



THREE-A RESOURCES BERHAD

481559-M
Incorporated in Malaysia



innovation
& sustainability

ANNUAL REPORT || 2013

MISSION

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

VISION

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

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CORPORATE PROFILE

About Us

Three-A Resources Berhad (3A) is principally an investment holding company with two wholly-owned subsidiaries namely:-

- San Soon Seng Food Industries Sdn. Bhd.
- Three-A Food Industries (M) Sdn. Bhd.

and a 50% equity interest in a jointly-controlled entity namely Three-A (Qinhuangdao) Food Industries Co. Ltd. which is in turn held through Three-A Food Industries (M) Sdn. Bhd.

San Soon Seng Food Industries Sdn Bhd (SSSFI) was founded in 1977 as a Liquid Caramel producer named under Soon Seng Sauce Mixture & Food Factory. By 1989, it was converted into a private limited company under the name of San Soon Seng Food Industries Sdn. Bhd. In 1999, Perbadanan Nasional Berhad took 30% equity stake through a capital injection and subsequently in 2002, SSSFI became the wholly-owned subsidiary of 3A. 3A was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 August 2002 and successfully transferred its listing status to Main Board of Bursa Malaysia Securities Berhad on 18 June 2008.

In line with the expansion plans of the Group, our wholly-owned subsidiary, Three-A Food Industries (M) Sdn. Bhd. had entered into a Joint Venture with Yihai Kerry Investments Co. Ltd., a 98.39% owned subsidiary of Wilmar International Limited. The Joint Venture entity namely Three-A (Qinhuangdao) Food Industries Co. Ltd. was duly registered on 9 August 2010 bearing registration No. 130300400004752 in the People's Republic of China with a registered capital of USD5,100,000. The intended

nature of business would be in manufacturing, processing and trading of Hydrolyzed Vegetable Protein (HVP) (in liquid and powder form) and all related by-products.

Focus on Core Business

3A remains focused on its core strength in the Food & Beverage industry through its wholly-owned subsidiary, SSSFI. SSSFI is one of the leading Food & Beverage ingredients manufacturers in the country with products ranging as follows:

- Caramel Colour (Full Range)
- Glucose Syrup; High Maltose Syrup
- Soya Protein Sauce (Hydrolyzed Vegetable Protein; HVP)
- Natural Fermented Vinegar; Distilled Vinegar; Rice Vinegar
- Caramel Powder; HVP Powder; Soya Sauce Powder
- Maltodextrin

We pride ourselves in constantly upgrading the quality of our products to meet the changing needs of our customers locally and internationally.

Presence In Domestic & Export Market

3A Group continues to strengthen its presence and market share in the domestic market. Besides, the Group has successfully ventured into countries around the world and confident that the export market will contribute much needed earning growth in the future.





Liquid Product

Caramel Colour

- **Positive**
sauces and seasonings such as soy sauces, oyster sauces, fish sauces, seasoning mixes, soup bases, gravies, etc.
- **Negative**
beverages such as soft drinks and cordials, pharmaceutical products, baked products and confectioneries, canned foods, dairy products, etc.

Glucose Syrup & Maltose Syrup

confectioneries, pharmaceutical products, ice-cream, beverages, non-dairy creamer, etc.

Soya Protein Sauce (HVP)

sauces and seasonings such as soy sauces, oyster sauces, snack foods, etc.

Vinegar

ketchup, chili sauce, table vinegar, mayonnaise, pickles, etc.



Powdered Product

- Maltodextrin
- Caramel Powder
- HVP Powder
- Soya Sauce Powder

non-dairy creamer, flavours, seasonings, sauces, beverages, dry mixes, confectionaries, frozen foods, snack foods, etc.



EXTENSIVE AWARDS & RECOGNITIONS

MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD 2006

- MERIT AWARD
- MESDAQ AWARD WINNER

MALAYSIAN BUSINESS – CIMA ENTERPRISE GOVERNANCE AWARD 2008

- MESDAQ CATEGORY WINNER

ASIAMONEY AWARDS 2009

- SMALL-CAP CORPORATE OF THE YEAR

3A was accorded with the Mesdaq Category Winner of Malaysian Business – CIMA Enterprise Governance Award 2008 and was honored the Governance Awards for the second consecutive year.

Malaysian Business and the Chartered Institute of Management Accountants (CIMA) Malaysia Division has recognised the growing importance of Enterprise Governance. Public Listed Companies which listed on the Bursa Malaysia Securities Berhad are evaluated on business and corporate governance principles, best practices including risk management and internal control, communications and adherence to regulations, strategic management and financial and operational performance. The Award confers due recognition to companies for their excellence in delivering performances while conforming to set standards and practices which contribute towards enhancing the effectiveness of the organisation.

The award of “The Best Small Cap Corporate of the Year” conferred by Asiamoney was based on the consistent performing and steadily growth in the business of the Group for the year 2009.

Achievement of the following standards and certifications are testimonies to our excellence in the Food & Beverage ingredients industry:-

HALAL CERTIFICATION

by ISLAMIC DEVELOPMENT DEPARTMENT OF MALAYSIA

All products manufactured by SSSFI are HALAL certified by Islamic Development Department of Malaysia. Its recognition imposes stringent cleaning & sanitation requirements in addition to good manufacturing practices (GMP). With the establishment of high standards and consumer confidence in SSSFI 's products certified Halal, it provides better opportunity to gain access to the vast marketing potential of Halal consumers on a global scale.



ISO 9001:2008 CERTIFICATION

with UNITED KINGDOM ACCREDITATION SYSTEM by
INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

SSSFI was awarded the globally established standard for Quality Management System ISO 9001:2000 with UKAS (United Kingdom Accreditation System) since 2002. SSSFI endeavours to further enhance its product range and strive for continual improvement to meet its customers' satisfaction as to achieve the objectives of the ISO Quality Policy.

- Safe and Quality Products
- Satisfaction of Customers
- Strive for Continual Improvement

KOSHER CERTIFICATION

by ORTHODOX UNION

SSSFI's products are Kosher certified by Union of Orthodox Jewish Congregations of America. The demand for Kosher certified products has increased globally. The growing popularity of kosher food and with its hallmark global acceptance, Kosher certification will provide us with the competitive edge in the kosher market which will generate more revenues by expanding our business market shares internationally.

HACCP CERTIFICATION

by INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

SSSFI's products were certified to HACCP (Hazard Analysis Critical Control Point) System by Intertek Certification International Sdn Bhd since 2008. HACCP is a systematic preventive approach to food safety in which food safety is addressed through the analysis and control of biological, chemical, and physical hazards along the food supply chain. The HACCP certification will strengthen the confidence of consumer in our products.

FSSC 22000 CERTIFICATION

by INTERTEK CERTIFICATION INTERNATIONAL SDN BHD

SSSFI was certified for FSSC 22000 (Food Safety System Certification 22000) for its Caramel products in June 2013. FSSC is a comprehensive food safety management system and is recognised as the most effective approach to the manufacture of safe food, with broad international acceptance. The globally recognised FSSC 22000 allows SSSFI to meet wide range of demands from both local and international customers which can promote the confidence of customers in our products. All other products shall be added to the list of the FSSC certification in the near future.

BOARD OF DIRECTORS

Dato' Mohd Nor Bin Abdul Wahid
Independent Non-Executive Chairman

Fang Chew Ham
Deputy 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

Kwek Ju-Yang, Mark
Non-Independent Non-Executive
Director
(Alternate Director : Sun Yi-Ling)

COMPANY SECRETARIES

Ng Bee Lian
MAICSA 7041392

Tan Enk Purn
MAICSA 7045521
(resigned on 16 July 2013)

REGISTERED OFFICE

AI 308, Lot 590 & Lot 4196
Jalan Industri, U19
Kampung Baru Sungai Buloh
40160 Shah Alam
Selangor Darul Ehsan
Malaysia
Tel No. : (03) 6156 2655
Fax No. : (03) 6156 2657
E-mail : info@three-a.com.my

COMPANY NO.

481559-M

WEBSITE ADDRESS

www.three-a.com.my

AUDIT COMMITTEE

Chew Eng Chai – Chairman
Tan Chon Sing @ Tan Kim Tieng
Mohd Zaki Bin Hamzah

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
Dato' Mohd Nor Bin Abdul Wahid

PRINCIPAL BANKERS

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

AUDITORS

BDO
Chartered Accountants
12th Floor, Menara Uni. Asia
1008 Jalan Sultan Ismail
50250 Kuala Lumpur
Tel No. : (03) 2616 2888
Fax No. : (03) 2616 3190

SHARE REGISTRAR

Symphony Share Registrars Sdn.
Bhd.
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJJ 1A
47301 Petaling Jaya, Selangor
Tel No. : (03) 7841 8000
Fax No. : (03) 7841 8151

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad

Listed on the MESDAQ Market of
Bursa Malaysia Securities Berhad
since 13 August 2002

Transferred its listing status to Main
Board of Bursa Malaysia Securities
Berhad on 18 June 2008

STOCK NAME/CODE

3A/0012

INVESTOR RELATIONS

Contact Persons:
Fong Peng Fai
(Group Financial Controller)
Fang Siew Yee
(Executive Director)
Tel No. : (03) 6156 2655
E-mail : info@three-a.com.my

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the Annual Report and Financial Statements of Three-A Resources Berhad and of the Group (“the 3A Group”) for the financial year ended 31 December 2013.

Overview

The year 2013 was a challenging year for the 3A Group amid the global macroeconomic uncertainties, volatility in commodities prices and rising costs of doing business, all of which led to a very competitive market. Despite these challenges, we are proud to report that appropriate strategies were carried out to enable the 3A Group to remain profitable for the financial year ended 31 December 2013.

Financial Review

For the financial year ended 31 December 2013, we wish to report that the 3A Group registered a lower turnover of RM302.91 million which was marginally lower than that achieved in financial year 2012 of RM306.43 million. The lower turnover was mainly attributed by the decrease in demand of one of our core products.

The 3A Group achieved profit before tax of RM16.12 million which reflected a 26.7% decrease or RM5.88 million lower as compared to RM22.00 million recorded in the preceding financial year. The lower results were mainly attributed to higher share of losses of a joint venture and an impairment of trade receivables besides

slightly lower turnover and products' profit margins for the year.

Profit attributable to shareholders for the year was recorded at RM10.32 million. Net earnings per share for the financial year ended 31 December 2013 was 2.6 sen as compared to 4.1 sen for the previous year.

As at 31 December 2013, the 3A Group's total equity stood at RM219.03 million whilst net assets per share was 55.6 sen. Total assets of the Group was registered at RM292.78 million.

The Board and the management played an important role to ensure the successful execution of well-thought corporate and business strategies to deliver results. The commitment of ensuring the supply of superior quality products at competitive pricing together with high-level of customer service is well engraved in the Group.

Outlook and Prospects

The Board is cautiously optimistic of the world economic situation with gradual improvements in economic data in the USA and growth in this region even though the tapering of the quantitative easing may probably pave a gradual rise in interest rate.

Despite the lower than anticipated results for financial year 2013, the Board is confident of its future prospect with some strategies already put into action. Some of these strategies are (but not limited to) the re-alignment of our resources to serve a better sales mix to deliver better margins, improvement in customer service and supply chain management as well as drive continuous innovation in cost control and plant efficiency.

In order to carry out these initiatives, the Board intends to leverage on the 3A Group's core competencies where we believe in continuous investment in human capital and strengthening of our operating capability. The Board will strive to maintain a suitable capex level in view of these initiatives to ensure successful rollout and on the path to growth again. Some of these investments would also touch on technology transfer, system automation in order to further our existing plans to widen our distribution, marketing networks and channels and strategic linkages established through expansions to new markets and territories. At the same time, the management would continue with various on-going cost savings measures and improvement in efficiency in the production.

The 3A Group also stands to benefit from the Government's emphasis in making the country a regional food production and distribution centre, with particular emphasis on HALAL products. With a superior quality and trusted range of products well-known regionally, we expect our export market will continue to perform even better going forward. Currently, our exports are growing in tandem with our domestic market. We would continue to improve our competitiveness in the global market through greater emphasis in research and product development.

Investment in the joint venture continued to make losses for the year 2013 that was mainly responsible for the lower than expected consolidated results of the 3A Group. These losses arose from lower than projected sales of products thereby hindering its production plans to achieve

economies of scale and was also compounded by higher expenses in sales and marketing activities. It is not uncommon in the food and beverage industry where customers would need longer time to perform quality evaluation of newly launched products before ordering. Despite this, the Board wish to report that strategies were already planned or carried out to accelerate the effort to penetrate the huge domestic China market, taking advantage of our strategic as well major shareholder, Wilmar International Limited's ("Wilmar") established sales and distribution channels. In view of these strategies, both the Board and Wilmar are optimistic of the long term prospect of the joint venture.

Dividends

For the year under review, the Board had declared a tax exempt interim dividend of 6% per share of 20 sen for the financial year ended 31 December 2013 of which payment was made on 8 January 2014.

No final dividend has been recommended for consideration at the forthcoming Annual General Meeting.

The 3A Group endeavours to maintain a consistent and regular payment in its dividend by continuously conducting on-going assessment of the financial results, review the availability of distributable retained earnings as well as future cash flow requirements in view of our strategies and market conditions so that more dividend could be distributed to our shareholders.

Appreciation

The continued strength and success of the 3A Group as we go forth would not be possible without the commitment and dedication of its people. On behalf of the Board, I wish to thank our management team and staff for their dedication and invaluable contribution.

Finally, I would like to convey my sincere thanks and appreciation to our shareholders, customers, bankers, suppliers and business partners and stakeholders for their continued support and confidence to our Company. I would also like to thank the Board of Directors for their guidance and support as we look forward to a successful 2014 and many more years ahead.

Dato' Mohd Nor Bin Abdul Wahid
Independent Non-Executive Chairman



FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

| | 2013 | Year Ended 31 December | | | |
|--|---------|------------------------|---------|---------|---------|
| | | 2012 (RESTATED) | 2011 | 2010 | 2009 |
| OPERATING RESULTS (RM'000) | | | | | |
| Revenue | 302,910 | 306,429 | 268,806 | 248,940 | 178,582 |
| Profit Before Taxation | 16,120 | 21,999 | 15,352 | 20,905 | 23,707 |
| Profit After Taxation | 10,316 | 16,186 | 15,255 | 16,887 | 18,039 |
| KEY BALANCE SHEET DATA (RM'000) | | | | | |
| Total Assets | 292,779 | 314,648 | 280,971 | 284,328 | 195,404 |
| Total Liabilities | 73,748 | 102,346 | 79,983 | 94,504 | 59,159 |
| Share Capital | 78,720 | 78,720 | 78,720 | 78,720 | 73,920 |
| Shareholders' Equity | 219,031 | 212,302 | 200,988 | 189,823 | 136,245 |
| SHARE INFORMATION | | | | | |
| Basic Earnings Per Share (sen) | 2.6 | 4.1 | 3.9 | 4.4 | 5.7 |
| Net Assets Per Share (sen) | 55.6 | 53.9 | 51.1 | 48.2 | 36.9 |
| Net Dividend Per Share (sen) | 1.2 | 1.2 | 1.2 | 1.2 | 1.2 |
| FINANCIAL RATIOS (%) | | | | | |
| Return on Equity | 4.7 | 7.6 | 7.9 | 8.9 | 13.2 |
| Return on Assets | 3.5 | 5.1 | 5.6 | 5.8 | 9.2 |
| Dividend Payout Ratio | 46.2 | 29.3 | 30.0 | 27.3 | 21.1 |

Financial Year 2013

28 February 2013

- Quarterly Report announcement on consolidated results for the financial period ended 31 December 2012

08 April 2013

- Announcement on Three-A Resources Berhad's ("3A") proposed renewal of authority for the Company to purchase its own shares
- Announcement on 3A's proposed renewal of Shareholders' mandate for recurrent related party transactions of a revenue or trading nature
- Announcement on Transactions (Chapter 10 of Listing Requirements) Recurrent Related Party Transactions of 3A Variation in actual value of recurrent related party transactions of a revenue or trading nature transacted from estimated value

11 April 2013

- Announcement on Change of Address

24 April 2013

- Announcement on Annual Audited Accounts – 31 December 2012

26 April 2013

- Quarterly Report announcement on consolidated results for the financial period ended 31 March 2013

02 May 2013

- Announcement on change of membership of Nomination Committee

10 May 2013

- Announcement on 3A variation and extension of time for the utilisation of proceeds arising from private placement of up to 20% of the issued and paid-up share capital of 3A

20 May 2013

- Submission of Statement to Shareholders in relation to the proposed renewal of authority for the Share Buy-Back
- Submission of Circular to Shareholders in relation to the proposed renewal of existing Shareholders' mandate for recurrent related party transactions of a revenue or trading nature

- Submission of Annual Report 2012
- Announcement on General Meetings' Notice of Meeting

13 June 2013

- Announcement on General Meetings' Outcome of Meetings

16 July 2013

- Announcement on change of Company Secretary

23 August 2013

- Quarterly Report announcement on consolidated results for the financial period ended 30 June 2013

02 September 2013

- Announcement on changes in Director's Interest (S135) - Fang Chew Ham

01 October 2013

- Announcement on change in Boardroom

20 November 2013

- Quarterly Report announcement on consolidated results for the financial period ended 30 September 2013

29 November 2013

- Announcement on Interim Dividend

03 December 2013

- Announcement on 3A – Notice of Book Closure

16 January 2014

- Announcement on changes in Director's Interest (S135) – Liew Kuo Shin

19 February 2014

- Quarterly Report announcement on consolidated results for the financial period ended 31 December 2013

DIRECTORS' PROFILES

DATO' MOHD NOR BIN ABDUL WAHID Independent Non-Executive Chairman

61 years of age • Malaysian

Dato' Mohd Nor Bin Abdul Wahid was appointed to the Board of the Company on 10 May 2002 and has served as a Chairman of the Company until 29 February 2012 when he was re-designated as Independent Non-Executive Director. Subsequently on 12 April 2012, he was re-designated as Non-Independent Non-Executive Director. He has now become an Independent Non-Executive Chairman.

Dato' Mohd Nor Bin Abdul Wahid holds an MBA in Finance from the American World University, Iowa, USA. He started his career with Bank Bumiputra Malaysia Berhad and was with the Bank Bumiputra group for 23 years, rising from the rank of Executive Trainee in the Bank's wholly-owned subsidiary, Kewangan Bumiputra Berhad to the position of Senior General Manager of the Bank, in charge of the Commercial Banking Division. He was also appointed as Director of several subsidiaries of the Bank. His experiences include both conventional and interest-free (Islamic) banking.

Dato' Mohd Nor Bin Abdul Wahid attended all five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MR. FANG CHEW HAM Deputy Chairman and Managing Director

66 years of age • Malaysian

Mr. Fang Chew Ham was appointed to the Board of the Company on 10 May 2002 and has served as a Deputy Chairman and Managing Director of the Company since then. He is also the 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.

Mr. Fang Chew Ham started the family business producing Caramel Colour 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. (SSSFI) in 1989; SSSFI became the wholly-owned subsidiary of the Company in 2002.

Mr. Fang Chew Ham, with his vast experience in the Food & Beverage industry, heads the management of SSSFI. His leadership and coupled with a larger management team, the company expects broader and more flexible goal-setting and to meet the quality of the ever-changing demands on the development of a 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 that prepared the Malaysian Standard MS 513:1993 (SIRIM); a specification for Caramel in the manufacture of soy sauce.

Mr. Fang Chew Ham has attended all five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Mr. Fang Chew Ham is a sibling of Mr. Fong Chu King and is father of Ms. Fang Siew Yee, both are Directors of the Company.

MR. FONG CHU KING @ TONG CHU KING Non-Independent Executive Director

69 years of age • Malaysian

Mr. Fong Chu King @ Tong Chu King was appointed to the Board of the Company on 10 May 2002 and has served as a Non-Independent Executive Director since then. He has resigned as a member of the Nomination Committee of the Company on 2 May 2013. He is also the General Manager of the Company's wholly-owned subsidiary, San Soon Seng Food Industries Sdn. Bhd. (SSSFI).

