



THREE-A RESOURCES BERHAD  
4815559-M



## Mission

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

## Vision

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

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## Corporate profile

### About Us

Three-A Resources Berhad (TARB) is principally an investment holding company with one only wholly-owned subsidiary, San Soon Seng Food Industries Sdn Bhd (SSSFI). SSSFI was founded in 1977 as a Liquid Caramel producer named under Soon Seng Sauce Mixture & Food Factory. By 1989, it was converted into 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 TARB. TARB was listed on the MESDAQ Market of Bursa Malaysia Securities Berhad on 13 August 2002.

### Focus on Core Business

TARB 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; Maltose Syrup • Soya Protein Sauce (Hydrolyzed Vegetable Protein; HVP) • Natural Fermented Vinegar; Distilled Vinegar; Rice Vinegar • Caramel Powder; HVP Powder; Soya Sauce Powder • Maltodextrin

### Presence In Domestic & Export Market

TARB 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.

## Extensive Awards & Recognition

### MALAYSIAN BUSINESS CORPORATE GOVERNANCE AWARD 2006

MERIT AWARD

MESDAQ AWARD WINNER

TARB was accorded with the Malaysian Business Corporate Governance Merit Award 2006 and MESDAQ Award Winner 2006 by Malaysian Business of Berita Publishing Sdn Bhd.

Malaysian Business promotes excellence in corporate governance with this annual award where Public Listed Companies listed on the Bursa Malaysia Securities Berhad are evaluated in terms of their corporate governance value. The Awards give recognition to listed companies that demonstrated excellence in corporate governance practices as well as their return on equity as a measure of enhancing shareholder value.



continued

**ISO 9001:2000 CERTIFICATION  
with UNITED KINGDOM ACCREDITATION SYSTEM by SIRIM**

SSSFI was awarded the International Acclaimed ISO 9001:2000 with UKAS (United Kingdom Accreditation System) by SIRIM for Quality Management System. SSSFI enhances to further its product range and strive for continuous improvements to meet its customers' satisfaction as to achieve the objectives of the ISO Quality Policy.

**SAFE AND QUALITY PRODUCT  
SATISFACTION OF CUSTOMER  
STRIVE FOR CONTINUAL IMPROVEMENT**



continued

**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 private sanitation requirements in addition to manufacturing premise hygiene practices. With the establishment of high standards and consumer confidence in SSSFI certified Halal, it provides better opportunity to gain access to the vast marketing potential of Halal consumers on a global scale.

**KOSHER CERTIFICATION**  
by ORTHODOX UNION

SSSFI is Kosher certified by Union of Orthodox Jewish Congregations of America. Talk a walk down the aisle of any supermarket and this kosher logo

appears on the majority of America's produced foods that are certified kosher. This certification has become an increasingly important marketing device which generates more revenues by expanding our business market shares.

**HACCP CERTIFICATION**  
with UNITED KINGDOM ACCREDITATION SYSTEM  
by MOODY INTERNATIONAL CERTIFICATION  
(MALAYSIA) SDN BHD

SSSFI was certified with Hazard Analysis Critical Control Point (HACCP) System by Moody International Certification (Malaysia) Sdn Bhd for the Maltodextrin Production. HACCP is an internationally accepted technique for preventing microbiological, chemical and physical contamination along the food supply chain. With the HACCP certification will further promote consumer confidence and conform to regulatory and market requirements.



**Products Application**

**Liquid Product**

Caramel Colour

Positive - sauces and seasonings such as soy sauce, oyster sauce, fish sauce, seasoning mix, soup base, gravies, etc.

Negative - beverages industry such as soft drinks and cordials, pharmaceutical industry, baked products and confectionery, canned foods, dairy products, etc.

Glucose Syrup & Maltose Syrup

confectionery, pharmaceutical industry, ice-cream, beverages, non-dairy creamer, etc.

Soya Protein Sauce (HVP)

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

Vinegar

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

**Powdered Product**

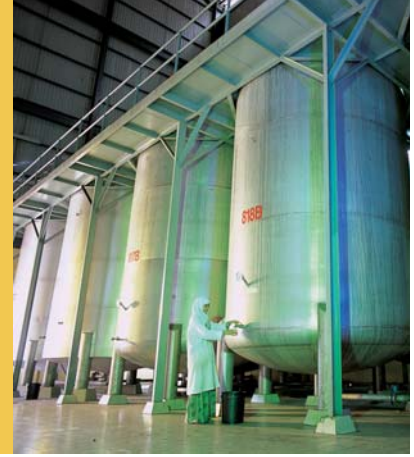
Maltodextrin

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

Caramel Powder

HVP Powder

Soya Sauce Powder



## Corporate information

### Board of Directors

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

**Fang Chew Ham**  
Deputy Executive Chairman  
& Managing Director

**Fong Chu King @ Tong Chu King**  
Non-Independent Executive Director

**Foong Chiew Fatt**  
Non-Independent Executive Director

**Fong Chiew Hean**  
Non-Independent Non-Executive Director

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

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

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

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

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

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

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

### Company Secretaries

Ng Bee Lian  
MAICSA 7041392

Tan Enk Purn  
MAICSA 7045521

### Registered Office

AL 308, Lot 590 & Lot 4196,  
Jalan Industri, U 19,  
Kampung Baru Seri Sungai Buloh,  
47000 Selangor Darul Ehsan  
Malaysia  
Tel No. : (03) 6156 2655  
Fax No. : (03) 6156 2657  
E-mail : three-a@three-a.com.my

**Company No.**  
481559-M

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

### Audit Committee

Chew Eng Chai  
Chairman  
Tan Chon Sing @ Tan Kim Tieng  
Dato' Mohd Nor Bin Abdul Wahid

### Nomination Committee

Mohd Zaki Bin Hamzah  
Chairman  
Chew Eng Chai  
Fong Chu King @ Tong Chu King

### 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  
CIMB Bank Berhad  
EON Bank Berhad

### Auditors

Ernst & Young  
Chartered Accountants  
Level 23A, Menara Milenium  
Jalan Damanlela  
Pusat Bandar Damansara  
50490 Kuala Lumpur  
Tel No. : (03) 7495 8000  
Fax No. : (03) 2095 9076

### Share Registrar

Symphony Share Registrars  
Sdn Bhd  
Level 26 Menara Multi Purpose  
Capital Square  
No. 8, Jalan Munshi Abdullah  
50100 Kuala Lumpur  
Tel No. : (03) 2721 2222  
Fax No. : (03) 2721 2530

### Stock Exchange Listing

MESDAQ Market of  
Bursa Malaysia Securities Berhad

### Stock Name / Code

3A / 0012



## Chairman's Statement

On behalf of the Board of Directors, it is my pleasure to present the Annual Report and Financial Statements of Three-A Resources Berhad and of the Group for the financial year ended 31 December 2007.

### OVERVIEW AND PERFORMANCE OF THE YEAR UNDER REVIEW

The financial year had been an exciting one, given the challenging market conditions. Despite this, I am proud to report that our efforts thus far have generated positive results. For the financial year ended 31 December 2007, the Group recorded higher turnover of RM107.12 million as compared to RM84.02 million in the previous year or an increase of 27.5%. Meanwhile, profit before taxation increased by 31.1% or from RM9.40 million to RM12.32 million.

The Group continue to deliver sterling results with our philosophy of "Excellent Product Quality, Customer Satisfaction and Continual Improvement". There is again always the belief in the management and staff in our commitment in supplying quality products at the very high-level customer service.

### GOING FORWARD

The Group has since grown bigger and stronger with our plant expansion and extensive marketing plans. Our new product introduced in mid-2007, Maltodextrine, while has shown great potential. It is an ingredients for a wide range of food and beverage products such as "3 in 1



## continued

products" (ie. instant beverage drinks), ice cream, sauces and confectionery and other convenience products in the food and beverage industries. In line with the changing lifestyles, convenience foods in the form of chilled and frozen, ready-to-cook, ready-to-eat and ready-to-drink meals are likely to take its place in the bustling cities across Asia Pacific. This augurs well for our products. While contribution is small for year 2007, we expect to reap significant benefits from this product in 2008 and beyond.

To improve further the Group's performance, various strategies have been adopted and implemented. The Group believes in creating a brand name among local and overseas market for its products quality and customer service. With this in mind, the Group will continue to explore countries in the European continent and Asian continent where fast rising countries like China and South East Asia region holds high promises. To competitive in the global market, our strategy includes greater emphasis in human resource, research and product development.

All the Group's products are Halal certified, and thus we stand to benefit from the Government's initiative towards making the country a Halal food production and distribution hub.

The Group is proud to inform that Malaysian Business magazine had presented us with two pretigious awards, one being the "Merit Award" and the other "MESDAQ Category Award" in Corporate

Governance Award 2006 for our excellence in corporate governance practices. These awards are recognition for the Group's values in transparency and accountability, independence and social responsibility.

Moving ahead, the Group endeavours to establish itself as a leading food and beverage ingredients manufacturer in the region with a global reach.

### DIVIDENDS

In view of the good results achieved for financial year ended 31 December 2007, the Board had declared a 1.2 sen tax exempt interim dividend per share for the financial year ended 31 December 2007.

### ACKNOWLEDGEMENT

On behalf of the Board, I would like to thank the management team and all staffs, our shareholders, customers, bankers and business associates for their invaluable support and dedication to the Group.

**Dato' Mohd Nor Bin Abdul Wahid**  
Executive Chairman





## Financial calendar - financial year 2007

### **26 March 2007, Monday**

Announcement of the Proposed Private Placement of up to 17,500,000 new ordinary shares of RM0.20 each.

### **29 May 2007, Tuesday**

Announcement of the unaudited consolidated results for the 1st quarter ended 31 March 2007

### **30 May 2007, Wednesday**

Listing and Quotation of Private Placement of 8,750,000 new ordinary shares of RM0.20 each at an issue price of RM0.36 per share.

### **31 July 2007, Tuesday**

Announcement of the unaudited consolidated results for the 2nd quarter ended 30 June 2007

### **31 July 2007, Tuesday**

Announcement of the Research Report for the 6 months ended 30 June 2007

### **14 November 2007, Wednesday**

Announcement of the unaudited consolidated results for the 3rd quarter ended 30 September 2007

### **20 November 2007, Tuesday**

Listing and Quotation of Private Placement of 8,750,000 new ordinary shares of RM0.20 each at an issue price of RM0.53 per share

### **28 January 2008, Monday**

Issuance of notice of entitlement and payment of Interim Dividend of 6% per ordinary share of RM0.20 (Tax Exempt)

### **15 February 2008, Friday**

Date of entitlement to the Interim Dividend of 6% per ordinary share of RM0.20 (Tax Exempt)

### **19 February 2008, Tuesday**

Announcement of the unaudited consolidated results for the 4th quarter and year ended 31 December 2007

### **19 February 2008, Tuesday**

Announcement of the Research Report for the year ended 31 December 2007

### **03 March 2008, Monday**

Date of payment of the Interim Dividend of 6% per ordinary share of RM0.20 (Tax Exempt)

### **12 March 2008, Wednesday**

Announcement of the audited consolidated results for the year ended 31 December 2007

### **13 March 2008, Thursday**

Announcement of the Proposed Bonus Issue of 115,500,007 new ordinary shares of RM0.20 each on the basis of three (3) for five (5)

### **13 March 2008, Thursday**

Announcement of the Proposed Transfer of the listing and quotation to the Main Board of Bursa Malaysia Securities Berhad

### **18 April 2008, Friday**

Issuance of notice of 6th Annual General Meeting and annual report for the financial year ended 31 December 2007

### **13 May 2008, Tuesday**

Date of 6th Annual General Meeting for the financial year ended 31 December 2007

# Directors' profile

## **DATO' MOHD NOR BIN ABDUL WAHID**

*Non-Independent Executive Chairman*

*55 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 an Executive Chairman of the Company since then. He is also the Executive Chairman of the Company's wholly-owned subsidiary, San Soon Seng Food Industries Sdn Bhd. Presently, Dato' Mohd Nor Bin Abdul Wahid serves as a member of the Remuneration Committee and Audit Committee of the Company.

Dato' Mohd Nor Bin Abdul Wahid holds a 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 position of Executive Trainee in the Bank's wholly-owned subsidiary, Kewangan Bumiputra Berhad to a position as one of the Senior General Manager of the Bank, in-charged of 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 also holds directorship in Aikbee Resources Berhad and sits in the Board of Trustee of Yayasan Wilayah Persekutuan and Institute Professional Baitumal.

