industry. There were some large players that entered the market and causing impacts to the supply and pricing of products in the industry. In order to counter such threats, the Group is determined to

take necessary actions with thorough considerations to balance our goal to maintain or increase market share and also making reasonable returns from our endeavors.

The Group still stays true to its philosophy of producing good quality and unique products at competitive pricing. In doing so, the Group strongly believes we can realise our vision to be a recognised market leader in the industry regionally.

### DIVIDENDS

Based on the financial results of the Group and also requirements for our operating and investment plans, the Board of Directors had declared an interim dividend per share of 2.0 sen for FY2018, which was higher than the interim dividend of 1.8 sen per share for FY2017. The dividend declared translates to total dividend payout of RM9.84 million for FY2018 and was paid on 27 December 2018.



The Board of Directors wishes to inform that we will always take financial positions of the Group into consideration when making decisions on dividend payment. Some of these main considerations are the market conditions and cash flows requirements for investments to generate better returns to shareholders.

#### **NOTE OF APPRECIATION**

Most importantly, the Board of Directors would like to commend the management and all devoted

employees of the Group for a year of good performance in spite of challenging market conditions. The Board recognises that the management gave their utmost contributions and persevered through many uncertainties in the economy. This augurs well for the Group and the result is indicative of better performance to come.

Now, we also would like to take this opportunity to thank our loyal shareholders, customers, vendors, bankers and business associates for all the firm support and confidence you have in the Group.

Finally, our personal appreciation is to all Board members who have provided their leadership and commitment and it is a great honour for us to be working alongside such extraordinary people.

Thank you.



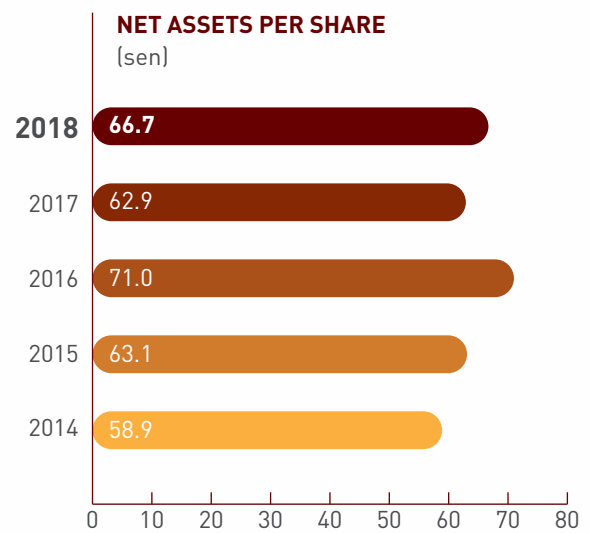
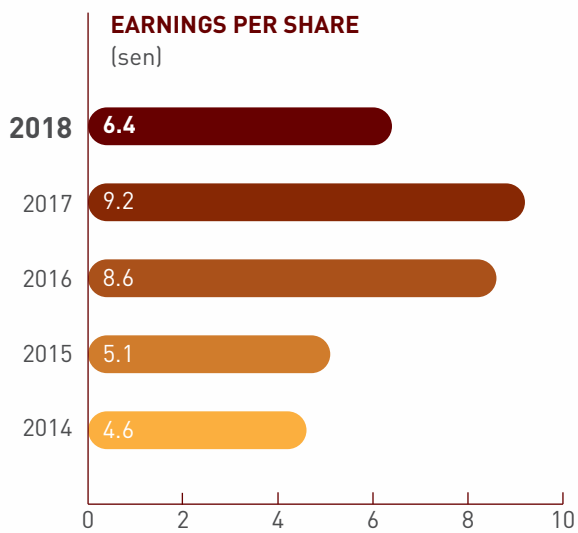
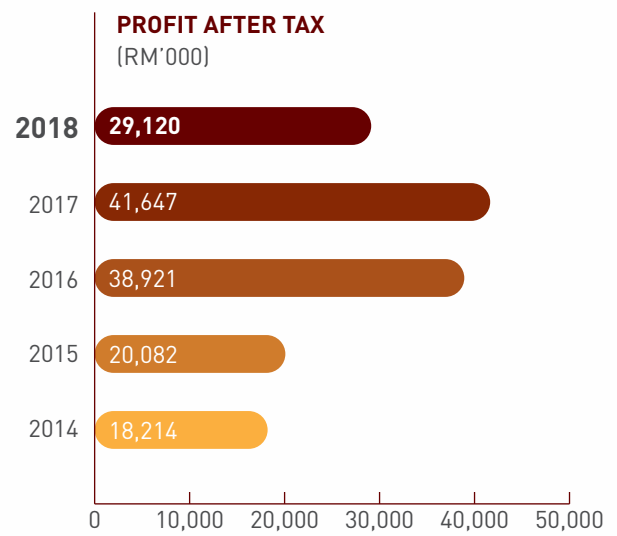
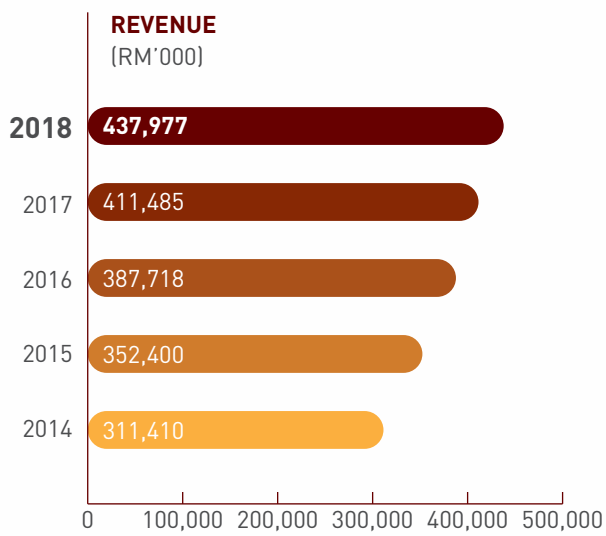
**“The achievements are the result of our philosophy of unrelenting focus on product quality and continuous investments on right production facilities including automation to improve capacity and efficiency.”**

**“The Group strongly believes we can realise our vision to be a recognised market leader in the industry regionally.”**

# Five-Year Group Financial Highlights

|                              | 2018<br>RM'000 | 2017<br>RM'000 | 2016<br>RM'000 | 2015<br>RM'000 | 2014<br>RM'000 |
|------------------------------|----------------|----------------|----------------|----------------|----------------|
| Revenue                      | <b>437,977</b> | 411,485        | 387,718        | 352,400        | 311,410        |
| Profit Before Tax            | <b>34,204</b>  | 55,790         | 53,448         | 30,350         | 26,265         |
| Profit After Tax             | <b>29,120</b>  | 41,647         | 38,921         | 20,082         | 18,214         |
| Total Assets                 | <b>394,502</b> | 372,415        | 339,577        | 319,119        | 279,649        |
| Total Liabilities            | <b>65,907</b>  | 63,100         | 60,142         | 70,948         | 47,824         |
| Share Capital                | <b>98,400</b>  | 98,400         | 78,720         | 78,720         | 78,720         |
| Shareholders' Equity         | <b>328,595</b> | 309,315        | 279,435        | 248,171        | 231,825        |
| Earnings per Share (sen)     | <b>6.4</b>     | 9.2            | 8.6            | 5.1            | 4.6            |
| Net Assets per Share (sen)   | <b>66.7</b>    | 62.9           | 71.0           | 63.1           | 58.9           |
| Net Dividend per Share (sen) | <b>2.0</b>     | 1.8            | 1.8            | 1.4            | 1.4            |
| Return on Equity             | <b>8.9</b>     | 13.4           | 13.9           | 8.1            | 7.9            |
| Return on Assets             | <b>7.4</b>     | 11.1           | 11.5           | 6.3            | 6.5            |
| Dividend Payout Ratio        | <b>31.3</b>    | 21.3           | 18.2           | 27.5           | 30.3           |





# Sustainability Statement

The Board of Three-A Resources Berhad and its subsidiaries (collectively known as “the Group”) recognise that its business activities impact the economy, the environment and the society. It is the Group’s commitment to always uphold high standard of corporate governance and instil sustainability in our business practices with the society in mind to ensure a robust and vibrant business community while preserving the environment.

## SUSTAINABILITY GOVERNANCE STRUCTURE

In line with the Sustainability Reporting Guide from Bursa Malaysia, the Group’s sustainability framework is designed primarily to evaluate the economic, environmental and social risks and opportunities (“sustainability matters”) together with 3A’s corporate governance framework.

The Risk Management Committee is tasked with identification of material sustainability matters that are critical to the Group and then recommending policies or actions to manage these sustainability matters. The Board is responsible to review those recommendations and provide oversight and advisory on the Group’s sustainability framework and reporting.

## MATERIAL SUSTAINABILITY MATTERS

### Economic Sustainability

The principal business activities of the Group are manufacturing and selling of food and beverage ingredients and our products are sold locally and also overseas. The Group’s Vision is to excel as a global brand known with distinguished quality in the industry globally.

- **High ethical behaviours**

The Group upholds 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 describes the values and behaviours expected of our employees at the workplace and key principles by which business should be carried out.

In the quest to be successful, the Group places tremendous efforts and resources to produce exceptional quality products that are acceptable worldwide. In order to receive local and worldwide recognition, the Group has attained Hazard Analysis and Critical Control Point (“HACCP”), Good Manufacturing Practice (“GMP”) and FSSC 22000 Food Safety System certifications. Besides, the Group also has HALAL and KOSHER certifications so that our products can serve most segments of customers. The Group believes that these certifications augur well for the Group to be the preferred food and beverage ingredients manufacturer known to produce safe and quality products.

- **Procurement practices**

Besides, the Group strives to ensure close and meaningful relationships with our suppliers to ensure we both mutually achieve and maintain a strict code of conduct. The Group adopts a sound suppliers selection framework according to industry best practices. Hence, the Group

adheres to ethical procurement practices and follows best practices in standard operating and fair-trading procedures. As an ongoing effort, the Group conducts suppliers’ monitoring to ensure compliance with industry best practices such as HACCP and FSSC 22000.

The Group continues to uphold the philosophy of responsible practices and high ethical standards of frequent meaningful communications to explain our business plans with stakeholders, namely investors, customers and suppliers who are important to the Group for us to be sustainable in the long term.

## Environmental Sustainability

The Group recognises the importance of environmental preservation for future generations. As a food and beverage manufacturer, the Group is committed to observe legal and regulatory environmental requirements of the Department of Environment (“DOE”) and other applicable laws and regulations in carrying out its operations.

As a dynamic business entity, the Group sources raw materials for our manufacturing needs and climate change issues will affect the supply chain and the sources of many products. Therefore, it is essential for the Group to entrench environmental protection measures into our business operations and practices.

The efficient use of energy, water and raw materials in all of our operations are, among the approaches to heighten the positive impact and minimise negative impacts of the Group’s operations on the environment.

- **Energy use**

The Group has been using natural gas as the source of energy in its manufacturing plants as natural gas is cleaner and easier to use as compared to other sources of energy such as burning coal or petroleum and diesel. The Group is mindful of its role in reducing pollution and in making the environment stay healthy and clean.

- **Water and effluents**

The Group has made significant investment in water treatment facilities to ensure that waste water from production plants is treated with chemical and biological treatments to become safer for the environment before being discharged. Independent agencies accredited by respective governmental departments would regularly conduct assessment of our efforts on treatment of waste water from our production facilities.

- **Waste management**

In addition, our ongoing efforts on waste reduction, separation and recycling of waste paper and plastic, paper bags and pallets will remain our way of life to conserve natural resources and protect the environment.

### **Social Sustainability**

The Group believes that our employees are our greatest assets and in fulfilling our responsibility towards our employees, the Group places utmost emphasis on taking care of their well-being and building fruitful and lasting relationships with our employees.

Retention of key employees is crucial to ensure continual success of the Group. Therefore, the Group continues to ensure that a good reward system is in place to attract, retain and motivate the right talents. Succession plans are put in place for critical positions to ensure sustainability in terms of a healthy leadership continuity and effective and efficient operations within the Group.

- **Nurturing a conducive work environment**

The Group ensures that two-way open communication channels are available to all employees to inculcate clear understanding of the Group's vision, goals and objectives. Regular talk sessions are conducted as a means for employees to engage with the Management Team and promote collaboration among each other. These sessions allow the Management Team to share business direction and policies with employees at the operational level. Our employees find these sessions useful as an opportunity to provide feedback and exchange ideas for business and operational improvements.

- **Diversity and equal opportunity**

The Group promotes diversity at workplace regardless of race, gender, age group as the Group believes that diversity allows companies to be more progressive, creative and resilient in meeting challenges. All employees are subject to performance appraisal and have equal opportunity for job progression. The Group advocates inclusivity in the workplace, in that all staff at respective levels are free to contribute ideas in decision making.

- **Occupational health and safety**

The Group put into place a comprehensive Occupational Safety and Health Policy to inculcate the importance of safety and health in all areas of food processing operation. Besides, each production plant also constantly promotes awareness on safety precautions and health issues. In order to provide employees a conducive and safe environment, the Group also provides safety and job-related trainings. In-house safety programmes are regularly organised to ensure the employees of manufacturing plants know how to effectively handle machineries and equipment, tools and vehicles besides safety gears are provided to relevant employees to prevent accidents.

## Sustainability Statement (continued)

As a testament of the commitment towards our employees, the Group continues to perform well in the Labour Standards, Health and Safety, Environment and Business Ethics industry assessment (“SMETA Best Practices”) as conducted

- **Occupational health and safety (continued)**

by independent firms accredited by the government and widely acknowledged by our customers.

- **Training and education**

The Group values its employees and so allows employees to learn knowledge and develop skills through attending trainings and courses. All employees are encouraged to work together with guidance from respective Head of Department to seek the right trainings relevant for their work. The Group hopes that trainings and courses could bring out fullest potential of employees and contented employees continue to exceed expectations in key performance areas as well as safety and health.

- **In support of local communities**

In the pursuit of growth and financial success in the environment it operates, the Group values the relationships with the community and is concerned with its well-being and welfare. Therefore, the Group is aware and encourages its employees to actively participate in activities that promotes and improves the state of affairs of the society at large.

In the quest to be socially responsible, the Group continues to support activities through its corporate responsibility initiatives of promoting community engagement and support actions to address the needs of the less fortunate and underprivileged families. Some of these initiatives are monetary contributions in the forms of donations to various social

and welfare institutions, charitable associations and schools, as well as participating in public social awareness programs.

### CONCLUSION

The Group strongly believes that in order to be successful moving forward, the Group needs to do well in all sustainability matters. Therefore, the Group is confident and will continue to uphold its excellent corporate responsibility practices in all aspects and engage with stakeholders of the Group’s business and remain committed in playing our role in giving back for the advancement of the society we live and operate in.



# 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 2018 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 developing 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”).

## Corporate Governance Overview Statement (continued)

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

#### 1.1 Duties and Responsibilities of the Board

The Group 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 Group'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 role 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 served 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 expenses 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 had in place a procedure whereby the Independent Director who wish 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.

## 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.

During the financial year 2018, the Board meetings were chaired by the Independent Non-Executive Chairman, Dato' Mohd Nor Bin Abdul Wahid, who has the responsibility of ensuring that each of the agenda items is adequately reviewed and thoroughly deliberated within a reasonable timeframe.

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 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 Group. 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 Group'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 Group on corporate proposal may be invited to attend the Board meeting to furnish with the Board their comments and advice on the relevant proposal tabled.