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 of 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 SSSFI 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 five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Mr. Fong Chu King is a sibling of Mr. Fang Chew Ham, who is the Managing Director of the Company.

MR. CHEW ENG CHAI

Independent Non-Executive Director

64 years of age • Malaysian

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 Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

Mr. Chew Eng Chai is a fellow of the Institute of Chartered Accountants of 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 five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MR. TAN CHON SING @ TAN KIM TIENG

Independent Non-Executive Director

75 years of age • Malaysian

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 Chairman of the Remuneration Committee and member of the 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 (11) 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 five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MS. FANG SIEW YEE

Non-Independent Executive Director

34 years of age • Malaysian

Ms. Fang Siew Yee was appointed to the Board of the Company on 03 March 2004 and has served as a Non-Independent Executive Director since then.

Ms. Fang Siew Yee graduated with a Bachelor of Art, Honours Degree in Business Administration in 2001 from the University of Greenwich, London. She then joined San Soon Seng Food Industries Sdn. Bhd. in 2001 as Manager and responsible for the administrative, human resource and purchasing matters of the Group.

Ms. Fang Siew Yee has attended all the five (5) Board Meetings held during the financial year ended 31 December 2013. She has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Ms. Fang Siew Yee is the spouse of Mr. Liew Kuo Shin, Alternate Director to Director Mr. Fong Chu King @ Tong Chu King; daughter of Managing Director Mr. Fang Chew Ham and sibling of Ms. Fang Siew Ping who was appointed as her Alternate Director on 29 February 2012.

DIRECTORS' PROFILES (CONT'D)

MR. KHOO WEE BOON

Independent Non-Executive Director

65 years of age • Malaysian

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 was also appointed as a member of Nomination Committee of the Company on 2 May 2013

Mr. Khoo Wee Boon had completed GCE in 1966 from University of Cambridge and completed Advance Bank Management Program from the 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 currently works as a Dealer Representative with Hwang-DBS Investment Bank Berhad.

Mr. Khoo Wee Boon has attended five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MR. MOHD ZAKI BIN HAMZAH

Independent Non-Executive Director

56 years of age • Malaysian

Mr. Mohd Zaki Bin Hamzah was appointed to the Board of the Company on 09 January 2007 and serves as an Independent Non-Executive Director of the Company. He also serves as a member of the Audit Committee of the Company and Chairman of the Nomination 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 Masters 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 five (5) Board Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MR. KWEK JU-YANG, MARK

Non-Independent Non-Executive Director

(Resigned as Alternate Director to Director Ms. Sun Yi-Ling on 1 October 2013 and re-appointed as Non-Independent Non-Executive Director on 1 October 2013)

33 years of age • Singaporean

Mr. Kwek Ju-Yang, Mark was re-appointed as a Non-Independent Non-Executive Director on 1 October 2013 and had resigned as an Alternate Director to Director Ms. Sun Yi-Ling on 1 October 2013.

Mr. Kwek Ju-Yang graduated with a BA in Politics, Philosophy and Economics from the University of Pennsylvania (Summa Cum Laude). He was previously with Bain & Company, a global strategy consulting firm from 2006 to 2009. He is currently attached to Wilmar International Limited's Business Development Division since 2009.

Mr. Kwek Ju-Yang has attended four (4) Board Meetings out of five (5) Board of Directors' Meetings held during the financial year ended 31 December 2013. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

MR. LIEW KUO SHIN

Alternate Director to Non-Independent Executive Director Mr. Fong Chu Tong @ Fong Chu King

36 years of age • Malaysian

Mr. Liew Kuo Shin was appointed as Alternate Director to Non-Independent Executive Director Mr. Fong Chu Tong @ Fong Chu King 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 of the Group and is responsible for the plant production functions, and overall co-ordination of all plants. He is also in charge of maintenance of plant and machinery in 3A Group.

Mr. Liew Kuo Shin has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Mr. Liew Kuo Shin is the spouse of Director Ms. Fang Siew Yee.

MS. FANG SIEW PING

Alternate Director to Non-Independent Executive Director Ms. Fang Siew Yee

32 years of age • Malaysian

Ms. Fang Siew Ping was appointed as Alternate Director to Non-Independent Executive Director Ms. Fang Siew Yee on 29 February 2012.

Ms. Fang Siew Ping graduated with a Bachelors Degree in Chemistry from the United States of America and joined San Soon Seng Food Industries Sdn. Bhd. in 2004. She serves as a R&D cum Business Development Senior Manager of 3A Group.

She has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Ms. Fang Siew Ping is the daughter of Mr. Fang Chew Ham; and sibling of Ms. Fang Siew Yee, all of whom are the Directors of the Company.

MS. SUN YI-LING

(resigned as Non-Independent Non-Executive Director on 1.10.2013 and re-appointed as Alternate Director to Non-Independent Non-Executive Director Mr. Kwek Ju-Yang)

37 years of age • Malaysian

Ms. Sun Yi-Ling was appointed to the Board of the Company on 16 November 2009 as a Non-Independent Non-Executive Director of the Company. On 1 October 2013, she resigned as Non-Independent Non-Executive Director and was re-appointed as Alternate Director to Non-Independent Non-Executive Director Mr. Kwek Ju-Yang.

Ms. Sun Yi-Ling graduated with a Bachelor of Science in Economics (First Class Honours) from The London School of Economics and Political Science. She also holds a Masters of Business Administration from Harvard Business School. She was previously with Bain & Company, a global strategy consulting firm from 1998 to 2008. She joined Wilmar International Limited's Business Division in year 2008 and is now their Senior Business Development Manager.

Ms. Sun Yi-Ling has not attended any Board Meeting held during the financial year ended 31 December 2013 up to her re-appointment as the Alternate Director to Mr. Kwek Ju-Yang, Mark. Instead, her Alternate Director namely Mr. Kwek Ju-Yang, Mark has attended three (3) out of four (4) meetings on her behalf. She has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR)

The Board of 3A Group (“Board”) recognises that the Company as a public listed entity must act responsibly and sustainability is key to value creation for the Group, employees, customers, shareholders and the communities as a whole.

Sustainability is an integral part of our business and the Group’s corporate social responsibility practices focus on four areas – Environment, Workplace, Community and Marketplace which aims to deliver sustainable value to society at large.

THE ENVIRONMENT

Environment sustainability is of utmost importance due to the increasing depletion of the earth’s natural resources and global climate change issues. As a dynamic business entity, we rely on the natural resources every day and climate change issues will affect the supply chain and the source of many products. Therefore, it is essential to embed environmental sustainability principles into our business operations and practices.

Tapioca which is the major raw material input in our products is environmentally friendly. We have invested in water treatment facilities to ensure that all waste water is properly treated before it is discharged. The management of waste reduction will continue to be our on-going efforts to conserve natural resources and protect the environment.

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

THE WORKPLACE

The Board believes that our employees as stakeholders are an essential asset of the Group. Accordingly, we strive to provide them a conducive and safe environment by providing safety and job related training. The Company had organised in-house safety programmes to ensure the workers know how to effectively handle the Company’s machineries and equipment, tools and vehicles. The Company constantly update and promote awareness on safety precautions and health issues. Safety gears are provided to relevant employees to reduce the consequences of serious accidents.

The Group, in fulfilling its corporate responsibility as a caring employer, places emphasis on building long lasting relationships with the employees. We ensure open two-way communication channels are available to all employees so as to facilitate better understanding of the Company’s objectives and direction. The Company conducted talk sessions to provide an avenue for employees to engage with the management and network among each other. These sessions allow the Company’s management to share the business direction and policies with employees at the operational level. Such sessions also provide opportunities for employees to provide their feedback and provide inputs for business and operational improvements.

Retaining of key employees is crucial to ensure business success. The Group continues to ensure the reward packages remain competitive to attract, retain and motivate the right talents. Succession plans are put in place for critical positions to ensure sustainability in terms of continuous effective and efficient operations within the Group and a healthy leadership pipeline.

THE COMMUNITY

The Group recognises the co-relation between business growth and social well-being and welfare. Therefore, in fulfilling its corporate responsibility to the community in which it conducts its business, the Group is obligated to approve the quality of the society at large.

To be socially responsible, the Group focuses its corporate responsibility on enhancing community sustainability through various activities and actions aim to promote community engagement and address the needs of less fortunate and underprivileged families. The initiatives include monetary donations, welfare visits and contributions to the following school, charity, welfare and voluntary association:-

- (a) Badan Kebajikan Thalassaemia Malaysia
- (b) Berita Pembantu Tadbir Kementerian Kesihatan
- (c) Buletin Teknologi Makmal Perubatan Kementerian Kesihatan Malaysia
- (d) Happy Seniors Cultural & Art Studies
- (e) Suara Inspektor Kesihatan
- (f) J/K Pembangunan Dewan SJK (C) Sg. Buloh
- (g) MIDA Sports & Social Club
- (h) Tinta Suksis Polis Diraja Malaysia
- (i) Badan Amal Pejabat Cawangan Sungai Buloh

SUSTAINABILITY AND CORPORATE SOCIAL RESPONSIBILITY (CSR) (CONT'D)

and distributions of gifts to neighbouring communities during festivals.

The Company also encourages its employees to participate in voluntary works for charitable cause.

THE MARKETPLACE

To achieve sustainable development of the marketplace, the Group endeavors to carry out activities to promote responsible practices among our investors, suppliers and customers where high ethical standards in the respective areas are consistently applied.

(i) Investors

The Group strives to enhance corporate value by maintaining a stable and long term growth strategy for the benefit of its shareholders. The Group continues its efforts to engage with its shareholders through the following initiatives:-

- To maximise shareholders' wealth through continuous efforts to achieve operational excellence and sustainable growth;
- Disclose and disseminate all material information in a timely, open, fair and transparent manner;
- Ensuring a robust system of corporate governance, implementing policies that promote ethical behavior and conducting business responsibly through high standards and business ethics;
- Engages with its shareholders and investors through various channels of communication such as general meetings of shareholders and regular press releases;
- Accessibility in the public domain and regular investors updates on our website.

(ii) Suppliers

The Group respects its suppliers and works closely with them through long-term relationships to realise mutual growth based on mutual trust. In this respect, the Group engages its suppliers through the following manners:-

- engages in ethical procurement practices by adopting standard and equitable procedures;

- ensures the products supplied are in accordance to the Group's required specification;
- conducts in-depth suppliers' audits to ensure the required standards are met in the supply chain.

(iii) Customers

In line with the Group's mission to be "Customer Focus", the Group provides quality products and services that meet the customers' demands to earn the trust of its customers. The Group strives to create value for its customers through competitive pricing without comprising the interest of other stakeholders. In achieving this, the Group initiates the following:-

- enhances customers' satisfaction and confidence by providing quality products in full on a timely basis;
- adopts the "do it right the first time" motto to achieve operational excellence in order to reduce overall costs for the benefits of both customers and shareholders of the Company;
- implemented a customers' complaint system to address and ensure all customer feedbacks and complaints are acknowledged and resolved promptly.

CONCLUSION

The Group will continue to build sustainable practices in every aspect of the Group's business and remain steadfast in achieving excellence in its corporate responsibility activities. Our actions today will define our success in future. By focusing our efforts on the sustainability issues of the four sustainability dimensions, we shall further enhance our corporate image, reputation and the brand equity value.

The Board also believes that CSR is a good business proposition of which 3A Group would have better reputation, sales and customer loyalty. Thus these positive attributes would enhance long-term shareholder value.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (“Board”) of Three-A Resources Berhad (“3A”) remains 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 corporation governance so that the interest of investors and all other stakeholders are well taken care of.

The Board is pleased to disclose below the Group’s applications of the principles and recommendations of the Malaysian Code on Corporate Governance 2012 (“Code”) throughout the financial year.

PRINCIPLE 1 – ESTABLISH CLEAR ROLES AND RESPONSIBILITIES OF THE BOARD AND MANAGEMENT

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 Malaysian Code of Corporate Governance.

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

The Board shall review the terms of office and performance of the members of the Audit Committee at least once every three (3) years to determine whether the members have carried out their duties in accordance with their terms of reference.

Board Charter

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

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.

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.

Board Gender Diversity Policies and Targets and the Measures

Corporate Governance Blueprint 2011 stated that the Board should ensure women participation on board to reach 30% by year 2016. The progress towards this goal will be monitored and assessed in year 2014.

The Board will review the suitability and credibility of women candidates for the Board so that there would be more women participation in the Board in future.

The Nominating Committee (NC) would take steps to ensure suitable women candidates are sought as part of its recruitment exercise in accordance with the Board Charter. 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. When reviewing its performance, the Board will give consideration to its gender diversity objectives.

Code of Conduct and Ethics for Directors

The Directors will continue to adhere to the Company Directors' Code of Ethics established by the Companies Commission of Malaysia which is based on the following principles:-

- Compliance with legal and regulatory requirements and Company policies;
- Observance of the Board Charter;
- Duty to act in the best interest of the Company;
- Honesty and integrity;
- No conflict of interests;
- No-profit rule; and
- Relationships with stakeholders

Duties and Responsibilities of the Board

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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

- approves the Group's business plans and the medium-term and long-term strategies plans;
- oversees the Group's business operations and financial performance against the approved 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
- undertake various functions and responsibilities as specified in guidelines and directives issued by the regulatory authorities from time to time.

The five 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 Company.

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 Audit Committee would inform the Directors at Board meetings, of any salient matters noted by the Audit Committee and which require the Board's notice or direction.

The Board meetings are 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 time frame.

In advance of each Board meeting, the members of the Board are provided with the agenda and board papers including status report, performance and management report 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, performance of the various products manufactured 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 profit and loss account and balance sheet 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 Chairman of the Audit Committee would inform the Directors at Board meetings, of any significant issues noted by the Audit Committee which requires the Board's attention and approval for implementation.

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 staffs 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.

PRINCIPLE 2 – STRENGTHEN COMPOSITION OF THE BOARD

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

The Board currently consists of nine (9) members; comprising three (3) Non-Independent Executive Directors (including Managing Director), one (1) Non-Independent Non-Executive Director, five (5) Independent Non-Executive Directors and three (3) Alternate Directors.

The Board comprises members with a wide range of business, financial and technical service background. The size of the Board is optimum given the scope, size and complexity of the Group's operations. The composition of the Board is well balanced with an effective mix of three (3) Non-Independent Executive Directors (including Managing Director), one (1) Non-Independent Non-Executive Director 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.

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 Company and do not participate in any business dealings and are not involved in any other relationship with the Company. 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.

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 Nominating 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 and competencies required for an effective Board.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Re-Appointment and 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 except a Managing Director appointed for a fixed period pursuant to these Articles shall retire from office once at least in each three (3) years but shall be eligible for re-election.

Pursuant to Section 129(2) of the Companies Act, 1965, Directors who are over the age of seventy (70) years shall retire at every Annual General Meeting and may offer themselves for re-appointment to hold office until the next Annual General Meeting.

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

Independent Non-Executive Directors namely Mr. Khoo Wee Boon and Mr. Mohd Zaki Bin Hamzah are due to retire pursuant to Article 86 of Articles of Association of the Company at the forthcoming Annual General Meeting and will be recommended for re-election by the Board pursuant to the Articles.

Non-Independent Non-Executive Director Mr. Kwek Ju-Yang, Mark who was appointed to the Board on 1 October 2013 will be subject for re-election pursuant to Article 93 of the Articles of Association at the forthcoming Annual General Meeting.

Independent Non-Executive Director Mr. Tan Chon Sing @ Tan Kim Tieng, who has attained the age of 70 years of age and has served the Board for more than ten years, shall retire pursuant to Section 129 (6) of the Companies Act 1965 and had offered him for re-appointment by the Board pursuant to the Articles.

In determining whether to recommend a Director for re-election and re-appointment, the aforesaid Director's attendance at meetings, participation, and contribution to the activities of the Board 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 and re-appointment at forthcoming Annual General Meeting. All the abovementioned Directors have consented to serve as Directors, if elected, by the shareholders at this forthcoming Annual General Meeting.

The remaining two (2) Independent Non-Executive Directors namely Dato' Mohd Nor Bin Abdul Wahid and Mr. Chew Eng Chai are professionals in their own right with wide-ranging experiences, skills and expertise in various fields.

The Directors of 3A are persons of high caliber 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 nine (9) Directors remains optimum and conducive for effective deliberations at Board meetings and for efficient conduct of Board meetings.

The profiles of the Board Members are presented on pages 10 to 13.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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THREE-A
RESOURCES
BERHAD

The Board Committees

The Board delegates certain authorities to 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.

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

Audit Committee

The Audit Committee currently comprises of three (3) 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 2013, the Committee met four (4) times. Details of the composition of the Audit Committee and attendance of Members at Meetings held in 2013 are as follows:-

Members of Audit Committee and Meeting Attendance

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

Meetings are to be held as and when necessary. The quorum for each meeting is two. 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 31 to 34 on this Annual Report.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Nomination Committee

The Nomination Committee was set up in November 2002 and their salient terms of reference are as follows:-

- To propose 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 and re-appointment of Directors at the Company's forthcoming Annual General Meeting;
- To review management's proposals for the appointment, dismissal, transfer, promotion of senior executives;
- To facilitate achievement of board gender diversity policies, targets and measures to achieve it;
- To carry out the annual assessment of the Independence of the Independent Directors;
- To review training programme for the Board and to facilitate Board induction and training programme.

Meetings are to be held as and when necessary. The quorum for each meeting is two. 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/re-appointment, the Nomination Committee 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 judgement, demonstrate objectivity, clarity of thought during deliberations at meetings and ability to spend sufficient time and commitment to the Company.

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 the Company 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.

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

For the financial year ended 31 December 2013, the Committee met once and the composition of the Nomination Committee and frequency of meetings of Committee are as follows:-

Members of Nomination Committee and Meeting Attendance

| Membership Status | Name | Attendance |
|---|----------------------|------------|
| Chairman Independent Non-Executive Director | Mohd Zaki Bin Hamzah | 1/1 |
| Member Independent Non-Executive Director | Chew Eng Chai | 1/1 |
| Member Independent Non-Executive Director (appointed on 2 May 2013) | Khoo Wee Boon | 1/1 |

CORPORATE GOVERNANCE STATEMENT (CONT'D)

The Nomination Committee had undertaken the following activities in the financial year ended 31 December 2013:-

- reviewed the Self Assessment Form of the Directors retiring pursuant to Section 129(6) of the Companies Act, 1965, Articles 86 and 93 of the Company's Articles of Association and submitted their recommendation for re-appointment at the Annual General Meeting;
- reviewed the yearly Self Assessment Forms of other Board Members;
- reviewed the designation of Independent Non-Executive Directors who have served the Board for more than ten (10) years and submitted their recommendation for retaining them as Independent Non-Executive Directors of the Company.

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, if any, are approved at the Annual General Meeting by the shareholders.

The policy practiced on Directors' remuneration by the Remuneration Committee is to recommend the remuneration packages necessary to attract, retain and motivate Directors of the quality required to manage the business of the Company 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.

Meetings are held as and when necessary and at least once a year. The quorum for each meeting shall be two. 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

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

CORPORATE GOVERNANCE STATEMENT (CONT'D)

Directors' Remuneration

The remuneration package for Directors comprise of the following elements:-

Fees and Meeting Allowance

The fees payable to each of the Non-Executive Directors are determined by the board. All Non-Executive Directors are paid meeting allowances as determined by the Board for attending the Audit Committee and Board meetings.

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.

The details of the remuneration of Directors for the financial year ended 31 December 2013 are as follows:-

Aggregate remuneration of Directors categorised into appropriate components:-

| | Salaries and other emoluments (RM) | Bonus (RM) | Defined Contribution Plan (RM) |
|-------------------------|---|-----------------------|---|
| Executive Directors | 1,355,190 | 610,000 | 203,832 |
| Non-Executive Directors | 317,800 | 110,000 | 13,750 |

The number of Directors whose total remuneration all within the following bands for the financial year ended 31 December 2013 are as follows:-

| Range of Remuneration | Executive | Non Executive |
|------------------------------|------------------|----------------------|
| Below RM50,000 | | 5 |
| RM300,000 - RM400,000 | 1 | 1 |
| RM700,000 - RM800,000 | 1 | |
| RM1,000,000 - RM1,100,000 | 1 | |

On the non-disclosure of detailed remuneration of each Director, the Board is of the view that the transparency of Directors' remuneration has been sufficiently dealt with by the "band disclosure" presented in this Statement.