Dato' Mohd Nor Bin Abdul Wahid attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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 Executive Chairman and Managing Director*

*60 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 Executive Chairman and Managing Director

of the Company since then. He is also the Managing Director of the Company's wholly-owned subsidiary, San Soon Seng Food Industries Sdn Bhd.

Mr. Fang Chew Ham started the family business producing Caramel Colour for more than 30 years ago. In 1978, 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 is equipped with vast experience in the food & beverage business heads the management of SSSFI. His leadership together with the expanded management personnel will result in broad and flexible goal setting; and to meet the quality of the ever-changing demands and development of new range of products related to the food & beverage ingredients industry.

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

Mr. Fang Chew Ham has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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 @ Tong Chu King, Mr. Foong Chiew Fatt and Mr. Fong Chiew Hean; and is father of Ms. Fang Siew Yee and Ms. Fang Siew Ping; and is father-in-law of Mr. Liew Kuo Shin, all of whom are the Directors of the Company.

## **MR. FONG CHU KING @ TONG CHU KING**

*Non-Independent Executive Director*

*63 years of age*

*Malaysian*

Mr. Fong 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. Presently, he serves as a member of the Nomination Committee of the Company. 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 Institution Engineer 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-charged 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 2007. 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, Mr. Foong Chiew Fatt and Mr. Fong Chiew Hean, all of whom are the Directors of the Company.

**MR. FOONG CHIEW FATT**  
*Non-Independent Executive Director*

*75 years of age*  
*Malaysian*

Mr. Foong Chiew Fatt was appointed to the Board of the Company on 10 May 2002 and has served as a Non-Independent Executive Director since then. He brings with his vast experience in the sauce making industry and is one of the contributors to the long term strategy of the Group.

Mr. Foong Chiew Fatt has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. He has no conflict of interest

with the Group and has not been convicted of offences within the past ten (10) years.

Mr. Foong Chiew Fatt is a sibling of Mr. Fang Chew Ham, Mr. Fong Chu King and Mr. Fong Chiew Hean, all of whom are the Directors of the Company.

**MR. FONG CHIEW HEAN**  
*Non-Independent Non-Executive Director*

*71 years of age*  
*Malaysian*

Mr. Fong Chiew Hean was appointed to the Board of the Company on 10 May 2002 and has served as a Non-Independent Non-Executive Director since then. With his intensive experience in the sauce making industry, he actively contributes to the success of the Group.

Mr. Fong Chiew Hean has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

Mr. Fong Chiew Hean is a sibling of Mr. Fang Chew Ham, Mr. Fong Chu King and Mr. Foong Chiew Fatt, all of whom are the Directors of the Company.

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

*58 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 member of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

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

Mr. Chew Eng Chai has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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*

*69 years of age  
Malaysian*

Mr. Tan Chon Sing 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 was graduated in 1963 with a Bachelor of Commerce in Accounting from Nanyang University, Singapore. He was a former 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 2007. 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*

*28 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 was graduated with an Honours Degree in Bachelor of Art in Business Administration (Management) in 2001 from the University of Greenwich, London. She then joined

San Soon Seng Food Industries Sdn Bhd in 2001 as Assistant Manager and responsible for the administrative and purchasing matters of the Group.

Ms. Fang Siew Yee has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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; daughter of Mr. Fang Chew Ham; and sibling of Ms. Fang Siew Ping, all of whom are the Directors of the Company.

**MR. LIEW KUO SHIN**

*Non-Independent Executive Director*

*30 years of age  
Malaysian*

Mr. Liew Kuo Shin was appointed to the Board of the Company on 27 September 2004 and has served as a Non-Independent Executive Director since then.

Mr. Liew Kuo Shin was 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-charged of maintenance of plant and machinery in TARB Group.

Mr. Liew Kuo Shin has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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 is the spouse of Ms. Fang Siew Yee, who is also the Director of the Company.

**MS. FANG SIEW PING**

*Non-Independent Executive Director*

*26 years of age  
Malaysian*

Ms. Fang Siew Ping was appointed to the Board of the Company on 27 September 2004 and has served as a Non-Independent Executive Director since then.

Ms. Fang Siew Ping was graduated with Bachelor Degree in Chemistry from the United States of America and joined San Soon Seng Food Industries Sdn Bhd in 2004 as R&D Manager and heads the R&D Department of TARB Group.

Ms. Fang Siew Ping has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. 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 Director of the Company.

**MR. KHOO WEE BOON**

*Independent Non-Executive Director*

*59 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.

Mr. Khoo Wee Boon had completed GCE in 1966 from University of Cambridge and completed Advance Bank Management Program from Asia

Institute of Management; Eugenio Lopez Foundation of which an affiliate of Ateneo De Manila University and La Salle University, Manila in 1989.

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

Mr. Khoo Wee Boon has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

**ENCIK MOHD ZAKI BIN HAMZAH**

*Independent Non-Executive Director*

*50 years of age  
Malaysian*

Encik 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.

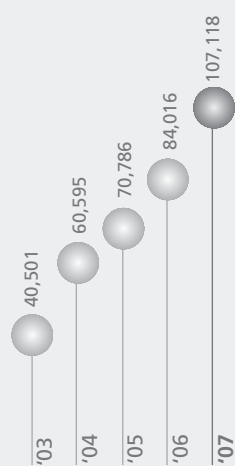
Encik Mohd Zaki Bin Hamzah was graduated from the State University of New York, Binghamton with a Bachelor of Science in Accounting and has a Master in Business Administration in Management Information System and Finance.

Encik Mohd Zaki Bin Hamzah was a consultant with Arthur Anderson & 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. Presently, he also serves as Director of Aikbee Resources Berhad since 2000.

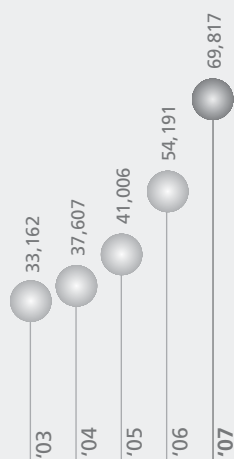
Encik Mohd Zaki Bin Hamzah has attended all five (5) Board Meetings held during the financial year ended 31 December 2007. He has no conflict of interest with the Group and has not been convicted of offences within the past ten (10) years.

# Five year group financial summary

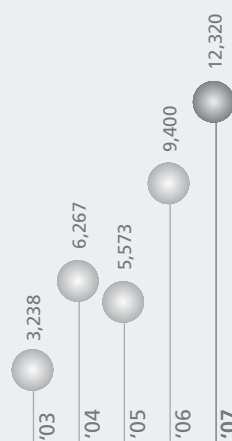
	Year Ended 31 December				
	2007	2006	2005	2004	2003
Revenue	107,118	84,016	70,786	60,595	40,501
Profit Before Taxation	12,320	9,400	5,573	6,267	3,238
Profit After Taxation	10,112	8,632	4,839	4,445	2,617
Total Assets	122,012	94,349	81,147	63,972	51,603
Total Liabilities	52,195	40,157	40,141	26,364	18,441
Share Capital	38,500	35,000	35,000	28,000	28,000
Shareholders' Equity	69,817	54,191	41,006	37,607	33,162
Basic Earnings Per Share (sen)	5.6	4.9	3.1	3.2	1.9
Net Assets Per Share (RM)	0.36	0.31	0.23	0.27	0.24
Return on Equity	14.5	15.9	11.8	11.8	7.9
Return on Assets	8.3	9.1	6.0	6.9	5.1



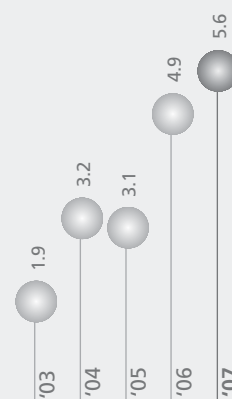
**Revenue**  
(RM'000)



**Shareholders' Equity**  
(RM'000)



**Profit Before Taxation**  
(RM'000)



**Basic Earnings Per Share**  
(Sen)

# Corporate **social responsibility**

The Board of TARB Group has always been mindful of its “Corporate Responsibility” towards the community, environment, its stakeholders and its employees and views CSR as an extension of the Group’s efforts in fostering a strong corporate governance culture. Ultimately, both corporate governance and CSR would ensure the sustainability of business via good business practices as both influence corporate strategy and draw on the same elements of accountability, honesty, transparency and sustainability.

The Group’s initiatives in supporting CSR will be an on-going commitment and in year 2007, the Group has also participated in the following activities:-

- Donations to “Suara Inspektor Kesihatan” by Kesatuan Inspektor Kesihatan in conjunction with the awareness campaign of maintaining healthy lifestyle
- Donations to “Caring for Mentally ill” by A Home For The Depressed, Emotionally And Mentally ill
- Donations to Congress of Unions of Employees in the Public and Civil Services in conjunction of blood donation and anti-drug campaign
- Donations to Kesatuan Pekerja Bomba dan Penyelamat S. Malaysia in highlighting matters on fire awareness
- Donations to Persatuan Pusat Kebajikan Insan Malaysia
- Donations to “To Promote A Caring Society” by Happy Seniors Cultural & Art Studies
- Donations to Buddhist Temple Building Fund by Persatuan Wusba KLCC Kuala Lumpur
- Donations to S.R.J.K. (C) Perkampungan Berapit Bukit Mertajam
- Donations to Xim Phou Moon Welfare Society Malaysia “19th Anniversary Charity Nite”
- Donations to Nanyang Press “Charity Shows in 2007”
- Donations to Ex-Service Welfare Association

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

# Corporate governance **statement**

Three-A Resources Berhad's excellence corporate governance was duly recognized with the conferment of the Malaysian Business Corporate Governance Merit Award 2006 and MESDAQ Award Winner 2006 by Malaysian Business of Berita Publishing Sdn. Bhd.

The Board of Directors ("Board") is fully committed to ensure that the highest standards of corporate governance are observed throughout the Group so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders' investment and ultimately enhancing their value.

## DIRECTORS

### The Board

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 duties and responsibilities of the Board include monitoring the performance and control of the Group, monitoring on issues relating to strategy and financial matters, formalizing documentation on matters specifically reserved for its decision and ensuring that the Group's overall control and direction rests firmly with the Board.

The Board has established Board Committees to assist the Board in the discharge of its duties. Each committee operates under approved terms of reference as set out on pages 18 to 19.

The Board Committees are as follows:-

- Audit Committee
- Nomination Committee
- Remuneration Committee

## Members of Board Committees and Meetings Attendance

AUDIT COMMITTEE		
Membership Status	Name	Attendance
Chairman	Chew Eng Chai Independent Non-Executive Director	4/4
Member	Tan Chon Sing @ Tan Kim Tieng Independent Non-Executive Director	4/4
Member	Dato' Mohd Nor Bin Abdul Wahid Non-Independent Executive Chairman	4/4
NOMINATION COMMITTEE		
Membership Status	Name	Attendance
Chairman	Mohd Zaki Bin Hamzah Independent Non-Executive Director	1/1
Member	Chew Eng Chai Independent Non-Executive Director	1/1
Member	Fong Chu King @ Tong Chu King Non-Independent Executive Director	1/1
REMUNERATION COMMITTEE		
Membership Status	Name	Attendance
Chairman	Tan Chon Sing @ Tan Kim Tieng Independent Non-Executive Director	1/1
Member	Chew Eng Chai Independent Non-Executive Director	1/1
Member	Dato' Mohd Nor Bin Abdul Wahid Non-Independent Executive Chairman	1/1



**Board Balance**

The Board consists of twelve (12) members; comprising seven (7) Non-Independent Executive Directors (including Non-Independent Executive Chairman and Managing Director), one (1) Non-Independent Non-Executive Director, four (4) Independent Non-Executive Directors.

The Board comprises members with a wide range of business, financial and technical service background. The size of the Board is optimum given the scope, size and complexity of the Group’s operations. The composition of Board is well balanced with an effective mix of eight (8) Non-Independent Directors and four (4) Independent Directors which complies with the Bursa Malaysia Securities Berhad/Mesdaq 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. In addition to the role and guidance of Independent Non-Executive Directors, each Director nevertheless brings an independent judgment in the proceedings and decision making of the Board. All decisions of the Board are based on the decision of the majority and no single Board member can make any decisions on behalf of the Board, unless duly authorized by the majority Board.

The profiles of the Board Members are presented on pages 9 to 12.

**Board Meetings and Supply of Information to the Board**

Board meetings for the following financial year are scheduled before the end of the current financial year so as to enable Directors to plan accordingly in order to facilitate their attendance at the Board meetings.