### 1.3 Board Charter

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

## Corporate Governance Overview Statement (continued)

### 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 Recommendation 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.

The 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 applies to directors, management and employee of the Company. The Code of Conduct and Ethics as established by the Board which was published in the Company's website, [three-a.com.my](http://three-a.com.my) 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.



## 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, 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 of Directors. 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, 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.

## Corporate Governance Overview Statement (continued)

### 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.

During the financial year 2018, 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), five (5) Independent Non-Executive Directors and two (2) Alternate 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 Board is well balanced with an effective mix of three (3) Non-Independent Executive Directors (including Managing Director), two (2) Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors which 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 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 of 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.

There is no change in Director for the financial year.

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 2.2 Re-Election of Directors

In accordance with the Company's Articles of Association 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. Fong Chu King @ Tong Chu King, Ms. Fang Siew Yee and Mr. Khoo Wee Boon are due to retire pursuant to Article 86 of the Company's Articles of Association 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 their re-election at forthcoming Annual General Meeting. All the above mentioned Directors have consented to serve as Directors, if 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 07 to 12 of 2018 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.

## Corporate Governance Overview Statement (continued)

### 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 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 Group's forthcoming Annual General Meeting;
- To review management's proposals for the appointment, dismissal, transfer, 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 to be held as and when necessary and at least once per year. The quorum for each meeting is two (2). 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)

### 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 take 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 practised 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). Minutes of each meeting shall be kept by the Secretary as evidence that the Committee has discharged its functions.

The Remuneration Committee held one (1) meeting which was 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 2018

| Membership Status                              | Name                           | Attendance |
|--|--------------------------------|------------|
| Chairman<br>Independent Non-Executive Director | Tan Chon Sing @ Tan Kim Tieng  | 1/1        |
| Member<br>Independent Non-Executive Director   | Chew Eng Chai                  | 1/1        |
| Member<br>Independent Non-Executive Director   | Dato' Mohd Nor Bin Abdul Wahid | 1/1        |
| Member<br>Independent Non-Executive Director   | Khoo Wee Boon                  | 1/1        |

## 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.

- **Basic 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 of Directors for the financial year ended 31 December 2018 are as follows:-

|                                   | Fees<br>(RM)   | Salaries<br>(RM) | Allowance<br>(RM) | Bonus<br>(RM)    | Other<br>Emoluments<br>(RM) | Total<br>(RM)    |
|-----------------------------------|----------------|------------------|-------------------|------------------|-----------------------------|------------------|
| <b>Received from the Company</b>  |                |                  |                   |                  |                             |                  |
| Dato' Mohd Nor Bin Abdul Wahid    | 72,000         | -                | 288,000           | -                | -                           | 360,000          |
| Chew Eng Chai                     | 50,000         | -                | -                 | -                | -                           | 50,000           |
| Tan Chon Sing @ Tan Kim Tieng     | 40,000         | -                | -                 | -                | -                           | 40,000           |
| Mohd Zaki Bin Hamzah              | 40,000         | -                | -                 | -                | -                           | 40,000           |
| Khoo Wee Boon                     | 40,000         | -                | -                 | -                | -                           | 40,000           |
| Loo Cheau Leong                   | 15,000         | -                | -                 | -                | -                           | 15,000           |
| Gurpreet Singh Vohra              | 15,000         | -                | -                 | -                | -                           | 15,000           |
|                                   | <b>272,000</b> | <b>-</b>         | <b>288,000</b>    | <b>-</b>         | <b>-</b>                    | <b>560,000</b>   |
| <b>Received from a Subsidiary</b> |                |                  |                   |                  |                             |                  |
| Fang Chew Ham                     | -              | 1,500,000        | -                 | 712,500          | 106,500                     | 2,319,000        |
| Fong Chu King @ Tong Chu King     | -              | 840,000          | -                 | 475,000          | 64,600                      | 1,379,600        |
| Fang Siew Yee                     | -              | 420,000          | 60,000            | 255,000          | 88,200                      | 823,200          |
|                                   | <b>272,000</b> | <b>2,760,000</b> | <b>348,000</b>    | <b>1,442,500</b> | <b>259,300</b>              | <b>5,081,800</b> |

## Corporate Governance Overview Statement (continued)

### 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 2018 is as follows:-

| Range of Remuneration (RM) | Top Five Senior Management |
|----------------------------|----------------------------|
| RM800,000 – RM850,000      | 1                          |
| RM900,000 – RM950,000      | 2                          |
| RM1,350,000 – RM1,400,000  | 1                          |
| RM2,300,000 – RM2,350,000  | 1                          |
| Total                      | 5                          |

#### 3.0 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 Group 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 Group 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 Director concerned to declare his or her interest and abstain from the decision making process.



## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 3.0 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, En. 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 Seventeenth Annual General Meeting of the Group. 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 En. 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 ID through a two-tier voting process at the forthcoming Seventeenth Annual General Meeting shall be sought.

### 3.1 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.

## Corporate Governance Overview Statement (continued)

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

#### 3.1 Board Meetings (Continued)

The Board met four (4) times during the financial year ended 31 December 2018. Additional meetings are held as and when required. The dates of the Board Meetings are as follows:-

- 20 February 2018
- 7 May 2018
- 7 August 2018
- 26 November 2018

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 | 4                             | 4/4                               |
| Fang Chew Ham                  | 4                             | 4/4                               |
| 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                  | 4                             | 4/4                               |
| Khoo Wee Boon                  | 4                             | 4/4                               |
| Mohd Zaki Bin Hamzah           | 4                             | 4/4                               |
| Gurpreet Singh Vohra           | 4                             | 2/4                               |
| Loo Cheau Leong                | 4                             | 3/4                               |

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

Directors of the Group 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.

#### 3.2 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 particularly in areas of corporate governance and regulatory changes so that they would be able to discharge their duties as Directors effectively.

## A. BOARD LEADERSHIP AND EFFECTIVENESS (CONTINUED)

### 3.2 Directors' Training and Education

For the year ended 31 December 2018, the conferences, seminars and training programmes attended by each of the Directors were in respect of the following areas:-

| Name of Directors              | Seminars / Training Programmes  |
|--------------------------------|---|
| Dato' Mohd Nor Bin Abdul Wahid | • Enterprise Risk Management Implementation Workshops   |
| Fang Chew Ham                  | • Enterprise Risk Management Implementation Workshops   |
| Fong Chu King @ Tong Chu King  | • Enterprise Risk Management Implementation Workshops   |
| Chew Eng Chai                  | • Enterprise Risk Management Implementation Workshops   |
| Tan Chon Sing @ Tan Kim Tieng  | • PLC Director's Training - Latest Listing Requirements & Companies Act 2016  |
| Fang Siew Yee                  | • Enterprise Risk Management Implementation Workshops   |
| Khoo Wee Boon                  | • Market Misconduct in Digital Economy & SC Guidelines on Management of Cyber Risk<br>• Psychology of Investing: Victory Over Your Thoughts |
| Mohd Zaki Bin Hamzah           | • Independent Directors' Programme: The Essence of Independence   |
| Liew Kuo Shin                  | • Enterprise Risk Management Implementation Workshops   |
| Fang Siew Ping                 | • Enterprise Risk Management Implementation Workshops   |
| Loo Cheau Leong                | • Cybersecurity and Digital Disruption Briefing by Ernst & Young  |
| Gurpreet Singh Vohra           | • Cybersecurity and Digital Disruption Briefing by Ernst & Young  |

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 four (4) 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 2018, 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 AC is not the Chairman of the Board. Details of the composition of the Audit Committee and attendance of Members at Meetings held in 2018 are as follows:-

## Corporate Governance Overview Statement (continued)

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

#### 1.0 Audit Committee (Continued)

##### Members of Audit Committee and Meeting Attendance during the financial year 2018

| Membership Status                              | Name                          | Attendance |
|--|-------------------------------|------------|
| Chairman<br>Independent Non-Executive Director | Chew Eng Chai                 | 4/4        |
| Member<br>Independent Non-Executive Director   | Tan Chon Sing @ Tan Kim Tieng | 4/4        |
| Member<br>Independent Non-Executive Director   | Mohd Zaki Bin Hamzah          | 4/4        |
| Member<br>Independent Non-Executive Director   | Khoo Wee Boon                 | 4/4        |

Meetings are to be held as and when necessary. The quorum for each meeting is two (2). 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 46 to 50 on this Annual Report.

#### 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 Group in all the disclosures made to the stakeholders and the regulatory authorities. Following discussions with the External Auditors, the Directors consider that 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 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 require 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 Group's performance and prospects.

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

### **1.1 Financial Reporting (Continued)**

The Board is assisted by the Audit Committee to oversee the quality of the financial reporting of the Group. The Audit Committee reviews and monitors the integrity of the Group's annual and interim financial statements and reviews the appropriateness of 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 20 February 2019 conducted an assessment on the suitability and independence of the external auditors, Messrs BDO PLT. Having considered their 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 Seventeenth Annual General Meeting.

During the year, the Audit Committee had met separately with the External Auditors without the presence of Executive Directors and the Management on matters relating to the Group and its audit activities.

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

### **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 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 Group to prevent and detect fraud and other irregularities.



## Corporate Governance Overview Statement (continued)

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

#### 2.0 Risk Management and Internal Control Framework

The Board has rolled out a formal risk management exercise in 2018 and formalised a risk management framework to safeguard the interest and meet the expectations of its shareholder, employees, customers, other stakeholders and the many communities in which the Group conducts its business. It involves:-

- enhancing strategic competitiveness and operational efficiency that increases long-term shareholders' value;
- minimising unexpected impact to earnings and returns to shareholders;
- safeguarding valuable assets and resources; and
- meeting existing regulatory requirements on risk management.

The Board requires the Group to maintain a rigorous risk management framework for identifying, evaluating, monitoring and managing the risks taken to achieve 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 20 February 2019, 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 on-going 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 43 to 45.

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.

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

### 1.0 Communication with Stakeholders

#### 1.1 Corporate Disclosure Policy

The Board acknowledges the importance to disclose information on a timely manner and in compliance with the requirements under the Listing Requirements and other applicable laws. The Board has outlined the Group's approach towards the determination and dissemination of material information, the circumstance under which the confidentiality of information will be maintained, preventing abuse of undisclosed material information and provides guidelines for achieving consistent disclosure practices.

The established Corporate Disclosures Policies and Procedures ("Policy") applies to the conduct of all Directors and employees of the Group with regards to handling and disclosing material information.

The Policy covers all methods that the Group uses to communicate to the public:-

- (a) Documents filed with the regulators, written statements made in the Group's annual and quarterly report, press releases, letters, circulars to shareholders, email communications and information on the Group's website; and
- (b) Oral statements made in group and individual meeting, interviews and press conferences and telephone conversations with members of the investment community (which includes analysts, investors, investment dealers, advisors and media).

The Policy does not apply to communication made in the ordinary course of business not involving material information.

#### 1.2 Effective Relationship with Shareholders

The Group recognises the importance of maintaining accountability and transparency to its shareholders through proper communication with its shareholders. The Group reaches out to its shareholders through its distribution of the annual reports.

All shareholders are encouraged to attend the Group'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 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 Notice of the Seventeenth AGM was issued and dated on 26 April 2019, or 52 days prior to the AGM date.

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.

## Corporate Governance Overview Statement (continued)

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

#### 1.0 Communication with Stakeholders (Continued)

##### 1.2 Effective Relationship with Shareholders (Continued)

The Group 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 Group 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  
Executive Director  
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 Group endeavours to provide as much information as possible to its shareholders and stakeholders, the Group 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 Group will not be disclosed to the public.

# Statement on Risk Management and Internal Control

The Board of Directors (“Board”) is pleased to present its Statement on Risk Management and Internal Control (“Statement”). This Statement describing the state of risk management and internal control of the Company and its subsidiaries (“the Group”) during the financial year ended 31 December 2018 is made pursuant to paragraph 15.26(b) of the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and guided by the “Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers” endorsed by Bursa Securities.

## BOARD RESPONSIBILITIES

In accordance with the latest Malaysian Code of Corporate Governance, the Board who is responsible for the Group’s risk management and internal control systems, shall set appropriate policies on internal control and seek assurance that the systems are functioning effectively. In addition, the Board must also ensure that the system of internal control manages risks and forms part of its corporate culture.

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

In order to derive its comfort on the state of risk management and internal control of the Group, the Board uses the following review mechanism to evaluate the information compiled in these reviews:-

- Board and Audit Committee reviews of the Group’s cash flows, financial and business units’ performances and interim financial results 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 risks;
- The Audit Committee discussion with the External Auditors on key concerns and findings on financial and internal control matters during the audit planning and finalisation of the audit results and findings;
- The Internal Auditors’ reports and highlights on the internal control systems and the governance practices in the Group; and
- Management assurance that the Group’s risk management and internal control systems are adequate and effective, in all material respects, through discussion with Managing Director, Executive Director and Financial Controller.

## RISK MANAGEMENT

As reported in the previous year, the Group had laid down a risk management implementation. On this note, a risk management exercise was commissioned in the Group during the current financial year. Under this exercise, risk awareness sessions were conducted for the Board and respective functional heads and line management. The objective of this awareness session is to create the risk ownership and responsibilities among the stakeholders in the Group.

As part of this exercise, several risk assessment workshops were held with key members from the operations to identify the operational risks and the possibility and impact of these risks; to consider the effectiveness of management’s existing controls; and to formulate new risk management mitigation action plan. The application of this risk management processes is based on the principles and the thought process in ISO 31000 on risk management which is an internationally recognised risk management framework. In addition, the Group had defined the Group Risk Policy and risk appetite in this risk management exercise.

## Statement on Risk Management and Internal Control (continued)

### RISK MANAGEMENT (CONTINUED)

All identified operational risks identified were documented and compiled in a group risk register. This group risk register was presented to the Board for consideration of the effectiveness of the risk management in the Group. Further to the formal risk management exercise carried out in 2018, Risk Management Working Committee ("RMWC") was formed. During the financial year, the members of this Committee comprise three (3) Executive Directors, Financial Controller and other members of senior management. The key responsibility of the RMWC is to conduct continuous on-going review on the risk identified in the current risk register and to monitor the implementation, adequacy and effectiveness of management action plans to mitigate the identified risks and report to the Risk Management Committee ("RMC") for decision making. Quarterly, the RMC reports to the Board on the overall progress and status of the Group risk management practices.

Overall, there were no significant operational risks. All operational risks are within manageable level in accordance with the risk appetite of the Group. However, financially, the Group experienced pressure from increase of raw material commodity prices on its bottom-line. While ongoing mitigating measures such as reviewing of selling prices and sourcing of alternative supply for the raw materials are taken to soften the financial impact to the Group, the effect of such mitigation measures would only be seen in longer term.

### KEY ELEMENTS OF INTERNAL CONTROL

Complementing the risk management practices the following key internal control procedures and processes are put in place in the Group:-

- i. Management organisation structure defining the management responsibilities and hierarchical structure of monitoring, reporting and accountability;
- ii. Limit of authority and approval facilitating delegation of authority and management succession;
- iii. Standard operating procedures covering all the major management functions in the Group;
- iv. Management meeting and credit committee meeting and reporting procedures for monitoring, tracking and deciding actions for ensuring that the performance objectives of the Group are met;
- v. Continual implementation and compliance with Halal, Kosher, HACCP and FSSC Certifications setting the fundamental of management control in the Group; and
- vi. Job descriptions providing understanding to employees of the actions needed in discharging their responsibilities.

### MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Bursa Securities Guidelines, management is responsible to identify risks relevant to the business of the Group's objectives and strategies; 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.