PRINCIPLE 3 – REINFORCE INDEPENDENCE OF THE BOARD

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

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

Recommendation of the Malaysian Code of Corporate Governance 2012 states that the tenure of Independent Non-Executive Directors should not exceed a cumulative term of nine (9) years. The Independent Non-Executive Director may continue to serve on the Board beyond the nine (9) years tenure, it must justify and seek shareholders' approval.

Following an assessment by the Board, Independent Non-Executive Directors, namely Mr. Chew Eng Chai and Mr. Tan Chon Sing @ Tan Kim Tieng 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 Twelfth Annual General Meeting of the Company. The Board recommends retaining their designation as Independent Non-Executive Directors based on the following justifications:-

- they have fulfilled the criteria under the definition of Independent Directors pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- they have ensured effective check and balance in the proceedings of the Board and the Board Committees;
- they have actively participated in Board deliberations, provided objectivity in decision-making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- their vast experience in finance and manufacturing industry would enable them to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;
- they have devoted sufficient time and attention to their responsibilities as Independent Non-Executive Directors of the Company; and
- they have exercised their due care in the interest of the Company and shareholders during their tenure as Independent Non-Executive Directors of the Company.

PRINCIPLE 4 – FOSTER COMMITMENT OF DIRECTORS

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

The Board met five (5) times during the financial year ended 31 December 2013. Additional meetings are held as and when required. The dates of the Board Meetings are as follows:

- 26 February 2013
- 23 April 2013
- 22 August 2013
- 19 November 2013
- 29 November 2013 (Emergency Board of Directors' Meeting)

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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 | 5 | 5 |
| Fang Chew Ham | 5 | 5 |
| Fong Chu King @ Tong Chu King | 5 | 5 |
| Chew Eng Chai | 5 | 5 |
| Tan Chon Sing @ Tan Kim Tieng | 5 | 5 |
| Fang Siew Yee | 5 | 5 |
| Khoo Wee Boon | 5 | 5 |
| Mohd Zaki Bin Hamzah | 5 | 5 |
| Kwek Ju-Yang, Mark (appointed as Director on 1.10.2013) | 1 | 1 |
| (attending as Alternate Director to Sun Yi-Ling) | 4 | 3 |

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

For the year ended 31 December 2013 and up to the date of report, 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 | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |
| Fang Chew Ham | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |
| Fong Chu King @ Tong Chu King | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |
| Chew Eng Chai | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training Risk Management & Internal Control – Workshop for Audit Committee Members organised by Bursa Malaysia Securities Berhad |

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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| Name of Directors | Seminars, Training Programmes |
|-------------------------------|---|
| Tan Chon Sing @ Tan Kim Tieng | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training Anti Money Laundering and Anti Terrorism Financing – A Practitioners Guide organised by Nature of Life Trading Sdn. Bhd.; The Mind of the Investor – A Behavioral Finance perspective organised by Nature of Life Trading Sdn. Bhd. |
| Fang Siew Yee | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |
| Khoo Wee Boon | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |
| Mohd Zaki Bin Hamzah | ISO, Basic GMP & Hygiene; FSSC ISO22000; Food Handler Training; Basic First Aid, CPR, AED & Fire Safety Training |

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.

PRINCIPLE 5 – UPHOLD INTEGRITY IN FINANCIAL REPORTING BY THE COMPANY

Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to provide a balanced, clear and comprehensive assessment of the financial performance and prospects of the Company and 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, 1965. The Directors recognise the responsibility for ensuring that accounting records are properly kept.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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.

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

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.

Statement on Directors' Responsibility

The Directors are required by the Companies Act 1965 to prepare financial statements for each year which give a true and fair view of the state of affairs of the Group and of the Company 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 applying 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 keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and which enable them to ensure that the financial statements comply with the Companies Act 1965.

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

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements is set out on page 28 of the Annual Report.

PRINCIPLE 6 – RECOGNISE AND MANAGE RISK OF THE GROUP

The Board has 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 to assist the Audit Committee and he 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 Statement of Risk Management and Internal Control furnished in the annual report provide an overview of the state of internal controls within the Group.

PRINCIPLE 7 – ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

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 Company'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 Company with regards to handling and disclosing material information.

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

- (a) Documents filled with the regulators, written statements made in the Company's annual and quarterly report, press releases, letters, circulars to shareholders, email communications and information on the Company's website; and
- (b) Oral statements made in group and individual meetings, 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.

PRINCIPLE 8 – STRENGTHEN RELATIONSHIP BETWEEN THE COMPANY AND ITS SHAREHOLDERS

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

All shareholders are encouraged to attend the Company's Annual General Meeting 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.

CORPORATE GOVERNANCE STATEMENT (CONT'D)

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

The Group maintained a website (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 : pf.fong@three-a.com.my

Jessica Fang Siew Yee
Executive Director
E-mail : jessica.fang@three-a.com.my

Tel No. : (03) 6156 2655
Website : www.three-a.com.my

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

COMPLIANCE WITH CODE

The Company has complied with the Malaysian Code on Corporate Governance and observed its best practices throughout the year.

This Statement on Corporate Governance is made in accordance with the resolution of the Board of Directors dated 8 April 2014.

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

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 2013 are as follows:

| Composition of Audit Committee | Number of Audit Committee Meetings Held | Meetings Attended |
|---|---|-------------------|
| Chew Eng Chai Chairman, Independent Non-Executive Director | 4 | 4 |
| Tan Chon Sing @ Tan Kim Tieng Member, Independent Non-Executive Director | 4 | 4 |
| Mohd Zaki Bin Hamzah Member, Independent Non-Executive Director | 4 | 4 |

All the members have attended the four (4) meetings convened during the year. Upon invitation by the Audit Committee, the Directors, Finance Manager, Internal Auditors, External Auditors and other members of senior management attended all the meetings from time to time. The Audit Committee had also met up with the External Auditors without the presence of the employees 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 member shall be a professional or qualified accountant. Any vacancy resulting in there being no majority of independent directors shall be filled within three (3) months.

The membership and performance shall be reviewed at least once every three (3) years.

Chairman

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

AUDIT COMMITTEE REPORT (CONT'D)

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 Finance Director 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 Chairman, Chief Executive Officer, Finance Director, the Head of Internal Control 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.
- 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

1. 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;
2. 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.

DUTIES AND RESPONSIBILITIES

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

Internal Audit and Risk Management

- 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 that 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;
 - (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.

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 2013 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 and their recommendations relating thereto.
- Reviewed the Group's systems and practices for the identification and management of risks.

Financial Results

- Reviewed the annual audited financial statements of the Group, quarterly results of the Group, and thereafter recommend to the Board for approval.
- 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;

AUDIT COMMITTEE REPORT (CONT'D)

- 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;
- The Committee met twice with the external auditors without the presence of the Management for the financial year ended 31 December 2013.

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 part 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.

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 2013 was about RM24,000. 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 2013 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.
- 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 2013, 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.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

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INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements (“LR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) and as guided by the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers, the Board of Directors (“The Board”) of Three-A Resources Berhad is pleased to include a statement on the state of the Company’s risk management and internal controls in the annual report.

BOARD’S RESPONSIBILITY

The Board is responsible for the Group’s system of risk management and internal control and for reviewing the adequacy and integrity of the system. The Board recognises the importance of a sound system of risk management and internal control for good corporate governance and acknowledges its primary responsibility to ensure that principal risks in the Group are identified, measured and managed with appropriate system of risk management and internal controls, and to ensure that the effectiveness, adequacy and integrity of the risk management and internal control system are reviewed on an ongoing basis. In view of the limitations inherent in any system of internal controls, the system is designed to manage rather than eliminate, the risk of failure to achieve the Group’s business and corporate objectives.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board maintains an ongoing commitment to strengthen the Group’s risk management framework. The Board has embedded in the Group a monitoring and reporting process to continuously identify, assess and manage the principal risks faced by the Group in achieving the business objectives and strategies.

The Risk Management Committee is principally tasked with identifying key business risks and developing related management action plans to manage the risks identified, it is assisted by Risk Working Committee in assessing the risks and tabling the risks quarterly to the Risk Management Committee.

The Credit Control Committee was established to review the credit control policy monthly in mitigating the customers’ credit risks and the effectiveness of the underlying internal control system.

Surveillance visits are carried out annually by auditors from Intertek Certification International Sdn Bhd (formally known as Moody International Certification (Malaysia) Sdn. Bhd.) for the ISO 9001:2008 and HACCP certification. A complete re-audit and re-assessment is carried out once every three years. The stringent documentation requirement of the certification further ensure that a trait of accountability exists in the Group.

The main features of the internal control framework of the Group are as follows:-

Organisation structure and authorisation procedures

Clearly defined and documented lines and limits of authority, responsibility and accountability have been established through the relevant charters/terms of reference, organisational structures and appropriate authority limits. These enhance the Group’s ability to achieve its strategies and operational objectives.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

Group policies and procedures

Documented policies and procedures are in place and are regularly reviewed and updated to ensure that it maintains its effectiveness and continues to support the Group's business activities at all times as the Group continues to grow.

Planning, monitoring and reporting

Comprehensive information, which includes the monthly management reports covering all key financial and operational indicators, is provided to key management for monitoring and review.

The Audit Committee reviews the Group's quarterly financial performance, together with the Management, which is subsequently reported to the Board.

Information and communication

Information critical to the achievement of the Group's business objectives are communicated through established reporting lines across the Group. This is to ensure that matters that require the Board's attention are highlighted for review, deliberation and decision on a timely basis.

INTERNAL AUDIT

The Group's internal audit function is outsourced to an independent consultant to assist the Board and Audit Committee in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system.

The findings of the Internal Auditor are reported directly to the Audit Committee quarterly. The Audit Committee in turn reports to the Board its findings, and consequently its conclusion on the effectiveness of risk management and internal control system accordingly.

The Board has received assurance from the Managing Director and Group Financial Controller as well as other members of the Management team that the Company's risk management and internal control is operating adequately and effectively, in all material aspects, based on the risk management and the internal control system of the Company.

The Board is of the opinion that there were no material losses incurred during the financial year as a result of weaknesses in risk management and internal control. Nevertheless, the Board will put in place appropriate action plans to further enhance the system of internal control and risk management framework, when necessary.

The Statement is made in accordance with a resolution by the Board dated 8 April 2014.



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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 2013.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

| | Group RM'000 | Company RM'000 |
|---|-----------------|-------------------|
| Profit for the financial year, attributable to owners of the parent | 10,316 | 4,693 |

DIVIDENDS

Dividends paid, declared or proposed since the end of the previous financial year were as follows:

| | RM'000 |
|---|--------|
| In respect of the financial year ended 31 December 2013: | |
| Tax exempt interim dividend of 1.2 sen per ordinary share, paid on 8 January 2014 | 4,723 |

The Directors do not recommend any payment of final dividend for the financial year ended 31 December 2013.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

The Company has not issued 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

The Directors who have held office since the date of the last report are:

| | |
|--------------------------------|--|
| Dato' Mohd Nor Bin Abdul Wahid | |
| 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 | |
| Sun Yi-Ling | (Resigned on 1 October 2013 as Director; appointed on 1 October as Alternate Director to Kwek Ju-Yang, Mark) |
| Fang Siew Ping | (Alternate Director to Fang Siew Yee) |
| Liew Kuo Shin | (Alternate Director to Fong Chu King @ Tong Chu King) |
| Kwek Ju-Yang, Mark | (Resigned on 1 October 2013 as Alternate Director to Sun Yi-Ling; appointed on 1 October 2013 as Director) |

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in the ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2013 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

| | Number of ordinary shares of RM0.20 each | | | Balance as at 31.12.2013 |
|--------------------------------|--|---------|-------------|--------------------------------|
| | Balance as at 1.1.2013 | Bought | Sold | |
| Direct interest | | | | |
| Dato' Mohd Nor Bin Abdul Wahid | 438,000 | - | - | 438,000 |
| Fong Chu King @ Tong Chu King | 10,950,000 | - | - | 10,950,000 |
| Chew Eng Chai | 160,000 | - | - | 160,000 |
| Tan Chon Sing @ Tan Kim Tieng | 1,488,000 | - | - | 1,488,000 |
| Mohd Zaki Bin Hamzah | 500,000 | - | - | 500,000 |
| Liew Kuo Shin | 430,000 | - | - | 430,000 |
| Fang Chew Ham | - | 100,000 | - | 100,000 |
| Indirect interests | | | | |
| Fang Chew Ham | 124,501,920 | - | (1,750,960) | 122,750,960 |
| Fang Siew Yee | 80,850,000 | 100,000 | - | 80,950,000 |

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 the 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 emoluments 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 remuneration received by certain Directors as directors/executives of related corporations and any benefit which may be deemed to have arisen by virtue of the significant related party transaction as disclosed in Note 30 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 Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY**(I) AS AT THE END OF THE FINANCIAL YEAR**

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, 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 satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of the operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

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

- (c) The Directors are not aware of any circumstances:
 - (i) which would render the amounts written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent; and
 - (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 (cont'd)

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (cont'd)

- (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 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 will 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 the report or financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

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

Dato' Mohd Nor Bin Abdul Wahid
Director

Fang Chew Ham
Director

Kuala Lumpur
8 April 2014

STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 45 to 107 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2013 and of their financial performance and cash flows for the financial year then ended.

In the opinion of the Directors, the information set out in Note 35 to the financial statements on page 108 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Dato' Mohd Nor Bin Abdul Wahid
Director

Fang Chew Ham
Director

Kuala Lumpur
8 April 2014

STATUTORY DECLARATION

I, Fong Peng Fai, 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 45 to 108 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 2014)

Fong Peng Fai

Before me:

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THREE-A RESOURCES BERHAD

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REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Three-A Resources Berhad, which comprise statements of financial position as at 31 December 2013 of the Group and of the Company, and 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 a summary of significant accounting policies and other explanatory information, as set out on pages 45 to 107.

The financial statements of the Group and of the Company as at 31 December 2012 were audited by another firm of chartered accountants, whose report dated 23 April 2013 expressed an unqualified opinion on those statements.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

INDEPENDENT AUDITORS' REPORT (CONT'D)

TO THE MEMBERS OF THREE-A RESOURCES BERHAD

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the accounts of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purpose of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 35 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

BDO
AF : 0206
Chartered Accountants

Kuala Lumpur
8 April 2014

Law Kian Huat
2855/06/14 (J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

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RESOURCES
BERHAD

| | Note | 31.12.2013 RM'000 | 31.12.2012 RM'000 (Restated) | 1.1.2012 RM'000 |
|--|------|----------------------|------------------------------------|--------------------|
| ASSETS | | | | |
| Non-current assets | | | | |
| Property, plant and equipment | 7 | 134,359 | 135,324 | 124,180 |
| Prepaid lease payments for land | 8 | 6,361 | 1,731 | 4,488 |
| Investment in a joint venture | 10 | 9,347 | 12,486 | 8,052 |
| | | 150,067 | 149,541 | 136,720 |
| Current assets | | | | |
| Inventories | 12 | 46,788 | 63,870 | 55,125 |
| Trade and other receivables | 13 | 79,202 | 82,464 | 65,857 |
| Current tax assets | | 2 | 991 | 2,897 |
| Cash and cash equivalents | 14 | 16,720 | 17,782 | 20,371 |
| | | 142,712 | 165,107 | 144,250 |
| TOTAL ASSETS | | 292,779 | 314,648 | 280,970 |
| EQUITY AND LIABILITIES | | | | |
| Equity attributable to owners of the parent | | | | |
| Share capital | 15 | 78,720 | 78,720 | 78,720 |
| Reserves | 16 | 140,311 | 133,582 | 122,267 |
| TOTAL EQUITY | | 219,031 | 212,302 | 200,987 |
| LIABILITIES | | | | |
| Non-current liabilities | | | | |
| Borrowings | 17 | 19,804 | 20,964 | 24,502 |
| Deferred tax liabilities | 11 | 13,143 | 12,377 | 8,000 |
| | | 32,947 | 33,341 | 32,502 |
| Current liabilities | | | | |
| Trade and other payables | 19 | 13,032 | 13,259 | 14,167 |
| Dividend payable | | 4,723 | 4,723 | 4,723 |
| Borrowings | 17 | 22,892 | 51,023 | 28,591 |
| Current tax liabilities | | 154 | - | - |
| | | 40,801 | 69,005 | 47,481 |
| TOTAL LIABILITIES | | 73,748 | 102,346 | 79,983 |
| TOTAL EQUITY AND LIABILITIES | | 292,779 | 314,648 | 280,970 |

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

| | Note | 2013 RM'000 | 2012 RM'000 |
|---|------|----------------|----------------|
| ASSETS | | | |
| Non-current assets | | | |
| Property, plant and equipment | 7 | - | - |
| Investments in subsidiaries | 9 | 142,423 | 128,423 |
| | | 142,423 | 128,423 |
| Current assets | | | |
| Trade and other receivables | 13 | 6,676 | 20,487 |
| Current tax asset | | 2 | 35 |
| Cash and cash equivalents | 14 | 6,646 | 6,823 |
| | | 13,324 | 27,345 |
| TOTAL ASSETS | | 155,747 | 155,768 |
| EQUITY AND LIABILITIES | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 15 | 78,720 | 78,720 |
| Reserves | 16 | 72,252 | 72,282 |
| TOTAL EQUITY | | 150,972 | 151,002 |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 19 | 52 | 43 |
| Dividend payable | | 4,723 | 4,723 |
| TOTAL LIABILITIES | | 4,775 | 4,766 |
| TOTAL EQUITY AND LIABILITIES | | 155,747 | 155,768 |

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 2013

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RESOURCES
BERHAD

| | Note | Group | | Company | |
|--|------|------------------|------------------------------|----------------|----------------|
| | | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| Revenue | 22 | 302,910 | 306,429 | 5,003 | 5,003 |
| Cost of sales | 23 | (256,428) | (256,558) | - | - |
| Gross profit | | 46,482 | 49,871 | 5,003 | 5,003 |
| Other income | | 666 | 375 | 76 | 344 |
| Administrative expenses | | (16,646) | (15,914) | (365) | (297) |
| Other operating expenses | | (7,313) | (7,769) | - | - |
| Share of results of a joint venture | | (4,275) | (1,572) | - | - |
| Profit from operations | | 18,914 | 24,991 | 4,714 | 5,050 |
| Finance costs | 24 | (2,794) | (2,992) | - | - |
| Profit before tax | 25 | 16,120 | 21,999 | 4,714 | 5,050 |
| Tax expense | 26 | (5,804) | (5,813) | (21) | (83) |
| Profit for the financial year | | 10,316 | 16,186 | 4,693 | 4,967 |
| Other comprehensive income that may be reclassified subsequently to profit or loss | | | | | |
| - Foreign currency translation | | 1,136 | (149) | - | - |
| Total other comprehensive income, net of tax | | 1,136 | (149) | - | - |
| Total comprehensive income | | 11,452 | 16,037 | 4,693 | 4,967 |
| Profit attributable to: | | | | | |
| - Owners of the parent | | 10,316 | 16,186 | 4,693 | 4,967 |
| - Non-controlling interest | | - | - | - | - |
| | | 10,316 | 16,186 | 4,693 | 4,967 |
| Total comprehensive income attributable to: | | | | | |
| - Owners of the parent | | 11,452 | 16,037 | 4,693 | 4,967 |
| - Non-controlling interest | | - | - | - | - |
| | | 11,452 | 16,037 | 4,693 | 4,967 |
| Earnings per share attributable to equity holders of the Company (sen): | | | | | |
| Basic and diluted | 27 | 2.6 | 4.1 | | |