The Board met five (5) times during the financial year ended 31 December 2007. Additional meetings are held as and when required. The dates of the Board Meetings are as follows:

- 09 January 2007
- 26 February 2007
- 28 May 2007
- 30 July 2007
- 13 November 2007

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
Foong Chiew Fatt	5	5
Fong Chiew Hean	5	5
Chew Eng Chai	5	5
Tan Chon Sing @ Tan Kim Tieng	5	5
Fang Siew Yee	5	5
Liew Kuo Shin	5	5
Fang Siew Ping	5	5
Khoo Wee Boon	5	5
Mohd Zaki Bin Hamzah	5	5

The full attendance by the Board Members reflects the commitment of the Board in discharging their duties and responsibilities effectively.

Dato’ Mohd Nor Bin Abdul Wahid, the Non-Independent Executive Chairman, chairs all the Board meetings.

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 analyzing 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 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. The Directors may seek independent professional advice at the Group's expenses, if necessary. 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.

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

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. The proposed appointment of a new Member to the Board will be deliberated on by the Board based upon the recommendation by the Nomination Committee on the necessity for and qualification and experience of the proposed director.

#### **Re-Appointment and Re-Election of Directors**

In accordance with the Company's Memorandum and Articles of Association, at the first Annual General Meeting of the Company, all Directors shall retire from office and at the Annual General Meeting in every subsequent year, 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.

#### **DIRECTORS' REMUNERATION**

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 making recommendations to the Board on the remuneration packages of Executive Directors, Non-Executive Directors and members of Board Committees.

Directors do not participate in decisions regarding their own remuneration packages. The Board as a whole determines the level of remuneration of Executive Directors and Non-Executive Directors. Directors' fees, if any, are approved at the Annual General Meeting by the shareholders.

The remuneration of Directors for financial year ended 31 December 2007 is disclosed in Note 19 to the financial statements on pages 51 to 52.

#### **DIRECTORS' TRAINING AND EDUCATION**

All Directors have successfully completed the Mandatory Accreditation Programme and attended the relevant seminars and training recognized under the Directors' Continuing Education Programme as prescribed by Bursa Malaysia Securities Berhad.

The Directors are mindful that they should receive appropriate continuous training by attending seminars in order to broaden their perspectives and to keep abreast with the development in the business environment as well as with the new regulatory and statutory requirements.

#### TERMS OF REFERENCE

##### Board Committees

##### Nomination Committee

The Nomination Committee was set up in November 2002 and meets as and when required.

- To review Board structure, size and composition
- To propose nominees for appointment to the Board
- To assist the Board annually in reviewing the required mix of skills and experience and other quality which Non-Executive Directors should bring to the Board
- To annually carry out the assessment of the overall effectiveness of the Board
- To review management's proposals for the appointment, dismissal, transfer, promotion of senior executives

##### Remuneration Committee

The Remuneration Committee was set up in November 2002 and meets as and when required.

- To review and deliberate on the quantum of Directors' remuneration packages
- To furnish recommendations to the Board on specific adjustments in remuneration or reward payments

#### ACCOUNTABILITY AND AUDIT

##### Financial Reporting

In presenting the annual audited financial statements and quarterly announcements of results to shareholders, the Directors take responsibility to present a balanced and understandable assessment of the Group's financial position and prospects. 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 recognize the responsibility for ensuring that accounting records are properly kept.

The Board is assisted by the Audit Committee to oversee the financial reporting processes and to ensure accuracy and adequacy of the disclosed information by the Group.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements is presented on page 24.

##### Internal Controls

The Board of Directors has always placed significant emphasis on sound internal controls which are necessary to safeguard the Group's assets and shareholders' investment. To this end, the Board affirms its overall responsibility for the Group's internal control system which encompasses risk management practices as well as financial, operational and compliance control. However, it should be noted that such system, by its nature, manages but not eliminates risks and therefore can provide only reasonable and not absolute assurance against material misstatement, loss or fraud.

The Statement on Internal Control is presented on page 23 and it provides an overview of the state of internal controls within the Group.

##### Audit Committee

The Groups' financial reporting is overseen by the Audit Committee, which comprises two (2) Independent Non-Executive Directors and an Executive Director, of whom two-third (2/3) are independent.

The composition, terms of reference and summary of the activities of the Audit Committee during the financial year are disclosed in the Audit Committee Report on pages 20 to 22. The activities of the Audit Committee are governed by a charter that is approved by the Board.

The Audit Committee meets quarterly. Additional meeting is held as and when required. During the financial year ended 31 December 2007, a total of four (4) Audit Committee meetings were held.

The Audit Committee meeting is always held before the Board's meeting. This is to ensure that all critical issues highlighted can be brought to the attention of the Board on a timely basis. The minutes of the Audit Committee meetings are tabled to the Board for noting and for action by the Board where appropriate.

#### **Relationship with External Auditors**

The Audit Committee meets the Group's external auditors at least once a year to review the scope and adequacy of the audit process and their findings. The Audit Committee also meets with the external auditors whenever it deems necessary.

#### **Internal Audit**

The Group has outsourced an Internal Auditor which assists the Audit Committee in the discharge of its duties and responsibilities. Its role is to provide independent and objective reports on the organisation's management, records, accounting policies and control to the Board.

The internal audit function reports directly to the Audit Committee and its findings and recommendations are communicated to the Board.

#### **RELATIONSHIP WITH SHAREHOLDERS AND INVESTORS**

The Group recognizes 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.

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 has also established a website ([www.three-a.com.my](http://www.three-a.com.my)) to which shareholders can access information related to the Group. Investors and members of the public who wish to assess corporate information, financial statements, news and events related to the Group can channel their queries to the following personnel:

#### **Fong Peng Fai**

Finance Manager of the Group

#### **Jessica Fang Siew Yee**

Executive Director

Tel No. : (03) 6156 2655

E-mail : [three-a@three-a.com.my](mailto:three-a@three-a.com.my)

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

#### **RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS**

The statement explaining the Board of Directors' responsibility for preparing the annual financial statement is set out on page 29 of this Annual Report.

# Audit committee report

## CHAIRMAN

**Chew Eng Chai**

Independent Non-Executive Director

Member of the Malaysian Institute of Accountants

## MEMBERS

**Tan Chon Sing @ Tan Kim Tieng**

Independent Non-Executive Director

**Dato' Mohd Nor Bin Abdul Wahid**

Non-Independent Executive Chairman

## MEMBERSHIP AND ATTENDANCE

The Audit Committee members and details of attendance of each member at the Audit Committee meetings held during the financial year ended 31 December 2007 are as follows:

### Composition of Audit Committee

### Numbers of Audit Committee Meetings Held Attended

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

4 4

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

4 4

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

4 4

## COMPOSITION AND TERMS OF REFERENCE

### MEMBERS

The Board of Directors ("Board") shall elect an Audit committee from amongst themselves which fulfils the following requirements:

- i. the Audit Committee shall consist of at least three (3) directors; and
- ii. all audit committee members must be non-executive directors with a majority of them being independent directors; and
- iii. at least one (1) member of the Audit Committee
  - a) must be a member of the Malaysian Institute of Accountants ("MIA");
  - b) if he/she is not a member of the MIA, he/she must have at least three (3) years' working experience and:
    - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
    - he/she must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or
  - c) fulfils such other requirements as prescribed or approved by Bursa Malaysia Securities Berhad ("Bursa Securities").

- iv. No alternate Director shall be appointed as member of the Audit Committee; and
- v. If a member of the Audit Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

### CHAIRMAN

The members of the Audit Committee shall elect a Chairman from amongst themselves who shall be an independent director.

### MEETINGS

- The Audit Committee will hold a minimum of three (3) meetings a year, although 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 members and representatives of the external auditors 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 at least two thirds (2/3) of the members with independent directors forming the majority;
- The Company Secretary shall be the Secretary to the Audit Committee; and
- Minutes of each meeting will be circulated to each member of the Audit Committee and the Audit Committee Chairman shall report on each meeting to the Board.

#### **AUTHORITY**

The Audit Committee shall, at the Company's expenses:

- have authority to investigate any matter within its terms of reference;
- have the resources which are required to perform its duties;
- have full and unrestricted access to any records, information, property and personnel of the Company;
- have direct communication channels with the internal and external auditors;
- be able to obtain independent professional or other advice; and
- be able 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**

- 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;
- To review the internal audit programme and results of the Group's internal audit process and where

necessary, ensure that appropriate actions as taken by the management on the recommendation of the internal audit function; and

- To be consulted in the appointment, review/appraisal or assessment of performance, remuneration/resignation/termination of the Head of Internal Audit and senior staff members of the internal audit function.
  - take cognizance of resignation of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning.

##### **External Audit**

- To discuss and review with the external auditors, the audit plan, the nature and scope of the audit 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;
- To review the external auditors' management letter and management response;
- To review the audit report with the external auditors;
- To review and report the assistance given by the Group's Officers to the external auditors and the overall conduct of the audit;
- 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 changes in 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.

#### **Risk Management**

- To review the adequacy and effectiveness of risk management and internal control system instituted within the Group.

#### **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; and
- 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 2007 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 them to the Board for approval; and
- Reviewed the new accounting standards applicable in the preparation of the consolidated financial statements and the additional regulatory disclosure requirements.

#### **EXTERNAL AUDIT**

- Reviewed the external auditors' audit plan, scope and areas of audits of the Group; and
- Reviewed the suitability of the external auditors and recommended to the Board for re-appointment and the audit fee thereof.

#### **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 not 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. 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 2007 under review include the following:

- Ascertained the extent of compliance with established policies, procedures and statutory requirements;
- Carried out investigations and special reviews at the request of the Board;
- Assessed the means of safeguarding assets and verified their existence;
- Identified opportunities to improve the operations and processes within the Group; and
- 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 2007, a total of four (4) audits, reviews and investigations were carried out at spanning the Group's operations.

# Statement on internal control

## Introduction

Paragraph 15.26 (b) of the Listing Requirements of the Bursa Malaysia Securities Berhad requires the Board of Directors of a listed entity to include a statement on the state of internal control in the Annual Report. The Malaysian Code on Corporate Governance provides that listed companies should maintain a sound system of internal control to safeguard shareholders' investments and the Group's assets.

## Board Responsibility

The Board is responsible for the Group's system of internal control and for reviewing the adequacy and integrity. The Board recognizes the importance of a sound system of internal controls 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 internal controls, and to ensure that the effectiveness, adequacy and integrity of the internal control system are reviewed on an ongoing basis. The Board also acknowledges that a sound system of internal controls reduces, but cannot eliminate the possibility of poor judgment in decision making: human error; breakdown in internal control due to collusion, control processes being deliberately circumvented by employees and others; management overriding controls and occurrence of unforeseeable circumstances. A sound system of internal control therefore provided reasonable but not absolute, assurance that the Group will not be hindered in achieving its business objectives. The Board engages an independent consultant to assist the Board in reviewing and appraising the internal control system within the Group.

## Control Structure

The Board has established a structure with clearly defined areas of responsibility and delegated authority.

The Audit Committee assists the Board in its responsibilities over the system of internal control. Its independence is assured by the composition of a majority of Independent Directors. As highlighted in the Audit Committee Report, the Audit Committee has full access and direct communication with the External and Internal Auditors in discharging its responsibilities.

The Internal Auditor assists the Audit Committee with the examination and evaluation of the adequacy and effectiveness of internal control system, including risk assessment process and operational control activities.

## Monitoring and Review Activities

The processes for monitoring the internal control system are embedded in the periodic examination by the Internal Auditor of the adequacy and effectiveness of internal control.

The findings of Internal Auditor are reported directly to the Audit Committee. The Audit Committee also reviews the reports from the External Auditors on issues relating to internal controls and financial reporting. The audit Committee in turn reports to the Board, its findings and consequently its conclusion on the effectiveness of internal control system quarterly.

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

- Regular and comprehensive information provided to Directors, covering key business, operations, assets and liabilities and financial performance issues;
- Policies, Procedures and Work Instructions to guide operational processes; and
- Compliance, progress audits and operations reviews undertaken and reported to the Audit Committee on a quarterly basis.

## Effectiveness of Internal Control

The Board continuously takes appropriate steps to strengthen the transparency and efficiency of its operations. It is the intention of the Board and its management to undertake a comprehensive review on the governance and internal control framework at those entities where management control exists. Emphasis will be given by the Board to enhance and refine the risk management framework within the Group for the purposes of ensuring that a culture of ownership, management and accountability for risk exists throughout the Group. This will be supported by an assessment of the operations in relation to the adequacy and integrity of the controls by the internal audit function. Other initiatives deemed necessary will be considered from time to time to ensure that the control environment remains reasonable secure.