In producing this Statement, the Board has received assurance from the Managing Director and the 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.



## THE BOARD'S CONCLUSION

The Board confirms that the process for identifying, evaluating and managing significant risks in the Group is ongoing. For the financial year under review, the Board is satisfied that the existing level of systems of internal control and risk management is effective to enable the Group to achieve its business objectives and there were no material losses resulted from significant control weaknesses that would require separate disclosure in 2018 Annual Report.

With the disposal of Three-A (Qinhuangdao) Food Industries Co Ltd, a joint venture company between Three-A Food Industries (M) Sdn. Bhd. and Yihai Kerry Investments Co Ltd, the Group does not have further joint ventures and associated companies which have not been dealt with or considered in reporting this Statement.

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

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement. As set out in their terms of engagement, the procedures were performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG3") [Previously known as "RPG5 (Revised) 2015"] issued by the Malaysian Institute of Accountants. The External Auditors' procedures have been conducted to assess whether the Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal control for the Group. However, AAPG3 does not require the External Auditors to consider whether this Statement covers all risks and controls, or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures.

The External Auditors have reviewed this Statement 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 the Board and management has adopted in the review of the adequacy and integrity of risk management and effectiveness of the systems of risk management and internal control of the Group.

This Statement was made in accordance with the approval of the Board on 8 April 2019.

# 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*

## 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 2018 are as follows:-

| Composition of Audit Committee  | Numbers of Audit Committee Meetings |          |
|---|-------------------------------------|----------|
|   | Held                                | Attended |
| Chew Eng Chai<br>Chairman, Independent Non-Executive Director               | 4                                   | 4        |
| Tan Chon Sing @ Tan Kim Tieng<br>Member, Independent Non-Executive Director | 4                                   | 4        |
| Mohd Zaki Bin Hamzah<br>Member, Independent Non-Executive Director          | 4                                   | 4        |
| Khoo Wee Boon<br>Member, Independent Non-Executive Director                 | 4                                   | 4        |

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 Audit Committee had also met up with the External Auditors without the presence of the Management during the financial year. 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 and Head of Internal Audit will attend the meetings. Other Board and representatives of the External Auditors' members may attend meetings upon the invitation of the Audit Committee;
- The Audit Committee members shall meet with External Auditors without Executive Board members at least twice a year;
- 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 External and Internal 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 External Auditors and Internal Auditors or both, excluding the attendance of the other Directors and employees of the listed company whenever deemed necessary.

## Audit Committee Report (continued)

### 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 where more than one audit firm is involved;
- To review with the External Auditors, 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; and
  - v. Significant and unusual events.
- 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 2018 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 thereto;
- 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;
- Reviewed the External Auditors' audit report; and
- The Committee met twice with the External Auditors without the presence of the Management for the financial year ended 31 December 2018.

### 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)

### 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 2018 was about RM65,000. 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 2018 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 2018, a total of four (4) 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 in 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, 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 2018 are as follows:-

|                | Company<br>(RM'000) | Group<br>(RM'000) |
|----------------|---------------------|-------------------|
| Audit Fees     | 45                  | 143               |
| Non-Audit Fees | 8                   | 8                 |
| Total          | 53                  | 151               |

## 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 2018 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 2018 pursuant to the shareholders' mandate were as follows:-

| Related Party  | Interested Directors/ Major shareholders/ Persons connected   | Nature of Transactions  | Value of Transactions |
|--|---|---|-----------------------|
| Seong Chan Sauce & Foodstuff Sdn. Bhd. ("Seong Chan")  | Fang Chew Ham<br>Fong Chu King @ Tong Chu King<br>Fang Siew Yee<br>Foong Chiew Fatt<br>Fang Siew Ping<br>Liew Kuo Shin<br>Fong Chiew Hean<br>Fang Chew Ham Holdings Sdn. Bhd. | Sales of finished products goods by San Soon Seng Food Industries Sdn. Bhd. ("SSSFI") to Seong Chan | RM1,235,560           |
| Qinhuangdao Gold Delicious Food Industries Co Ltd (formerly known as Three-A (Qinhuangdao) Food Industries Co Ltd ("QGD")) | Yihai Kerry Investment Ltd<br>Wilmar International Ltd<br>Gurpreet Singh Vohra<br>Loo Cheau Leong   | Purchase of products by SSSFI from QGD  | RM4,993,456           |

The RRPT are subject to the following:-

- The provision of the products to the related parties are based on fixed price quoted to all customers or classes of customers; and
- The price of charges in the provision of products by the Company is no lower than the prevailing market prices.

The material terms of such RRPT are applied consistently to all classes of customers of in respect of such RRPT. There is no preferred treatment accorded to the related parties.

# Financial Statements

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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 2018.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

|   | Group<br>RM'000 | Company<br>RM'000 |
|---|-----------------|-------------------|
| Profit for the financial year, attributable to owners of the parent | 29,120          | 1,230             |

## 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 2018:                               |        |
| Interim single tier dividend of 2 sen per ordinary share, paid on 27 December 2018 | 9,840  |

The Directors do not recommend any payment of final dividend for the financial year ended 31 December 2018.

## RESERVES AND PROVISIONS

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)

### DIRECTORS

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

#### Three-A Resources Berhad and its subsidiaries

Fang Chew Ham

Fong Chu King @ Tong Chu King

Chew Eng Chai

Tan Chon Sing @ Tan Kim Tieng

Fang Siew Yee

Khoo Wee Boon

Mohd Zaki Bin Hamzah

Gurpreet Singh Vohra

Loo Cheau Leong

Liew Kuo Shin (Alternate Director to Fong Chu King @ Tong Chu King)

Fang Siew Ping (Alternate Director to Fang Siew Yee)

Dato' Mohd Nor Bin Abdul Wahid

(vacated/resigned on 14 March 2019)

### 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 corporation during the financial year ended 31 December 2018 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<br>as at<br>31.12.2018 |
|--|------------------------------|---------|---------|--------------------------------|
|  | Balance<br>as at<br>1.1.2018 | Bought  | Sold    |                                |
| <b>Direct interests:</b>                   |                              |         |         |                                |
| Dato' Mohd Nor Bin Abdul Wahid             | 547,500                      | -       | -       | 547,500                        |
| 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>                 |                              |         |         |                                |
| Fang Chew Ham <sup>a</sup>                 | 102,127,600                  | 200,000 | -       | 102,327,600                    |
| Fang Siew Yee <sup>a</sup>                 | 102,127,600                  | 200,000 | -       | 102,327,600                    |
| Fong Chu King @ Tong Chu King <sup>b</sup> | 1,514,975                    | 200,000 | -       | 1,714,975                      |
| Tan Chon Sing @ Tan Kim Tieng <sup>c</sup> | 3,297,500                    | -       | 503,875 | 2,793,625                      |
| Chew Eng Chai <sup>d</sup>                 | 8,750                        | -       | -       | 8,750                          |



**DIRECTORS' INTERESTS (continued)**

- <sup>a</sup> Indirect interest by virtue of Section 8 of the Companies Act 2016 ('CA2016') held through Fang Chew Ham Holdings Sdn. Bhd. (100,750,000 ordinary shares) and Seong Chan Sauce & Foodstuff Sdn. Bhd. (1,577,600 ordinary shares).
- <sup>b</sup> Indirect interest via shareholdings of his son, Fong Peng Fai (137,375 ordinary shares) pursuant to Section 59(11)(c) of CA2016 and Seong Chan Sauce & Foodstuff Sdn. Bhd. (1,577,600 ordinary shares) pursuant to Section 8 of CA2016.
- <sup>c</sup> Indirect interest via shareholdings of his spouse Ng Faai @ Ng Yoke Pei pursuant to Section 59(11)(c) of CA2016.
- <sup>d</sup> Indirect interest via shareholdings of his spouse Lim Tong Lean pursuant to Section 59(11)(c) of CA2016.

By virtue of their interests in the ordinary shares of the Company, Fang Chew Ham and Fang Siew Yee are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent that the Company has an interest.

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<br/>RM'000</b> | <b>Company<br/>RM'000</b> |
|--|-------------------------|---------------------------|
| Executive Directors' remuneration:     |                         |                           |
| - Salaries and other emoluments        | 4,521                   | -                         |
| Non-Executive Directors' remuneration: |                         |                           |
| - Fees                                 | 272                     | 272                       |
| - Other emoluments                     | 288                     | -                         |
| <b>Total</b>                           | <b>5,081</b>            | <b>272</b>                |

## Directors' Report (continued)

### 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 RM 11,500.

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 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 amounts written off for 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.

**OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (continued)****(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (continued)**

(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.

**(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.

**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 2018 amounted to RM151,000 and RM45,000 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

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

**Fang Chew Ham**  
Director

Kuala Lumpur  
8 April 2019

# Statement By Directors

In the opinion of the Directors, the financial statements set out on pages 64 to 105 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 2018 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,

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

**Fang Chew Ham**  
Director

Kuala Lumpur  
8 April 2019

# 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 64 to 105 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                                )  
8 April 2019                                        )

**Fong Peng Fai**

Before me:

# Independent Auditors' Report

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

## Report on 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 2018 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 64 to 105.

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 2018, 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)**

**Key Audit Matters (continued)**

**Recoverability of trade receivables**

As at 31 December 2018, trade receivables of the Group amounted to RM107,120,000. 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 procedures included:

- (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 Malaysian Financial Reporting Standards, International Financial Reporting Standards, 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)**

**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.

**BDO PLT**  
LLP0018825-LCA & AF 0206  
Chartered Accountants

**Lee Ken Wai**  
03185/07/2019 J  
Chartered Accountant

Kuala Lumpur  
8 April 2019

# Statements of Financial Position

As At 31 December 2018

|  | Note | Group          |                | Company        |                |
|--|------|----------------|----------------|----------------|----------------|
|  |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>ASSETS</b>                                      |      |                |                |                |                |
| <b>Non-current assets</b>                          |      |                |                |                |                |
| Property, plant and equipment                      | 5    | 190,018        | 183,514        | -              | -              |
| Prepaid lease payments for land                    | 6    | 1,391          | 1,447          | -              | -              |
| Investments in subsidiaries                        | 7    | -              | -              | 151,359        | 151,529        |
| Investment in a former joint venture               | 8    | -              | -              | -              | -              |
|  |      | 191,409        | 184,961        | 151,359        | 151,529        |
| <b>Current assets</b>                              |      |                |                |                |                |
| Inventories  | 9    | 80,064         | 45,210         | -              | -              |
| Trade and other receivables                        | 10   | 110,020        | 95,196         | 12,850         | 6,528          |
| Current tax assets                                 |      | 3,951          | 35             | 20             | 35             |
| Cash and bank balances                             | 11   | 9,058          | 47,013         | 1,336          | 16,074         |
|  |      | 203,093        | 187,454        | 14,206         | 22,637         |
| <b>TOTAL ASSETS</b>                                |      | 394,502        | 372,415        | 165,565        | 174,166        |
| <b>EQUITY AND LIABILITIES</b>                      |      |                |                |                |                |
| <b>Equity attributable to owners of the parent</b> |      |                |                |                |                |
| Share capital                                      | 12   | 98,400         | 98,400         | 98,400         | 98,400         |
| Reserves   | 13   | 230,195        | 210,915        | 66,842         | 75,452         |
| <b>TOTAL EQUITY</b>                                |      | 328,595        | 309,315        | 165,242        | 173,852        |
| <b>LIABILITIES</b>                                 |      |                |                |                |                |
| <b>Non-current liabilities</b>                     |      |                |                |                |                |
| Borrowings   | 15   | 14,462         | 16,885         | -              | -              |
| Deferred tax liabilities                           | 14   | 14,556         | 16,271         | -              | -              |
|  |      | 29,018         | 33,156         | -              | -              |
| <b>Current liabilities</b>                         |      |                |                |                |                |
| Trade and other payables                           | 17   | 31,337         | 25,952         | 323            | 314            |
| Borrowings   | 15   | 5,552          | 3,133          | -              | -              |
| Current tax liabilities                            |      | -              | 859            | -              | -              |
|  |      | 36,889         | 29,944         | 323            | 314            |
| <b>TOTAL LIABILITIES</b>                           |      | 65,907         | 63,100         | 323            | 314            |
| <b>TOTAL EQUITY AND LIABILITIES</b>                |      | 394,502        | 372,415        | 165,565        | 174,166        |

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 2018

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Revenue   | 20   | 437,977        | 411,485        | 1,330          | 27,930         |
| Cost of sales   |      | (370,198)      | (317,652)      | -              | -              |
| Gross profit  |      | 67,779         | 93,833         | 1,330          | 27,930         |
| Other income  | 21   | 2,045          | 3,626          | 591            | 18             |
| Administrative expenses   |      | (24,462)       | (27,320)       | (691)          | (26,992)       |
| Other operating expenses  |      | (9,965)        | (10,205)       | -              | -              |
| Share of results of a former joint venture, net of tax  | 8(b) | -              | (3,156)        | -              | -              |
| Profit from operations  |      | 35,397         | 56,778         | 1,230          | 956            |
| Finance costs   | 23   | (1,193)        | (988)          | -              | -              |
| Profit before tax   |      | 34,204         | 55,790         | 1,230          | 956            |
| Tax expense   | 24   | (5,084)        | (14,143)       | -              | -              |
| Profit for the financial year   |      | 29,120         | 41,647         | 1,230          | 956            |
| Other comprehensive loss that may be reclassified subsequently to profit or loss                    |      |                |                |                |                |
| - Foreign currency translations   |      | -              | (14)           | -              | -              |
| - Reclassification of exchange translation reserve to profit or loss on disposal of a joint venture |      | -              | (2,897)        | -              | -              |
| Total other comprehensive loss, net of tax  |      | -              | (2,911)        | -              | -              |
| Total comprehensive income  |      | 29,120         | 38,736         | 1,230          | 956            |
| Profit attributable to owners of the parent   |      | 29,120         | 41,647         | 1,230          | 956            |
| Total comprehensive income attributable to owners of the parent                                     |      | 29,120         | 38,736         | 1,230          | 956            |
| Earnings per share attributable to equity holders of the Company (sen):                             |      |                |                |                |                |
| Basic and diluted   | 25   | 6.4            | 9.2            |                |                |

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

# Consolidated Statement of Changes in Equity

For The Financial Year Ended 31 December 2018

| Group   | Note | ---- Non-distributable ---- |                            |  | Distributable<br>retained<br>earnings<br>RM'000 | Total<br>RM'000 |
|---|------|-----------------------------|----------------------------|--|---|-----------------|
|   |      | Share<br>capital<br>RM'000  | Share<br>premium<br>RM'000 | Exchange<br>translation<br>reserve<br>RM'000 |   |                 |
| <b>Balance as at 1 January 2017</b>               |      | 78,720                      | 70,367                     | 2,911  | 127,437   | 279,435         |
| Profit for the financial year                     |      | -                           | -                          | -  | 41,647  | 41,647          |
| Other comprehensive loss, net of tax              |      | -                           | -                          | (2,911)                                      | -   | (2,911)         |
| Total comprehensive income                        |      | -                           | -                          | (2,911)                                      | 41,647  | 38,736          |
| Transactions with owners                          |      |                             |                            |  |   |                 |
| Dividend  | 26   | -                           | -                          | -  | (8,856)   | (8,856)         |
| Ordinary shares issued pursuant<br>to bonus issue | 12   | 19,680                      | (19,680)                   | -  | -   | -               |
| Total transactions with owners                    |      | 19,680                      | (19,680)                   | -  | (8,856)   | (8,856)         |
| <b>Balance as at 31 December 2017</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          |
| Transaction with owners                           |      |                             |                            |  |   |                 |
| Dividend  | 26   | -                           | -                          | -  | (9,840)   | (9,840)         |
| <b>Balance as at 31 December 2018</b>             |      | 98,400                      | 50,687                     | -  | 179,508   | 328,595         |