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

| Group | Note | Non-distributable | | | Distributable | Total RM'000 |
|--|------|----------------------------|----------------------------|--|--------------------------------|-----------------|
| | | Share capital RM'000 | Share premium RM'000 | Exchange translation reserve RM'000 | Retained earnings RM'000 | |
| Balance as at 1 January 2012 | | 78,720 | 70,367 | 632 | 51,269 | 200,988 |
| Profit for the financial year | | - | - | - | 17,638 | 17,638 |
| Prior year adjustments | 34 | - | - | - | (1,452) | (1,452) |
| Restated profit for the financial year | | - | - | - | 16,186 | 16,186 |
| Other comprehensive income, net of tax | | - | - | (149) | - | (149) |
| Total comprehensive income | | - | - | (149) | 16,186 | 16,037 |
| Transactions with owners | | | | | | |
| Dividends | 28 | - | - | - | (4,723) | (4,723) |
| Restated balance as at 31 December 2012 | | 78,720 | 70,367 | 483 | 62,732 | 212,302 |
| Profit for the financial year | | - | - | - | 10,316 | 10,316 |
| Other comprehensive income, net of tax | | - | - | 1,136 | - | 1,136 |
| Total comprehensive income | | - | - | 1,136 | 10,316 | 11,452 |
| Transactions with owners | | | | | | |
| Dividends | 28 | - | - | - | (4,723) | (4,723) |
| Balance as at 31 December 2013 | | 78,720 | 70,367 | 1,619 | 68,325 | 219,031 |

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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RESOURCES
BERHAD

| Company | Note | Share capital RM'000 | Non- distributable Share premium RM'000 | Distributable Retained earnings RM'000 | Total RM'000 |
|--|------|----------------------------|---|---|-----------------|
| Balance as at 1 January 2012 | | 78,720 | 70,367 | 1,671 | 150,758 |
| Profit for the financial year | | - | - | 4,967 | 4,967 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | - | 4,967 | 4,967 |
| Transactions with owners | | | | | |
| Dividend on ordinary shares | 28 | - | - | (4,723) | (4,723) |
| Balance as at 31 December 2012 | | 78,720 | 70,367 | 1,915 | 151,002 |
| Profit for the financial year | | - | - | 4,693 | 4,693 |
| Other comprehensive income, net of tax | | - | - | - | - |
| Total comprehensive income | | - | - | 4,693 | 4,693 |
| Transactions with owners | | | | | |
| Dividend on ordinary shares | 28 | - | - | (4,723) | (4,723) |
| Balance as at 31 December 2013 | | 78,720 | 70,367 | 1,885 | 150,972 |

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

| | Note | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 16,120 | 21,999 | 4,714 | 5,050 |
| Adjustments for: | | | | | |
| Amortisation of prepaid lease payments for land | 8 | 370 | 57 | - | - |
| Bad debts written off | | - | 1 | - | - |
| Depreciation of property, plant and equipment | 7 | 6,820 | 6,620 | - | - |
| Dividend income from a subsidiary | 22 | - | - | (5,003) | (5,003) |
| Gain on disposal of property, plant and equipment | | (18) | (28) | - | - |
| Impairment of trade and other receivables | 13 | 940 | 16 | - | - |
| Interest expense | 24 | 2,794 | 2,992 | - | - |
| Interest income | | (76) | (345) | (76) | (344) |
| Share of results of joint venture | 10(c) | 4,275 | 1,572 | - | - |
| Unrealised foreign exchange (gain)/loss | | (453) | 373 | - | - |
| Operating profit/(loss) before working capital changes | | 30,772 | 33,257 | (365) | (297) |
| Changes in working capital: | | | | | |
| Inventories | | 17,082 | (8,745) | - | - |
| Trade and other receivables | | 1,829 | (16,935) | 5 | (12) |
| Trade and other payables | | (386) | (2,483) | 9 | - |
| Cash generated from/(used in) operations | | 49,297 | 5,094 | (351) | (309) |
| Tax (paid)/refunded | | (3,895) | 471 | 13 | (36) |
| Net cash generated from/(used in) operating activities | | 45,402 | 5,565 | (338) | (345) |

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

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

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| | Note | Group | | Company | |
|---|-------|-----------------|------------------------------|----------------|----------------|
| | | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Repayments by/(Advances to) subsidiaries | | - | - | 4,808 | (6,234) |
| Investment in a joint venture | | - | (6,155) | - | - |
| Purchase of property, plant and equipment | 7(a) | (5,406) | (11,621) | - | - |
| Acquisition of prepaid lease payment for land | | (4,000) | (1,211) | - | - |
| Proceeds from disposal of property, plant and equipment | | - | 28 | - | - |
| Dividend income from a subsidiary | | - | - | - | 5,003 |
| Interest received | | 76 | 345 | 76 | 344 |
| Net cash (used in)/generated from investing activities | | (9,330) | (18,614) | (4,884) | (887) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividends paid | 28 | (4,723) | (4,723) | (4,723) | (4,723) |
| Interest paid | 24 | (2,794) | (2,992) | - | - |
| (Repayments)/Drawdowns of bankers' acceptances, net | | (28,311) | 24,162 | - | - |
| Net repayment of term loans | | (534) | (3,239) | - | - |
| Repayments of hire purchase obligations | | (406) | (1,183) | - | - |
| Net cash (used in)/generated from financing activities | | (36,768) | 12,025 | (4,723) | (4,723) |
| Net decrease in cash and equivalents | | (696) | (1,024) | (177) | (5,955) |
| Effect of exchange rate changes on cash and cash equivalents | | (55) | (51) | - | - |
| Cash and cash equivalents at beginning of financial year | | 17,397 | 18,472 | 6,823 | 12,778 |
| Cash and cash equivalents at end of financial year | 14(c) | 16,646 | 17,397 | 6,646 | 6,823 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2013

1. CORPORATE INFORMATION

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 the principal place of business of the Group and 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 2013 comprise the Company and its subsidiaries and the interest of the Group in a joint venture. 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 2014.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are disclosed in Note 9 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 45 to 107 have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the provisions of the Companies Act, 1965 in Malaysia. However, Note 35 to the financial statements set out on page 108 has been prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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.

The preparation of financial statements in conformity with MFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from those estimates.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its involvement with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from the other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by the other entities in the Group.

Non-controlling interests represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the consolidated statement of profit or loss and other comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.2 Basis of consolidation (cont'd)

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 139 *Financial Instruments: Recognition and Measurement* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

4.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obliged to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

Property, plant and equipment are depreciated on a straight-line method to write off the cost of the assets to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

| | |
|---|----------------|
| 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 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.3 Property, plant and equipment and depreciation (cont'd)

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

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 4.6 to the financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

4.4 Leases and hire-purchase

(a) Finance leases and hire purchase

Assets acquired under finance leases and hire purchase which transfer substantially all the risks and rewards of ownership to the Group are recognised initially at amounts equal to the fair value of the leased assets or, if lower, the present value of minimum lease payments, each determined at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the leases, if this is practicable to determine; if not, the Group's incremental borrowing rate is used. Any initial direct costs incurred by the Group are added to the amount recognised as an asset. The assets are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. The property, plant and equipment capitalised are depreciated on the same basis as owned assets.

The minimum lease payments are apportioned between the finance charges and the reduction of the outstanding liability. The finance charges are recognised in profit or loss over the period of the lease term so as to produce a constant periodic rate of interest on the remaining lease and hire purchase liabilities.

(b) Operating leases

A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.4 Leases and hire-purchase (cont'd)

(c) Leases of land and buildings

For leases of land and buildings, the land and buildings elements are considered separately for the purpose of lease classification and these leases are classified as operating or finance leases in the same way as leases of other assets.

The minimum lease payments including any lump-sum upfront payments made to acquire the interest in the land and buildings are allocated between the land and the buildings elements in proportion to the relative fair values of the leasehold interests in the land element and the buildings element of the lease at the inception of the lease.

For a lease of land and buildings in which the amount that would initially be recognised for the land element is immaterial, the land and buildings are treated as a single unit for the purpose of lease classification and is accordingly classified as a finance or operating lease. In such a case, the economic life of the buildings is regarded as the economic life of the entire leased asset.

4.5 Investments

(a) Subsidiaries

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost. Put options written over non-controlling interests on the acquisition of subsidiary shall be included as part of the cost of investment in the separate financial statements of the Company. Subsequent changes in the fair value of the written put options over non-controlling interests shall be recognised in profit or loss. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

(b) Joint arrangement

A joint arrangement is an arrangement of which two or more parties have joint control. The parties are bound by a contractual arrangement which gives two or more parties joint control of the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is either a joint operation or a joint venture.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Investments (cont'd)

(i) Joint operation

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. These parties are known as joint operators.

The Group and the Company recognise in relation to its interest in a joint operation:

- (a) its assets, including its share of any assets held jointly;
- (b) its liabilities, including its share of any liabilities incurred jointly;
- (c) its revenue from the sale of its share of the output arising from the joint operation;
- (d) its share of the revenue from the sale of the output by the joint operation; and
- (e) its expenses, including its share of any expenses incurred jointly.

When the Group transacts with a joint operation (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, as such the gains and losses resulting from the transactions are recognised only to the extent of interests of other parties in the joint operation.

When the Group transacts with a joint operation (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party.

(ii) Joint venture

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. These parties are known as joint venturers.

In the separate financial statements of the Company, an investment in a joint venture is stated at cost.

Any premium paid for an investment in a joint venture above the fair value of the share of the identifiable assets, liabilities and contingent liabilities acquired of the Group is capitalised and included in the carrying amount of the investment in joint venture. Where there is an objective evidence that the investment in a joint venture has been impaired, the carrying amount of the investment is tested for impairment in accordance with MFRS 136 *Impairment of Assets* as a single asset, by comparing its recoverable amount with its carrying amount.

The Group recognises its interest in a joint venture as an investment and accounts for that investment using the equity method in accordance with MFRS 128 *Investment in Associates and Joint Ventures*.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.5 Investments (cont'd)

The Group determines the type of joint arrangement in which it is involved, based on the rights and obligations of the parties to the arrangement. In assessing the classification of interests in joint arrangements, the Group considers:

- (i) The structure of the joint arrangement;
- (ii) The legal form of joint arrangement structured through a separate vehicle;
- (iii) The contractual terms of the joint arrangement agreement; and
- (iv) Any other facts and circumstances.

When there are changes in the facts and circumstances change, the Group reassesses whether the type of joint arrangement in which it is involved has changed.

4.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries and a joint venture), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ('CGU') to which the asset belongs.

The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to reduce the carrying amount of the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.7 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition are accounted for as follows:

- (a) raw materials and goods-in-transit: purchase costs on a first-in first-out basis.
- (b) finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale.

4.8 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the statement of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

An embedded derivative is separated from the host contract and accounted for as a derivative if, and only if the economic characteristics and risks of the embedded derivative is not closely related to the economic characteristics and risks of the host contract, a separate instrument with the same terms as the embedded derivative meets the definition of a derivative, and the hybrid instrument is not measured at fair value through profit or loss.

- (a) Financial assets

A financial asset is classified into the following four (4) categories after initial recognition for the purpose of subsequent measurement:

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss comprise financial assets that are held for trading (i.e. financial assets acquired principally for the purpose of resale in the near term), derivatives (both, freestanding and embedded) and financial assets that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial assets classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial assets classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

However, derivatives that is linked to and must be settled by delivery of unquoted equity instruments that do not have a quoted market price in an active market are recognised at cost.

(ii) Held-to-maturity investments

Financial assets classified as held-to-maturity comprise non-derivative financial assets with fixed or determinable payments and fixed maturity that the Group has the positive intention and ability to hold to maturity.

Subsequent to initial recognition, financial assets classified as held-to-maturity are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iii) Loans and receivables

Financial assets classified as loans and receivables comprise non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Subsequent to initial recognition, financial assets classified as loans and receivables are measured at amortised cost using the effective interest method. Gains or losses on financial assets classified as held-to-maturity are recognised in profit or loss when the financial assets are derecognised or impaired, and through the amortisation process.

(iv) Available-for-sale financial assets

Financial assets classified as available-for-sale comprise non-derivative financial assets that are designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(iv) Available-for-sale financial assets (cont'd)

Subsequent to initial recognition, financial assets classified as available-for-sale are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets classified as available-for-sale are recognised directly in other comprehensive income, except for impairment losses and foreign exchange gains and losses, until the financial asset is derecognised, at which time the cumulative gains or losses previously recognised in other comprehensive income are recognised in profit or loss. However, interest calculated using the effective interest method is recognised in profit or loss whilst dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

Cash and cash equivalents include cash and bank balances, bank overdrafts, fixed deposits pledged to financial institutions, deposits and other short term, highly liquid investments with original maturities of three (3) months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale assets shall be recognised and derecognised, as applicable using trade date accounting.

(b) Financial liabilities

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. A financial liability is classified into the following two (2) categories after initial recognition for the purpose of subsequent measurement:

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

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 will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of every reporting period, the Group assesses whether its recognised insurance liabilities are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as financial liabilities at the time the guarantee is issued.

The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation, where appropriate.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.8 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

The fair value of financial guarantees is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Corporate guarantees provided by the Company for no compensation, in relation to loans or payables of subsidiaries are initially measured at fair value and any resulting differences are recognised as contributions by the Company which form part of the cost of investment in subsidiaries.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Transaction costs of an equity transaction are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statement of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Main Market Listing Requirements.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sales consideration and the carrying amount is shown as a movement in equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.9 Impairment of financial assets

The Group assesses whether there is any objective evidence that a financial asset is impaired at the end of each reporting period.

Loans and receivables

The Group collectively considers factors such as the probability of bankruptcy or significant financial difficulties of the receivable, and default or significant delay in payments by the receivable, to determine whether there is objective evidence that an impairment loss on loans and receivables has occurred. Other objective evidence of impairment include historical collection rates determined on an individual basis and observable changes in national or local economic conditions that are directly correlated with the historical default rates of receivables.

If any such objective evidence exists, the amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of loans and receivables are reduced through the use of an allowance account.

If in a subsequent period, the amount of the impairment loss decreases and it objectively relates to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of impairment reversed is recognised in profit or loss.

4.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualified asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing cost is recognised in profit or loss in the period in which they are incurred.

4.11 Income taxes

Income taxes include all domestic and foreign taxes on taxable profit. Income taxes also include other taxes, such as withholding taxes, which are payable by a foreign joint venture on distributions to the Group and real property gains taxes payable on disposal of properties, if any.

Taxes in the profit or loss and other comprehensive income comprise current tax and deferred tax.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Income taxes (cont'd)

(a) Current tax

Current tax expenses are determined according to the tax laws of each jurisdiction in which the Group operates and include all taxes based upon the taxable profits (including withholding taxes payable by foreign joint ventures on distribution of retained earnings to the Group) and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statement of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profits will be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset will be reduced accordingly. When it becomes probable that sufficient taxable profits will be available, such reductions will be reversed to the extent of the taxable profits.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) the same taxable entity; or
- (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in the profit or loss for the period unless the tax relates to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax will be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws the Government in annual budgets which have the substantive effect of actual enactment by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2013

4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.11 Income taxes (cont'd)

(c) Sales tax

Revenue, expenses and assets are recognised net of the amount of sales tax except:

- (i) where the sales tax incurred in a purchase of assets or services is not recoverable from taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

4.12 Provisions

Provisions are recognised 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.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

4.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.14 Employee benefits

(a) Short term employee benefits

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Company and its subsidiaries make contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

4.15 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Ringgit Malaysia, which is the Company's functional and presentation currency.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.15 Foreign currencies (cont'd)

(c) Foreign operations

Financial statements of foreign operations are translated at end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statement of comprehensive income. All resulting translation differences are recognised as a separate component of equity.

In the consolidated financial statements, exchange differences arising from the translation of net investment in foreign operations are taken to equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on disposal.

Exchange differences arising on a monetary item that forms part of the net investment of the Company in a foreign operation shall be recognised in profit or loss in the separate financial statements of the Company or the foreign operation, as appropriate. In the consolidated financial statements, such exchange differences shall be recognised initially as a separate component of equity and recognised in profit or loss upon disposal of the net investment.

4.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivables, net of discounts and rebates.

Revenue is recognised to the extent that it is probable that the economic benefits associated with the transaction would flow to the Group, and the amount of revenue and the cost incurred or to be incurred in respect of the transaction can be reliably measured and specific recognition criteria have been met for each of the Group's activities as follows:

(a) Sales of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of the goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Dividend income

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

(c) Interest income

Interest income is recognised using the effective interest method.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.17 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engages in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenues.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten (10) per cent or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten (10) per cent or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten (10) per cent or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy five (75) percent of the Group's revenue. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

4.18 Earnings per share

- (a) Basic

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.

- (b) Diluted

Diluted 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 adjusted for the effects of dilutive potential ordinary shares.

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4. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

4.19 Fair value measurements

The fair value of an asset or a liability is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transactions to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) the condition and location of the asset; and
- (b) restrictions, if any, on the sale or use of the assets.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) a liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) an entity's own equity instrument would remain outstanding and the market participant transferee would take on the right and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

5.1 New MFRSs adopted during the current financial year

The Group and 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 101 <i>Presentation of Items of Other Comprehensive Income</i> | 1 July 2012 |
| MFRS 10 <i>Consolidated Financial Statements</i> | 1 January 2013 |
| MFRS 11 <i>Joint Arrangements</i> | 1 January 2013 |
| MFRS 12 <i>Disclosure of Interests in Other Entities</i> | 1 January 2013 |
| MFRS 13 <i>Fair Value Measurement</i> | 1 January 2013 |
| MFRS 119 <i>Employee Benefits (2011)</i> | 1 January 2013 |
| MFRS 127 <i>Separate Financial Statements</i> | 1 January 2013 |
| MFRS 128 <i>Investments in Associates and Joint Ventures</i> | 1 January 2013 |
| Amendments to MFRS 1 <i>Government Loans</i> | 1 January 2013 |
| Amendments to MFRS 7 <i>Disclosures – Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2013 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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5. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

5.1 New MFRSs adopted during the current financial year (cont'd)

| Title | Effective Date |
|--|----------------|
| Amendments to MFRSs <i>Annual Improvements 2009 – 2011 Cycle</i> | 1 January 2013 |
| Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i> | 1 January 2013 |
| IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i> | 1 January 2013 |

There is no material impact upon adoption of the above Standards during the financial year.

5.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2014

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

| Title | Effective Date |
|--|----------------|
| Amendments to MFRS 10 <i>Consolidated Financial Statements: Investment Entities</i> | 1 January 2014 |
| Amendments to MFRS 12 <i>Disclosure of Interest in Other Entities: Investment Entities</i> | 1 January 2014 |
| Amendments to MFRS 127 <i>Separate Financial Statements (2011): Investment Entities</i> | 1 January 2014 |
| Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i> | 1 January 2014 |
| Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i> | 1 January 2014 |
| Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i> | 1 January 2014 |
| IC Interpretation 21 <i>Levies</i> | 1 January 2014 |
| <i>Defined Benefit Plans: Employee Contributions</i> (Amendments to MFRS 119) | 1 July 2014 |
| Amendments to MFRSs <i>Annual Improvements 2010 – 2012 Cycle</i> | 1 July 2014 |
| Amendments to MFRSs <i>Annual Improvements 2011 – 2013 Cycle</i> | 1 July 2014 |
| <i>Mandatory Effective Date of MFRS 9 and Transition Disclosures</i> | Deferred |
| MFRS 9 <i>Financial Instruments (2009)</i> | Deferred |
| MFRS 9 <i>Financial Instruments (2010)</i> | Deferred |
| MFRS 9 <i>Financial Instruments</i> (Hedge Accounting and Amendments to MFRS 9, MFRS 7 and MFRS 139) | Deferred |

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

6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

6.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.2 Critical judgements made in applying accounting policies

The following are judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the financial statements.

(a) Classification of leasehold land

The Group has assessed and classified land use rights 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 as finance leases in accordance with MFRS 117 *Leases*.

(b) Contingent liabilities

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business.

(c) Classification of non-current bank borrowings

Term loan agreements entered into by the Group include repayment on demand clauses at the discretion of financial institutions. The Group believes that in the absence of a default being committed by the Group, these financial institutions are not entitled to exercise its right to demand for repayment. Accordingly, the carrying amount of the term loans have been classified between current and non-current liabilities based on their repayment period.