The effectiveness of the system of internal control is also reviewed through ISO 9001:2000 certification held by the Group. Surveillance visits are carried out annually by auditors from SIRIM and a complete re-audit and re-assessment is carried out once every three (3) years. Demanding documentation requirements of the certification further ensure that a trail of accountability exists in this division.

The Board is of the opinion that there were no material losses incurred during the financial year as a result of weaknesses in internal control. Nevertheless the Board and Management continue to take appropriate measures from time to time to strengthen the existing control environment within the Group.

This Statement is made in accordance with a resolution by the Board dated 18 February 2008.



# Statement of responsibility by directors

## PURSUANT TO PARAGRAPH 15.27(A) OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

The Directors are responsible for ensuring that the audited financial statements of the Group and of the Company are drawn up in accordance with the requirements of the applicable approved accounting standards in Malaysia, the provisions of the Companies Act, 1965, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the audited financial statements give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2007, and of the results of their operations and cash flows for the year ended on that date.

In preparing the audited financial statements, the Directors have:

- applied the appropriate and relevant accounting policies on a consistent basis;
- made judgments and estimates that are reasonable and prudent;

- prepared the audited financial statements on a going concern basis;
- stated whether applicable accounting standards have been followed, subject to any; and
- material departures disclosed and explained in the financial statement.

The Directors are also responsible for ensuring that keeping proper accounting records and which disclose with reasonable accuracy the financial position of the Group and of the Company to ensure that the financial statements comply with the Companies Act, 1965.

The Directors also have an overall responsibility for taking reasonable steps to safeguard the assets of the Company and of the Group and to prevent and detect fraud and other irregularities.

## Financial Statements

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# Directors' report

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2007.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 5 to the financial statements.

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

## RESULTS

	<u>Group</u> RM	<u>Company</u> RM
Net profit for the year	10,112,376	25,778,334

There were no material transfers to or from reserves or provisions during the financial year except as disclosed in the statements of changes in equity.

In the opinion of the directors, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

## DIVIDEND

The amount of dividends paid by the Company since 31 December 2006 were as follows:

	RM
In respect of the financial year ended 31 December 2007:	
1.2 sen tax exempt interim dividend on 175,000,012 ordinary shares, declared on 9 January 2007 and paid on 13 February 2007	<u>2,100,000</u>

The directors do not recommend the payment of any final dividend in respect of the current financial year ended 31 December 2007.

## DIRECTORS

The directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohd Nor Bin Abdul Wahid  
Fang Chew Ham  
Foong Chiew Fatt  
Fong Chiew Hean  
Fong Chu King @ Tong Chu King  
Chew Eng Chai  
Tan Chon Sing @ Tan Kim Tieng  
Fang Siew Yee  
Fang Siew Ping  
Liew Kuo Shin  
Khoo Wee Boon  
Mohd Zaki Bin Hamzah (appointed on 19 January 2007)

continued

## DIRECTORS' BENEFITS

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of acquisition of shares in or debentures of the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors as shown in Note 19 to the financial statements or the fixed salary of a full-time employee of the Company or its related corporation) by reason of a contract made by the Company or a related corporation with any 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, except as disclosed in Note 25 to the financial statements.

## DIRECTORS' INTERESTS

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares in the Company during the financial year were as follows:

	Number of Ordinary Shares of RM0.20 each			
	At 1.1.2007	Bought	Sold	At 31.12.2007
<b>Direct interest</b>				
Fang Chew Ham	57,176,075	603,925	-	57,780,000
Dato' Mohd Nor Bin Abdul Wahid	5,681,250	805,000	-	6,486,250
Foong Chiew Fatt	9,919,350	100,000	-	10,019,350
Fong Chiew Hean	9,919,350	437,500	-	10,356,850
Fong Chu King @ Tong Chu King	7,610,925	-	(425,500)	7,185,425
Chew Eng Chai	112,500	-	-	112,500
Tan Chon Sing @ Tan Kim Tieng	825,000	105,000	-	930,000
Fang Siew Ping	1,312,500	387,500	(300,000)	1,400,000
Liew Kuo Shin	128,125	-	-	128,125
Fang Siew Yee	200,000	-	-	200,000
Mohd Zaki Bin Hamzah	-	670,500	-	670,500

None of the other directors in office at the end of the financial year had any interest in shares in the Company or its related corporation during the financial year.

## ISSUE OF SHARES

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM35,000,003 to RM38,500,003 by way of:

- (i) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.36 per ordinary share for cash, for additional working capital purposes; and
- (ii) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.53 per ordinary share for cash, for additional working capital purposes.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the the Company.

## OTHER STATUTORY INFORMATION

- (a) Before the balance sheets and income statements 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 there were no known bad debts and that adequate provision had been made for doubtful debts; and

**OTHER STATUTORY INFORMATION (CONT'D)**

- (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
  - (i) it necessary to write off any bad debts or the amount of the provision for doubtful debts inadequate to any substantial extent in respect of these financial statements; and
  - (ii) the values attributed to current assets in the financial statements of the Group and of the Company misleading.
- (c) At the date of this report, the directors are not aware of any circumstances which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.
- (e) As at the date of this report, there does not exist:
  - (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
  - (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.
- (f) In the opinion of the directors:
  - (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due; and
  - (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

**SIGNIFICANT EVENT**

Details of a significant event are disclosed in Note 30 to the financial statements.

**AUDITORS**

The auditors, Ernst & Young, have expressed their willingness to continue in office.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2008.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

# Statement by directors

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Mohd Nor Bin Abdul Wahid and Fang Chew Ham, being two of the directors of Three-A Resources Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 31 to 57 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards 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 2007 and of the results and the cash flows of the Group and of the Company for the year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 18 February 2008.

Dato' Mohd Nor Bin Abdul Wahid

Fang Chew Ham

# Statutory declaration

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Fang Chew Ham, being the director primarily responsible for the financial management of Three-A Resources Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 31 to 57 are in my opinion 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 Fang Chew Ham  
at Kuala Lumpur in the Federal  
Territory on 18 February 2008

Fang Chew Ham

Before me,

# Report of the auditors

TO THE MEMBERS OF THREE-A RESOURCES BERHAD

We have audited the accompanying financial statements set out on pages 31 to 57. These financial statements are the responsibility of the Company's directors.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with Section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with applicable Approved Standards on Auditing in Malaysia. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the directors, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion. In our opinion:

- (a) the financial statements have been properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia so as to give a true and fair view of:
  - (i) the financial position of the Group and of the Company as at 31 December 2007 and of the results and the cash flows of the Group and of the Company for the year then ended; and
  - (ii) the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements; and
- (b) the accounting and other records and the registers required by the Act to be kept by the Company and by its subsidiary have been properly kept in accordance with the provisions of the Act.

We are satisfied that the financial statements of the subsidiary that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The auditors' report on the financial statements of the subsidiary was not subject to any qualification and did not include any comment required to be made under Section 174(3) of the Act.

Ernst & Young  
AF: 0039  
Chartered Accountants

Low Khung Leong  
No. 2697/01/09(J)  
Partner

Kuala Lumpur, Malaysia  
18 February 2008

# Balance sheets

AS AT 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	53,432,414	45,846,300	2,335	2,803
Prepaid land lease payments	4	9,726,402	9,118,589	-	-
Investment in a subsidiary	5	-	-	20,100,000	20,100,000
Due from a subsidiary	6	-	-	49,206,063	17,918,543
		63,158,816	54,964,889	69,308,398	38,021,346
<b>CURRENT ASSETS</b>					
Inventories	7	20,867,141	13,829,071	-	-
Trade receivables	8	29,516,560	22,968,729	-	-
Other receivables	9	3,379,236	1,273,302	1,160	1,160
Tax recoverable		136,063	-	-	-
Cash and bank balances	10	4,953,979	1,312,541	4,765	362
		58,852,979	39,383,643	5,925	1,522
<b>TOTAL ASSETS</b>		<b>122,011,795</b>	<b>94,348,532</b>	<b>69,314,323</b>	<b>38,022,868</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to equity holders of the Company</b>					
Share capital	11	38,500,002	35,000,002	38,500,002	35,000,002
Share premium	12	4,846,960	733,629	4,846,960	733,629
Retained earnings	13	26,469,895	18,457,519	25,943,573	2,265,239
Total equity		69,816,857	54,191,150	69,290,535	37,998,870
<b>NON-CURRENT LIABILITIES</b>					
Borrowings	14	9,323,760	9,323,839	-	-
Deferred tax liabilities	15	6,164,990	4,753,641	-	-
		15,488,750	14,077,480	-	-
<b>CURRENT LIABILITIES</b>					
Borrowings	14	30,582,106	21,458,771	-	-
Trade payables	16	3,024,212	2,298,993	-	-
Other payables	17	3,094,680	2,274,476	23,788	23,998
Provision for taxation		5,190	47,662	-	-
		36,706,188	26,079,902	23,788	23,998
<b>TOTAL LIABILITIES</b>		<b>52,194,938</b>	<b>40,157,382</b>	<b>23,788</b>	<b>23,998</b>
		122,011,795	94,348,532	69,314,323	38,022,868

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



# Income statements

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
Revenue	18	107,118,021	84,015,856	31,078,219	10,000,000
Cost of sales		(80,445,624)	(62,624,285)	-	-
Gross profit		26,672,397	21,391,571	31,078,219	10,000,000
Other income		177,113	67,044	-	-
Administrative expenses		(8,890,122)	(6,772,120)	(221,666)	(99,167)
Other expenses		(3,757,678)	(3,697,097)	-	-
Profit from operations	19	14,201,710	10,989,398	30,856,553	9,900,833
Finance costs	21	(1,881,903)	(1,589,034)	-	-
Profit before taxation		12,319,807	9,400,364	30,856,553	9,900,833
Taxation	22	(2,207,431)	(768,473)	(5,078,219)	-
Net profit for the year		10,112,376	8,631,891	25,778,334	9,900,833
<b>Earnings per share attributable to equity holders of the Company (sen):</b>					
Basic, for profit for the year	23	5.6	4.9		

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

# Statements of changes in equity

FOR THE YEAR ENDED 31 DECEMBER 2007

Group	Note	Share capital RM	Share premium <sup>(1)</sup> RM	Retained earnings <sup>(2)</sup> RM	Total RM
<b>At 1 January 2006</b>		35,000,002	733,629	9,825,628	45,559,259
Net profit for the year		-	-	8,631,891	8,631,891
<b>At 31 December 2006</b>		35,000,002	733,629	18,457,519	54,191,150
<b>At 1 January 2007</b>		35,000,002	733,629	18,457,519	54,191,150
Issuance of ordinary shares pursuant to private placement		3,500,000	4,287,500	-	7,787,500
Expenses incurred on issuance of ordinary shares not recognised in the income statement		-	(174,169)	-	(174,169)
Dividend paid	24	-	-	(2,100,000)	(2,100,000)
Net profit for the year		-	-	10,112,376	10,112,376
<b>At 31 December 2007</b>		38,500,002	4,846,960	26,469,895	69,816,857

Company	Note	Share capital RM	Share premium <sup>(1)</sup> RM	Accumulated losses/ retained earnings <sup>(2)</sup> RM	Total RM
<b>At 1 January 2006</b>		35,000,002	733,629	(7,635,594)	28,098,037
Net profit for the year		-	-	9,900,833	9,900,833
<b>At 31 December 2006</b>		35,000,002	733,629	2,265,239	37,998,870
<b>At 1 January 2007</b>		35,000,002	733,629	2,265,239	37,998,870
Issuance of ordinary shares pursuant to private placement		3,500,000	4,287,500	-	7,787,500
Expenses incurred on issuance of ordinary shares not recognised in the income statement		-	(174,169)	-	(174,169)
Dividend paid	24	-	-	(2,100,000)	(2,100,000)
Net profit for the year		-	-	25,778,334	25,778,334
<b>At 31 December 2007</b>		38,500,002	4,846,960	25,943,573	69,290,535