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

# Statement of Changes In Equity

For The Financial Year Ended 31 December 2018

| Company  | Note | Share capital<br>RM'000 | Non-distributable<br>Share premium<br>RM'000 | Distributable<br>Retained earnings<br>RM'000 | Total<br>RM'000 |
|--|------|-------------------------|--|--|-----------------|
| <b>Balance as at 1 January 2017</b>            |      | 78,720                  | 70,367                                       | 32,665                                       | 181,752         |
| Profit for the financial year                  |      | -                       | -  | 956  | 956             |
| Other comprehensive income, net of tax         |      | -                       | -  | -  | -               |
| Total comprehensive income                     |      | -                       | -  | 956  | 956             |
| Transactions with owners                       |      |                         |  |  |                 |
| Dividend                                       | 26   | -                       | -  | (8,856)                                      | (8,856)         |
| Ordinary shares issued pursuant to bonus issue | 12   | 19,680                  | (19,680)                                     | -  | -               |
|  |      | 19,680                  | (19,680)                                     | (8,856)                                      | (8,856)         |
| <b>Balance as at 31 December 2017</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           |
| Transaction with owners                        |      |                         |  |  |                 |
| Dividend                                       | 26   | -                       | -  | (9,840)                                      | (9,840)         |
| <b>Balance as at 31 December 2018</b>          |      | 98,400                  | 50,687                                       | 16,155                                       | 165,242         |

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

# Statements of Cash Flows

For The Financial Year Ended 31 December 2018

|   | Note  | Group          |                | Company        |                |
|---|-------|----------------|----------------|----------------|----------------|
|   |       | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>               |       |                |                |                |                |
| Profit before tax   |       | 34,204         | 55,790         | 1,230          | 956            |
| Adjustments for:  |       |                |                |                |                |
| Amortisation of prepaid lease payments for land           | 6     | 56             | 56             | -              | -              |
| Depreciation of property, plant and equipment             | 5     | 8,856          | 8,705          | -              | -              |
| Dividend income from a subsidiary                         | 20    | -              | -              | (1,330)        | (27,930)       |
| Gain on disposal of a joint venture                       | 8(c)  | -              | (2,547)        | -              | -              |
| Gain on disposal of property, plant and equipment         | 21    | (7)            | -              | -              | -              |
| Impairment losses on investments in subsidiaries          | 7     | -              | -              | 170            | 26,371         |
| Interest expense  | 23    | 1,193          | 988            | -              | -              |
| Interest income   | 21    | (1,158)        | (913)          | (591)          | (18)           |
| Share of results of a joint venture, net of tax           | 8(b)  | -              | 3,156          | -              | -              |
| Unrealised foreign exchange (gain)/loss                   | 21,22 | (446)          | 2,352          | -              | -              |
| Operating profit/(loss) before changes in working capital |       | 42,698         | 67,587         | (521)          | (621)          |
| Changes in working capital:                               |       |                |                |                |                |
| Inventories   |       | (34,854)       | 3,638          | -              | -              |
| Trade and other receivables                               |       | (14,330)       | (5,704)        | -              | -              |
| Trade and other payables                                  |       | 4,548          | (1,692)        | 9              | 36             |
| Cash (used in)/generated from operations                  |       | (1,938)        | 63,829         | (512)          | (585)          |
| Tax refunded  |       | 31             | 38             | 33             | 38             |
| Tax paid  |       | (11,605)       | (15,092)       | (18)           | (28)           |
| Net cash (used in)/from operating activities              |       | (13,512)       | 48,775         | (497)          | (575)          |

|   | Note | Group          |                | Company        |                |
|---|------|----------------|----------------|----------------|----------------|
|   |      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                     |      |                |                |                |                |
| Advances to subsidiaries  |      | -              | -              | (6,322)        | (2,521)        |
| Dividend received from a subsidiary                             |      | -              | -              | 1,330          | 27,930         |
| Interest received   |      | 1,158          | 913            | 591            | 18             |
| Proceeds from disposal of a joint venture                       | 8(c) | -              | 3,252          | -              | -              |
| Proceeds from disposal of property,<br>plant and equipment      |      | 390            | -              | -              | -              |
| Purchase of property, plant and equipment                       | 5(c) | (14,909)       | (29,877)       | -              | -              |
| Net cash (used in)/from investing activities                    |      | (13,361)       | (25,712)       | (4,401)        | 25,427         |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                     |      |                |                |                |                |
| Dividends paid  |      | (9,840)        | (8,856)        | (9,840)        | (8,856)        |
| Interest paid   |      | (1,193)        | (988)          | -              | -              |
| Drawdown of bankers' acceptance                                 |      | 3,045          | -              | -              | -              |
| Drawdown of term loans  |      | -              | 7,053          | -              | -              |
| Repayments of term loans  |      | (2,337)        | (1,328)        | -              | -              |
| Repayments of hire purchase obligations                         |      | (712)          | (616)          | -              | -              |
| Net cash used in financing activities                           |      | (11,037)       | (4,735)        | (9,840)        | (8,856)        |
| Net (decrease)/increase in cash and cash<br>equivalents         |      | (37,910)       | 18,328         | (14,738)       | 15,996         |
| Effect of exchange rate changes on cash and cash<br>equivalents |      | (45)           | (29)           | -              | -              |
| Cash and cash equivalents at beginning of<br>financial year     |      | 47,013         | 28,714         | 16,074         | 78             |
| Cash and cash equivalents at end of financial year              | 11   | 9,058          | 47,013         | 1,336          | 16,074         |

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

**Statements of  
Cash Flows  
For The Financial Year Ended 31 December 2018 (continued)**

**RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES**

|                     | <b>Group</b>  |  |   |
|---------------------|---|--|---|
|                     | <b>Bankers'<br/>acceptance<br/>Note 15<br/>RM'000</b> | <b>Term loans<br/>Note 15<br/>RM'000</b> | <b>Hire<br/>purchase<br/>creditors<br/>Note 16<br/>RM'000</b> |
| At 1 January 2017   | –   | 13,427                                   | 1,482   |
| Cash flows          | –   | 5,725                                    | (616)   |
| At 31 December 2017 | –   | 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 2018

## 1. CORPORATE INFORMATION

Three-A Resources Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is 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 2018 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 8 April 2019.

## 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 7 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 set out on pages 64 to 105 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 30 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. 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 2018 (continued)**

**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 foreign customers are predominantly based in Singapore, Hong Kong, People's Republic of China, South Korea, Indonesia, Philippines, Vietnam, Australia and United States of America.

|                         | <b>Group</b>  |               |
|-------------------------|---------------|---------------|
|                         | <b>2018</b>   | <b>2017</b>   |
|                         | <b>RM'000</b> | <b>RM'000</b> |
| <b>Revenue:</b>         |               |               |
| Malaysia                | 289,126       | 256,718       |
| Singapore               | 36,567        | 36,718        |
| Other foreign countries | 112,284       | 118,049       |
|                         | 437,977       | 411,485       |

Major customers

There are no major customers with revenue equal or more than ten percent (10%) of the Group 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   |
|---------------------------------|--------------------------|------------------------------|---|--------------------------------------|--|----------------|--------------------------|---------|
| 2018                            | RM'000                   | RM'000                       | RM'000                                    | RM'000                               | RM'000                                   | RM'000         | RM'000                   | RM'000  |
| <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 |

Notes To  
The Financial Statements  
31 December 2018 (continued)

5. PROPERTY, PLANT AND EQUIPMENT (continued)

| Group                             | Long-term<br>leasehold<br>land<br>RM'000 | Factory<br>and office<br>buildings<br>RM'000 | Plant and<br>machinery,<br>tools and<br>implements<br>RM'000 | Furniture<br>and fittings<br>and<br>equipment<br>RM'000 | Renovations<br>and<br>electrical<br>installations<br>RM'000 | Motor<br>vehicles<br>RM'000 | Construction-<br>in-progress<br>RM'000 | Total<br>RM'000 |
|-----------------------------------|--|--|--|---|---|-----------------------------|--|-----------------|
| <b>Cost</b>                       |  |  |  |   |   |                             |  |                 |
| As at 1 January 2017              | 37,488                                   | 55,327                                       | 102,465  | 4,833   | 3,894   | 11,925                      | 17,327                                 | 233,259         |
| Additions                         | 17,041                                   | 2,666  | 3,866  | 835   | 270   | 570                         | 5,120                                  | 30,368          |
| Reclassification                  | -  | 2,919  | 13,525   | -   | -   | -                           | (16,444)                               | -               |
| As at 31 December 2017            | 54,529                                   | 60,912                                       | 119,856  | 5,668   | 4,164   | 12,495                      | 6,003                                  | 263,627         |
| <b>Accumulated depreciation</b>   |  |  |  |   |   |                             |  |                 |
| As at 1 January 2017              | 3,966                                    | 9,335  | 47,669   | 3,457   | 2,042   | 4,939                       | -                                      | 71,408          |
| Charges for the<br>financial year | 555                                      | 1,152  | 5,784  | 295   | 241   | 678                         | -                                      | 8,705           |
| As at 31 December 2017            | 4,521                                    | 10,487                                       | 53,453   | 3,752   | 2,283   | 5,617                       | -                                      | 80,113          |
| <b>Carrying amount</b>            |  |  |  |   |   |                             |  |                 |
| As at 31 December 2017            | 50,008                                   | 50,425                                       | 66,403   | 1,916   | 1,881   | 6,878                       | 6,003                                  | 183,514         |

5. PROPERTY, PLANT AND EQUIPMENT (continued)

| Company                         | Furniture and fittings |                |
|---------------------------------|------------------------|----------------|
|                                 | 2018<br>RM'000         | 2017<br>RM'000 |
| <b>Cost</b>                     |                        |                |
| At 1 January/31 December        | 5                      | 5              |
| <b>Accumulated depreciation</b> |                        |                |
| At 1 January/31 December        | 5                      | 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) The Group has 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 has classified the unamortised upfront payment for land use rights (i.e. long-term leasehold land) as finance leases in accordance with MFRS 117 *Leases*.

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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:

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 |
| Purchase of property, plant and equipment                  | 15,743         | 30,368         |
| Financed by credit purchase (Note 17(d))                   | (834)          | (491)          |
| Cash payments on purchase of property, plant and equipment | 14,909         | 29,877         |

- (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:

|                     | Group          |                |
|---------------------|----------------|----------------|
|                     | 2018<br>RM'000 | 2017<br>RM'000 |
| Plant and machinery | 2,231          | 2,418          |
| Motor vehicles      | 115            | 157            |
|                     | 2,346          | 2,575          |

- (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 RM54,183,000 (2017: RM55,876,000) have been charged to a licensed bank for credit facilities granted to the Group as disclosed in Note 15 to the financial statements.

**6. PREPAID LEASE PAYMENTS FOR LAND**

| Group                     | Balance<br>as at<br>1.1.2018<br>RM'000 | Amortisation<br>charge for<br>the financial<br>year<br>RM'000 | Balance<br>as at<br>31.12.2018<br>RM'000 |
|---------------------------|--|---|--|
| <b>Carrying amount</b>    |  |   |  |
| Short-term leasehold land | 1,447                                  | (56)  | 1,391                                    |
|                           | [----- At 31.12.2018 -----]            |   |  |
|                           | Cost<br>RM'000                         | Accumulated<br>amortisation<br>RM'000                         | Carrying<br>amount<br>RM'000             |
| Short-term leasehold land | 2,201                                  | (810)   | 1,391                                    |



6. PREPAID LEASE PAYMENTS FOR LAND (continued)

| Group<br>Carrying amount    | Balance<br>as at<br>1.1.2017 | Amortisation<br>charge for<br>the financial<br>year | Balance<br>as at<br>31.12.2017 |
|-----------------------------|------------------------------|---|--------------------------------|
|                             | RM'000                       | RM'000  | RM'000                         |
| Short-term leasehold land   | 1,503                        | (56)  | 1,447                          |
| [----- At 31.12.2017 -----] |                              |   |                                |
|                             | Cost<br>RM'000               | Accumulated<br>amortisation<br>RM'000               | Carrying<br>amount<br>RM'000   |
| Short-term leasehold land   | 2,201                        | (754)   | 1,447                          |

Prepaid lease payments for land of the Group with a carrying amount of RM864,000 (2017: RM902,000) are charged as securities for bank facilities granted to the Group as disclosed in Note 15 to the financial statements.

7. INVESTMENTS IN SUBSIDIARIES

|                           | Company        |                |
|---------------------------|----------------|----------------|
|                           | 2018<br>RM'000 | 2017<br>RM'000 |
| Unquoted shares - at cost | 177,900        | 177,900        |
| Less: Impairment losses   | (26,541)       | (26,371)       |
|                           | 151,359        | 151,529        |

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

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

| Name of company                         | Country of<br>incorporation | Effective<br>interest<br>in equity |           | Principal activities  |
|---|-----------------------------|------------------------------------|-----------|---|
|   |                             | 2018<br>%                          | 2017<br>% |   |
| San Soon Seng Food Industries Sdn. Bhd. | Malaysia                    | 100                                | 100       | Manufacturing and sale<br>of food and beverage<br>ingredients |
| Three-A Food Industries (M) Sdn. Bhd.   | Malaysia                    | 100                                | 100       | Investment holding  |

All subsidiaries of the Company are audited by BDO PLT.

**Notes To  
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**7. INVESTMENTS IN SUBSIDIARIES (continued)**

- (c) An impairment loss on investments in subsidiaries amounted to RM170,000 (2017: RM26,371,000) relating to a subsidiary, Three-A Food Industries (M) Sdn. Bhd. has been recognised because the Directors did not anticipate any future economic benefits associated with this investment as a result of declining business operations.

**8. INVESTMENT IN A FORMER JOINT VENTURE**

- (a) In the previous financial year, Three-A (Qinhuangdao) Food Industries Co. Ltd., the only former joint venture in which the Group participates, was an unlisted separate structured entity whose quoted market price was not available. The contractual arrangement provides the Group with only the rights to the net assets of the joint arrangement, with the rights to the assets and obligation for liabilities of the joint arrangement resting primarily with Three-A (Qinhuangdao) Food Industries Co. Ltd.. The joint arrangement had been classified as a joint venture and had been included in the consolidated financial statements using the equity method in accordance with MFRS 128 *Investment in Associates and Joint Ventures*.
- (b) In the previous financial year, the summarised financial information of the joint venture, adjusted for any differences in accounting policies, if any, and a reconciliation to the carrying amount in the consolidated financial statements, were as follows:

|   | <b>2017</b>   |
|---|---------------|
|   | <b>RM'000</b> |
| <b>Assets and liabilities</b>                               |               |
| Non-current assets  | -             |
| Current assets  | -             |
| Current liabilities   | -             |
| Net assets  | -             |
| <hr/>   |               |
| Carrying amount of the investment in a former joint venture | -             |
| <hr/>   |               |
| <b>Results</b>  |               |
| Revenue   | 11,562        |
| Cost of sales   | (13,586)      |
| Gross loss  | (2,024)       |
| Administrative expenses                                     | (2,491)       |
| Finance cost  | (1,798)       |
| Loss before tax   | (6,313)       |
| Taxation  | -             |
| Loss for the financial year                                 | (6,313)       |
| <hr/>   |               |
| Share of loss by the Group for the financial year           | (3,156)       |

**8. INVESTMENT IN A FORMER JOINT VENTURE (continued)**

- (c) In the previous financial year, Three-A Food Industries (M) Sdn. Bhd., a wholly owned subsidiary of the Company, proposed to dispose its interest in the investment in a joint venture, Three-A (Qinhuangdao) Food Industries Co. Ltd. for a cash consideration of RMB5,000,000 (equivalent to approximately RM3,252,000). The disposal was completed on 1 December 2017 and resulted in a gain on disposal of RM2,547,000.