(d) Contingent liabilities on corporate guarantees

The determination of treatment of contingent liabilities is based on management's view of the expected outcome of the contingencies for matters in the ordinary course of the business. The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantees are remote.

6.3 Key sources of estimation uncertainty

The following are key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(a) Depreciation of plant and machinery

The cost of plant and machinery is depreciated on a straight-line basis over the assets' useful lives. Management estimates that the useful lives of these plant and machinery as disclosed in Note 4.3 to the financial statements. The useful lives are based on the Group's historical experience with similar assets and taking into account of anticipated technological changes, which are common life expectancies applied in the manufacturing industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, and therefore future depreciation charges could be revised.

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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.3 Key sources of estimation uncertainty (cont'd)

(b) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses and unabsorbed capital allowances to the extent that it is probable that future taxable profits would be available against which the losses and capital allowances could be utilised. Significant management judgement is required to determine the amount of deferred tax assets that could be recognised, based on the likely timing and extent of future taxable profits together with future tax planning strategies.

(c) Impairment of receivables

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debt, customer creditworthiness, current economic trends and changes in customer payment terms when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(d) Write down for obsolete or slow moving inventories

The Group writes down its obsolete or slow moving inventories based on assessment of their estimated net selling price. Inventories are written down when events or changes in circumstances indicate that the carrying amounts could not be recovered. Management specifically analyses sales trend and current economic trends when making this judgement to evaluate the adequacy of the write down for obsolete or slow moving inventories. Where expectations differ from the original estimates, the differences would impact the carrying amount of inventories.

(e) Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group assesses the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether there are any factors that give the Group rights to the net assets of the joint arrangements (in which case it is classified as a joint venture), or rights to specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). These factors include:

- (i) Structure;
- (ii) Legal form;
- (iii) Contractual agreement; and
- (iv) Other facts and circumstances.

Upon consideration of these factors, the Group has determined that all of its joint arrangements structured through separate vehicles provide rights to the net assets and are therefore, classified as joint ventures.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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6. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (cont'd)

6.3 Key sources of estimation uncertainty (cont'd)

(f) Fair values of borrowings

The fair values of borrowings are estimated by discounting future contractual cash flows at the current market interest rates available to the Group for similar financial instruments. Sensitivity analysis of the effects of interest rate risk has been disclosed in Note 33 to the financial statements.

(g) Impairment of investments in subsidiaries and joint venture

The management reviews the material investments in subsidiaries and joint venture for impairment when there is an indication of impairment.

The recoverable amounts of the investments in subsidiaries and joint venture are assessed by reference to the higher of its fair value less cost to sell and its value in use of the respective subsidiaries and joint venture.

Estimating a value in use requires management to make an estimate of the expected future cash flows to be derived from continuing use of the asset and from its ultimate disposal, expectations about possible variations in the amount, timing of those cash flows, the time value of money, price for inherent uncertainty risk and other relevant factors.

(h) Fair value measurement

The fair value measurement of the financial and non-financial assets and liabilities of the Group utilises market observable inputs and data as far as possible, where applicable. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are:

- (i) Level 1: Quoted prices in active markets for identical items (unadjusted);
- (ii) Level 2: Observable direct or indirect inputs other than Level 1 inputs; and
- (iii) Level 3: Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used in the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

The Group measures its financial instruments at fair value as disclosed in Note 32 to the financial statements.

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7. PROPERTY, PLANT AND EQUIPMENT

| Group 2013 | Long-term leasehold land RM'000 | Factory and office buildings RM'000 | Plant and machinery, tools and implements RM'000 | Furniture and fittings and equipment RM'000 | Renovations and electrical installations RM'000 | Motor vehicles RM'000 | Construction -in-progress RM'000 | Total RM'000 |
|---------------------------------|--|--|--|---|---|-----------------------------|--|-----------------|
| Cost | | | | | | | | |
| As at | | | | | | | | |
| 1 January 2013 | 20,857 | 47,709 | 92,502 | 4,082 | 2,511 | 9,275 | 1,642 | 178,578 |
| Additions | - | 875 | 4,138 | 250 | 33 | 646 | 25 | 5,967 |
| Disposal | - | - | - | - | - | (319) | - | (319) |
| As at | | | | | | | | |
| 31 December 2013 | 20,857 | 48,584 | 96,640 | 4,332 | 2,544 | 9,602 | 1,667 | 184,226 |
| Accumulated depreciation | | | | | | | | |
| As at | | | | | | | | |
| 1 January 2013 | 1,961 | 5,575 | 28,947 | 2,365 | 1,409 | 2,997 | - | 43,254 |
| Charge for the year | 247 | 917 | 4,633 | 265 | 160 | 598 | - | 6,820 |
| Disposal | - | - | - | - | - | (207) | - | (207) |
| As at | | | | | | | | |
| 31 December 2013 | 2,208 | 6,492 | 33,580 | 2,630 | 1,569 | 3,388 | - | 49,867 |
| Carrying amount | | | | | | | | |
| As at | | | | | | | | |
| 31 December 2013 | 18,649 | 42,092 | 63,060 | 1,702 | 975 | 6,214 | 1,667 | 134,359 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Group 2012 | Long-term leasehold land RM'000 | Factory and office buildings RM'000 | Plant and machinery, tools and implements RM'000 | Furniture and fittings and equipment RM'000 | Renovations and electrical installations RM'000 | Motor vehicles RM'000 | Construction -in-progress RM'000 | Total RM'000 |
|--|--|--|--|---|---|-----------------------------|--|-----------------|
| Cost | | | | | | | | |
| As at | | | | | | | | |
| 1 January 2012 | 16,158 | 42,485 | 80,448 | 3,873 | 2,363 | 7,171 | 8,163 | 160,661 |
| Additions | - | 490 | 7,538 | 209 | 148 | 2,251 | 3,217 | 13,853 |
| Transfer from | | | | | | | | |
| prepaid lease payments for land (Note 8) | 4,211 | - | - | - | - | - | - | 4,211 |
| Disposal | - | - | - | - | - | (147) | - | (147) |
| Reclassification | 488 | 4,734 | 4,516 | - | - | - | (9,738) | - |
| As at | | | | | | | | |
| 31 December 2012 | 20,857 | 47,709 | 92,502 | 4,082 | 2,511 | 9,275 | 1,642 | 178,578 |
| Accumulated depreciation | | | | | | | | |
| As at | | | | | | | | |
| 1 January 2012 | 1,345 | 4,616 | 24,606 | 2,046 | 1,251 | 2,617 | - | 36,481 |
| Charge for the year | 316 | 959 | 4,341 | 319 | 158 | 527 | - | 6,620 |
| Transfer from | | | | | | | | |
| prepaid lease payments for land (Note 8) | 300 | - | - | - | - | - | - | 300 |
| Disposal | - | - | - | - | - | (147) | - | (147) |
| As at | | | | | | | | |
| 31 December 2012 | 1,961 | 5,575 | 28,947 | 2,365 | 1,409 | 2,997 | - | 43,254 |
| Carrying amount | | | | | | | | |
| As at | | | | | | | | |
| 31 December 2012 | 18,896 | 42,134 | 63,555 | 1,717 | 1,102 | 6,278 | 1,642 | 135,324 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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7. PROPERTY, PLANT AND EQUIPMENT (cont'd)

| Company | Furniture and fittings | |
|---------------------------------|------------------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Cost | | |
| At 1 January/31 December | 5 | 5 |
| Accumulated depreciation | | |
| At 1 January/31 December | 5 | 5 |
| Carrying amount | | |
| At 31 December | - | - |

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

| | Group | |
|--|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Purchase of property, plant and equipment | 5,967 | 13,853 |
| Financed by hire purchase | (401) | (668) |
| Financed by credit purchase (Note 19(c)) | (160) | (1,564) |
| Cash payments on purchase of property, plant and equipment | 5,406 | 11,621 |

- (b) The carrying amount of the property, plant and equipment of the Group under finance lease at the end of the reporting period are as follows:

| | Group | |
|---------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Plant and machinery | 3,167 | 3,355 |
| Motor vehicles | 2,693 | 2,826 |
| | 5,860 | 6,181 |

- (c) As at the end of the reporting period, certain long term leasehold land, factory and office buildings, plant and machinery with a carrying amount of RM56,665,000 (2012: RM51,431,000) have been charged to bank for credit facilities granted to the Group as disclosed in Note 17 to the financial statements.

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8. PREPAID LEASE PAYMENTS FOR LAND

| Group | Balance as at 1.1.2013 RM'000 | Addition RM'000 | Amortisation charge for the financial year RM'000 | Balance as at 31.12.2013 RM'000 |
|---------------------------|--|--------------------|---|--|
| Carrying amount | | | | |
| Short term leasehold land | 1,731 | 5,000 | (370) | 6,361 |

| | [----- At 31.12.2013 -----] | | |
|---------------------------|-----------------------------|---------------------------------------|------------------------------|
| | Cost RM'000 | Accumulated amortisation RM'000 | Carrying amount RM'000 |
| Short term leasehold land | 7,201 | (840) | 6,361 |

| Group | Balance as at 1.1.2012 RM'000 | Addition RM'000 | Amortisation charge for the financial year RM'000 | Transfer to property, plant and equipment RM'000 | Balance as at 31.12.2012 RM'000 |
|---------------------------|--|--------------------|---|--|--|
| Carrying amount | | | | | |
| Short term leasehold land | 4,488 | 1,211 | (57) | (3,911) | 1,731 |

| | [----- At 31.12.2012 -----] | | |
|---------------------------|-----------------------------|---------------------------------------|------------------------------|
| | Cost RM'000 | Accumulated amortisation RM'000 | Carrying amount RM'000 |
| Short term leasehold land | 2,201 | (470) | 1,731 |

9. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|-----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Unquoted shares | 142,423 | 128,423 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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9. INVESTMENTS IN SUBSIDIARIES (cont'd)

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

| Name of company | Country of incorporation | Effective interest in equity | | Principal activities |
|---|--------------------------|------------------------------|-----------|---|
| | | 2013 % | 2012 % | |
| San Soon Seng Food Industries Sdn. Bhd. | Malaysia | 100 | 100 | Manufacturing and sale of food and beverage ingredients |
| Three-A Food Industries (M) Sdn. Bhd. | Malaysia | 100 | 100 | Investment holding |

All subsidiaries are audited by BDO, Malaysia.

(b) During the financial year, amounts owing by subsidiaries amounting to RM14,000,000 have been capitalised as investments in subsidiaries (Note 13(c)).

10. INVESTMENT IN A JOINT VENTURE

| | Group | |
|------------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Unquoted equity shares, at cost | 14,039 | 14,039 |
| Share of post-acquisition reserves | (6,311) | (2,036) |
| | 7,728 | 12,003 |
| Exchange differences | 1,619 | 483 |
| | 9,347 | 12,486 |

(a) The details of the joint venture are as follows:

| Name | Country of incorporation | Proportion (%) of ownership interest | | Principal activities |
|--|----------------------------|--------------------------------------|-----------|---|
| | | 2013 % | 2012 % | |
| Held through Three-A Food Industries (M) Sdn. Bhd. | | | | |
| Three-A (Qinhuangdao) Food Industries Co. Ltd.# | People's Republic of China | 50 | 50 | Manufacturing and sale of food and beverage ingredients |

Audited by a firm other than BDO

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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10. INVESTMENT IN A JOINT VENTURE (cont'd)

- (b) Three-A (Qinhuangdao) Food Industries Co. Ltd., the only joint venture in which the Group participates, is an unlisted separate structured entity whose quoted market price is not available. The contractual arrangement provides the Group with only the rights to the net assets or 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 has been classified as a joint venture and has been included in the consolidated financial statements using the equity method.
- (c) The summarised financial information of the joint venture, adjusted for any differences in accounting policies and a reconciliation to the carrying amount in the consolidated financial statements, are as follows:

| | Group | |
|--|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Assets and liabilities: | | |
| Non-current assets | 55,421 | 46,507 |
| Current assets | 5,816 | 17,992 |
| Current liabilities | (42,543) | (39,527) |
| Net assets | 18,694 | 24,972 |
| Proportion of the ownership of the Group | 50% | 50% |
| Carrying amount of the investment in joint venture | 9,347 | 12,486 |
| Results | | |
| Revenue | 2,624 | 845 |
| Cost of sales | (7,821) | (1,678) |
| Gross loss | (5,197) | (833) |
| Administrative expenses | (1,219) | (1,927) |
| Finance cost | (2,134) | (657) |
| Loss before tax | (8,550) | (3,417) |
| Taxation | - | 273 |
| Loss for the financial year | (8,550) | (3,144) |
| Share of loss by the Group for the financial year | (4,275) | (1,572) |

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10. INVESTMENT IN A JOINT VENTURE (cont'd)

(d) The Group's commitments in respect of its investment in joint venture are as follows:

| | Note | Group | |
|---|-------|-----------------|-----------------|
| | | 2013 USD'000 | 2012 USD'000 |
| Co-operation commitments | (i) | 20,000 | 20,000 |
| Balance of the investment commitment in joint venture | (ii) | 5,450 | 5,450 |
| | | RM'000 | RM'000 |
| Share of capital commitments of joint venture on buildings, machinery and equipment | (iii) | 64 | 2,048 |

- (i) On 5 May 2010, the Group had entered into a framework co-operation agreement with Wilmar International Limited ("Wilmar"), a company incorporated in Singapore to set up 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.
- (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 during the year. As at the end of reporting period, the Group had invested a total amount of USD4,550,000 (2012: USD4,550,000).
- (iii) The joint venture company has capital commitments of RMB237,000 (2012: RMB8,345,000) on buildings, machinery and equipment as at 31 December 2013. The Group's share of the capital commitment is RMB118,400 (2012: RMB4,172,000) (equivalent to RM64,000 (2012: RM2,048,000)), representing the Group's 50% share in the joint venture company.
- (e) The exchange rate of RMB1.00: RM0.5411 (2012: RMB1.00: RM0.4909) as at end of reporting period have been used.

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11. DEFERRED TAX

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

| | Group | |
|---|----------------|------------------------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) |
| Balance as at 1 January | 12,377 | 7,999 |
| Recognised in profit or loss (Note 26) | 766 | 4,378 |
| Balance as at 31 December | 13,143 | 12,377 |
| Deferred tax liabilities presented after appropriate offsetting | 13,143 | 12,377 |

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

Deferred tax liabilities of the Group

| | Property, plant and equipment RM'000 | Others RM'000 | Total RM'000 |
|--------------------------------|---|------------------|-----------------|
| Balance as at 1 January 2012 | 11,542 | 150 | 11,692 |
| Recognised in profit or loss | 2,027 | (243) | 1,784 |
| Balance as at 31 December 2012 | 13,569 | (93) | 13,476 |
| Recognised in profit or loss | 1,181 | 149 | 1,330 |
| Balance as at 31 December 2013 | 14,750 | 56 | 14,806 |

Deferred tax assets of the Group

| | Other payables RM'000 |
|--------------------------------|--------------------------|
| Balance as at 1 January 2012 | (3,693) |
| Recognised in profit or loss | 2,594 |
| Balance as at 31 December 2012 | (1,099) |
| Recognised in profit or loss | (564) |
| Balance as at 31 December 2013 | (1,663) |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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12. INVENTORIES

| | Group | |
|-------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| At cost | | |
| Raw materials | 29,812 | 45,667 |
| Goods-in-transit | 4,252 | 3,650 |
| Work-in-progress | 3,331 | 4,009 |
| Packing materials | 1,032 | 1,249 |
| Finished goods | 8,361 | 9,295 |
| | 46,788 | 63,870 |

During the financial year, inventories of the Group recognised as cost of sales amounted to RM237,738,000 (2012: RM235,817,000).

13. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Trade receivables | | | | |
| Third parties | 74,925 | 80,669 | - | - |
| Related party | 162 | 164 | - | - |
| | 75,087 | 80,833 | - | - |
| Less: Impairment losses - third parties | (956) | (16) | - | - |
| | 74,131 | 80,817 | - | - |
| Other receivables | | | | |
| Amounts owing by subsidiaries | - | - | 6,668 | 20,474 |
| Other receivables | 8 | 13 | 8 | 13 |
| Staff loans | 20 | 33 | - | - |
| Deposits | 324 | 1,301 | - | - |
| | 352 | 1,347 | 6,676 | 20,487 |
| Loans and receivables | 74,483 | 82,164 | 6,676 | 20,487 |
| Prepayments | 4,719 | 300 | - | - |
| Total trade and other receivables | 79,202 | 82,464 | 6,676 | 20,487 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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13. TRADE AND OTHER RECEIVABLES (cont'd)

- (a) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 150 days (2012: 30 to 150 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (b) Related party's debt 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 on 90 days (2012: 90 days) credit term and is repayable in cash.
- (c) Amounts owing by subsidiaries represent non-trade transactions, which are unsecured, interest-free and payable upon demand in cash and cash equivalents. Included in amounts owing by subsidiaries is the subordination up to RM28,000,000 (2012: RM28,000,000) of advances to a subsidiary as required by borrowing covenant (Note 17).

In addition, during the financial year, an amount of RM14,000,000 owing by subsidiaries have been capitalised as investments in subsidiaries, as disclosed in Note 9 to the financial statements.

- (d) In the previous financial year, included in deposits of the Group was RM1,000,000 of deposit paid by a subsidiary for the purchase of a piece of leasehold agricultural land held under No. Hakmilik HSM 1366 for PT No. 848 situated in Sungai Buloh New Village, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan from Mdm. Chong Foong Tai.
- (e) Included in prepayments is RM4,209,000 (2012: RM nil) paid to suppliers for purchase of raw materials.
- (f) The currency exposure profile of receivables are as follows:

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Ringgit Malaysia | 57,608 | 58,835 | 6,676 | 20,487 |
| US Dollar | 15,566 | 20,447 | - | - |
| Singapore Dollar | 1,309 | 2,882 | - | - |
| | 74,483 | 82,164 | 6,676 | 20,487 |

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13. TRADE AND OTHER RECEIVABLES (cont'd)

(g) The ageing analysis of trade receivables of the Group are as follows:

| | Group | |
|--|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Neither past due nor impaired | 72,876 | 78,227 |
| Past due and not impaired | | |
| 1 month past due not impaired | 680 | 938 |
| 2 months past due not impaired | 413 | 1,329 |
| 3 months past due not impaired | 141 | 205 |
| 4 months past due not impaired | - | 112 |
| More than 5 months past due not impaired | 21 | 6 |
| Past due and not impaired | 1,255 | 2,590 |
| Past due and impaired | 956 | 16 |
| | 75,087 | 80,833 |

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy trade receivables with good payment records with the Group. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to RM1,255,000 (2012: RM2,590,000) that are past due at the end of the reporting period but not impaired. Trade receivables that are past due but not impaired mainly arose from active corporate customers with healthy business relationship, in which the Group is of the view that the amounts are recoverable based on past payment history. Trade receivables of the Group that are past due but not impaired are unsecured in nature. The Group closely monitors the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

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13. TRADE AND OTHER RECEIVABLES (cont'd)

(g) The ageing analysis of trade receivables of the Group are as follows: (cont'd)

Receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of each reporting period are as follows:

| | Individually impaired | |
|-------------------------------------|------------------------------|---------------|
| | 2013 | 2012 |
| | RM'000 | RM'000 |
| Trade receivables - nominal amounts | 956 | 16 |
| Less: Impairment loss | (956) | (16) |
| | - | - |

(h) The reconciliation of movement in the impairment loss are as follows:

| | 2013 | 2012 |
|---|---------------|---------------|
| | RM'000 | RM'000 |
| Trade receivables | | |
| At 1 January | 16 | - |
| Charge for the financial year (Note 25) | 940 | 16 |
| At 31 December | 956 | 16 |

Trade receivables that are individually determined to be impaired at the end of each reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

(i) Information on financial risks of trade and other receivables is disclosed in Note 33 to the financial statements.