**Note:**

<sup>(1)</sup> Non-distributable

<sup>(2)</sup> Distributable

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

# Cash flow statements

FOR THE YEAR ENDED 31 DECEMBER 2007

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before taxation		12,319,807	9,400,364	30,856,553	9,900,833
Adjustments for:					
Amortisation of leasehold land		155,412	143,671	-	-
Depreciation of property, plant and equipment		3,011,197	2,569,053	468	468
Writeback of provision for doubtful debts		(324,843)	-	-	-
Unrealised foreign exchange gain		124,697	104,731	-	-
Interest expense		1,714,018	1,377,942	-	-
Operating profit before working capital changes		17,000,288	13,595,761	30,857,021	9,901,301
Working capital changes:					
Inventories		(7,038,070)	905,491	-	-
Receivables		(8,453,619)	(2,286,061)	-	-
Payables		1,545,423	(455,752)	(210)	(53,175)
Subsidiary		-	-	(31,287,520)	(9,848,236)
Cash generated from/(used in) operations		3,054,022	11,759,439	(430,709)	(110)
Interest paid		(1,714,018)	(1,377,942)	-	-
Income tax paid		(974,617)	(385,426)	(5,078,219)	-
Net cash generated from/(used in) operating activities		365,387	9,996,071	(5,508,928)	(110)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchase of property, plant and equipment		(10,597,311)	(6,782,195)	-	-
Prepayment of land lease		(763,225)	(1,836,881)	-	-
Net cash used in investing activities		(11,360,536)	(8,619,076)	-	-
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Proceeds from issuance of ordinary shares		7,787,500	-	7,787,500	-
Expenses incurred on issuance of ordinary shares		(174,169)	-	(174,169)	-
Dividend paid		(2,100,000)	-	(2,100,000)	-
Drawdown/(Repayment) of bankers acceptances		9,207,416	(5,039,319)	-	-
Drawdown of term loans		1,957,791	5,753,540	-	-
Payment of term loans		(1,640,732)	(1,626,469)	-	-
Payment of hire purchase obligations		(401,219)	(449,949)	-	-
Net cash generated from/(used in) financing activities		14,636,587	(1,362,197)	5,513,331	-

continued

	Note	Group		Company	
		2007 RM	2006 RM	2007 RM	2006 RM
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		3,641,438	14,798	4,403	(110)
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		1,312,541	1,297,743	362	472
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR (NOTE 10)		4,953,979	1,312,541	4,765	362

Acquisitions of property, plant and equipment during the current financial year were financed by:

	Group	
	2007 RM	2006 RM
Cash	10,597,311	6,782,195
Hire Purchase	-	1,784,880
	10,597,311	8,567,075

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

# Notes to the financial statements

31 DECEMBER 2007

## 1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Malaysian Exchange of Securities Dealing & Automated Quotation (MESDAQ) Market of Bursa Malaysia Securities Berhad. The registered office and the principal place of business of the Company and of the Group is located at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan.

The principal activity of the Company is investment holding. The principal activities of the subsidiary are disclosed in Note 5. There have been no significant changes in the nature of the principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 18 February 2008.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of Preparation

The financial statements comply with the provisions of the Companies Act, 1965 and applicable Financial Reporting Standards in Malaysia. At the beginning of the current financial year, the Group and the Company had adopted new and revised FRSs which are mandatory for financial periods beginning on or after 1 January 2007 as described fully in Note 2.3.

These financial statements have also been prepared on a historical basis and are presented in Ringgit Malaysia (RM).

### 2.2 Summary of Significant Accounting Policies

#### (a) Subsidiary and Basis of Consolidation

##### (i) Subsidiary

Subsidiary is an entity over which the Group has the ability to control the financial and operating policies so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has such power over another entity.

In the Company's separate financial statements, investment in subsidiary is stated at cost less impairment losses. On disposal of such investment, the difference between net disposal proceeds and their carrying amounts is included in profit or loss.

##### (ii) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary as at the balance sheet date. The financial statements of the subsidiary is prepared for the same reporting date as the Company.

The subsidiary is consolidated from the date of acquisition, being the date on which the Group obtains control, and continues to be consolidated until the date that such control ceases. In preparing the consolidated financial statements, intragroup balances, transactions and unrealised gains or losses are eliminated in full. Uniform accounting policies are adopted in the consolidated financial statements for like transactions and events in similar circumstances.

Acquisition of subsidiary is accounted for using the purchase method. The purchase method of accounting involves allocating the cost of the acquisition to the fair value of the assets acquired and liabilities and contingent liabilities assumed at the date of acquisition. The cost of an acquisition is measured as the aggregate of the fair values, at the date of exchange, of the assets given, liabilities incurred or assumed, and equity instruments issued, plus any costs directly attributable to the acquisition.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (a) Subsidiary and Basis of Consolidation (Cont'd)

##### (ii) Basis of consolidation (Cont'd)

Any excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities represents goodwill. Any excess of the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in profit or loss.

#### (b) Property, Plant and Equipment and Depreciation

All items of property, plant and equipment are initially recorded at cost. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

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

Capital work-in-progress are not depreciated as these assets are not available for use. Depreciation of other property, plant and equipment is provided for on a straight-line basis to write off the cost of each asset to its residual value over the estimated useful life, at the following annual rates:

Factory and office buildings	2%
Plant and machinery	5%
Tools and implements	10%
Furniture and fittings and equipment	10%
Renovations and electrical installations	10%
Motor vehicles	10%

The residual values, useful life and depreciation method are reviewed at each financial year-end 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.

An item of property, plant and equipment is derecognised upon 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 net carrying amount is recognised in profit or loss and the unutilised portion of the revaluation surplus on that item is taken directly to retained earnings.

#### (c) Leases

##### (i) Classification

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incidental to ownership. Leases of land and buildings are classified as operating or finance leases in the same way as leases of other assets and the land and buildings elements of a lease of land and buildings are considered separately for the purposes of lease classification. All leases that do not transfer substantially all the risks and rewards are classified as operating leases.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (c) Leases (Cont'd)

##### (ii) Finance leases

Assets acquired by way of hire purchase or finance leases are stated at an amount equal to the lower of their fair values and the present value of the minimum lease payments at the inception of the leases, less accumulated depreciation and impairment losses. The corresponding liability is included in the balance sheet as borrowings. In calculating the present value of the minimum lease payments, the discount factor used is the interest rate implicit in the lease, when it is practicable to determine; otherwise, the Company's incremental borrowing rate is used. Any initial direct costs are also added to the carrying amount of such assets.

Lease payments are apportioned between the finance costs and the reduction of the outstanding liability. Finance costs, which represent the difference between the total leasing commitments and the fair value of the assets acquired, are recognised in the profit or loss over the term of the relevant lease so as to produce a constant periodic rate of charge on the remaining balance of the obligations for each accounting period.

The depreciation policy for leased assets is in accordance with that for depreciable property, plant and equipment as described in Note 2.2(b).

##### (iii) Operating Leases

In the case of a lease of land and buildings, the minimum lease payments or the up-front payments made are allocated, whenever necessary, between the land and the buildings elements in proportion to the relative fair values for leasehold interests in the land element and buildings element of the lease at the inception of the lease. The up-front payment represents prepaid lease payments and are amortised on a straight-line basis over the lease term.

#### (d) Inventories

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

Cost is determined using the first in, first out method. The cost of raw materials comprises costs of purchase. The costs of finished goods and work-in-progress comprise costs of raw materials, direct labour, other direct costs and appropriate proportions of manufacturing overheads based on normal operating capacity.

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

#### (e) Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are reviewed at each balance sheet date and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as finance cost.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (f) Employee Benefits

##### (i) Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

##### (ii) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities or funds and will have no legal or constructive obligation to pay further contributions if any of the funds do not hold sufficient assets to pay all employee benefits relating to employee services in the current and preceding financial years. Such contributions are recognised as an expense in the profit or loss as incurred. As required by law, companies in Malaysia make such contributions to the Employees Provident Fund ("EPF").

#### (g) Income Tax

Income tax on the profit or loss for the year comprises current and deferred tax. Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted at the balance sheet date.

Deferred tax is provided for, using the liability method, on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts in the financial statements. In principle, deferred tax liabilities are recognised for all taxable temporary differences and deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is recognised in the income statement, except when it arises from a transaction which is recognised directly in equity, in which case the deferred tax is also recognised directly in equity.

#### (h) Revenue Recognition

Revenue is recognised when it is probable that the economic benefits associated with the transaction will flow to the enterprise and the amount of the revenue can be measured reliably.

##### (i) Sale of goods

Revenue is recognised net of sales taxes and upon transfer of significant risks and rewards of ownership to the buyer. 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.

##### (ii) Interest income

Interest income is recognised on an accrual basis using the effective interest method.



## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (h) Revenue Recognition (Cont'd)

##### (iii) Dividend income

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

#### (i) Foreign Currencies

##### (i) Functional and Presentation Currency

The individual financial statements of each entity in the Group 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 (RM), which is also the Company's functional currency.

##### (ii) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in the functional currencies using the exchange rates prevailing at the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in either the functional currency of the reporting entity or the foreign operation, are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation, where that monetary item is denominated in a currency other than the functional currency of either the reporting entity or the foreign operation, are recognised in profit or loss for the period. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation, regardless of the currency of the monetary item, are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

##### (j) Impairment of Non-Financial Assets

The carrying amounts of the Group's assets, other than inventories and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated to determine the amount of impairment loss.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (j) Impairment of Non-Financial Assets (Cont'd)

For the purpose of impairment testing of these assets, recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit (CGU) to which the asset belongs to.

An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows 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. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

An impairment loss is recognised in profit or loss in the period.

#### (k) Financial Instruments

Financial instruments are recognised in the balance sheet when the Group has become a party to the contractual provisions of the instrument.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, and gains and losses relating to a financial instrument classified as a liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity. Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

##### (i) Cash and Cash Equivalents

For the purposes of the cash flow statements, cash and cash equivalents include cash on hand and at bank, deposits at call and short term highly liquid investments which have an insignificant risk of changes in value, net of outstanding bank overdrafts.

##### (ii) Receivables

Receivables are carried at anticipated realisable values. Bad debts are written off when identified. An estimate is made for doubtful debts based on a review of all outstanding amounts as at the balance sheet date.

##### (iii) Payables

Payables are stated at cost which is the fair value of the consideration to be paid in the future for goods and services received.

##### (iv) Interest Bearing Loans and Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.2 Summary of Significant Accounting Policies (Cont'd)

#### (k) Financial Instruments (Cont'd)

##### (v) Equity instruments

Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

### 2.3 Effects Arising from Adoption of New and Revised FRSs

On 1 January 2007, the Group and the Company adopted the following FRSs and Amendment to FRSs mandatory for financial periods beginning on or after 1 January 2007:

- i) FRS 6 : Exploration for and Evaluation of Mineral Resources.
- ii) FRS 119 Amendment : Employee Benefits (Actuarial Gains and Losses, Group Plans and Disclosures)

The adoptions of these FRS and Amendment to FRS have not resulted in significant change to the accounting policies currently adopted by the Group and the Company.

The Group and the Company have not adopted the following FRSs, Amendments to FRSs and Interpretations that are mandatory for financial periods beginning on or after 1 July 2007:

- i) FRS 107 : Cash Flow Statements
- ii) FRS 111 : Construction Contracts
- iii) FRS 112 : Income Taxes
- iv) FRS 118 : Revenue
- v) FRS 120 : Accounting for Government Grants and Disclosure of Government Assistance
- vi) FRS 121 : The Effect of Changes in Foreign Exchange Rates
- vii) FRS 134 : Interim Financial Reporting
- viii) FRS 137 : Provisions, Contingent Liabilities and Contingent Assets.
- ix) FRS 139 : Financial Instruments - Recognition and Measurement
- x) IC Interpretation 1 : Changes in Existing Decommissioning, Restoration and Similar Liabilities
- xi) IC Interpretation 2 : Members' Shares in Co-operative Entities and Similar Instruments
- xii) IC Interpretation 5 : Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- xiii) IC Interpretation 6 : Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment
- xiv) IC Interpretation 7 : Applying the Restatement Approach under FRS 1292004 - Financial Reporting in Hyperinflationary Economies
- xv) IC Interpretation 8 : Scope of FRS 2

Except for FRS 139, which is deferred indefinitely, all other FRSs, Amendment to FRSs and Interpretations are mandatory for the financial periods beginning on or after 1 July 2007.

The Group and the Company are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of FRS 139 while the future adoption of the above FRSs, Amendments to FRSs and Interpretations are not expected to have significant impact to the financial statements of the Group and of the Company except for the adoption of FRS 112, details of which are disclosed below.