Analysis of disposal of a former joint venture

|  | <b>2017</b><br><b>RM'000</b> |
|--|------------------------------|
| <b>Assets and liabilities</b>                                      |                              |
| Non-current assets   | 57,844                       |
| Current assets   | 12,584                       |
| Current liabilities  | (63,225)                     |
| <b>Total net assets</b>  | <b>7,203</b>                 |
| <br>   |                              |
| Proportion of the ownership of the Group                           | 50%                          |
| <br>   |                              |
| <b>Carrying amount of the investment in a former joint venture</b> | <b>3,602</b>                 |

|  | <b>2017</b><br><b>RM'000</b> |
|--|------------------------------|
| <u>Gain on disposal of a joint venture</u>                   |                              |
| Consideration received                                       | 3,252                        |
| Net assets disposed  | (3,602)                      |
| Reclassification adjustment of exchange translation reserves | 2,897                        |
| <b>Gain on disposal</b>                                      | <b>2,547</b>                 |

- (d) In the previous financial year, the commitments of the Group in respect of its investment in a former joint venture were as follows:

|  | <b>Note</b> | <b>Group</b><br><b>2017</b><br><b>USD'000</b> |
|--|-------------|---|
| Co-operation commitments                                     | (i)         | 20,000  |
| <br>   |             |   |
| <b>Balance of the investment commitment in joint venture</b> | <b>(ii)</b> | <b>1,450</b>                                  |

- (i) On 5 May 2010, the Group entered into a framework co-operation agreement with Wilmar International Limited ('Wilmar'), a company incorporated in Singapore to set up an equity joint venture company in the People's Republic of China ('PRC'). Both parties agreed to contribute 50% and jointly invest up to USD40,000,000 or such other amount as may be agreed by both parties from time to time.

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**8. INVESTMENT IN A FORMER JOINT VENTURE (continued)**

- (d) In the previous financial year, the commitments of the Group in respect of its investment in a former joint venture were as follows (continued):
- (ii) Pursuant to the framework co-operation agreement, the Group had on 5 May 2010 entered into a joint venture agreement with Yihai Kerry Investments Co. Ltd. ('Yihai'), a wholly-owned subsidiary of Wilmar. Both parties agreed to contribute 50% of the total investment cost of up to USD12,000,000 in the joint venture company to set up a factory in the vicinity of Shanhaiguan, PRC for the business of manufacturing and selling of food and beverage ingredients. The Group and Yihai agreed to increase their total investment in the joint venture company up to USD20,000,000 in subsequent years. Prior to the completion of disposal of investment in a joint venture, the Group had invested a total amount of USD8,550,000.
- (e) In the previous financial year, the exchange rate of RMB1.00: RM0.6475 as at end of reporting period had been used.

**9. INVENTORIES**

|                   | Group          |                |
|-------------------|----------------|----------------|
|                   | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>At cost</b>    |                |                |
| Raw materials     | 46,281         | 22,907         |
| Goods-in-transit  | 10,724         | 925            |
| Work-in-progress  | 4,880          | 5,465          |
| Packing materials | 2,134          | 1,614          |
| Finished goods    | 16,045         | 14,299         |
|                   | 80,064         | 45,210         |

- (a) Cost is determined using the first-in first-out basis. 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 RM345,668,000 (2017: RM296,960,000).

## 10. TRADE AND OTHER RECEIVABLES

|                               | Group          |                | Company        |                |
|-------------------------------|----------------|----------------|----------------|----------------|
|                               | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Trade receivables</b>      |                |                |                |                |
| Third parties                 | 107,848        | 90,449         | -              | -              |
| Related party                 | 228            | 247            | -              | -              |
|                               | 108,076        | 90,696         | -              | -              |
| Less: Impairment losses       |                |                |                |                |
| - third parties               | (956)          | (956)          | -              | -              |
|                               | 107,120        | 89,740         | -              | -              |
| <b>Other receivables</b>      |                |                |                |                |
| Amounts owing by subsidiaries | -              | -              | 12,849         | 6,527          |
| Other receivables             | 9              | 3,256          | 1              | 1              |
| Staff loans                   | -              | 53             | -              | -              |
| Deposits                      | 333            | 314            | -              | -              |
|                               | 342            | 3,623          | 12,850         | 6,528          |
| Trade and other receivables   | 107,462        | 93,363         | 12,850         | 6,528          |
| Prepayments                   | 2,558          | 1,833          | -              | -              |
|                               | 110,020        | 95,196         | 12,850         | 6,528          |

- (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 (2017: 30 to 150 days). They are recognised at their original invoices 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 (2017: 60 to 90 days).
- (d) The amounts due from subsidiaries are unsecured and interest-free at the end of the year, such amounts are due and to be received.
- (e) In the previous financial year, included in other receivables of the Group was an amount of RMB5,000,000 (equivalent to RM3,252,000) were cash consideration for the disposal of investment in a former joint venture by a wholly owned subsidiary of the Company, Three-A Food Industries (M) Sdn. Bhd. to a related party, Yihai Kerry Investments Co. Ltd. as disclosed in Note 8(c) to the financial statement. The amount had been fully settled in February 2018.

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

- (f) The Group adopts the general and simplified approach under MFRS 9 in providing for the expected credit losses which includes the lifetime expected credit loss.

Under the general approach, 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. For those in which credit risk has increased significantly to the financial statements, 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 the receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the receivables.

Under the simplified approach, receivables are assessed individually for impairment loss at each reporting period end and the Group also assesses expected credit losses on a collective basis, who are not being impaired individually.

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.

- (g) No expected credit loss is recognised arising from other receivables as it is negligible.
- (h) Movements in the impairment allowance for trade receivables are as follows:

|                                    | Group                              |                                    |
|------------------------------------|------------------------------------|------------------------------------|
|                                    | Collective<br>assessment<br>RM'000 | Individual<br>assessment<br>RM'000 |
| At the beginning of the year       | –                                  | 956                                |
| Effect of adoption of MFRS 9       | –                                  | –                                  |
| As restated/At the end of the year | –                                  | 956                                |

- (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:

|                         | 2018    |            | 2017   |            |
|-------------------------|---------|------------|--------|------------|
|                         | RM'000  | % of total | RM'000 | % of total |
| By country:             |         |            |        |            |
| Malaysia                | 87,715  | 82%        | 65,094 | 73%        |
| Singapore               | 6,298   | 6%         | 2,153  | 2%         |
| Other foreign countries | 13,107  | 12%        | 22,493 | 25%        |
|                         | 107,120 | 100%       | 89,740 | 100%       |



## 10. TRADE AND OTHER RECEIVABLES (continued)

(i) Credit risk concentration profile (continued)

At the end of each reporting period, approximately 60% (2017: 50%) of the trade receivables of the Group were due from 10 (2017: 10) major customers.

The Group does not have any significant exposure to any individual customer or counterparty nor does it have any major concentration of credit risk related to any financial institutions.

The Company does not have any significant concentration of credit risk other than the amounts owing by subsidiaries, which constitutes 99.99% (2017: 99.99%) 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        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Ringgit Malaysia     | 88,791         | 65,465         | 12,850         | 6,528          |
| United States Dollar | 15,848         | 22,493         | -              | -              |
| Singapore Dollar     | 2,821          | 2,153          | -              | -              |
| Chinese Renminbi     | -              | 3,252          | -              | -              |
| Indonesian Rupiah    | 2              | -              | -              | -              |
|                      | 107,462        | 93,363         | 12,850         | 6,528          |

(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        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Effects of 3% changes to RM against foreign currencies</b> |                |                |                |                |
| Profit after tax  |                |                |                |                |
| - United States Dollar  | 361            | 513            | -              | -              |
| - Singapore Dollar  | 64             | 49             | -              | -              |
| - Chinese Renminbi  | -              | 74             | -              | -              |

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11. CASH AND BANK BALANCES AND PLACEMENT IN FUNDS

|                        | Group          |                | Company        |                |
|------------------------|----------------|----------------|----------------|----------------|
|                        | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Cash and bank balances | 9,057          | 4,167          | 1,336          | 97             |
| Placement in funds     | 1              | 42,846         | –*             | 15,977         |
|                        | 9,058          | 47,013         | 1,336          | 16,074         |

\* 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 |       |
|---|-------|-------|---------|-------|
|   | 2018  | 2017  | 2018    | 2017  |
| <b>Weighted average effective interest rate (%)</b> |       |       |         |       |
| <b>Placement in funds</b>                           |       |       |         |       |
| - Floating rates                                    | 3.58% | 3.56% | 3.57%   | 3.56% |

- (b) Sensitivity analysis of interest rate at the end of the reporting period was not presented as effects of floating rate instruments are not significant to the Group and the Company.
- (c) The currency exposure profiles of cash and bank balances and placement in funds are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Ringgit Malaysia     | 4,451          | 46,802         | 1,336          | 16,074         |
| United States Dollar | 4,576          | 162            | –              | –              |
| Singapore Dollar     | 29             | 45             | –              | –              |
| Indonesian Rupiah    | –              | 2              | –              | –              |
| Philippine Peso      | 2              | 2              | –              | –              |
|                      | 9,058          | 47,013         | 1,336          | 16,074         |

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

- (d) 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          |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Effects of 3% changes to RM against foreign currency</b> |                |                |
| Profit after tax  |                |                |
| - United States Dollar                                      | 104            | 4              |

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

|   | Group and Company             |        |                               |        |
|---|-------------------------------|--------|-------------------------------|--------|
|   | 2018                          |        | 2017                          |        |
|   | Number<br>of shares<br>(‘000) | RM'000 | Number<br>of shares<br>(‘000) | RM'000 |
| <b>Issued and fully paid</b>                                |                               |        |                               |        |
| At beginning of financial year                              | 492,000                       | 98,400 | 393,600                       | 78,720 |
| Issued during the financial year<br>pursuant to bonus issue | -                             | -      | 98,400                        | 19,680 |
| At end of financial year                                    | 492,000                       | 98,400 | 492,000                       | 98,400 |

In the previous financial year, the Company increased its issued and paid-up share capital from RM78,720,003 to RM98,400,002 by way of issuance of 98,399,991 bonus shares on the basis of one (1) bonus share for every four (4) existing ordinary shares each held in the Company.

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.

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**12. SHARE CAPITAL (continued)**

Companies Act 2016 ('CA2016') has come into effect on 31 January 2017. Following the adoption of CA2016 the share premium account will now be merged with the Company's share capital. Notwithstanding that, Section 618 of CA2016 provides a transitional period of twenty four (24) months to utilise the amount in the share premium account. Therefore, the Company has not consolidated the share premium into share capital until the expiry of the transitional period.

**13. RESERVES**

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Non-distributable</b> |                |                |                |                |
| Share premium            | 50,687         | 50,687         | 50,687         | 50,687         |
| <b>Distributable</b>     |                |                |                |                |
| Retained earnings        | 179,508        | 160,228        | 16,155         | 24,765         |
|                          | <u>230,195</u> | <u>210,915</u> | <u>66,842</u>  | <u>75,452</u>  |

**14. DEFERRED TAX**

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

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 |
| Balance as at 1 January                | 16,271         | 14,325         |
| Recognised in profit or loss (Note 24) | (1,715)        | 1,946          |
| Balance as at 31 December              | <u>14,556</u>  | <u>16,271</u>  |

(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**

|                                | Provisions<br>RM'000 | Offsetting<br>RM'000 | Total<br>RM'000 |
|--------------------------------|----------------------|----------------------|-----------------|
| Balance as at 1 January 2017   | (1,540)              | 1,540                | -               |
| Recognised in profit or loss   | (677)                | 677                  | -               |
| Balance as at 31 December 2017 | (2,217)              | 2,217                | -               |
| Recognised in profit or loss   | 562                  | (562)                | -               |
| Balance as at 31 December 2018 | <u>(1,655)</u>       | <u>1,655</u>         | -               |

#### 14. DEFERRED TAX (continued)

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

##### Deferred tax liabilities of the Group

|                                | Property,<br>plant and<br>equipment<br>RM'000 | Others<br>RM'000 | Offsetting<br>RM'000 | Total<br>RM'000 |
|--------------------------------|---|------------------|----------------------|-----------------|
| Balance as at 1 January 2017   | 15,648  | 217              | (1,540)              | 14,325          |
| Recognised in profit or loss   | 478   | 2,145            | (677)                | 1,946           |
| Balance as at 31 December 2017 | 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          |

#### 15. BORROWINGS

|                                   | Group          |                |
|-----------------------------------|----------------|----------------|
|                                   | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Non-current liabilities</b>    |                |                |
| Secured:                          |                |                |
| Term loans                        | 14,462         | 16,731         |
| Hire purchase creditors (Note 16) | -              | 154            |
|                                   | 14,462         | 16,885         |
| <b>Current liabilities</b>        |                |                |
| Secured:                          |                |                |
| Term loans                        | 2,353          | 2,421          |
| Bankers' acceptance               | 3,045          | -              |
| Hire purchase creditors (Note 16) | 154            | 712            |
|                                   | 5,552          | 3,133          |
| <b>Total borrowings</b>           |                |                |
| Secured:                          |                |                |
| Term loans                        | 16,815         | 19,152         |
| Bankers' acceptance               | 3,045          | -              |
| Hire purchase creditors (Note 16) | 154            | 866            |
|                                   | 20,014         | 20,018         |

**Notes To  
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31 December 2018 (continued)**

**15. BORROWINGS (continued)**

- (a) Borrowings are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) The bank borrowings of the Group, other than hire purchase creditors are secured by the following:
- (i) fixed charges over the prepaid lease payments for land, long-term leasehold land, factory and office buildings, plant and machinery of a subsidiary as disclosed in Notes 5 and 6 to the financial statements respectively;
  - (ii) debentures over certain plant and machinery of a subsidiary;
  - (iii) negative pledge on two adjoining pieces of leasehold land of a subsidiary;
  - (iv) a corporate guarantee of RM16,815,000 (2017: RM19,152,000) by the Company; and
  - (v) 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:

| Group                   | 2018                      |                      | 2017                      |                      |
|-------------------------|---------------------------|----------------------|---------------------------|----------------------|
|                         | Carrying amount<br>RM'000 | Fair value<br>RM'000 | Carrying amount<br>RM'000 | Fair value<br>RM'000 |
| Hire purchase creditors | 154                       | 146                  | 866                       | 835                  |

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

- (e) The fair values of these financial instruments are 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.