14. CASH AND CASH EQUIVALENTS

| | Group | | Company | |
|---|---------------|---------------|----------------|---------------|
| | 2013 | 2012 | 2013 | 2012 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Cash at banks and on hand | 16,720 | 12,782 | 6,646 | 1,823 |
| Short term deposits with licensed banks | - | 5,000 | - | 5,000 |
| | 16,720 | 17,782 | 6,646 | 6,823 |

(a) Information on financial risks of cash and cash equivalents is disclosed in Note 33 to the financial statements.

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14. CASH AND CASH EQUIVALENTS (cont'd)

(b) The currency exposure profile of cash and cash equivalent are as follows:

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Ringgit Malaysia | 15,992 | 16,897 | 6,646 | 6,823 |
| US Dollar | 692 | 846 | - | - |
| Singapore Dollar | 34 | 36 | - | - |
| Indonesia Rupiah | 1 | 2 | - | - |
| Philippine Peso | 1 | 1 | - | - |
| | 16,720 | 17,782 | 6,646 | 6,823 |

(c) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of each reporting period:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Cash at banks and on hand | 16,720 | 12,782 | 6,646 | 1,823 |
| Short term deposits with licensed banks | - | 5,000 | - | 5,000 |
| Bank overdrafts included in borrowings (Note 17) | (74) | (385) | - | - |
| | 16,646 | 17,397 | 6,646 | 6,823 |

15. SHARE CAPITAL

| | Group and Company | | | |
|--------------------------------------|-----------------------------|---------|-----------------------------|---------|
| | 2013 | | 2012 | |
| | Number of shares '000 | RM'000 | Number of shares '000 | RM'000 |
| Ordinary share of RM0.20 each | | | | |
| Authorised | 500,000 | 100,000 | 500,000 | 100,000 |
| Issued and fully paid | | | | |
| - At 1 January/31 December | 393,600 | 78,720 | 393,600 | 78,720 |

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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16. RESERVES

| | Group | | Company | |
|------------------------------|----------------|------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| Non-distributable | | | | |
| Share premium | 70,367 | 70,367 | 70,367 | 70,367 |
| Exchange translation reserve | 1,619 | 483 | - | - |
| | 71,986 | 70,850 | 70,367 | 70,367 |
| Distributable | | | | |
| Retained earnings | 68,325 | 62,732 | 1,885 | 1,915 |
| | 140,311 | 133,582 | 72,252 | 72,282 |

(a) Exchange translation reserve

The exchange translation reserve was used to record foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary items is denominated in either the functional currency of the reporting entity of the foreign operation.

(b) Retained earnings

Effective 1 July 2008, the Company is given the option to make an irrevocable election to move to a single tier system or to continue to use its tax credit under Section 108 of the Income Tax Act, 1967 for the purpose of dividend distribution until the tax credit is fully utilised or latest, by 31 December 2013.

The Company has decided not to make this election and has sufficient tax credit under Section 108 of the Income Tax Act, 1967 to frank the payment of dividends out of its entire retained earnings without incurring additional tax liabilities.

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17. BORROWINGS

| | Group | |
|-----------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Current liabilities | | |
| Secured: | | |
| Bank overdrafts (Note 14) | 74 | 385 |
| Bankers' acceptances | 17,154 | 45,465 |
| Term loans | 4,635 | 4,343 |
| Hire purchase creditors (Note 18) | 1,029 | 830 |
| | 22,892 | 51,023 |
| Non-current liabilities | | |
| Secured: | | |
| Term loans | 16,823 | 17,650 |
| Hire purchase creditors (Note 18) | 2,981 | 3,314 |
| | 19,804 | 20,964 |
| Total borrowings | | |
| Secured: | | |
| Bank overdrafts (Note 14) | 74 | 385 |
| Bankers' acceptances | 17,154 | 45,465 |
| Term loans | 21,458 | 21,993 |
| Hire purchase creditors (Note 18) | 4,010 | 4,144 |
| | 42,696 | 71,987 |

(a) 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 (Note 8), long-term leasehold land, factory and office buildings, plant and machinery of a subsidiary (Note 7);
- (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 RM38,612,000 (2012: RM67,458,000) by the Company; and
- (v) subordination up to RM28,000,000 (2012: RM28,000,000) of advances by the Company to the subsidiaries.

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17. BORROWINGS (cont'd)

(b) Term loans are repayable as follows:

| | Group | |
|---|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Not later than one (1) year | 4,635 | 4,343 |
| Later than one (1) year and not later than five (5) years | 12,933 | 13,921 |
| Later than five (5) years | 3,890 | 3,729 |
| | 21,458 | 21,993 |

(c) Information on financial risks of borrowings is disclosed in Note 33 to the financial statements.

(d) All borrowings are denominated in RM.

18. HIRE PURCHASE CREDITORS

| | Group | |
|---|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Future minimum lease payments: | | |
| Not later than 1 year | 1,263 | 1,083 |
| Later than 1 year and not later than 2 years | 1,149 | 956 |
| Later than 2 years and not later than 5 years | 2,075 | 2,160 |
| Later than 5 years | 154 | 777 |
| Total future minimum lease payments | 4,641 | 4,976 |
| Less: Future finance charges | (631) | (832) |
| Present value of finance lease liabilities | 4,010 | 4,144 |
| Analysis of present value of finance lease liabilities: | | |
| Not later than 1 year | 1,029 | 830 |
| Later than 1 year and not later than 2 years | 980 | 753 |
| Later than 2 years and not later than 5 years | 1,848 | 1,819 |
| Later than 5 years | 153 | 742 |
| | 4,010 | 4,144 |
| Less: Amounts due within 12 months | (1,029) | (830) |
| Amounts due after 12 months | 2,981 | 3,314 |

Information on financial risks of borrowings is disclosed in Note 33 to the financial statements.

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19. TRADE AND OTHER PAYABLES

| | Group | | Company | |
|--------------------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Trade payables - third parties | 7,331 | 4,349 | - | - |
| Other payables | 2,484 | 4,767 | - | - |
| Accruals | 3,217 | 4,143 | 52 | 43 |
| | 5,701 | 8,910 | 52 | 43 |
| Total trade and other payables | 13,032 | 13,259 | 52 | 43 |

(a) Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 60 days (2012: 30 to 60 days).

(b) The currency exposure profile of payables are as follows:

| | Group | | Company | |
|------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Ringgit Malaysia | 12,491 | 12,520 | 52 | 43 |
| Euro | 165 | 315 | - | - |
| US Dollar | 376 | 424 | - | - |
| | 13,032 | 13,259 | 52 | 43 |

(c) Included in other payables of the Group are credit purchase of property, plant and equipment amounting to RM160,000 (2012: RM1,564,000).

(d) Information on financial risk of trade and other payables is disclosed in Note 33 to the financial statements.

20. CAPITAL COMMITMENTS

| | Group | |
|---|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Capital expenditure in respect of purchase of property, plant and equipment: Contracted but not provided for | 23 | 5,401 |
| | 23 | 5,401 |

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21. CONTINGENT LIABILITIES

| | Company | |
|---|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Corporate guarantees given to banks for credit facilities granted to a subsidiary – secured (Note 17) | 38,612 | 67,458 |

The Directors have assessed the financial guarantee contracts and concluded that the guarantees are unlikely to be called upon by the banks. This is because the guarantees are collateralised by fixed charges over certain properties, plant and equipment of the Group (Notes 7 and 17). The Directors have estimated the financial impact of the guarantees as at 31 December 2013 to be insignificant.

22. REVENUE

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Sales of goods | 302,910 | 306,429 | - | - |
| Dividend income from a subsidiary | - | - | 5,003 | 5,003 |
| | 302,910 | 306,429 | 5,003 | 5,003 |

23. COST OF SALES

Cost of sales comprises of cost of goods sold and its associated expenses.

24. FINANCE COSTS

| | Group | |
|---------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Interest expense on: | | |
| - bank overdrafts | 31 | 74 |
| - term loans | 1,513 | 1,661 |
| - bankers' acceptances | 958 | 959 |
| - hire purchase creditors | 292 | 298 |
| | 2,794 | 2,992 |

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25. PROFIT BEFORE TAX

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Profit before tax is stated after charging: | | | | | |
| Amortisation of prepaid lease payments for land | 8 | 370 | 57 | - | - |
| Auditors' remuneration | | | | | |
| - current year | | 100 | 114 | 30 | 30 |
| - under provision in prior year | | 8 | - | 5 | - |
| - others | | 1 | 6 | 1 | 6 |
| Bad debts written off | | - | 1 | - | - |
| Depreciation of property, plant and equipment | 7 | 6,820 | 6,620 | - | - |
| Directors' remuneration | | | | | |
| - other emoluments | | | | | |
| - payable by the Company | | 110 | 110 | 110 | 110 |
| - payable by a subsidiary | | 2,511 | 2,359 | - | - |
| Impairment of trade and other receivables | 13 | 940 | 16 | - | - |
| Interest expense on: | | | | | |
| - term loan | 24 | 1,513 | 1,661 | - | - |
| - bankers' acceptances | 24 | 958 | 959 | - | - |
| - bank overdrafts | 24 | 31 | 74 | - | - |
| - hire purchase creditors | 24 | 292 | 298 | - | - |
| Realised foreign exchange loss | | - | 451 | - | - |
| Rental of machineries | | 86 | 84 | - | - |
| Rental of premises | | 288 | 202 | - | - |
| Unrealised foreign exchange loss | | - | 373 | - | - |
| <i>And crediting:</i> | | | | | |
| Gain on disposal of property, plant and equipment | | 18 | 28 | - | - |
| Interest income | | 76 | 345 | 76 | 344 |
| Realised foreign exchange gain | | 112 | - | - | - |
| Unrealised foreign exchange gain | | 453 | - | - | - |

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26. TAX EXPENSE

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| Current tax | | | | |
| Current tax expense based on profit for the financial year | 4,816 | 1,427 | 21 | 83 |
| Under provision in prior years | 222 | 8 | - | - |
| | 5,038 | 1,435 | 21 | 83 |
| Deferred tax (Note 11): | | | | |
| Relating to origination and reversal of temporary differences | 627 | 3,809 | - | - |
| Under provision in prior years | 139 | 569 | - | - |
| | 766 | 4,378 | - | - |
| | 5,804 | 5,813 | 21 | 83 |

Malaysian income tax is calculated at the statutory tax rate of 25% (2012: 25%) of the estimated taxable profit for the fiscal year.

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

| | Group | | Company | |
|---|----------------|------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| Profit before tax | 16,120 | 21,999 | 4,714 | 5,050 |
| Taxation at Malaysian statutory tax rate of 25% (2012: 25%) | 4,030 | 5,500 | 1,179 | 1,262 |
| Tax effect in respect of: | | | | |
| Non-allowable expenses | 348 | 313 | 93 | 72 |
| Non-taxable income | (4) | - | (1,251) | (1,251) |
| Utilisation of previously unrecognised deferred tax assets | - | (970) | - | - |
| Share of results of joint venture (foreign) | 1,069 | 393 | - | - |
| | 5,443 | 5,236 | 21 | 83 |
| Under provision of deferred tax in prior years | 139 | 569 | - | - |
| Under provision of income tax expense in prior years | 222 | 8 | - | - |
| Tax expense recognised in profit or loss | 5,804 | 5,813 | 21 | 83 |

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27. EARNINGS PER SHARE

- (a) Basic earnings per ordinary share

Basic earnings per ordinary share for the financial year is calculated by dividing 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 | |
|---|----------------|------------------------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) |
| Profit attributable to owners of the parent | 10,316 | 16,186 |
| Weighted average number of ordinary shares outstanding ('000) | 393,600 | 393,600 |
| Basic earnings per ordinary share (sen) | 2.6 | 4.1 |

- (b) Diluted earnings per ordinary share equals basic earnings per ordinary share.

28. DIVIDENDS

| | Group and Company | | | |
|-----------------------------|------------------------------|---------------------------|------------------------------|---------------------------|
| | 2013 | | 2012 | |
| | Gross dividend per share sen | Amount of dividend RM'000 | Gross dividend per share sen | Amount of dividend RM'000 |
| Interim tax exempt dividend | 1.2 | 4,723 | 1.2 | 4,723 |

The Directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2013.

29. EMPLOYEE BENEFITS EXPENSES

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Salaries, wages, allowances and bonuses | 11,388 | 13,442 | 30 | 30 |
| Contributions to defined contribution plan | 613 | 914 | - | - |
| Social security contributions | 73 | 63 | - | - |
| Other employee benefits | 110 | 314 | - | - |
| | 12,184 | 14,733 | 30 | 30 |

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29. EMPLOYEE BENEFITS EXPENSES (cont'd)

Included in employee benefits expenses of the Group and of the Company are Executive Directors' remuneration amounting to RM2,169,022 (2012: RM2,389,000) and RM30,000 (2012: RM30,000) respectively.

30. RELATED PARTY TRANSACTIONS

(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 direct 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 |
|--|--|

(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:

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Related party: | | | | |
| Sale of products | 1,018 | 912 | - | - |
| Repayments by/(Advances to) subsidiaries | - | - | 4,808 | (6,234) |

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

(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 the Company.

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30. RELATED PARTY TRANSACTIONS (cont'd)

- (c) Compensation of key management personnel (continued)

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

| | Group | |
|--|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Short-term employee benefits | 3,416 | 3,119 |
| Contributions to defined contribution plan | 333 | 338 |
| | 3,749 | 3,457 |

31. SEGMENTS INFORMATION

- (a) Segmental information

Segment analysis has not been prepared as the Group's business 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.

- (b) 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, China, South Korea, Indonesia, Philippines, Vietnam, Australia and United States of America.

| | Group | |
|-------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| Malaysia | 215,279 | 212,577 |
| Singapore | 17,516 | 24,195 |
| Foreign countries | 70,115 | 69,657 |
| | 302,910 | 306,429 |

The Group's assets and liabilities are solely located in Malaysia other than investment in a joint venture amounting to RM14,039,000 (2012: RM14,039,000) which is located in the People's Republic of China.

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32. FINANCIAL INSTRUMENTS

(a) 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 a going concern 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 2013 and 31 December 2012.

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. Capital represents equity attributable to the owners of the parent.

| | Group | | Company | |
|------------------------------|-----------------|----------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 | 2013 RM'000 | 2012 RM'000 |
| Borrowings | 42,696 | 71,987 | - | - |
| Trade and other payables | 13,032 | 13,259 | 52 | 43 |
| Total liabilities | 55,728 | 85,246 | 52 | 43 |
| Less: Cash and bank balances | (16,720) | (12,782) | (6,646) | (1,823) |
| Net debt | 39,008 | 72,464 | (6,594) | (1,780) |
| Total capital | 219,031 | 212,302 | 150,972 | 151,002 |
| Net debt | 39,008 | 72,464 | (6,594) | (1,780) |
| Equity | 258,039 | 284,766 | 144,378 | 149,222 |
| Gearing ratio (%) | 15 | 25 | * | * |

* Gearing ratio is not presented as the Company is in net cash position as at 31 December 2013 and 31 December 2012

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 (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 for the financial year ended 31 December 2013.

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

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32. FINANCIAL INSTRUMENTS (cont'd)

(b) Financial instruments

| Group | 2013 RM'000 | 2012 RM'000 |
|--|----------------|----------------|
| Financial assets | | |
| Loans and receivables - trade and other receivables | 74,483 | 82,164 |
| Cash and cash equivalents | 16,720 | 17,782 |
| | 91,203 | 99,946 |
| Group | | |
| Financial liabilities | | |
| Other financial liabilities - borrowings | 42,696 | 71,987 |
| Other financial liabilities - dividend payable | 4,723 | 4,723 |
| Other financial liabilities - trade and other payables | 13,032 | 13,259 |
| | 60,451 | 89,969 |
| Company | | |
| Financial assets | | |
| Loans and receivables - trade and other receivables | 6,676 | 20,487 |
| Cash and cash equivalents | 6,646 | 6,823 |
| | 13,322 | 27,310 |
| Company | | |
| Financial liabilities | | |
| Other financial liabilities - dividend payable | 4,723 | 4,723 |
| Other financial liabilities - trade and other payables | 52 | 43 |
| | 4,775 | 4,766 |

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32. FINANCIAL INSTRUMENTS (cont'd)

(c) Fair values of financial instruments

The carrying amounts of financial instruments of the Group as at the end of the reporting period approximately their fair values due to the relatively short term maturity of these financial instruments except for the following:

| | Carrying amount RM'000 | Fair value RM'000 |
|----------------------------|---------------------------------------|----------------------------------|
| At 31 December 2013 | | |
| Financial liability | | |
| Hire purchase creditors | 4,010 | 3,905 |
| At 31 December 2012 | | |
| Financial liability | | |
| Hire purchase creditors | 4,144 | 4,133 |

(d) Methods and assumptions used to estimate fair values

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are reasonable approximation of fair values.

The carrying amounts of financial assets and liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market rates on or near the end of the reporting period.

The carrying amounts of the current position of loans and borrowings are reasonable approximation of their fair values due to the insignificant impact of discounting.

- (ii) Obligations under hire purchase creditors

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowings or leasing arrangements at the end of each reporting period.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from credit risk, liquidity and cash flows risk, interest rate risk and foreign currency risk.

The Group operates within an established risk management framework and clearly defined guidelines that are regularly reviewed by the Board of Directors and does not trade in derivative financial instruments. Financial risk management is carried out through risk review programmes, internal control systems, insurance programmes and adherence to the Group financial risk management policies. The Group is exposed mainly to credit risk, liquidity and cash flow risks, interest rate risk, and foreign currency risk. Information on the management of the related exposures is detailed below:

(a) Credit risk

Cash deposits and trade receivables may give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties on trade receivables are reputable multinational organisations. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for certain new customers, where deposits in advance are normally required. The credit period is generally for a period of 30 days, extending up to 150 days for major customers. Each customer has a maximum credit limit and the Group seeks to maintain strict control over its outstanding receivables to minimise credit risk. Overdue balances are reviewed regularly by senior management.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is represented by the carrying amount of financial assets recognised in the statements of financial position.

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 Group's trade receivables at the reporting date are as follows:

| | Group | | | |
|-----------------|---------------|-------------|--------|------------|
| | 2013 | | 2012 | |
| | RM'000 | % of total | RM'000 | % of total |
| By country: | | | | |
| Malaysia | 60,491 | 82% | 63,278 | 78% |
| Singapore | 1,324 | 2% | 3,649 | 5% |
| Other countries | 12,316 | 16% | 13,890 | 17% |
| | 74,131 | 100% | 80,817 | 100% |

At the end of the reporting period, approximately 54% (2012: 58%) of the Group's trade receivables were due from 10 major customers.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity and cash flow risks

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

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

| As at 31 December 2013 | On demand or within one year RM'000 | Two to five years RM'000 | Over five years RM'000 | Total RM'000 |
|---|--|---|---------------------------------------|-------------------------|
| Group | | | | |
| Financial assets | | | | |
| Loans and receivables | 74,483 | - | - | 74,483 |
| Cash and cash equivalents | 16,720 | - | - | 16,720 |
| Total undiscounted financial assets | 91,203 | - | - | 91,203 |
| Financial liabilities | | | | |
| Trade and other payables | 13,032 | - | - | 13,032 |
| Bank overdrafts | 74 | - | - | 74 |
| Bankers' acceptances | 17,154 | - | - | 17,154 |
| Term loans | 5,905 | 15,572 | 4,432 | 25,909 |
| Hire purchase creditors | 1,263 | 3,224 | 154 | 4,641 |
| Total undiscounted financial liabilities | 37,428 | 18,796 | 4,586 | 60,810 |

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity and cash flow risks (cont'd)

| As at 31 December 2013 | On demand or within one year RM'000 | Two to five years RM'000 | Over five years RM'000 | Total RM'000 |
|--|---|--------------------------------|------------------------------|-----------------|
| Company | | | | |
| Financial assets | | | | |
| Loans and receivables | 6,676 | - | - | 6,676 |
| Cash and cash equivalents | 6,646 | - | - | 6,646 |
| Total undiscounted financial assets | 13,322 | - | - | 13,322 |
| Financial liabilities | | | | |
| Trade and other payables | 52 | - | - | 52 |
| Total undiscounted financial liabilities | 52 | - | - | 52 |

| As at 31 December 2012 | On demand or within one year RM'000 | Two to five years RM'000 | Over five years RM'000 | Total RM'000 |
|--|---|--------------------------------|------------------------------|-----------------|
| Group | | | | |
| Financial assets | | | | |
| Trade and other receivables | 82,164 | - | - | 82,164 |
| Cash and cash equivalents | 17,782 | - | - | 17,782 |
| Total undiscounted financial assets | 99,946 | - | - | 99,946 |
| Financial liabilities | | | | |
| Trade and other payables | 13,259 | - | - | 13,259 |
| Bank overdrafts | 385 | - | - | 385 |
| Bankers' acceptances | 45,465 | - | - | 45,465 |
| Term loans | 5,777 | 12,831 | 8,328 | 26,936 |
| Hire purchase creditors | 1,083 | 3,116 | 777 | 4,976 |
| Total undiscounted financial liabilities | 65,969 | 15,947 | 9,105 | 91,021 |

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Liquidity and cash flow risks (cont'd)

| As at 31 December 2012 | On demand or within one year RM'000 | Two to five years RM'000 | Over five years RM'000 | Total RM'000 |
|--|---|--------------------------------|------------------------------|-----------------|
| Company | | | | |
| Financial assets | | | | |
| Loans and receivables | 20,487 | - | - | 20,487 |
| Cash and cash equivalents | 6,823 | - | - | 6,823 |
| Total undiscounted financial assets | 27,310 | - | - | 27,310 |
| Financial liabilities | | | | |
| Payables | 43 | - | - | 43 |
| Total undiscounted financial liabilities | 43 | - | - | 43 |

(c) Interest rate risk

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

The Group's primary interest rate risk relates to interest-bearing borrowings from financial institutions. The Group's borrowings are exposed to a risk of changes in their fair values due to changes in interest rates. The Group's floating rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. The Group does not use derivative financial instruments to hedge this risk.