## 2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Effects Arising from Adoption of New and Revised FRSs (Cont'd)

The Group and the Company have not recognised the potential deferred tax benefits arising from unutilised reinvestment allowance. On the adoption of FRS 112, the following amounts would have been adjusted:

	<b>Group RM</b>
<b>Deferred Tax Liabilities</b>	
As at 31 December 2006, as currently stated	4,753,641
Effect of adopting FRS 112	(531,287)
<hr/>	
As at 31 December 2006, as restated	4,222,354
<hr/>	
As at 31 December 2007, as currently stated	6,164,990
Effect of adopting FRS 112	(844,217)
<hr/>	
As at 31 December 2007, as restated	5,320,773
<hr/>	
<b>Income Tax Expense</b>	
For the year ended 31 December 2006, as currently stated	768,473
Effect of adopting FRS 112	1,067,003
<hr/>	
For the year ended 31 December 2006, as restated	1,835,476
<hr/>	
For the year ended 31 December 2007, as currently stated	2,207,431
Effect of adopting FRS 112	(312,930)
<hr/>	
For the year ended 31 December 2007, as restated	1,894,501
<hr/>	
<b>Retained Earnings</b>	
As at 31 December 2006, as currently stated	18,457,519
Effect of adopting FRS 112	531,287
<hr/>	
As at 31 December 2006, as currently stated	18,988,806
<hr/>	
As at 31 December 2007, as currently stated	26,469,895
Effect of adopting FRS 112	844,217
<hr/>	
As at 31 December 2007, as restated	27,314,112
<hr/>	

The impact on the adoption of FRS 112 on the reinvestment allowance to be claimed in respect of the financial year ending 31 December 2008 is presently not quantifiable.

### 2.4 Significant Accounting Judgements and Estimates

In the process of preparing these financial statements:

- (i) there were no significant judgements made in applying the accounting policies of the Group and the Company which may have significant effects of the amounts recognised in the financial statements; and
- (ii) there were no significant estimation uncertainty at the balance sheet, that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

continued

3. PROPERTY, PLANT AND EQUIPMENT

Group	Factory and office buildings and RM	Plant and machinery, tools and implements RM	Furniture and fittings and equipment RM	Renovations and electrical installations RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
<b>Cost</b>							
At 1 January 2006	17,070,652	29,357,355	1,805,957	1,042,860	1,628,264	2,520,834	53,425,922
Additions	729,829	2,112,128	55,011	35,693	1,791,669	3,842,745	8,567,075
Reclassification	-	1,659,516	-	-	-	(1,659,516)	-
Transfer *	-	-	-	-	-	(861,318)	(861,318)
At 31 December 2006/ At 1 January 2007	17,800,481	33,128,999	1,860,968	1,078,553	3,419,933	3,842,745	61,131,679
Additions	1,114,484	8,738,483	167,976	220,500	58,000	297,868	10,597,311
Reclassification	1,736,171	1,981,574	-	-	-	(3,717,745)	-
At 31 December 2007	20,651,136	43,849,056	2,028,944	1,299,053	3,477,933	422,868	71,728,990
<b>Accumulated Depreciation</b>							
At 1 January 2006	1,621,287	8,843,205	722,547	581,980	947,307	-	12,716,326
Charge for the year	356,003	1,698,336	182,800	111,780	220,134	-	2,569,053
At 31 December 2006/ At 1 January 2007	1,977,290	10,541,541	905,347	693,760	1,167,441	-	15,285,379
Charge for the year	395,664	2,013,989	192,914	107,805	300,825	-	3,011,197
At 31 December 2007	2,372,954	12,555,530	1,098,261	801,565	1,468,266	-	18,296,576
<b>Net Carrying Amount</b>							
At 31 December 2007	18,278,182	31,293,526	930,683	497,488	2,009,667	422,868	53,432,414
At 31 December 2006	15,823,191	22,587,458	955,621	384,793	2,252,492	3,842,745	45,846,300

\* This transfer relates to accumulated costs incurred for land improvements on leasehold land transferred to Prepaid Land Lease Payments (Note 4).

continued

### 3. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Company Furniture and fittings	
	2007 RM	2006 RM
<b>Cost</b>		
At 1 January/31 December	4,675	4,675
<b>Accumulated Depreciation</b>		
At 1 January	1,872	1,404
Charge for the year	468	468
At 31 December	2,340	1,872
<b>Net Carrying Amount</b>		
At 31 December	2,335	2,803

- (a) All property, plant and equipment are charged as securities for borrowings facilities (Note 14) obtained by the subsidiary.
- (b) The carrying values of motor vehicles held under hire purchase contracts as at balance sheet date was RM1,433,699 (2006: RM1,690,223). Assets under hire purchase contracts are pledged as security for the related hire purchase liabilities.

### 4. PREPAID LAND LEASE PAYMENTS

	Group	
	2007 RM	2006 RM
At 1 January	9,118,589	6,564,061
Transfer from property, plant and equipment (Note 3)	-	861,318
Additions	763,225	1,836,881
Amortisation for the year (Note 19)	(155,412)	(143,671)
At 31 December	9,726,402	9,118,589
Analysed as:		
Long term leasehold land	9,340,236	8,721,840
Short term leasehold land	386,166	396,749
	9,726,402	9,118,589
Remaining lease years:		
- Long term leasehold land	34 - 95	35 - 96
- Short term leasehold land	35 - 39	36 - 40

All prepaid land lease payments are pledged as securities for borrowing facilities of the subsidiary (Note 14).

### 5. INVESTMENT IN A SUBSIDIARY

	Company	
	2007 RM	2006 RM
Unquoted investment	20,100,000	20,100,000

continued

#### 5. INVESTMENT IN A SUBSIDIARY (CONT'D)

Details of the subsidiary are as follows:

Name of Subsidiary	Country of incorporation	Equity interest held		Principal activities
		2007	2006	
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100%	100%	Manufacturing and selling of food and beverage ingredients

The subsidiary is audited by Ernst & Young, Malaysia

#### 6. DUE FROM A SUBSIDIARY

The amount due from a subsidiary is interest-free, unsecured and is not repayable within the foreseeable future.

#### 7. INVENTORIES

	Group	
	2007 RM	2006 RM
At cost:		
Finished goods	3,143,018	2,813,683
Raw materials	16,925,138	10,582,705
Packing materials	798,985	432,683
	20,867,141	13,829,071

The cost of inventories recognised as an expense during the financial year amounted to RM73,158,851 (2006: RM56,902,943) which is recognised in cost of sales.

#### 8. TRADE RECEIVABLES

	Group	
	2007 RM	2006 RM
Trade receivables		
- third parties	30,078,480	23,576,026
- related party	88,255	187,721
	30,166,735	23,763,747
Less: Provision for doubtful debts	(650,175)	(795,018)
Trade receivables, net	29,516,560	22,968,729
Movements in the provision for doubtful debts were as follows:		
At 1 January	795,018	795,018
Reversal	(144,843)	-
At 31 December	650,175	795,018

##### (a) Credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's trading terms with its customers are mainly on credit. The Group's normal trade credit term ranges from 30 to 150 days (2006: 30 to 150 days). Other credit terms are assessed and approved on a case-by-case basis. The Group has internal mechanisms to monitor the granting of credit and management of credit exposures. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk noted at balance sheet date.

continued

## 8. TRADE RECEIVABLES CONT'D)

### (b) Amount due from a related party

Related party's debt is due from Seong Chan Sauce & Foodstuff Sdn. Bhd., a company in which certain directors have financial interests. Further details on related party transactions are disclosed in Note 25.

## 9. OTHER RECEIVABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sundry receivables, deposits and prepayments	3,379,236	1,453,302	1,160	1,160
Less: Provision for doubtful debts	-	(180,000)	-	-
	3,379,236	1,273,302	1,160	1,160

Movements in the provision for doubtful debts were as follows:

	Group	
	2007 RM	2006 RM
At 1 January	180,000	180,000
Writeback	(180,000)	-
At 31 December	-	180,000

Included in deposits of the Group are advances paid for purchase of land of RM190,000 (2006: RM Nil).

## 10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Cash and bank balances	4,953,979	1,312,541	4,765	362

Cash at banks earns interest at floating rates based on daily deposit rates ranging from 3.4% to 4.4% (2006: 3.4% to 4.4%) per annum.

## 11. SHARE CAPITAL

	Group/Company	
	Number of Shares	Amount RM
<b>Authorised</b>		
Ordinary shares of RM0.20 each	250,000,000	50,000,000
<b>Issued and fully paid up</b>		
Ordinary share of RM0.20 each		
At 1 January 2006 / 2007	175,000,012	35,000,002
Issued on 31 May 2007 for cash	8,750,000	1,750,000
Issued on 20 November 2007 for cash	8,750,000	1,750,000
At 31 December 2007	192,500,012	38,500,002

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.



## 11. SHARE CAPITAL (CONT'D)

During the financial year, the Company increased its issued and paid-up ordinary share capital from RM35,000,002 to RM38,500,002 by way of:

- (i) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.36 per ordinary share for cash, for additional working capital purposes;
- (ii) the issuance of 8,750,000 ordinary shares of RM0.20 each through a private placement at an issue price of RM0.53 per ordinary share for cash, for additional working capital purposes;

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Group.

## 12. SHARE PREMIUM

	Group/Company	
	2007	2006
	RM	RM
At 1 January	733,629	733,629
Add: Premium arising from issuing of 8,750,000 new ordinary shares at		
- RM0.36 each	1,400,000	-
- RM0.50 each	2,887,500	-
Less: Transaction cost arising from issuance of shares	(174,169)	-
At 31 December	4,846,960	733,629

The share premium may be applied only for the purposes as specified in the Companies Act, 1965. The balance is not available for distribution of dividends except for in the form of bonus shares.

## 13. RETAINED EARNINGS

Presently, Malaysian companies adopt the full imputation system. In the Budget 2008, the Government announced the proposal to introduce the single tier tax system for companies effective from the year of assessment 2008. Under the proposed single tier system, the Company shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends paid, credited or distributed by the Company will be exempted from tax in the hands of the shareholders. However, there will be a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrecoverable option to disregard the tax credit balance under Section 108 of the Income Tax Act, 1967 and opt to pay dividends under the single tier system. This proposed change in the tax law also provides for the Section 108 balance to be locked in as at 31 December 2007.

During the transitional period, the Company can utilise the tax credit balance in the Section 108 account as at 31 December 2007 to distribute cash dividend payments to ordinary shareholdings as defined under the Finance Bill, 2007.

As at 31 December 2007, the Company has tax exempt profits available for distribution of approximately RM26,000,000 (2006: RM10,000,000), subject to the agreement of the Inland Revenue Board.

The Company has sufficient tax credit under Section 108 of the Income Tax Act, 1967 and the balance in the tax exempt income account to frank the payment of dividends out of its entire retained earnings as at 31 December 2007.

continued

#### 14. BORROWINGS

	Group	
	2007	2006
	RM	RM
<b>Short Term Borrowings</b>		
Secured:		
Bankers acceptances	28,617,378	19,409,962
Term loans	1,583,731	1,627,922
Hire purchase payables	380,997	420,887
	30,582,106	21,458,771
<b>Long Term Borrowings</b>		
Secured:		
Term loans	8,771,045	8,409,795
Hire purchase payables	552,715	914,044
	9,323,760	9,323,839

	Effective Interest rate	Maturity	Group	
	%		2007	2006
			RM	RM
<b>Total Borrowings</b>				
Bankers acceptances	4.10 - 4.22	On demand	28,617,378	19,409,962
Term loans	7.18 - 9.06	2007 - 2016	10,354,776	10,037,717
Hire purchase payables	4.65 - 7.16	2007 - 2012	933,712	1,334,931
			39,905,866	30,782,610
<b>Maturity of borrowings:</b>				
Within one year			30,582,106	21,458,771
More than 1 year and less than 2 years			2,164,240	2,031,230
More than 2 years but less than 5 years			4,138,622	4,276,548
More than 5 years			3,020,898	3,016,061
			39,905,866	30,782,610

The bank borrowings are secured by the following:

- fixed charges over the prepaid lease payments (Note 4) and factory and office buildings of the subsidiary (Note 3);
- debentures incorporating fixed and floating charges over all assets and undertakings of the subsidiary, both present and future;
- negative pledge on two adjoining pieces of leasehold land; and
- a corporate guarantee by the Company.