**15. BORROWINGS (continued)**

- (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<br>demand<br>or within<br>one year<br>RM'000 | Two to<br>five years<br>RM'000 | Over five<br>years<br>RM'000 | Total<br>RM'000 |
|---|---|--------------------------------|------------------------------|-----------------|
| <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             |
| <b>Total undiscounted financial liabilities</b> | <b>6,361</b>                                    | <b>14,905</b>                  | <b>1,428</b>                 | <b>22,694</b>   |

**As at 31 December 2017**

|   |              |               |              |               |
|---|--------------|---------------|--------------|---------------|
| Term loans                                      | 3,370        | 17,598        | 1,325        | 22,293        |
| Hire purchase creditors                         | 748          | 156           | -            | 904           |
| <b>Total undiscounted financial liabilities</b> | <b>4,118</b> | <b>17,754</b> | <b>1,325</b> | <b>23,197</b> |

- (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:

| Profit after tax            | Group          |                |
|-----------------------------|----------------|----------------|
|                             | 2018<br>RM'000 | 2017<br>RM'000 |
| - increase by 3% (2017: 3%) | (437)          | (313)          |
| - decrease by 3% (2017: 3%) | 437            | 313            |

**Notes To  
The Financial Statements  
31 December 2018 (continued)**

**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<br>% | Within<br>1 year<br>RM'000 | 1 - 2<br>years<br>RM'000 | 2 - 3<br>years<br>RM'000 | 3 - 4<br>years<br>RM'000 | 4 - 5<br>years<br>RM'000 | More<br>than<br>5 years<br>RM'000 | Total<br>RM'000 |
|-------------------------------|------------|----------------------------|--------------------------|--------------------------|--------------------------|--------------------------|-----------------------------------|-----------------|
| <b>As at 31 December 2018</b> |            |                            |                          |                          |                          |                          |                                   |                 |
| <u>Fixed rates</u>            |            |                            |                          |                          |                          |                          |                                   |                 |
| Hire purchase creditors       | 7.19       | 154                        | -                        | -                        | -                        | -                        | -                                 | 154             |
| <u>Floating rates</u>         |            |                            |                          |                          |                          |                          |                                   |                 |
| Term loans                    | 5.28       | 2,353                      | 1,800                    | 6,239                    | 5,109                    | 393                      | 921                               | 16,815          |
| Bankers' acceptance           | 3.62       | 3,045                      | -                        | -                        | -                        | -                        | -                                 | 3,045           |
| <b>As at 31 December 2017</b> |            |                            |                          |                          |                          |                          |                                   |                 |
| <u>Fixed rate</u>             |            |                            |                          |                          |                          |                          |                                   |                 |
| Hire purchase creditors       | 5.67       | 712                        | 154                      | -                        | -                        | -                        | -                                 | 866             |
| <u>Floating rate</u>          |            |                            |                          |                          |                          |                          |                                   |                 |
| Term loans                    | 5.40       | 2,421                      | 2,353                    | 1,809                    | 6,239                    | 5,104                    | 1,226                             | 19,152          |

## 16. HIRE PURCHASE CREDITORS

|   | Group          |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| Minimum hire purchase and lease payments:                   |                |                |
| - not later than one (1) year                               | 156            | 748            |
| - later than one (1) year but not later than five (5) years | -              | 156            |
| Total minimum hire purchase and lease payments              | 156            | 904            |
| Less: Future finance charges                                | (2)            | (38)           |
| Present value of hire purchase and lease payments           | 154            | 866            |
| Repayable as follows:                                       |                |                |
| Current liabilities:  |                |                |
| - not later than one (1) year                               | 154            | 712            |
| Non-current liabilities:                                    |                |                |
| - later than one (1) year but not later than five (5) years | -              | 154            |
|   | 154            | 866            |

## 17. TRADE AND OTHER PAYABLES

|                       | Group          |                | Company        |                |
|-----------------------|----------------|----------------|----------------|----------------|
|                       | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Trade payables</b> |                |                |                |                |
| Third parties         | 16,791         | 10,762         | -              | -              |
| Related party         | -              | 125            | -              | -              |
|                       | 16,791         | 10,887         | -              | -              |
| <b>Other payables</b> |                |                |                |                |
| Other payables        | 7,019          | 6,212          | -              | -              |
| Accruals              | 7,527          | 8,853          | 323            | 314            |
|                       | 14,546         | 15,065         | 323            | 314            |
|                       | 31,337         | 25,952         | 323            | 314            |

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 60 days (2017: 30 to 60 days).

**Notes To  
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**17. TRADE AND OTHER PAYABLES (continued)**

- (c) In the previous financial year, amount owing to related party was due to Three-A (Qinhuangdao) Food Industries Co. Ltd., a company which is a subsidiary of a significant corporate shareholder. Amount owing to a related party was non-interest bearing and repayable on demand.
- (d) Included in other payables of the Group are credit purchase of property, plant and equipment amounting to RM834,000 (2017: RM491,000) as disclosed in Note 5(c) to the financial statements.
- (e) The currency exposure profiles of trade and other payables are as follows:

|                      | Group          |                | Company        |                |
|----------------------|----------------|----------------|----------------|----------------|
|                      | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Ringgit Malaysia     | 19,481         | 24,732         | 323            | 314            |
| United States Dollar | 11,443         | 785            | -              | -              |
| Japanese Yen         | 178            | 171            | -              | -              |
| Euro                 | 130            | 174            | -              | -              |
| Singapore Dollar     | 105            | 90             | -              | -              |
|                      | 31,337         | 25,952         | 323            | 314            |

- (f) 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          |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| <b>Effects of 3% changes to RM against foreign currencies</b> |                |                |
| Profit after tax  |                |                |
| - United States Dollar  | 261            | 18             |
| - Japanese Yen  | 4              | 4              |
| - Euro  | 3              | 4              |
| - Singapore Dollar  | 2              | 2              |

- (g) 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

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

|   | Group          |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| Not later than one (1) year                               | 48             | 90             |
| Later than one (1) year and not later than five (5) years | 8              | 68             |
|   | 56             | 158            |

### (b) Capital commitments

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 |
| Capital expenditure in respect of purchase of property, plant and equipment: |                |                |
| Contracted but not provided for  | 3,100          | 4,942          |
|  | 3,100          | 4,942          |

## 19. CONTINGENT LIABILITIES

|   | Company        |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| Corporate guarantees given to banks for credit facilities granted to a subsidiary - secured | 16,815         | 19,152         |
|   | 16,815         | 19,152         |

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 and 15 to the financial statements. Accordingly, the fair value of the above corporate guarantees is negligible.

**Notes To  
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**20. REVENUE**

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Revenue from contracts with customers: |                |                |                |                |
| Sale of goods                          | 437,977        | 411,485        | -              | -              |
| Other revenue:                         |                |                |                |                |
| Dividend income from a subsidiary      | -              | -              | 1,330          | 27,930         |
|  | 437,977        | 411,485        | 1,330          | 27,930         |

*Disaggregation of revenue from contracts with customers*

Revenue from contracts with customers is disaggregated in the table below by geographical market and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the reportable segments of the Group.

| Group                   | Malaysia<br>RM'000 | Singapore<br>RM'000 | Other<br>foreign<br>countries<br>RM'000 | Total<br>RM'000 |
|-------------------------|--------------------|---------------------|---|-----------------|
| <b>31 December 2018</b> |                    |                     |   |                 |
| Sales of goods          | 289,126            | 36,567              | 112,284                                 | 437,977         |

**Timing of revenue recognition**

|                                |         |        |         |         |
|--------------------------------|---------|--------|---------|---------|
| Transferred at a point in time | 289,126 | 36,567 | 112,284 | 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:

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Interest income                                   | 1,158          | 913            | 591            | 18             |
| Gain on disposal of property, plant and equipment | 7              | -              | -              | -              |
| Gain on disposal of a joint venture               | -              | 2,547          | -              | -              |
| Realised foreign exchange gain                    | 246            | -              | -              | -              |
| Rental income                                     | 102            | 93             | -              | -              |
| Unrealised foreign exchange gain                  | 446            | -              | -              | -              |
| Other income                                      | 86             | 73             | -              | -              |
|   | <b>2,045</b>   | <b>3,626</b>   | <b>591</b>     | <b>18</b>      |

## 22. ADMINISTRATIVE AND OTHER OPERATING EXPENSES

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

|                                  | Group          |                | Company        |                |
|----------------------------------|----------------|----------------|----------------|----------------|
|                                  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Realised foreign exchange loss   | -              | 1,466          | -              | -              |
| Rental of machineries            | 84             | 104            | -              | -              |
| Rental of premises               | 171            | 265            | -              | -              |
| Unrealised foreign exchange loss | -              | 2,352          | -              | -              |

## 23. FINANCE COSTS

|                           | Group          |                | Company        |                |
|---------------------------|----------------|----------------|----------------|----------------|
|                           | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Interest expense on:      |                |                |                |                |
| - term loans              | 1,033          | 934            | -              | -              |
| - bankers' acceptances    | 120            | -              | -              | -              |
| - hire purchase creditors | -              | 54             | -              | -              |
| - others                  | 40             | -              | -              | -              |
|                           | <b>1,193</b>   | <b>988</b>     | <b>-</b>       | <b>-</b>       |

**Notes To  
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**24. TAX EXPENSE**

|   | Group          |                | Company        |                |
|---|----------------|----------------|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Current tax   |                |                |                |                |
| Current tax expense based on profit for the financial year    | 7,278          | 11,933         | -              | -              |
| (Over)/Under-provision in prior years                         | (479)          | 264            | -              | -              |
|   | 6,799          | 12,197         | -              | -              |
| Deferred tax (Note 14):                                       |                |                |                |                |
| Relating to origination and reversal of temporary differences | 724            | 2,032          | -              | -              |
| Over-provision in prior years                                 | (2,439)        | (86)           | -              | -              |
|   | (1,715)        | 1,946          | -              | -              |
|   | 5,084          | 14,143         | -              | -              |

The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2017: 24%) of the estimated taxable profits for the fiscal year.

The numerical reconciliations between the tax expense and the product of accounting profit multiplied by the applicable corporate tax rates of the Group and of the Company are as follows:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Profit before tax  | 34,204         | 55,790         | 1,230          | 956            |
| Tax at Malaysian statutory tax rate of 24% (2017: 24%)       | 8,209          | 13,390         | 295            | 229            |
| Tax effects in respect of:                                   |                |                |                |                |
| Non-allowable expenses                                       | 728            | 579            | 166            | 6,478          |
| Non-taxable income   | (935)          | (4)            | (461)          | (6,707)        |
|  | 8,002          | 13,965         | -              | -              |
| (Over)/Under-provision of current tax expense in prior years | (479)          | 264            | -              | -              |
| Over-provision of deferred tax in prior years                | (2,439)        | (86)           | -              | -              |
|  | 5,084          | 14,143         | -              | -              |

## 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          |                |
|---|----------------|----------------|
|   | 2018<br>RM'000 | 2017<br>RM'000 |
| Profit attributable to owners of the parent                   | 29,120         | 41,647         |
| Weighted average number of ordinary shares outstanding ('000) | 452,910        | 452,910        |
| Basic earnings per ordinary share (sen)                       | 6.4            | 9.2            |

(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            |                                 |                              |                                 |
|------------------------------|------------------------------|---------------------------------|------------------------------|---------------------------------|
|                              | 2018                         |                                 | 2017                         |                                 |
|                              | Dividend<br>per share<br>Sen | Amount<br>of dividend<br>RM'000 | Dividend<br>per share<br>Sen | Amount<br>of dividend<br>RM'000 |
| Interim single tier dividend | 2.0                          | 9,840                           | 1.8                          | 8,856                           |

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2018.

## 27. EMPLOYEE BENEFITS

|  | Group          |                |
|--|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 |
| Salaries, wages, allowances and bonuses    | 26,529         | 24,887         |
| Contributions to defined contribution plan | 1,604          | 1,850          |
| Social security contributions              | 119            | 115            |
| Other employee benefits                    | 35             | 296            |
|  | 28,287         | 27,148         |

Included in the employee benefits of the Group are Executive Directors' remuneration amounting to RM4,521,000 (2017: RM6,773,000).

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**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 parties.

The Company has controlling related party relationships with its subsidiaries.

The Group also has related party relationships with the following:

|   |   |
|---|---|
| Seong Chan Sauce & Foodstuff Sdn. Bhd.  | A company of which Fang Chew Ham and Fong Chu King @ Tong Chu King, who are Directors of the Company, have financial interests. |
| Qinhuangdao Gold Delicious Food Industries Co. Ltd (formerly known as Three-A (Qinhuangdao) Food Industries Co.,Ltd.) | A subsidiary of a significant corporate shareholder.  |

(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        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Sale of products   |                |                |                |                |
| - Seong Chan Sauce & Foodstuff Sdn. Bhd.   | 1,236          | 1,150          | -              | -              |
| - Qinhuangdao Gold Delicious Food Industries Co. Ltd (formerly known as Three-A (Qinhuangdao) Food Industries Co., Ltd.) | -              | 11             | -              | -              |
| Dividend income from a subsidiary  |                |                |                |                |
| - San Soon Seng Food Industries Sdn. Bhd.  | -              | -              | 1,330          | 27,930         |
| Purchase of products from  |                |                |                |                |
| - Qinhuangdao Gold Delicious Food Industries Co. Ltd (formerly known as Three-A (Qinhuangdao) Food Industries Co., Ltd.) | 4,993          | 2,533          | -              | -              |

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 2018 is disclosed in Notes 10 and 17 to the financial statements.

## 28. RELATED PARTIES DISCLOSURES (continued)

### (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 (whether executive or otherwise) of the Group and of the Company.

The remuneration of Executive Directors and other key management personnel during the financial year was as follows:

|  | Group          |                | Company        |                |
|--|----------------|----------------|----------------|----------------|
|  | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Short-term employee benefits               | 6,519          | 6,842          | -              | -              |
| Contributions to defined contribution plan | 530            | 586            | -              | -              |
|  | 7,049          | 7,428          | -              | -              |

## 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 2018 and 31 December 2017.

The Group monitors capital using a gearing 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.

**Notes To  
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**29. CAPITAL MANAGEMENT (continued)**

|                          | Group          |                | Company        |                |
|--------------------------|----------------|----------------|----------------|----------------|
|                          | 2018<br>RM'000 | 2017<br>RM'000 | 2018<br>RM'000 | 2017<br>RM'000 |
| Borrowings               | 20,014         | 20,018         | -              | -              |
| Trade and other payables | 31,337         | 25,952         | 323            | 314            |
| Total liabilities        | 51,351         | 45,970         | 323            | 314            |
| <u>Less:</u>             |                |                |                |                |
| Cash and bank balances   | (9,057)        | (4,167)        | (1,336)        | (97)           |
| Placement in funds       | (1)            | (42,846)       | -              | (15,977)       |
| Net debt/(cash)          | 42,293         | (1,043)        | (1,013)        | (15,760)       |
| <br>                     |                |                |                |                |
| Total equity             | 328,595        | 309,315        | 165,242        | 173,852        |
| Net debt/(cash)          | 42,293         | (1,043)        | (1,013)        | (15,760)       |
|                          | 370,888        | 308,272        | 164,229        | 158,092        |
| <br>                     |                |                |                |                |
| Gearing ratio (%)        | 11             | -              | -              | -              |

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 2018.

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

**30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**

**30.1 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 |
|--|----------------|
| Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>            | 1 January 2018 |
| MFRS 15 <i>Revenue from Contracts with Customers</i>   | 1 January 2018 |
| Clarification to MFRS 15   | 1 January 2018 |
| MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>                      | 1 January 2018 |
| Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i> | 1 January 2018 |
| Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>          | 1 January 2018 |
| IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>            | 1 January 2018 |



**30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****30.1 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):

| Title   | Effective Date                  |
|---|---------------------------------|
| Amendments to MFRS 140 <i>Transfers of Investment Property</i>                                    | 1 January 2018                  |
| Amendments to MFRS 4 Applying MFRS 9 <i>Financial Instruments with MFRS 4 Insurance Contracts</i> | See MFRS 4 Paragraphs 46 and 48 |

Adoption of the above Standards, Amendments and Interpretations do not have any impact to the Group and the Company, except for the adoption of MFRS 15 and MFRS 9 described in the following sections.