The exposure of interest rate in the Group is not material and hence, sensitivity analysis is not presented.

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Interest rate risk (cont'd)

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 of the Group's and the Company's financial instruments that are exposed to interest rate risk:

| Group | WAEIR Note | % | Within 1 year RM'000 | 1 – 2 years RM'000 | 2 – 3 years RM'000 | 3 – 4 years RM'000 | 4 – 5 years RM'000 | More than 5 years RM'000 | Total RM'000 |
|-------------------------------|------------|------|----------------------|--------------------|--------------------|--------------------|--------------------|--------------------------|--------------|
| As at 31 December 2013 | | | | | | | | | |
| <u>Fixed rate</u> | | | | | | | | | |
| Bankers' acceptances | | | | | | | | | |
| | 17 | 3.53 | 17,154 | - | - | - | - | - | 17,154 |
| Hire purchase creditors | | | | | | | | | |
| | 18 | 5.80 | 1,029 | 980 | 637 | 590 | 621 | 153 | 4,010 |
| <u>Floating rates</u> | | | | | | | | | |
| Term loans | | | | | | | | | |
| | 17 | 6.46 | 4,635 | 3,796 | 2,933 | 3,059 | 3,145 | 3,890 | 21,458 |
| As at 31 December 2012 | | | | | | | | | |
| <u>Fixed rates</u> | | | | | | | | | |
| Bankers' acceptances | | | | | | | | | |
| | 17 | 3.59 | 45,465 | - | - | - | - | - | 45,465 |
| Deposits with licensed banks | | | | | | | | | |
| | 14 | 3.15 | 5,000 | - | - | - | - | - | 5,000 |
| Hire purchase creditors | | | | | | | | | |
| | 18 | 5.94 | 830 | 753 | 688 | 584 | 547 | 742 | 4,144 |
| <u>Floating rates</u> | | | | | | | | | |
| Term loans | | | | | | | | | |
| | 17 | 7.39 | 4,343 | 4,482 | 3,821 | 2,827 | 2,791 | 3,729 | 21,993 |
| Company | | | | | | | | | |
| As at 31 December 2012 | | | | | | | | | |
| <u>Fixed rate</u> | | | | | | | | | |
| Deposits with licensed banks | | | | | | | | | |
| | 14 | 3.15 | 5,000 | - | - | - | - | - | 5,000 |

106 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Foreign currency risk

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

A joint venture operating in PRC has assets and liabilities with expected cash flows from anticipated transactions denominated in foreign currencies that give rise to foreign exchange exposures. The Group's net investment in PRC is not hedged as currency positions in RMB is considered to be long-term in nature.

The Group is exposed to foreign currency risk as a result of the foreign currency denominated transactions entered into by the Group during the course of business. The foreign currencies primarily involved are the US Dollar, Singapore Dollar and European Dollar. In addition, the Group does not use foreign exchange derivative instruments to hedge its transaction risk.

The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currencies balances amounted to RM728,000 (2012: RM885,000) for the Group.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the functional currencies of the Group against the exchange rates of USD, SGD and EURO, with all other variables held constant.

| Profit net of tax | Group | |
|------------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 |
| USD/RM - strengthen 6% (2012: 6%) | 989 | 1,244 |
| - weakened 6% (2012: 6%) | (989) | (1,244) |
| SGD/RM - strengthen 5% (2012: 5%) | 68 | 146 |
| - weakened 5% (2012: 5%) | (68) | (146) |
| EURO/RM - strengthen 6% (2012: 6%) | (10) | (7) |
| - weakened 6% (2012: 6%) | 10 | 7 |

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34. PRIOR YEAR ADJUSTMENTS

In the previous financial year, reinvestment allowance was incorrectly accounted for in the financial statements of the Group. This resulted in an understatement of deferred tax liabilities in the statement of financial position and an understatement of tax expense in the statement of profit or loss. Consequently, the prior year adjustments have been applied retrospectively with the comparative figures of deferred tax liabilities and tax expense of the Group being restated. The effect of the prior year adjustments are summarised as follows:

| Group | Previously stated RM'000 | Adjustments RM'000 | As restated RM'000 |
|--|--------------------------------|-----------------------|-----------------------|
| Effects on statement of financial position as at 31 December 2012 | | | |
| Deferred tax liabilities | 10,925 | 1,452 | 12,377 |
| Retained earnings | 64,184 | (1,452) | 62,732 |
| Group | | | |
| Effects on statement of profit or loss and other comprehensive income for the year ended 31 December 2012 | | | |
| Tax expense | 4,361 | 1,452 | 5,813 |
| Profit for the financial year | 17,638 | (1,452) | 16,186 |

There is no impact to the statements of cash flows resulting from the above prior year adjustments.

108 NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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35. SUPPLEMENTARY INFORMATION - BREAKDOWN OF RETAINED EARNINGS INTO REALISED AND UNREALISED

The breakdown of the retained earnings of the Group and of the Company as at 31 December 2013 and 2012 into realised and unrealised earnings is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirement, issued by the Malaysian Institute of Accountants.

| | Group | | Company | |
|--|-----------------|------------------------------|----------------|----------------|
| | 2013 RM'000 | 2012 RM'000 (Restated) | 2013 RM'000 | 2012 RM'000 |
| Total retained earnings of the Company and its subsidiaries | | | | |
| - Realised | 71,732 | 88,231 | 1,885 | 1,915 |
| - Unrealised | 12,690 | (12,004) | - | - |
| | 84,422 | 76,227 | 1,885 | 1,915 |
| Total share of retained earnings from joint venture | | | | |
| - Realised | (4,658) | (1,920) | - | - |
| - Unrealised | 383 | 348 | - | - |
| | 80,147 | 74,655 | 1,885 | 1,915 |
| Less: Consolidation adjustments | (11,822) | (11,923) | - | - |
| Retained earnings as per financial statements | 68,325 | 62,732 | 1,885 | 1,915 |

PARTICULARS OF PROPERTIES HELD BY THE GROUP

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| Location | Existing Use | Types of Land | Tenure | Remaining Lease Period (Expiry Date) | Age of Property | Land Area (Sq. Feet) | Cost (RM'000) | Net Book Value as at 31 Dec 2013 (RM'000) | Date of Acquisition | Year of Last Revaluation |
|---|--|------------------|-----------------------|--------------------------------------|-----------------|----------------------|---------------|---|---------------------|--------------------------|
| No. H.S.(M) 472 Lot 4196 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Office Building Production Factory Warehouse | Industrial Land | Leasehold 99 years | 56 years (30 May 2070) | 18 years | 110,976 | 14,729 | 11,885 | 03 Oct 1995 | 2003 |
| No. Hakmilik 21710 Lot 47720 (Lot 590) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Office Building Production Factory Warehouse | Industrial Land | Leasehold 99 years | 88 years (03 Jul 2102) | 37 years | 34,950 | 4,365 | 2,951 | 03 Jan 1997 | 2003 |
| No. Hakmilik 57895 Lot 53150 (Lot 585 & 586) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Production Factory Warehouse | Industrial Land | Leasehold 99 years | 88 years (03 Jul 2102) | 9 years | 93,032 | 8,752 | 7,365 | 19 May 1997 | 2003 |
| No. H.S.(M) 4098 No. P.T. 2317 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Hostel | Residential Land | Leasehold 60 years | 28 years (22 Jun 2042) | 15 years | 8,168 | 570 | 404 | 27 May 1997 | 2003 |
| No. H.S.(M) 4651 No. P.T. 5938 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Hostel | Residential Land | Leasehold 60 years | 32 years (26 Jun 2046) | 15 years | 6,806 | 874 | 623 | 31 Mar 1998 | 2003 |

110 PARTICULARS OF PROPERTIES HELD BY THE GROUP (CONT'D)

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| Location | Existing Use | Types of Land | Tenure | Remaining Lease Period (Expiry Date) | Age of Property | Land Area (Sq. Feet) | Cost (RM'000) | Net Book Value as at 31 Dec 2013 (RM'000) | Date of Acquisition | Year of Last Revaluation |
|--|--------------------|------------------|--------------------|--------------------------------------|-----------------|----------------------|---------------|---|---------------------|--------------------------|
| No. H.S.(M) 3999 | Production Factory | Industrial Land | Leasehold 60 years | 27 years (24 May 2041) | 6 years | 46,005 | 5,394 | 4,538 | 23 Aug 2004 | 2010 |
| No. P.T. 584 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | | | | | | | | | | |
| No. H.S.(M) 11086 Lot 66 Jalan Union, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Warehouse | Industrial Land | Leasehold 99 years | 56 years (30 May 2070) | 4 years | 87,123 | 7,280 | 6,643 | 05 Dec 2005 | 2009 |
| No. H.S. (D) 264602 PT No. 12294 (589) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Production Factory | Industrial Land | Leasehold 60 years | 56 years (25 Jul 2070) | 3 years | 43,560 | 5,990 | 5,477 | 13 Feb 2008 | 2008 |
| No. H.S. (M) 9078 PT No. 669 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Hostel | Residential Land | Leasehold 60 years | 40 years (19 Jul 2054) | 4 years | 7,631 | 680 | 624 | 07 Apr 2009 | 2009 |
| No. H.S.(M) 9111 No. PT 27687 Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Vacant | Industrial Land | Leasehold 99 years | 79 years (22 Sep 2093) | 2 years | 42,281 | 967 | 925 | 10 Dec 2009 | - |

PARTICULARS OF PROPERTIES HELD BY THE GROUP (CONT'D)

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| Location | Existing Use | Types of Land | Tenure | Remaining Lease Period (Expiry Date) | Age of Property | Land Area (Sq. Feet) | Cost (RM'000) | Net Book Value as at 31 Dec 2013 (RM'000) | Date of Acquisition | Year of Last Revaluation |
|---|----------------------------------|------------------|-----------------------|--------------------------------------|---|----------------------|---------------|---|--|--------------------------|
| PN 67417 No. Lot 2306 Jalan Welfare, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Hostel | Residential Land | Leasehold 60 years | 51 years (17 Jul 2065) | 4 years | 7,535 | 1,029 | 963 | 11 Jan 2010 | - |
| No. H.S.(M) 14513 No. PT 12493 (Lot 9107 & Lot 9108) Jalan Industri, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Production Factory/ Warehouse | Industrial Land | Leasehold 99 years | 79 years (22 Sep 2093) | 10 years (Lot 9108) 3 years (Lot 9107) | 103,570 | 16,358 | 15,461 | 26 Mar 2010 (Lot 9108) 09 Oct 2009 (Lot 9107) | 2010 |
| No. HSD 288090 No. PT 847 Jalan Kampong, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Vacant | Industrial Land | Leasehold 99 years | 98 years (15 Jan 2112) | - | 80,847 | 4,507 | 4,125 | 30 Apr 2010 | 2010 |
| No. HSD 261056 No. PT 12202 Jalan Middle, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Hostel | Residential Land | Leasehold 99 years | 94 years (21 Dec 2108) | 2 years | 7,623 | 1,024 | 987 | 12 Apr 2011 | - |
| No. H.S. (M) 1366 No. PT 848 Jalan Kampong, U19 Kg. Baru Sungai Buloh 40160 Shah Alam, Selangor | Vacant | Agriculture Land | Leasehold 60 years | 16 years (20 Jan 2030) | - | 81,128 | 5,000 | 4,688 | 03 Dec 2012 | 2013 |

112 BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE INFORMATION

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

1. Utilisation of Proceeds

The Company had on 13 July 2010 issued 24,000,000 new ordinary shares of RM0.20 each at an issue price of RM1.73 each pursuant to the approvals obtained from its shareholders at the Annual General Meeting held on 29 June 2010 in accordance with the general mandate pursuant to Section 132D of the Companies Act 1965 which empowered the Board to issue new shares from time to time and upon such terms and conditions and for such purposes as the Board may deem fit provided that the aggregate number of the shares so issued does not exceed ten percent (10%) of the issued and paid up share capital of the Company. The status of utilisation of the sales proceeds arising from the above Private Placement amounting to RM48,000,000 was as follows:-

| Description | Proposed Utilisation (RM'000) | Actual Utilisation (RM'000) | Balance Unutilised (RM'000) |
|--|-------------------------------------|-----------------------------------|-----------------------------------|
| Working Capital | 25,800 | 25,800 | NIL |
| Related Expenses For the Private Placement | 400 | 400 | NIL |
| Investment in Overseas | 20,000 | 14,039 | 5,961 |

As at 30 June 2013, the Board of Directors of 3A had approved and utilised the balance of proceeds unutilised arising from the above Private Placement as working capital of the Group.

2. Share Buy-Back

The Company did not carry out any share buy-back exercise during the financial year ended 31 December 2013.

3. Options, Warrant or Convertible Securities Exercised

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2013.

4. American Depository Receipts (ADR)/Global Depository Receipt (GDR)

The Company has not sponsored any ADR/GDR programme during the financial year ended 31 December 2013.

5. Sanctions and/or Penalties

There were no sanctions/penalties imposed on the Company and its subsidiaries, directors and management by the relevant regulatory bodies during the financial year ended 31 December 2013.

6. Non-Audit Fees

The amount of non-audit fees paid/payable to external auditors and its affiliates for the financial year ended 31 December 2013 amounted to RM5,000.

7. Variation in Results

There was no profit estimation, forecast and projection made or released by the Company during the financial year ended 31 December 2013.

BURSA SECURITIES LISTING REQUIREMENTS COMPLIANCE INFORMATION (CONT'D)

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8. Profit Guarantee

There was no profit guarantee given by the Company and its subsidiaries during the financial year ended 31 December 2013.

9. Revaluation Policy on Landed Properties

The Group's landed properties are not revalued but are reviewed at each balance sheet date to determine if there is any indication of impairment. These landed properties are stated at cost less accumulated depreciation, amortisation and impairment. For landed properties classified as investment properties, the Group assesses the fair value at the end of each financial year and the change in fair value is taken as gains or losses in the income statement.

10. Material Contracts

There were no material contracts (not being contracts entered into in the ordinary course of business) 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 2013 or entered into since the end of the previous financial year that have been entered by the Company or its subsidiary involving Directors and substantial shareholders in the past two years preceding the date of this annual report.

11. Related Party Transactions of a Revenue/Trading Nature (RRPT)

The breakdown of the value of the transactions conducted during the financial year were as follows:-

| Related Party | Interested Directors/ Connected Persons | Nature of Transactions | Value of Transactions |
|--|--|---|-----------------------|
| Seong Chan Sauce & Foodstuff Sdn. Bhd. | Fang Chew Ham Fong Chu King @ Tong Chu King Foong Chiew Fatt Fong Chiew Hean | Sales of goods by San Soon Seng Food Industries Sdn. Bhd. | RM1,018,000 |

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.
- 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.

114 ANALYSIS OF SHAREHOLDINGS

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| | | |
|----------------------------------|---|---|
| Authorised Share Capital | : | RM100,000,000 divided into 500,000,000 Ordinary Shares of RM0.20 each |
| Issued and Fully Paid-Up Capital | : | RM78,720,003 divided into 393,600,019 Ordinary Shares of RM0.20 each |
| Class of Shares | : | Ordinary Share of RM0.20 each |
| Voting Rights | : | One (1) Voting Right per Ordinary Share |

Distribution of Shareholdings

| Size of Shareholdings | No. of Shareholders | % of Shareholders | No. of Shares Held | % of Issued Shares |
|-------------------------|---------------------|-------------------|--------------------|--------------------|
| Less than 100 | 219 | 4.66 | 14,411 | 0.00 |
| 100 - 1,000 | 290 | 6.17 | 216,988 | 0.06 |
| 1,001 - 10,000 | 2,539 | 54.03 | 14,753,940 | 3.75 |
| 10,001 - 100,000 | 1,402 | 29.84 | 45,497,660 | 11.56 |
| 100,001 - 19,679,999 * | 247 | 5.26 | 191,517,020 | 48.66 |
| 19,680,000 and above ** | 2 | 0.04 | 141,600,000 | 35.98 |
| TOTAL | 4,699 | 100.00 | 393,600,019 | 100.00 |

* Less than 5% of Issued Holdings

** 5% and above of Issued Holdings

Top Thirty (30) Shareholders

(without aggregating the securities from different securities accounts belonging to the same depositor)

| Name of Shareholders | No. of Shares Held | % of Issued Capital |
|---|--------------------|---------------------|
| 1. Fang Chew Ham Holdings Sdn Bhd | 80,000,000 | 20.33 |
| 2. Wilmar International Limited | 61,600,000 | 15.65 |
| 3. Foong Chiew Fatt | 16,180,960 | 4.11 |
| 4. Amanahraya Trustee Berhad Public Islamic Optimal Growth Fund | 13,623,200 | 3.46 |
| 5. Fong Chiew Hean | 13,600,000 | 3.46 |
| 6. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai | 13,225,580 | 3.36 |

ANALYSIS OF 115 SHAREHOLDINGS (CONT'D) AS AT 31 MARCH 2014

THREE-A
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Top Thirty (30) Shareholders (cont'd)

| Name of Shareholders | No. of Shares Held | % of Issued Capital |
|---|--------------------|---------------------|
| 7. JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Kwee Hock | 12,120,080 | 3.08 |
| 8. Fong Chu King @ Tong Chu King | 10,950,000 | 2.78 |
| 9. Amanahraya Trustees Berhad Public Islamic Equity Fund | 8,844,500 | 2.25 |
| 10. Amanahraya Trustees Berhad PB Growth Fund | 4,470,700 | 1.14 |
| 11. Amanahraya Trustees Berhad Public Islamic Opportunities Fund | 3,410,400 | 0.87 |
| 12. Cheong Siew Chyuan | 3,300,000 | 0.84 |
| 13. Amanahraya Trustees Berhad Public Islamic Select Treasures Fund | 2,951,400 | 0.75 |
| 14. Teo Kwee Hock | 2,742,600 | 0.70 |
| 15. Amanahraya Trustees Berhad PB Islamic Equity Fund | 2,734,800 | 0.69 |
| 16. Tan Kim Tee | 2,510,900 | 0.64 |
| 17. Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Faai @ Ng Yoke Pei | 2,134,900 | 0.54 |
| 18. Maybank Nominees (Tempatan) Sdn Bhd Maybank Trustees Berhad for Public Industry Fund | 2,091,400 | 0.53 |
| 19. Amanahraya Trustees Berhad Public Islamic Mixed Asset Fund | 2,030,500 | 0.52 |
| 20. Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoong Fui Kien | 2,001,000 | 0.51 |
| 21. Citigroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Cheong Siew Chyuan | 2,000,000 | 0.51 |
| 22. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rentas Megah Sdn Bhd | 1,586,700 | 0.40 |
| 23. RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Phoa Boon Ting | 1,520,080 | 0.39 |
| 24. Maybank Securities Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Keng Hong | 1,500,000 | 0.38 |
| 25. T.B.R Shopping Centre (M) Sdn Bhd | 1,500,000 | 0.38 |
| 26. Tan Chon Sing @ Tan Kim Tieng | 1,488,000 | 0.38 |
| 27. Chan Chu Wei | 1,468,000 | 0.37 |
| 28. UOB Kay Hian Nominees (Asing) Sdn Bhd Exempt An for UOB Kay Hian Pte Ltd | 1,232,000 | 0.31 |
| 29. UOB Kay Hian Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lim Teong Leong | 1,218,960 | 0.31 |
| 30. Khor Meow Siang | 1,034,000 | 0.26 |
| Total | 275,070,660 | 69.90 |