Details on the hire purchase are as follows:

	Group	
	2007	2006
	RM	RM
<b>Future minimum lease payments:</b>		
Not later than 1 year	423,776	490,296
Later than 1 year and not later than 2 years	357,200	423,776
Later than 2 years and not later than 5 years	225,050	562,583
<b>Total future minimum lease payments</b>	1,006,026	1,476,655
Less: Future finance charges	(72,314)	(141,724)
<b>Present value of finance lease liabilities</b>	933,712	1,334,931

continued

#### 14. BORROWINGS (CONT'D)

	Group	
	2007	2006
	RM	RM
<b>Analysis of present value of finance lease liabilities:</b>		
Not later than 1 year	380,997	420,887
Later than 1 year and not later than 2 years	335,292	380,997
Later than 2 years and not later than 5 years	217,423	533,047
	933,712	1,334,931
Less: Amount due within 12 months	(380,997)	(420,887)
Amount due after 12 months	552,715	914,044

#### 15. DEFERRED TAX

	Group	
	2007	2006
	RM	RM
At 1 January	4,753,641	4,753,782
Recognised in the income statement (Note 22)	1,411,349	(141)
At 31 December	6,164,990	4,753,641
Presented after appropriate offsetting as follows:		
Deferred tax liabilities	6,334,036	4,925,719
Deferred tax assets	(169,046)	(172,078)
	6,164,990	4,753,641

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

	Accelerated Capital Allowances RM
At 1 January 2006	4,925,860
Recognised in the income statement	(141)
At 31 December 2006	4,925,719
Recognised in the income statement	1,408,317
At 31 December 2007	6,334,036

##### Deferred Tax Assets

	Unutilised Reinvestment Allowances RM	Others RM	Total RM
At 1 January 2006	327,022	(172,078)	154,944
Recognised in the income statement	(327,022)	-	(327,022)
At 31 December 2006	-	(172,078)	(172,078)
Recognised in the income statement	-	3,032	3,032
At 31 December 2007	-	(169,046)	(169,046)

continued

## 16. TRADE PAYABLES

The normal trade credit term granted to the Group ranges from 30 to 60 days (2006: 30 to 60 days).

## 17. OTHER PAYABLES

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Accruals	3,094,680	1,480,253	23,788	23,998
Sundry payables	-	794,223	-	-
	3,094,680	2,274,476	23,788	23,998

## 18. REVENUE

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Sales of goods	107,118,021	84,015,856	-	-
Dividend income from subsidiary	-	-	31,078,219	10,000,000
	107,118,021	84,015,856	31,078,219	10,000,000

## 19. PROFIT FROM OPERATIONS

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit from operations is stated after charging/(crediting):				
Staff costs - excluding directors' remuneration (Note 20)	8,266,249	6,589,842	-	-
Depreciation of property, plant and equipment	3,011,197	2,569,053	468	468
Amortisation of prepaid land lease payments (Note 4)	155,412	143,671	-	-
Non-executive directors' remuneration	38,000	18,000	38,000	18,000
Auditors' remuneration	38,000	38,000	10,000	10,000
Rent of premises	96,000	27,136	-	-
Writeback of provision for doubtful debts	(324,843)	-	-	-
Realised exchange gains	(183,326)	(166,714)	-	-
Unrealised foreign exchange losses	124,697	104,731	-	-
Analysis of Directors' remuneration:				
Executive directors' remuneration:				
Other emoluments	1,839,651	1,480,601	35,000	-
Non-executive directors' remuneration:				
Other emoluments	38,000	18,000	38,000	18,000
Total directors' remuneration	1,877,651	1,498,601	73,000	18,000

continued

## 19. PROFIT FROM OPERATIONS (CONT'D)

The details of remuneration receivable by directors of the Company during the year are as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Executive:				
Salaries and other emoluments	1,328,643	1,149,093	35,000	-
Bonus	321,000	176,000	-	-
Defined contribution plan	190,008	155,508	-	-
	1,839,651	1,480,601	35,000	-
Non-executive:				
Other emoluments	38,000	18,000	38,000	18,000
	1,877,651	1,498,601	73,000	18,000

The number of directors of the Company whose total remuneration during the financial year fell within the following bands is analysed below:

	Number of directors	
	2007	2006
Executive directors:		
Below RM50,000	1	1
RM100,001 - RM150,000	-	2
RM150,001 - RM200,000	2	1
RM200,001 - RM250,000	1	-
RM250,001 - RM300,000	-	2
RM300,001 - RM350,000	2	-
RM450,001 - RM500,000	-	1
RM600,001 - RM650,001	1	-
Non-executive directors:		
Below RM50,000	5	5

## 20. STAFF COSTS

	Group	
	2007 RM	2006 RM
Wages and salaries	7,505,403	5,970,750
Social security costs	48,898	41,197
Pension costs - defined contribution plans	568,187	474,140
Other staff related expenses	143,761	103,755
	8,266,249	6,589,842

Included in staff costs of the Group and of the Company are executive directors' remuneration amounting to RM1,839,651 (2006: RM1,480,601) and RM35,000 (2006: RM Nil) respectively as further disclosed in Note 19.

continued

## 21. FINANCE COSTS

	Group	
	2007 RM	2006 RM
Interest expense on:		
Term loans	809,416	557,655
Other bank borrowings	854,336	786,566
Hire purchase financing	50,266	33,721
	1,714,018	1,377,942
Bank charges	167,885	211,092
	1,881,903	1,589,034

## 22. TAXATION

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Malaysian income tax:				
Tax expense for the year	853,703	768,614	5,078,219	-
Overprovision in prior years	(57,621)	-	-	-
	796,082	768,614	5,078,219	-
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	1,435,507	361,406	-	-
Relating to changes in tax rates	(135,050)	(365,411)	-	-
Underprovision in prior years	110,892	3,864	-	-
	1,411,349	(141)	-	-
	2,207,431	768,473	5,078,219	-

Domestic current income tax is calculated at the statutory tax rate of 27% (2006: 28%) of the estimated assessable profit for the year. The domestic statutory tax rate will be reduced to 26% from the current year's rate of 27%, effective year of assessment 2008 and to 25% effective year of assessment 2009. The computation of deferred tax as at 31 December 2007 has reflected these changes.

A reconciliation of income tax expense applicable to profit before taxation at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group		Company	
	2007 RM	2006 RM	2007 RM	2006 RM
Profit before taxation	12,319,807	9,400,364	30,856,553	9,900,833
Taxation at Malaysian statutory tax rate of 27% (2006: 28%)	3,326,348	2,632,102	8,331,269	2,772,233
Effects of changes in tax rates on opening balances of deferred tax	(180,168)	(339,831)	-	-
Deferred tax recognised at different tax rates	45,118	(25,580)	-	-
Income not subject to tax	-	-	(3,312,900)	(2,800,000)
Expenses not deductible for tax purposes	941,421	263,192	59,850	27,767
Utilisation of current year's reinvestment allowance	(1,978,559)	(1,766,910)	-	-
Underprovision of deferred tax in prior year	110,892	3,864	-	-
Withholding tax	-	1,636	-	-
Overprovision of income tax expense in prior year	(57,621)	-	-	-
Tax expense for the year	2,207,431	768,473	5,078,219	-

continued

## 22. TAXATION (CONT'D)

Unutilised reinvestment allowance is analysed as follows:

	Group	
	2007	2006
	RM	RM
Unutilised reinvestment allowance carried forward	3,246,985	2,453,995

## 23. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing net profit for the year by the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2007	2006
Net profit for the year (RM)	10,136,784	8,631,891
Weighted average number of ordinary shares in issue	181,113,026	175,000,013
Basic earnings per share (sen)	5.6	4.9

There have been no other transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of completion of these financial statements.

## 24. DIVIDENDS

	Dividend in respect of Year		Dividend Recognised in Year	
	2007	2006	2007	2006
	RM	RM	RM	RM
Recognised during the year				
Interim dividend: - 1.2 sen tax exempt on 175,00,012 ordinary shares	2,100,000	-	2,100,000	-

## 25. SIGNIFICANT RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in the financial statements, the Group and the Company entered into the following transactions with related parties during the financial year:

	Group		Outstanding Balances	
	2007	2006	2007	2006
	RM	RM	RM	RM
Sales to Seong Chan Sauce & Foodstuff Sdn. Bhd.	(687,518)	(652,861)	(88,255)	(187,721)
Rent payable to Excellent Chemical Industrial Sdn. Bhd.	96,000	24,000	600	600

Seong Chan Sauce & Foodstuff Sdn. Bhd. and Excellent Chemical Industrial Sdn. Bhd. are companies in which Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King, directors of the Company, have financial interests.

The directors are of the opinion that the transactions above have been entered into in the normal course of business and have been established on terms and conditions that are not materially different from unrelated parties.

**25. SIGNIFICANT RELATED PARTY TRANSACTIONS (CONT'D)**

(b) Compensation of key management personnel

The key management personnels comprised mainly executive directors of the Company whose remuneration are disclosed in Note 19.

**26. OPERATING LEASE COMMITMENT**

The Group has entered into a non-cancellable operating lease on its warehouse. This lease has remaining non-cancellable lease term of 1 to 8 years. The future minimum lease payments under non-cancellable operating lease contracted for as at the balance sheet date but not recognised as liability are as follows:

	Group	
	2007	2006
	RM	RM
Future minimum rental payments:		
Not later than 1 year	168,000	24,000
Later than 1 year and not later than 5 years	240,000	96,000
	408,000	120,000

**27. COMMITMENTS**

	Group	
	2007	2006
	RM	RM
<b>Capital expenditure:</b>		
Approved and contracted for	1,710,000	1,009,009

**28. CONTINGENT LIABILITIES - UNSECURED**

	Company	
	2007	2006
	RM	RM
Guarantees to licensed financial institutions in respect of credit facilities granted to a subsidiary company	87,906,000	78,596,000

**29. FINANCIAL INSTRUMENTS**

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's businesses whilst managing its interest rate, foreign exchange, liquidity and credit risks. The Group operates within clearly defined guidelines that are approved by the Board of Directors and the Group's policy is not to engage in speculative transactions.

(b) Interest Rate Risk

The Group's exposure to market risk for changes in the interest rate environment principally relates to its debts obligations. The Group manages its interest rate exposure by maintaining a mix of fixed and floating rate borrowings. The Group ensures that it obtains borrowings at favourable interest rates.

Information relating to the Group's interest rates is disclosed in the Note 14.



**29. FINANCIAL INSTRUMENTS (CONT'D)**

**(c) Foreign Currency Risk**

The Group is exposed to transactional currency risk primarily through sales and purchases that are denominated in a currency other than the functional currency of the operations to which they relate. The currencies giving rise to this risk are primarily United States Dollars (USD) and Singapore Dollars (SGD). Foreign exchange exposures in transactional currencies other than functional currencies of the operating entities are kept to an acceptable level. Material foreign currency transaction exposures are hedged, mainly with derivative financial instruments such as forward foreign exchange contracts.

The Group maintains a natural hedge, whenever possible, by borrowing in the currency of the country in which the investments are located or by borrowing in currencies that match the future revenue stream to be generated from its investments.

The net unhedged financial assets of the Group that are not denominated in their functional currencies are as follows:

<b>Functional currency of the Group is Ringgit Malaysia</b>	<b>Singapore Dollar RM</b>
<b>At 31 December 2007</b>	
Receivables	977,868
<b>At 31 December 2006</b>	
Receivables	905,186

**(d) Liquidity Risk**

The Group actively manages its cash and cash equivalents, operating cash flows and the availability of funding so as to ensure that there is adequate working capital and that repayment and funding needs are met.

**(e) Credit Risk**

Credit risk is the risk that counter parties will be unable to meet their obligations resulting in financial loss to the Group.

It is the Group's policy to enter into transactions with a diversity of credit-worthy parties to mitigate any significant concentration of credit risk. The Group ensures that the goods sold are to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The trade receivables represent the Group's maximum exposure to credit risk in the event the counter parties fail to perform their obligations. There was no significant concentration of credit risk to the Group as at year end.

**(f) Fair Values**

It is not practical to estimate the fair value of amount due from a subsidiary due principally to a lack of fixed repayment term entered by the parties involved and without incurring excessive costs. However, the Company does not anticipate the carrying amount recorded at the balance sheet date to be significantly different from the value that would eventually be received or settled.

The fair values at all other financial assets and liabilities of the Group and of the Company as at 31 December 2007 are not materially different from their carrying values.

**30. SIGNIFICANT EVENT**

On 13 February 2008, the subsidiary entered into a Sales and Purchase Agreement ("SPA") to acquire a parcel of leasehold land held under HS(M) 9071, PT No. 589, Mukim Sungei Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan together with a Single Storey Factory Building erected thereon measuring in area approximately 4,046.85 square metres and bearing the postal address of Lot 589, Jalan Industries U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan ("the Property") for a total cash consideration of RM1,900,000. The completion of the acquisition is subject to fulfillment of the conditions precedent as stipulated in the SPA.

**31. SEGMENT INFORMATION**

No segmental reporting is presented as the Group's activities are predominantly in the manufacturing industry segment and occur predominantly in Malaysia.