(a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all two aspects of the accounting for financial instruments: classification and measurement and impairment.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139.

## (i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarise the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

**Notes To  
The Financial Statements  
31 December 2018 (continued)**

**30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**

**30.1 New MFRSs adopted during the financial year (continued)**

(a) MFRS 9 *Financial Instruments* (continued)

(i) Classification of financial assets and financial liabilities (continued)

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information 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 administrative expenses in the consolidated statement 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.

Impairment for receivables from related parties 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. For those in which credit risk has 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.

Impairment of financial assets have no impact to the Group and the Company.

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)

30.1 New MFRSs adopted during the financial year (continued)

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the Group's and of the Company's financial assets as at 1 January 2018:

| Group                        | Classification              |                  | Carrying amount                |                         |
|------------------------------|-----------------------------|------------------|--------------------------------|-------------------------|
|                              | Existing under MFRS 139     | New under MFRS 9 | Existing under MFRS 139 RM'000 | New under MFRS 9 RM'000 |
| <b>Financial assets</b>      |                             |                  |                                |                         |
| Trade and other receivables  | Loans and receivables       | Amortised cost   | 93,363                         | 93,363                  |
| Placement in funds           | Loans and receivables       | Amortised cost   | 42,846                         | 42,846                  |
| Cash and bank balances       | Loans and receivables       | Amortised cost   | 4,167                          | 4,167                   |
| <b>Financial liabilities</b> |                             |                  |                                |                         |
| Trade and other payables     | Other financial liabilities | Amortised cost   | 25,952                         | 25,952                  |
| Borrowings                   | Other financial liabilities | Amortised cost   | 20,018                         | 20,018                  |

**Notes To  
The Financial Statements  
31 December 2018 (continued)**

**30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)**

**30.1 New MFRSs adopted during the financial year (continued)**

(a) MFRS 9 *Financial Instruments* (continued)

(iii) Classification and measurement (continued)

The following table summarises the reclassification and measurement of the Group's and of the Company's financial assets as at 1 January 2018 (continued):

| Company                      | Classification              |                  | Carrying amount                |                         |
|------------------------------|-----------------------------|------------------|--------------------------------|-------------------------|
|                              | Existing under MFRS 139     | New under MFRS 9 | Existing under MFRS 139 RM'000 | New under MFRS 9 RM'000 |
| <b>Financial assets</b>      |                             |                  |                                |                         |
| Trade and other receivables  | Loans and receivables       | Amortised cost   | 6,528                          | 6,528                   |
| Placement in funds           | Loans and receivables       | Amortised cost   | 15,977                         | 15,977                  |
| Cash and bank balances       | Loans and receivables       | Amortised cost   | 97                             | 97                      |
| <b>Financial liabilities</b> |                             |                  |                                |                         |
| Trade and other payables     | Other financial liabilities | Amortised cost   | 314                            | 314                     |

(b) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a comprehensive framework for revenue recognition and measurement. It replaces MFRS 118 *Revenue*, MFRS 111 *Construction Contracts*, and related Interpretations. Under MFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control, at a point in time or over time, requires significant judgement.

The adoption of this Standard is not expected to have any material financial impact to the Group and the Company.

**30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (continued)****30.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019**

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been early adopted by the Group and the Company:

| <b>Title</b>  | <b>Effective Date</b> |
|---|-----------------------|
| 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        |
| <i>Amendments to References to the Conceptual Framework in MFRS Standards</i>   | 1 January 2020        |
| MFRS 17 <i>Insurance Contracts</i>  | 1 January 2021        |
| 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 and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for future financial years.

## Particulars of Properties Held By The Group

|  |  |  |   |
|--|--|--|---|
| <b>Location</b>                                  | Title No. PM 472<br>Lot 4196<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. PN 21710<br>Lot 47720 (Lot 590)<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. PN 57895<br>Lot 53150<br>(Lot 585 & 586)<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Office Building<br>Production Factory<br>Warehouse   | Office Building<br>Production Factory<br>Warehouse   | Production Factory<br>Warehouse   |
| <b>Types of Land</b>                             | Industrial Land  | Industrial Land  | Industrial Land   |
| <b>Tenure</b>                                    | Leasehold<br>99 years  | Leasehold<br>99 years  | Leasehold<br>99 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 51 years<br>(30 May 2070)  | 83 years<br>(03 Jul 2102)  | 83 years<br>(03 Jul 2102)   |
| <b>Age of Property</b>                           | 23 years   | 42 years   | 14 years  |
| <b>Land Area (Sq. Feet)</b>                      | 110,976  | 34,950   | 93,032  |
| <b>Cost (RM'000)</b>                             | 15,224   | 4,433  | 8,802   |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 10,959   | 2,988  | 6,772   |
| <b>Date of Acquisition</b>                       | 03 Oct 1995  | 03 Jan 1997  | 19 May 1997   |
| <b>Year of Last Revaluation</b>                  | 2003   | 2003   | 2003  |

|  |  |   |   |
|--|--|---|---|
| <b>Location</b>                                  | Title No. H.S.(M) 4098<br>PT 2317<br>Jalan Middle, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(M) 4651<br>PT 5938<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(M) 3999<br>PT Lot 584<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Warehouse  | Warehouse   | Production Factory  |
| <b>Type of Land</b>                              | Residential Land   | Residential Land  | Industrial Land   |
| <b>Tenure</b>                                    | Leasehold<br>60 years  | Leasehold<br>60 years   | Leasehold<br>60 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 23 years<br>(22 Jun 2042)  | 27 years<br>(26 Jun 2046)   | 22 years<br>(24 May 2041)   |
| <b>Age of Property</b>                           | 20 years   | 20 years  | 11 years  |
| <b>Land Area (Sq. Feet)</b>                      | 8,168  | 6,806   | 46,005  |
| <b>Cost (RM'000)</b>                             | 577  | 874   | 5,405   |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 350  | 530   | 4,105   |
| <b>Date of Acquisition</b>                       | 27 May 1997  | 31 Mar 1998   | 23 Aug 2004   |
| <b>Year of Last Revaluation</b>                  | 2003   | 2003  | 2010  |

|  |  |   |   |
|--|--|---|---|
| <b>Location</b>                                  | Title No. H.S.(M) 11086<br>PT Lot 66<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(D) 264602<br>PT 12294 (Lot 589)<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(M) 9078<br>PT 669<br>Jalan Middle, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Warehouse  | Production Factory  | Hostel  |
| <b>Type of Land</b>                              | Industrial Land  | Industrial Land   | Residential Land  |
| <b>Tenure</b>                                    | Leasehold<br>99 years  | Leasehold<br>60 years   | Leasehold<br>60 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 51 years<br>(30 May 2070)  | 51 years<br>(25 Jul 2070)   | 35 years<br>(19 Jul 2054)   |
| <b>Age of Property</b>                           | 9 years  | 8 years   | 9 years   |
| <b>Land Area (Sq. Feet)</b>                      | 87,123   | 43,560  | 7,631   |
| <b>Cost (RM'000)</b>                             | 7,285  | 6,067   | 681   |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 6,027  | 4,957   | 551   |
| <b>Date of Acquisition</b>                       | 05 Dec 2005  | 13 Feb 2008   | 07 Apr 2009   |
| <b>Year of Last Revaluation</b>                  | 2009   | 2008  | 2009  |

|  |   |  |   |
|--|---|--|---|
| <b>Location</b>                                  | Title No. H.S.(M) 9111<br>PT 27687<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. PN 67417<br>Lot 2306<br>Jalan Welfare, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(M) 14513<br>PT 12493<br>(Lot 9107 & Lot 9108)<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Vacant  | Hostel   | Production Factory<br>Warehouse   |
| <b>Type of Land</b>                              | Industrial Land   | Residential Land   | Industrial Land   |
| <b>Tenure</b>                                    | Leasehold<br>99 years   | Leasehold<br>60 years  | Leasehold<br>99 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 74 years<br>(22 Sep 2093)   | 46 years<br>(17 Jul 2065)  | 74 years<br>(22 Sep 2093)   |
| <b>Age of Property</b>                           | -   | 9 years  | 15 years (Lot 9108)<br>8 years (Lot 9107)   |
| <b>Land Area (Sq. Feet)</b>                      | 42,281  | 7,535  | 103,570   |
| <b>Cost (RM'000)</b>                             | 967   | 1,016  | 19,412  |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 872   | 853  | 16,884  |
| <b>Date of Acquisition</b>                       | 10 Dec 2009   | 11 Jan 2010  | 26 Mar 2010 (Lot 9108)<br>09 Oct 2009 (Lot 9107)  |
| <b>Year of Last Revaluation</b>                  | -   | -  | 2010  |



**Particulars of Properties  
Held by the Group (continued)**

|  |   |   |
|--|---|---|
| <b>Location</b>                                  | Title No. H.S.(D) 321305<br>PT 13116<br>Jln Khalifah Zakaria 2, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(D) 261056<br>PT 12202<br>Jalan Middle, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Warehouse   | Hostel  |
| <b>Type of Land</b>                              | Industrial Land   | Residential Land  |
| <b>Tenure</b>                                    | Leasehold<br>99 years   | Leasehold<br>99 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 93 years<br>(15 Jan 2112)   | 89 years<br>(21 Dec 2108)   |
| <b>Age of Property</b>                           | 3 years (Lot 847)<br>1 year (Lot 848)   | 7 years   |
| <b>Land Area (Sq. Feet)</b>                      | 161,674   | 7,623   |
| <b>Cost (RM'000)</b>                             | 23,216  | 1,025   |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 21,090  | 906   |
| <b>Date of Acquisition</b>                       | 30 Apr 2010 (PT 847)<br>03 Dec 2012 (PT 848)  | 12 Apr 2011   |
| <b>Year of Last Revaluation</b>                  | 2010 (Lot 847)<br>2013 (Lot 848)  | -   |

|  |   |  |   |
|--|---|--|---|
| <b>Location</b>                                  | Title No. PM 3855<br>Lot 582<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. H.S.(M) 9109<br>PT 27685<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. HSD 295891<br>PT 583<br>Jalan Industri, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Warehouse   | Under Construction   | Under Construction  |
| <b>Type of Land</b>                              | Industrial Land   | Industrial Land  | Industrial Land   |
| <b>Tenure</b>                                    | Leasehold<br>99 years   | Leasehold<br>99 years  | Leasehold<br>99 years   |
| <b>Remaining Lease Period (Expiry Date)</b>      | 95 years<br>(05 Oct 2114)   | 74 years<br>(22 Sep 2093)  | 93 years<br>(30 Dec 2112)   |
| <b>Age of Property</b>                           | 2 years   | -  | -   |
| <b>Land Area (Sq. Feet)</b>                      | 46,005  | 48,265   | 47,641  |
| <b>Cost (RM'000)</b>                             | 7,883   | 5,529  | 10,793  |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 7,706   | 5,421  | 10,682  |
| <b>Date of Acquisition</b>                       | 17 Sep 2015   | 17 Sep 2015  | 24 Feb 2017   |
| <b>Year of Last Revaluation</b>                  | 2015  | 2015   | 2017  |

|  |  |  |
|--|--|--|
| <b>Location</b>                                  | Title No. HSM 12526<br>PT 64<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor | Title No. HSM 9110<br>PT 27684<br>Jalan Union, U19<br>Kg. Baru Sungai Buloh<br>40160 Shah Alam, Selangor |
| <b>Existing Use</b>                              | Vacant   | Vacant   |
| <b>Type of Land</b>                              | Industrial Land  | Industrial Land  |
| <b>Tenure</b>                                    | Leasehold<br>99 years  | Leasehold<br>99 years  |
| <b>Remaining Lease Period (Expiry Date)</b>      | 51 years<br>(30 May 2070)  | 75 years<br>(22 Sep 2093)  |
| <b>Age of Property</b>                           | -  | -  |
| <b>Land Area (Sq. Feet)</b>                      | 87,123   | 43,637   |
| <b>Cost (RM'000)</b>                             | 9,636  | 4,146  |
| <b>Net Book Value as at 31 Dec 2018 (RM'000)</b> | 9,351  | 4,118  |
| <b>Date of Acquisition</b>                       | 03 Jan 2017  | 06 Jun 2018  |
| <b>Year of Last Revaluation</b>                  | 2017   | 2018   |

# Analysis of Shareholdings

As At 18 March 2019

Total Number of Issued Shares : 492,000,010 Ordinary 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           | 229                 | 5.11             | 9,839                | 0.00              |
| 100 – 1,000             | 423                 | 9.44             | 174,839              | 0.04              |
| 1,001 – 10,000          | 2,045               | 45.65            | 10,491,350           | 2.13              |
| 10,001 – 100,000        | 1,500               | 33.48            | 46,451,757           | 9.44              |
| 100,001 – 24,599,999 *  | 281                 | 6.27             | 257,122,225          | 52.26             |
| 24,600,000 and above ** | 2                   | 0.05             | 177,750,000          | 36.13             |
| <b>Total</b>            | <b>4,480</b>        | <b>100.00</b>    | <b>492,000,010</b>   | <b>100.00</b>     |

\* Less than 5% of Issued Holdings

\*\* 5% and above of Issued Holdings

## LIST OF TOP THIRTY (30) SHAREHOLDERS

| Name of Shareholders   | No. of Shareholdings | Shareholdings (%) |
|--|----------------------|-------------------|
| 1 Fang Chew Ham Holdings Sdn. Bhd.   | 100,750,000          | 20.48             |
| 2 Wilmar International Limited   | 77,000,000           | 15.65             |
| 3 Teo Kwee Hock  | 22,743,250           | 4.62              |
| 4 UOB Kay Hian Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Teo Siew Lai  | 22,376,700           | 4.55              |
| 5 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad for Eastspring Investments Small-Cap Fund | 16,915,875           | 3.44              |
| 6 Foong Chiew Fatt   | 15,418,825           | 3.13              |
| 7 Citigroup Nominees (Tempatan) Sdn. Bhd.<br>Employees Provident Fund Board  | 14,065,550           | 2.86              |
| 8 Fong Chu King @ Tong Chu King  | 13,687,500           | 2.78              |
| 9 Fong Chiew Hean  | 12,500,000           | 2.54              |
| 10 Maybank Nominees (Tempatan) Sdn. Bhd.<br>Maybank Trustees Berhad for Apex Dana Al-Sofi-I (ADAS-I) (410325)                      | 6,289,800            | 1.28              |
| 11 Tan Booi Charn  | 4,750,000            | 0.97              |

| Name of Shareholders  | No. of Shareholdings | Shareholdings (%) |
|---|----------------------|-------------------|
| 12 Citigroup Nominees (Tempatan) Sdn. Bhd.<br>Kumpulan Wang Persaraan (Diperbadankan) (ESPG IV SC E)  | 4,563,175            | 0.93              |
| 13 Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Yoong Fui Kien   | 3,210,000            | 0.65              |
| 14 Maybank Nominees (Tempatan) Sdn. Bhd.<br>Maybank Trustees Berhad for Apex Dana Al-Faiz-I (ADAF-I) (410324)                               | 3,056,625            | 0.62              |
| 15 Maybank Nominees (Tempatan) Sdn. Bhd.<br>Etiqa Life Insurance Berhad (Life Par)  | 2,848,100            | 0.58              |
| 16 Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Ng Faai @ Ng Yoke Pei (SRB/PMS)                                   | 2,793,625            | 0.57              |
| 17 Fong Chiew Hean  | 2,367,200            | 0.48              |
| 18 HSBC Nominees (Tempatan) Sdn. Bhd.<br>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund   | 2,196,175            | 0.45              |
| 19 Maybank Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan How Yap  | 2,000,000            | 0.41              |
| 20 T.B.R Shopping Centre (M) Sdn. Bhd.  | 2,000,000            | 0.41              |
| 21 Chan Chu Wei   | 1,978,750            | 0.40              |
| 22 DB (Malaysia) Nominee (Tempatan) Sendirian Berhad<br>Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund | 1,893,000            | 0.38              |
| 23 Chan Chai Bee  | 1,864,950            | 0.38              |
| 24 Chan Seong Kun   | 1,828,900            | 0.37              |
| 25 CIMBSec Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Tuan Phin (JALAN DEDAP-CL)                                   | 1,710,600            | 0.35              |
| 26 Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Boon Seong (E-SRB)  | 1,674,850            | 0.34              |
| 27 Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Ah Chai (E-SRB)   | 1,660,100            | 0.34              |
| 28 Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Boon Thiam (E-SRB)  | 1,640,300            | 0.33              |
| 29 Alliancegroup Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Dato' Sri Tan How Yap                                      | 1,600,000            | 0.33              |
| 30 Public Nominees (Tempatan) Sdn. Bhd.<br>Pledged Securities Account for Tan Ah Hock (E-SRB)   | 1,592,300            | 0.32              |
| <b>TOTAL</b>  | <b>348,976,150</b>   | <b>70.94</b>      |