116 ANALYSIS OF SHAREHOLDINGS (CONT'D)

ANNUAL REPORT 2013

AS AT 31 MARCH 2014

SUBSTANTIAL SHAREHOLDERS

| Name of Shareholders | No. of Shares Held | % of Issued Capital |
|--|--------------------|---------------------|
| 1. Fang Chew Ham Holdings Sdn Bhd | 80,420,000 | 20.43 |
| 2. Wilmar International Limited | 61,600,000 | 15.65 |
| 3. Amanahraya Trustees Berhad | 38,065,500 | 9.67 |
| 4. JF Apex Nominees (Tempatan) Sdn Bhd | 25,727,640 | 6.54 |

DIRECTORS' SHAREHOLDINGS

| Name of Directors | Direct Interest | | Indirect Interest | |
|-----------------------------------|--------------------|---------------------|--------------------------|---------------------|
| | No. of Shares Held | % of Issued Capital | No. of Shares Held | % of Issued Capital |
| 1. Dato' Mohd Nor Bin Abdul Wahid | 438,000 | 0.11 | - | - |
| 2. Fang Chew Ham | 100,000 | - | 121,580,960 ¹ | 30.89 |
| 3. Fong Chu King @ Tong Chu King | 10,950,000 | 2.78 | 29,990,860 ² | 7.62 |
| 4. Chew Eng Chai | 160,000 | 0.04 | 7,000 ³ | 0.00 |
| 5. Tan Chon Sing @ Tan Kim Tieng | 1,488,000 | 0.38 | 2,134,900 ⁴ | 0.54 |
| 6. Fang Siew Yee | - | - | 80,520,000 ⁵ | 20.46 |
| 7. Khoo Wee Boon | - | - | - | - |
| 8. Mohd Zaki Bin Hamzah | 500,000 | 0.13 | - | - |
| 9. Kwek Ju-Yang, Mark | - | - | - | - |

Note:

- 1 Indirect interest via shareholdings of his siblings Foong Chiew Fatt, Fong Chiew Hean, Fong Chu King @ Tong Chu King; his son-in-law Liew Kuo Shin and Fang Chew Ham Holdings Sdn Bhd
- 2 Indirect interest via shareholdings of his siblings Foong Chiew Fatt, Fong Chiew Hean and his son Fong Peng Fai
- 3 Indirect interest via shareholdings of his spouse Lim Tong Lean
- 4 Indirect interest via shareholdings of his spouse Ng Faai @ Ng Yoke Pei
- 5 Indirect interest via shareholdings of his spouse Liew Kuo Shin and Fang Chew Ham Holdings Sdn Bhd

NOTICE OF ANNUAL GENERAL MEETING

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THREE-A
RESOURCES
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NOTICE IS HEREBY GIVEN THAT the Twelfth Annual General Meeting of the Company will be held at Ballroom Level 1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on 28 May 2014 at 11.00 a.m. for the following purposes:-

AGENDA

1. To receive the audited Financial Statements for the financial year ended 31st December 2013 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To re-elect the following Directors who retire by rotation pursuant to Article 86 of the Company's Articles of Association:-
 - 2.1 Mr. Khoo Wee Boon **(Resolution 2)**
 - 2.2 Mr. Mohd Zaki Bin Hamzah **(Resolution 3)**

3. To consider and if thought fit, pass the following Resolution in accordance with Section 129(6) of the Companies Act 1965:-
 - 3.1 "That Mr. Tan Chon Sing @ Tan Kim Tieng, retiring pursuant to Section 129(6) of the Companies Act 1965, be and is hereby re-appointed as a Director of the Company to hold office until the next Annual General Meeting." **(Resolution 4)**

4. To re-elect the following Director who retire pursuant to Article 93 of the Company's Articles of Association:-
 - 4.1 Mr. Kwek Ju-Yang, Mark **(Resolution 5)**

5. To re-appoint Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

6. As special business, to consider and if thought fit, to pass the following resolutions as

Ordinary Resolutions:-

- 6.1 Authority to Directors to Allot and Issue Shares
Pursuant to Section 132D of the Companies Act 1965

"That subject to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132D of the Companies Act 1965 to allot and issue new ordinary shares of RM0.20 in the Company at any time and upon such terms and conditions and for such purposes as the Directors, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued pursuant to this resolution in any one financial year does not exceed ten per centum (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval for the listing and quotation of the additional shares so issued on the Bursa Malaysia Securities Berhad and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

(Resolution 7)

118 NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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6.2 Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature

"THAT approval be and is hereby given for the renewal of the Existing Shareholders' Mandate for the Company and its subsidiaries ("Three-A Group") to enter into transactions falling within the types of recurrent related party transactions of a revenue and trading nature which are necessary for the day to day operations of the Three-A Group from time to time, the nature and the contracting parties are set out in a table under Section 2.4 of the Circular to Shareholders dated 5 May 2014 PROVIDED THAT

- (i) the transactions are in ordinary course of business on an arms' length basis, on normal commercial terms and on terms not more favorable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company; and
- (ii) disclosure of the aggregate value of the transactions conducted pursuant to this shareholders' mandate during the financial year of the Company is made in the annual report by providing a breakdown of the aggregate value of the transactions, amongst others, based on the following information:-
 - (a) the type of transactions made; and
 - (b) the names of the related parties involved in each type of transactions made and their relationships with the Company and its subsidiaries.

AND THAT such authority shall commence upon the passing of this resolution and shall continue to be in force until:

- (a) the conclusion of next Annual General Meeting of the Company, at which time it will lapse, unless by a resolution passed at the said Annual General Meeting, the authority is renewed;
- (b) the expiration of the period within which the next Annual General Meeting after the date it is required to be held pursuant to Section 143(1) of the Act but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act; or
- (c) revoke or varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

AND THAT authority be and is hereby given to the Directors of the Company to complete and do all such acts and things (including executing such documents as may be required) to give effect to the transactions contemplated and/or authorised by the Ordinary Resolution.

(Resolution 8)

6.3 Proposed Renewal of Authority for the Company to purchase its own shares

"THAT, subject always to the Companies Act, 1965 ("Act"), the provisions of the Memorandum and Articles of Association of the Company and the Listing Requirements ("Listing Requirements") of the Bursa Malaysia Securities Berhad and the approvals of all relevant governmental and/or regulatory authorities, the Company be and is hereby authorised to the fullest extent permitted by law, to buy-back and/or hold from time to time and at any time such amount of ordinary shares of RM0.20 each in the Company as may be determined by the Board of Directors from time to time as they deem fit and expedient in the best interests of the Company ("the Proposed Share Buy-Back") provided that:-

NOTICE OF ANNUAL GENERAL MEETING (CONT'D) 119

THREE-A
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BERHAD

- (i) The aggregate number of Shares bought back and/or held does not exceed ten per centum (10%) of the total issued and paid up share capital of the Company subject to the restrictions that the issued and paid up capital of the Company does not fall below the applicable minimum share capital requirement of the Listing Requirements;
- (ii) The maximum funds to be allocated for the buy-back of the Company's own shares shall not exceed the total retained profits and the share premium account of the Company;
- (iii) As prescribed by the act, rules, regulations and orders made pursuant to the act and the requirements of Bursa Securities and any other relevant authority for the time being in force; and

THAT upon completion of the buy-back of the Company of its own Shares, the Directors of the Company are authorised to deal with the shares so bought back in any of the following manner:-

- (i) the shares so purchased may be cancelled; and/or
- (ii) the shares so purchased may be retained as treasury shares and held by the Company or
- (iii) retain part of the shares so purchased as treasury shares and cancel the remainder;

and the treasury shares may be distributed as dividends to the shareholders of the Company and/or resold on the market of Bursa Malaysia Securities Berhad and/or subsequently cancelled; and/or any combination of the three and in any other manner;

The approval conferred by this resolution will commence immediately upon the passing of this resolution and will expire at the conclusion of the next annual general meeting of the Company at which time the authority shall lapse unless by ordinary resolution passed at a general meeting, the authority is renewed, either unconditionally or subject to conditions, or the expiration of the period within which the next annual general meeting after that date is required by law to be held, or the revocation or variation by ordinary resolution passed by the shareholders of the Company in a general meeting, whichever is the earliest;

AND THAT the Directors of the Company be and are hereby authorised to take all steps as are necessary or expedient to implement or to give effect to the Proposed Share Buy-Back (including without limitation, the appointment of stockbroking firm and the opening and maintenance of a Central Depository Account designated as a Share Buy-Back Account) with full powers to amend and/or assent to any conditions, modifications, variations or amendments (if any) as may be imposed by the relevant governmental/regulatory authorities from time to time and with full power to do all such acts and things thereafter in accordance with the Companies Act 1965, the provisions of the Company's Memorandum and Articles of Association and the requirements of Bursa Malaysia Securities Berhad and all other relevant governmental/regulatory authorities.

(Resolution 9)

120 NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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- 6.4 To consider and if thought fit, to pass the following resolution in accordance with the Recommendation 3.3. of the Malaysian Code on Corporate Governance 2012

“That Mr. Chew Eng Chai who has served the Board as the Independent Non-Executive Director of the Company for more than ten (10) years since 17 June 2002 be and is hereby retained as the Independent Non-Executive Director of the Company.”

(Resolution 10)

- 6.5 To consider and if thought fit, to pass the following resolution in accordance with the Recommendation 3.3. of the Malaysian Code on Corporate Governance 2012

“That subject to the passing of the above resolution 4, Mr. Tan Chon Sing @ Tan Kim Tieng who has served the Board as the Independent Non-Executive Director of the Company for more than ten (10) years since 17 June 2002 be and is hereby retained as the Independent Non-Executive Director of the Company.”

(Resolution 11)

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

BY ORDER OF THE BOARD

NG BEE LIAN (MAICSA 7041392)
Company Secretary

Kuala Lumpur
Date: 5 May 2014

EXPLANATORY NOTES TO SPECIAL BUSINESS:-

1. Authority to Directors to Allot and Issue Shares Pursuant to Section 132 D of the Companies Act 1965 (Resolution 7)

The proposed resolution No. 7, if passed, is to empower the Directors to issue up to a maximum of ten (10) per centum of the total paid up share capital of the Company for the time being without convening a general meeting for such purposes as the Directors would be in the interest of the Company. This renewed authority unless revoked or varied by the Company at a general meeting will expire at the next Annual General Meeting. No shares had been issued by the Company since obtaining the authority from its shareholders at the last Annual General Meeting held on 13 June 2013. The renewal of the general mandate, if granted, will provide flexibility to the Company for any possible fund raising activities including but not limited to further placing of shares, for the purpose of funding future investment project(s), working capital and/or acquisition.

2. Proposed Renewal of Existing Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (Resolution 8)

For further information on proposed resolution No.8, please refer to the Circular To Shareholders dated 5 May 2014 accompanying the Company's Annual Report for the financial year ended 31 December 2013.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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THREE-A
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3. Proposed Renewal of Authority for the Company to purchase its own shares (Resolution 9)

The proposed resolution No. 9, if passed, will provide the mandate for the Company to buy-back its own shares up to a limit of 10% of the issued and paid up share capital of the Company.

4. To Retain the designation of Mr. Chew Eng Chai as the Independent Non-Executive Director of the Company in accordance with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012 (Resolution 10)

Mr. Chew Eng Chai has served the Board as the Independent Non-Executive Director of the Company for more than ten (10) years since 17 June 2002. The Board recommends retaining his designation as Independent Non-Executive Director due to the following reasons:-

- He has fulfilled the criteria under the definition of Independent Directors pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- He has ensured effective check and balance in the proceedings of the Board and the Board Committees;
- He has actively participated in Board deliberations, provided objectivity in decision-making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- His vast experience in finance and manufacturing industry would enable him to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;
- He has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company and
- He has exercised his due care in the interest of the Company and shareholders during his tenure as Independent Non-Executive Director of the Company.

5. To Retain the designation of Mr. Tan Chon Sing @ Tan Kim Tieng as the Independent Non-Executive Director of the Company in accordance with the Recommendation 3.3 of the Malaysian Code of Corporate Governance 2012 (Resolution 11)

Mr. Tan Chon Sing @ Tan Kim Tieng has served the Board as the Independent Non-Executive Director of the Company for more than ten (10) years since 17 June 2002. The Board recommends retaining his designation as Independent Non-Executive Director due to the following reasons:-

- He has fulfilled the criteria under the definition of Independent Directors pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad;
- He has ensured effective check and balance in the proceedings of the Board and the Board Committees;
- He has actively participated in Board deliberations, provided objectivity in decision-making and an independent voice to the Board and contributed in preventing Board domination by any single party;
- His vast experience in finance and manufacturing industry would enable him to provide the Board with a diverse set of experience, expertise and independent judgement to better manage and run the Group;
- He has devoted sufficient time and attention to his responsibilities as Independent Non-Executive Director of the Company; and
- He has exercised his due care in the interest of the Company and shareholders during his tenure as Independent Non-Executive Director of the Company.

122 NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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2013

NOTES :-

1. A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
2. 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 D.E. not less than 48 hours before the time for holding the meeting. Provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, PROVIDED always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
3. A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
4. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
5. For the purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn. Bhd. in accordance with Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositor as at 21 May 2014. Only depositors whose names appear in the Record of Depositors as at 21 May 2014 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.
6. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect with each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
7. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

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THREE-A
RESOURCES
BERHAD

PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF
BURSA MALAYSIA SECURITIES BERHAD

Directors who are seeking re-election or re-appointment at the 12th Annual General Meeting of the Company

Two (2) Directors retiring by rotation pursuant to Article 86 of the Company's Articles of Association and seeking re-election are:

- Mr. Khoo Wee Boon
- Mr. Mohd Zaki Bin Hamzah

One (1) Director retiring pursuant to Article 93 of the Company's Articles of Association and seeking re-election is:-

- Mr Kwek Ju-Yang, Mark

One (1) Director who is over the age of seventy (70) years seeking re-appointment is:

- Mr. Tan Chon Sing @ Tan Kim Tieng

The details of the above Directors who are seeking re-election or re-appointment are set out in their respective profiles which appear in the Directors' Profiles on pages 11 and 12 of this Annual Report. The Directors' shareholdings in the Company are set out in the Analysis of Shareholdings which appears on page 114 to 116 of this Annual Report.

Board Meetings held in the financial year ended 31 December 2013

A total of five (5) Board Meetings were held in the financial year ended 31 December 2013.

The attendance of the Directors at the Board Meetings held in the financial year ended 31 December 2013 is set out below:

| Date of Board Meetings | Attendance by Directors | | |
|------------------------|-------------------------|--------------------------|------------------------|
| | Independent Director | Non-Independent Director | Total No. of Directors |
| (i) 26 February 2013 | 5 | 3 | 8 |
| (ii) 23 April 2013 | 5 | 4 | 9 |
| (iii) 22 August 2013 | 5 | 4 | 9 |
| (iv) 19 November 2013 | 5 | 4 | 9 |
| (v) 29 November 2013 | 5 | 4 | 9 |

124 STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

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PURSUANT TO PARAGRAPH 8.28(2) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

Details of attendance by each Director at the Board Meetings held in the financial year ended 31 December 2013 are as follows:

| Directors | Total Board Meetings Attended | Percentage of Attendance |
|--|--------------------------------------|---------------------------------|
| Dato' Mohd Nor Bin Abdul Wahid | 5/5 | 100% |
| Fang Chew Ham | 5/5 | 100% |
| Fong Chu King @ Tong Chu King | 5/5 | 100% |
| Chew Eng Chai | 5/5 | 100% |
| Tan Chon Sing @ Tan Kim Tieng | 5/5 | 100% |
| Fang Siew Yee | 5/5 | 100% |
| Khoo Wee Boon | 5/5 | 100% |
| Mohd Zaki Bin Hamzah | 5/5 | 100% |
| Kwek Ju-Yang, Mark (resigned as Alternate Director to Sun Yi-Ling and re-appointed as Director on 1.10.2013) | 4/5 | 80% |

Details of venue, date and time of the Twelfth Annual General Meeting

VENUE

Ballroom, Level 1
Jalan Kelab Tropicana
Tropicana Golf & Country Resort
47410 Petaling Jaya
Selangor Darul Ehsan

DATE AND TIME

Wednesday, 28 May 2014

PROXY FORM

THREE-A RESOURCES BERHAD (481559-M)
(Incorporated in Malaysia)

I/We,
of
being a member of Three-A Resources Berhad hereby appoint
of
.....
or the Chairman of the meeting as my/our proxy to attend and vote as indicated hereon on my/our behalf at the Twelfth Annual General Meeting of the Company to be held on the 28 day of May 2014 at 11.00 a.m. and at any adjournment thereof.

| | Resolutions | For | Against |
|----|--|-----|---------|
| 1 | Receive the audited Financial Statements for the financial year ended 31st December 2013 and the Reports of the Directors and Auditors thereon | | |
| 2 | Re-election of Mr. Khoo Wee Boon as Director | | |
| 3 | Re-election of Mr. Mohd Zaki Bin Hamzah as Director | | |
| 4 | Re-appointment of Mr. Tan Chon Sing @ Tan Kim Tieng as Director | | |
| 5 | Re-election of Mr. Kwek Ju-Yang, Mark as Director | | |
| 6 | Re-appointment of Auditors | | |
| 7 | Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act 1965 | | |
| 8 | Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature | | |
| 9 | To provide the mandate for the Company to buy-back its own shares up to a limit of 10% of the issued and paid up share capital of the Company | | |
| 10 | To retain the designation of Mr. Chew Eng Chai as Independent Non-Executive Director | | |
| 11 | To retain the designation of Mr. Tan Chon Sing @ Tan Kim Tieng as Independent Non-Executive Director | | |

(Please indicate with a cross (x) in the spaces provided whether you wish your vote to be cast for or against the Resolutions. In the absence of specific directions, your proxy will vote or abstain as he thinks fit.)

No. of Shares

Dated this day of 2014

.....
Signature/Common Seal

Notes:

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- 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 Seri Sungai Buloh, 47000 Selangor D.E. not less than 48 hours before the time for holding the meeting. Provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his/their proxy, PROVIDED Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s)
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
- For the purpose of determining a member who shall be entitled to attend the Annual General Meeting, the Company shall request Bursa Malaysia Depository Sdn. Bhd. in accordance with Section 34(1) of the Securities Industry (Central Depositories) Act 1991 to issue a General Meeting Record of Depositor as at 21 May 2014. Only depositors whose names appear in the Record of Depositors as at 21 May 2014 shall be entitled to attend the said meeting or appoint a proxy to attend and/or vote in his stead.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, it may appoint at least one (1) proxy in respect with each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominees may appoint in respect of each omnibus account it holds.

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STAMP

THREE-A RESOURCES BERHAD

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

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THREE-A RESOURCES BERHAD (481559-M)

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

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www.three-a.com.my