## Analysis of Shareholdings As At 18 March 2019 (Continued)

### SUBSTANTIAL SHAREHOLDERS

| Name of Shareholders             | No. of Shareholdings |       |                          |       |
|----------------------------------|----------------------|-------|--------------------------|-------|
|                                  | Direct Interest      | (%)   | Indirect Interest        | (%)   |
| Fang Chew Ham Holdings Sdn. Bhd. | 100,750,000          | 20.48 | 1,577,600 <sup>1</sup>   | 0.32  |
| Wilmar International Limited     | 77,000,000           | 15.65 | –                        | –     |
| Fang Chew Ham                    | –                    | –     | 102,327,600 <sup>2</sup> | 20.79 |
| Fang Siew Yee                    | –                    | –     | 102,327,600 <sup>2</sup> | 20.79 |

### DIRECTORS' SHAREHOLDINGS

| Name                                | Direct Interest      |                   | Indirect Interest        |                   |
|-------------------------------------|----------------------|-------------------|--------------------------|-------------------|
|                                     | No. of Shareholdings | Shareholdings (%) | No. of Shareholdings     | Shareholdings (%) |
| Fang Chew Ham                       | –                    | –                 | 102,327,600 <sup>2</sup> | 20.79             |
| Fong Chu King @ Tong Chu King       | 13,687,500           | 2.78              | 1,714,975 <sup>3</sup>   | 0.35              |
| Chew Eng Chai                       | 200,000              | 0.04              | 8,750 <sup>4</sup>       | negligible        |
| Tan Chon Sing @ Tan Kim Tieng       | –                    | –                 | 2,793,625 <sup>4</sup>   | 0.57              |
| Fang Siew Yee                       | –                    | –                 | 102,327,600 <sup>2</sup> | 20.79             |
| Mohd Zaki Bin Hamzah                | 625,000              | 0.127             | –                        | –                 |
| Khoo Wee Boon                       | –                    | –                 | –                        | –                 |
| Loo Cheau Leong                     | –                    | –                 | –                        | –                 |
| Gurpreet Singh Vohra                | –                    | –                 | –                        | –                 |
| Liew Kuo Shin (Alternate Director)  | 125,000              | 0.03              | –                        | –                 |
| Fang Siew Ping (Alternate Director) | –                    | –                 | –                        | –                 |

#### Notes:

- <sup>1</sup> Deemed interest through Seong Chan Sauce @ Foodstuff Sdn. Bhd. pursuant to Section 8 of the Companies Act 2016 (the "Act").
- <sup>2</sup> 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.
- <sup>3</sup> Indirect interest via shareholdings of his son (137,375 ordinary shares) pursuant to Section 59 (11) (C) of the Act, and Seong Chan Sauce & Foodstuff Sdn. Bhd. (1,577,600 ordinary shares) pursuant to Section 8 of the Act.
- <sup>4</sup> Indirect interest via shareholdings of his spouse pursuant to Section 59 (11) (C) of the Act.

# Notice of Seventeenth Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Seventeenth Annual General Meeting of the Company will be held at Ballroom, Level 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 17 June 2019 at 11.00 a.m. for the following purposes:-

## AGENDA

- |   |   |
|---|---|
| 1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 together with the Reports of the Directors and Auditors thereon. | <b>(Please see Note 2)</b>                          |
| 2. To approve the payment of Directors' fees of RM272,000 for the financial year ended 31 December 2018.  | <b>(Please see Note 3)</b><br><b>(Resolution 1)</b> |
| 3. To re-elect the following Directors who retire by rotation pursuant to Article 86 of the Company's Articles of Association:-                               | <b>(Please see Note 4)</b>                          |
| i. Fong Chu King @ Tong Chu King;   | <b>(Resolution 2)</b>                               |
| ii. Fang Siew Yee; and  | <b>(Resolution 3)</b>                               |
| iii. Khoo Wee Boon.   | <b>(Resolution 4)</b>                               |
| 4. To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration   | <b>(Resolution 5)</b><br><b>(Please see Note 5)</b> |

## AS SPECIAL BUSINESS

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

- |   |                            |
|---|----------------------------|
| 5. <b>ORDINARY RESOLUTION</b><br><b>AUTHORITY TO ALLOT AND ISSUE SHARES</b>   | <b>(Please see Note 6)</b> |
| <p>"THAT subject always to the Companies Act, 2016 ("the Act"), the Articles of Association of the Company (and the Constitution of the Company being adopted upon the passing of the Special Resolution below), Bursa Malaysia Securities Berhad ("Bursa Securities") Main Market Listing Requirement and the approvals of the relevant governmental/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."</p> | <b>(Resolution 6)</b>      |

## Notice of Seventeenth Annual General Meeting (continued)

### 6. ORDINARY RESOLUTION PROPOSED RENEWAL OF AUTHORITY TO PURCHASE ITS OWN SHARES BY THE COMPANY

(Please see Note 7)

“THAT, subject always to the Companies Act 2016 (“Act”), the provision of the Articles of Association of the Company (and the Constitution of the Company being adopted upon the passing of the Special Resolution below), 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 7)

- 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 that 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."

7. **ORDINARY RESOLUTION**  
**PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE**

(Please see Note 8)

"THAT subject to the provisions of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, approval be and is hereby given to the Company and its subsidiaries ("Group") to enter into and give effect to the recurrent related party transactions of a revenue or trading nature with the related parties as set out in Section 2.4 of the Circular to Shareholders dated 26 April 2019, provided that such arrangements and/or transactions which are necessary for the Group's day-to-day operations are undertaken in the ordinary course of business, at arm's length basis, on normal commercial terms and transaction prices which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders of the Company (hereinafter referred to as the "Proposed Shareholders' Mandate").

(Resolution 8)

## Notice of Seventeenth Annual General Meeting (continued)

THAT the Proposed Shareholders' Mandate shall only continue to be in full force until:-

- a. the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the said AGM, such authority is renewed;
- b. the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- c. revoked or varied by a resolution passed by the shareholders of the Company in a general meeting.

whichever is earlier.

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the best interest of the Company to give effect to the Proposed Shareholders' Mandate."

### 8. ORDINARY RESOLUTIONS CONTINUATION IN OFFICE AS INDEPENDENT DIRECTORS

(Please see Note 9)

- 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 9)**
- ii. "THAT 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 10)**
- 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 11)**
- iv. "THAT subject to the passing of the resolution 4 above 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 12)**

### 9. SPECIAL RESOLUTION Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution ("Proposed Alteration")

(Please see Note 10)

- "THAT the existing Memorandum and Articles of Association of the Company be hereby altered by replacing with a new Constitution as set out in the Annexure A attached herewith with effect from the date of passing this special resolution. **(Resolution 13)**

AND THAT the Directors of the Company be hereby authorised to do all such acts and things and to take all such steps as they deem fit, necessary, expedient and/or appropriate in order to complete and give full effect to the Proposed Alteration with full powers to assent to any condition, modification, variation and/or amendment as may be required or imposed by the relevant authorities.”

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

By Order of the Board,

**Wong Wai Foong (MAICSA 7001358)**

**Ng Bee Lian (MAICSA 7041392)**

**Yap Sit Lee (MAICSA 7028098)**

Company Secretaries

Kuala Lumpur

26 April 2019

**Notes:-**

**1. APPOINTMENT OF PROXY**

- a. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. To be valid, the proxy form must be duly completed and deposited at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for the Meeting or any adjourned thereof.
- c. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to credit of the said securities account.
- d. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.
- e. Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.

## Notice of Seventeenth Annual General Meeting (continued)

- f. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.
- g. Only members whose name appear in the Record of Depositors as at 10 June 2019 will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.

### 2. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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.

### 3. PAYMENT OF DIRECTORS' FEES

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

The proposed Resolution 1 is to facilitate the payment of Directors' fees to Non-Executive Directors.

### 4. RE-ELECTION OF DIRECTORS

The following Directors who are standing for re-election as Directors of the Company and being eligible, have offered themselves for re-election at the Seventeenth Annual General Meeting:-

- i. Fong Chu King @ Tong Chu King;
- ii. Fang Siew Yee; and
- iii. Khoo Wee Boon.

The Board has through the Nomination Committee, assessed the said Directors and recommended for their re-election.

The Board has also through the Nomination Committee assessed the independence of Mr. Khoo Wee Boon and satisfied that he has complied with the criteria on independence as prescribed by the Main Market Listing Requirements of Bursa Securities.

### 5. RE-APPOINTMENT OF AUDITORS

Messrs BDO PLT was registered on 2 January 2019 and with effect from that date, Messrs BDO, a conventional partnership was converted to a limited liability partnership.

The Audit Committee had at its meeting held on 20 February 2019 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 2019. 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 Seventeenth Annual General Meeting of the Company under Resolution 5.

## 6. AUTHORITY TO ALLOT AND ISSUE SHARES

The proposed Resolution 6 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 Sixteenth Annual General Meeting held on 25 June 2018 as there were no requirements for such fund raising activities.

The proposed Resolution 6, 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.

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

The proposed Resolution 7, 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 26 April 2019 in relation to the Proposed Renewal of Authority to Purchase its own Shares by the Company for further details.

## 8. PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

The proposed Resolution 8, if passed, will allow the Company and its subsidiaries to enter into recurrent related party transactions made on an arm's length basis and on normal commercial terms which are not detrimental to the interest of the minority shareholders.

Please refer to the Circular to Shareholders dated 26 April 2019 for further information.

## 9. 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.

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 Bursa Malaysia Securities Berhad Main Market Listing Requirements 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;

## Notice of Seventeenth Annual General Meeting (continued)

- 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 9,10,11 and 12 if passed, will enable Encik Mohd Zaki Bin Hamzah, Mr. Tan Chon Sing @ Tan Kim Tieng, Mr. Chew Eng Chai and Mr. Khoo Wee Boon to continue to act as Independent Directors of the Company.

### **10. SPECIAL RESOLUTION ON PROPOSED ALTERATION**

This proposed Special Resolution, if passed, will enable the Company to alter its existing Memorandum and Articles of Association by replacing with a new Constitution which is drafted in accordance with the relevant provisions of the Companies Act 2016, relevant amendments of Chapter 7 and other Chapters of the Bursa Malaysia Securities Berhad Main Market Listing Requirements and other provisions of laws and regulations that are applicable to the Company.

For further information on the Proposed Alteration, please refer to the Annexure A.

# Proxy Form

## THREE-A RESOURCES BERHAD

(Company No. 481559-M)  
(Incorporated in Malaysia)

I/ We \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

NRIC No./Company No \_\_\_\_\_ of \_\_\_\_\_  
(FULL ADDRESS)

being a \*Member / Members of **THREE-A RESOURCES BERHAD** hereby appoint :

(1) \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME OF PROXY IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS) (NO. SHARES REPRESENTED)

or failing him (2) \_\_\_\_\_ NRIC No. \_\_\_\_\_  
(FULL NAME OF PROXY IN BLOCK LETTERS)

of \_\_\_\_\_  
(FULL ADDRESS) (NO. SHARES REPRESENTED)

or failing \*him/her, the \*Chairman of the meeting as \*my/our proxy to vote for \*me/us and on \*my/our behalf, at the Seventeenth Annual General Meeting of the Company to be held at Ballroom, Level 1, Tropicana Golf and Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Monday, 17 June 2019 at 11.00 a.m. and at any adjournment thereof.

| No. | Resolutions   | FOR | AGAINST |
|-----|---|-----|---------|
| 1.  | To approve the payment of Directors' Fees of RM272,000 for the financial year ended 31 December 2018.                           |     |         |
| 2.  | To re-elect Mr. Fong Chu King @ Tong Chu King as Director.  |     |         |
| 3.  | To re-elect Ms. Fang Siew Yee as Director.  |     |         |
| 4.  | To re-elect Mr. Khoo Wee Boon as Director.  |     |         |
| 5.  | To re-appoint Messrs BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.               |     |         |
| 6.  | To grant authority to allot and issue shares.   |     |         |
| 7.  | To approve the Proposed Renewal of Authority to Purchase its own Shares by the Company.   |     |         |
| 8.  | To approve the Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading.      |     |         |
| 9.  | To approve Encik Mohd Zaki bin Hamzah to continue to act as an Independent Director.  |     |         |
| 10. | To approve Mr. Tan Chon Sing @ Tan Kim Tieng to continue to act as an Independent Director.                                     |     |         |
| 11. | To approve Mr. Chew Eng Chai to continue to act as an Independent Director.   |     |         |
| 12. | To approve Mr. Khoo Wee Boon to continue to act as an Independent Director.   |     |         |
| 13. | To approve the Proposed Alteration of the Existing Memorandum and Articles of Association by Replacing with a New Constitution. |     |         |

(Please indicate with an "X" in the space provided above how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion.)

\* Strike out whichever not applicable

As witness my/our hand(s) this \_\_\_\_\_ day of \_\_\_\_\_ 2019

\_\_\_\_\_  
Signature of Member(s) /Common Seal  
Contact Number:

|   |
|---|
| <b>CDS Account No. :</b>  |
| <b>Number of shares held:</b>   |
| If more than 1 proxy, please specify number of shares represented by each proxy |
| Name of Proxy 1:  |
| Name of Proxy 2:  |



Notes:

- a. A proxy may but need not be a member of the Company. There is no restriction as to the qualification of the proxy.
- b. To be valid, the proxy form must be duly completed and deposited at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan, Malaysia not less than forty-eight (48) hours before the time set for the Meeting or any adjourned thereof.
- c. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to credit of the said securities account.
- d. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.
- e. Where a member or the authorised nominee appoints two (2) proxies or where an exempt authorised nominee appoints two (2) or more proxies, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies.
- f. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, either under the corporation's common seal or under the hand of an officer or attorney duly authorised.
- g. Only members whose name appear in the Record of Depositors as at 10 June 2019 will be entitled to attend, vote and speak at the meeting or appoint proxy(ies) to attend, vote and speak on their behalf.

*Please fold here*

STAMP/SETEM

**THREE-A RESOURCES BERHAD**

AL 308, Lot 590 & Lot 4196  
Jalan Industri, U19  
Kampung Baru Sungai Buloh  
40160 Shah Alam  
Selangor Darul Ehsan  
Malaysia

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