## Particulars of properties held by the group

<b>Location</b>	No. H.S.(M) 472 Lot 4196 Jalan Union, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.	No. H.S.(D) 190145 No. P.T. 6418 Lot 590 Jalan Middle, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.	No. H.S.(D) 238563 No. P.T. 9796 Lot 585 & 586 Jalan Industri, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.
<b>Existing Use</b>	Office Buidling Production Factory Warehouse	Office Buidling Production Factory Warehouse	Production Factory Warehouse
<b>Types of Land</b>	Industrial Land	Industrial Land	Industrial Land
<b>Tenure</b>	Leasehold 99 years	Leasehold 99 years	Leasehold 99 years
<b>Remaining Lease Period (Expiry Date)</b>	62 years (30 May 2070)	94 years (03 July 2102)	94 years (03 July 2102)
<b>Age of Property</b>	12 years	31 years	3 years
<b>Land Area (Sq. Feet)</b>	110,000	35,112	93,032
<b>Built-Up Area (Sq. Feet)</b>	46,877	33,907	48,100
<b>Cost (RM'000)</b>	14,479	3,851	7,855
<b>Net Book Value as at 31 Dec 2007 (RM'000)</b>	13,193	2,868	7,287
<b>Date of Acquisition</b>	03 October 1995	03 January 1997	19 May 1997
<b>Year of Last Revaluation</b>	2003	2003	2003

continued

<b>Location</b>	No. H.S.(M) 4098 No. P.T. 2317 Jalan Middle, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.	No. H.S.(M) 4651 No. P.T. 5938 Jalan Union, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.	No. H.S.(M) 3999 No. P.T. 584 Jalan Industri, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.
<b>Existing Use</b>	Hostel	Hostel	Vacant
<b>Types of Land</b>	Residential Land	Residential Land	Industrial Land
<b>Tenure</b>	Leasehold 60 years	Leasehold 60 years	Leasehold 60 years
<b>Remaining Lease Period (Expiry Date)</b>	34 years (22 June 2042)	38 years (26 June 2046)	33 years (24 May 2041)
<b>Age of Property</b>	9 years	9 years	-
<b>Land Area (Sq. Feet)</b>	8,168	6,806	46,000
<b>Built-Up Area (Sq. Feet)</b>	6,942	5,785	-
<b>Cost (RM'000)</b>	570	874	1,441
<b>Net Book Value as at 31 Dec 2007 (RM'000)</b>	481	737	1,360
<b>Date of Acquisition</b>	27 May 1997	31 March 1998	23 August 2004
<b>Year of Last Revaluation</b>	2003	2003	2005

continued

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<b>Location</b>	No. H.S.(M) 11086 Lot 66 Jalan Industri, U19 Kg. Baru Seri Sungai Buloh 47000 Selangor D.E.
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<b>Existing Use</b>	Vacant
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<b>Types of Land</b>	Industrial Land
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<b>Tenure</b>	Leasehold 99 years
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<b>Remaining Lease Period (Expiry Date)</b>	62 years (30 May 2070)
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<b>Age of Property</b>	-
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<b>Land Area (Sq. Feet)</b>	87,120
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<b>Built-Up Area (Sq. Feet)</b>	-
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<b>Cost (RM'000)</b>	2,910
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<b>Net Book Value as at 31 Dec 2007 (RM'000)</b>	2,834
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<b>Date of Acquisition</b>	05 December 2005
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<b>Year of Last Revaluation</b>	2005
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# Bursa securities listing requirements compliance information

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

**1. Utilisation of Proceeds**

There were no proceeds raised by the Company for any corporate exercise during the financial year.

**2. Share Buy-Back**

The Company did not carry out any share buy-back exercise during the financial year ended 31 December 2007.

**3. Options, Warrant or Convertible Securities Exercised**

The Company did not issue any warrants or convertible securities for the financial year ended 31 December 2007.

**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 2007.

**5. Sanctions and/or Penalties**

There were no sanctions/penalties imposed on the Company and its subsidiary, directors and management by the relevant regulatory bodies during the financial year ended 31 December 2007.

**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 2007 amounted to RM19,900.00.

**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 2007.

**8. Profit Guarantee**

There was no profit guarantee given by the Company and its subsidiary during the financial year ended 31 December 2007.

**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 subsidiary which involve Directors' and major shareholders' interest either still subsisting at the end of the financial year ended 31 December 2007 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:-

Sales of goods to Seong Chan Sauce & Foodstuff Sdn Bhd to the amount of RM687,518.

Rent payable to Excellent Chemical Industrial Sdn Bhd  
To the amount of RM96,000.

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.

# Analysis of shareholdings

AS AT 13 MARCH 2008

Authorised Share Capital : RM50,000,000 divided into 250,000,000 Ordinary Shares of RM0.20 per share  
 Issued and Fully Paid-Up Capital : RM38,500,002 divided into 192,500,012 Ordinary Shares of RM0.20 per share  
 Class of Shares : Ordinary Share of RM0.20 each  
 Voting Rights : One (1) Voting Right per Ordinary Share

## DISTRIBUTION OF SHAREHOLDINGS

Size of Holdings	No. of Shareholders				No. of Shares Held			
	Malaysian		Foreign		Malaysian		Foreign	
	No.	%	No.	%	No.	%	No.	%
1 - 99	238	14.58	2	0.12	11,394	0.01	100	0.00
100 - 1,000	131	8.02	2	0.12	59,593	0.03	650	0.00
1,001 - 10,000	662	40.54	3	0.18	3,469,975	1.80	21,250	0.01
10,001 - 100,000	440	26.94	9	0.55	15,912,150	8.27	370,500	0.19
100,001 - 9,624,999 *	138	8.45	5	0.32	93,525,700	48.58	1,510,000	0.78
9,625,000 and above **	3	0.18	0	0.00	77,618,700	40.32	0	0.00
<b>Total</b>	<b>1,612</b>	<b>98.71</b>	<b>21</b>	<b>1.29</b>	<b>190,597,512</b>	<b>99.01</b>	<b>1,902,500</b>	<b>0.99</b>

	No. of Shareholders	No. of Shareholdings	%
<b>Grand Total</b>	<b>1,633</b>	<b>192,500,012</b>	<b>100</b>

\* 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)

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Fang Chew Ham	57,780,000	30.02
2.	Fong Chiew Hean	9,919,350	5.15
3.	Foong Chiew Fatt	9,919,350	5.15
4.	Lembaga Tabung Haji	8,777,400	4.56
5.	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Teo Siew Lai	8,403,600	4.37
6.	Teo Kwee Hock	8,357,500	4.34
7.	Fong Chu King @ Tong Chu King	7,185,425	3.73
8.	Tan Bee Geok	3,311,275	1.72
9.	Mohd Nor Bin Abdul Wahid	3,150,000	1.64
10.	OSK Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Mohd Nor Bin Abdul Wahid	2,831,250	1.47

continued

**TOP THIRTY (30) SHAREHOLDERS (CONT'D)**

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

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
11.	Public Invest Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Yoong Fui Kien	2,498,700	1.30
12.	Gan Ah Ai	1,850,700	0.96
13.	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Phoa Boon Ting	1,714,800	0.89
14.	Miki Patui	1,675,000	0.87
15.	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Chin Hwa	1,314,700	0.68
16.	Tan Kim Tee	1,255,000	0.65
17.	Chan Chai Bee	1,245,600	0.65
18.	Teo Ah Mooi @ Teo Soh Eng	1,101,000	0.57
19.	Lau Suet Ming	1,042,000	0.54
20.	Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for KESM Industries Berhad	1,015,000	0.53
21.	Siti Hapzah Binti Ali	1,000,000	0.52
22.	Foong Kin	1,000,000	0.52
23.	OSK Nominees (Tempatan) Sdn Berhad OSK Capital Sdn Bhd for Hock Kee @ Cheok Ban Lai	950,000	0.49
24.	Tan Chon Sing @ Tan Kim Tieng	930,000	0.48
25.	Mayban Nominees (Tempatan) Sdn Bhd Capital Dynamics Asset Management Sdn Bhd for Jayadiri Malaysia Berhad	873,000	0.45
26.	Lum Tuck Loy	861,300	0.45
27.	PM Nominees (Tempatan) Sdn Bhd PCB Asset Management Sdn Bhd for Mary Tan @ Tan Hui Ngoh	847,300	0.44
28.	Chan Chu Wei	810,000	0.42
29.	Lee Chin Yoke	775,000	0.40
30.	Fong Peng Man	770,000	
Total		143,164,250	74.37

**SUBSTANTIAL SHAREHOLDERS**

No.	Name of Shareholders	No. of Shares Held	% of Issued Capital
1.	Fang Chew Ham	57,780,000	30.02
2.	Fong Chiew Hean	9,919,350	5.15
3.	Foong Chiew Fatt	9,919,350	5.15



continued

#### DIRECTORS' SHAREHOLDINGS

No.	Name	DIRECT		INDIRECT	
		No. of Shares Held	% of Issued Capital	No. of Shares Held	% of Issued Capital
1.	Fang Chew Ham	57,780,000	30.01	28,789,750 <sup>1</sup>	14.96
2.	Foong Chiew Fatt	10,019,350	5.20	76,622,275 <sup>2</sup>	39.80
3.	Fong Chiew Hean	10,356,850	5.38	76,024,775 <sup>3</sup>	39.49
4.	Fong Chu King @ Tong Chu King	7,185,425	3.73	78,456,200 <sup>4</sup>	40.76
5.	Dato' Mohd Nor Bin Abdul Wahid	6,486,250	3.37	-	-
6.	Tan Chon Sing @ Tan Kim Tieng	930,000	0.48	900,000 <sup>5</sup>	0.47
7.	Chew Eng Chai	112,500	0.06	20,300 <sup>6</sup>	0.01
8.	Liew Kuo Shin	128,125	0.07	200,000 <sup>7</sup>	0.10
9.	Fang Siew Ping	900,000	0.47	57,980,000 <sup>8</sup>	30.11
10.	Fang Siew Yee	200,000	0.10	58,808,125 <sup>9</sup>	30.55
11.	Mohd Zaki Bin Hamzah	120,000	0.07	-	-
12.	Khoo Wee Boon	-	-	-	-

Note:

- 1 Indirect interest via shareholdings of his siblings Foong Chiew Fatt, Fong Chiew Hean, Fong Chu King @ Tong Chu King; his daughters Fang Siew Yee, Fang Siew Ping and his son-in-law Liew Kuo Shin
- 2 Indirect interest via shareholdings of his siblings Fang Chew Ham, Fong Chiew Hean, Fong Chu King @ Tong Chu King and his daughters Foong Kin, Foong Sau Chun
- 3 Indirect interest via shareholdings of his siblings Fang Chew Ham, Foong Chiew Fatt, Fong Chu King @ Tong Chu King, his spouse Yeoh Ha Wah and his son and daughter Fong Peng Man and Fong Sau Mui
- 4 Indirect interest via shareholdings of his siblings Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and his son Fong Peng Fai
- 5 Indirect interest via shareholdings of his spouse Ng Faai @ Ng Yoke Pei
- 6 Indirect interest via shareholdings of his spouse Lim Tong Lean
- 7 Indirect interest via shareholdings of his spouse Fang Siew Yee
- 8 Indirect interest via shareholdings of her father Fang Chew Ham and her sibling Fang Siew Yee
- 9 Indirect interest via shareholdings of her spouse Liew Kuo Shin, her father Fang Chew Ham and her sibling Fang Siew Ping

# Notice of annual general meeting

NOTICE IS HEREBY GIVEN THAT the Sixth Annual General Meeting of the Company will be held at Ballroom Level 1, Tropicana Golf & Country Resort, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, the 13 day of May 2008 at 10.00 a.m. for the following purposes:-

## AGENDA

1. To receive the audited Financial Statements for the financial year ended 31st December 2007 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 Liew Kuo Shin **(Resolution 2)**
  - 2.2 Ms Fang Siew Ping **(Resolution 3)**
  - 2.3 Mr Khoo Wee Boon **(Resolution 4)**
3. To consider and if thought fit, pass the following Resolutions in accordance with Section 129(6) of the Companies Act, 1965:- **(Resolution 5)**

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

"That Mr. Fong Chiew Hean, retiring pursuant to Section 129(6) of the Companies Act, 1965, be and is hereby re-appointed a Director of the Company to hold office until the next Annual General Meeting."
5. To re-appoint Messrs. Ernst & Young as Auditors and to authorize the Directors to fix their remuneration. **(Resolution 7)**
6. As special business, to consider and if thought fit, to pass the following resolutions:-
  - 6.1 **As Ordinary Resolution -**  
Authority to Directors to Allot and Issue Shares  
Pursuant to Section 132 D of the Companies Act, 1965

"That subject to the approvals of the relevant authorities, the Directors be and are hereby authorised pursuant to Section 132 D 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 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 8)**
7. To consider any other business of which due notice shall have been given.

**BY ORDER OF THE BOARD**

NG BEE LIAN (MAICSA 7041392)  
TAN ENK PURN (MAICSA 7045521)  
Company Secretaries

Kuala Lumpur  
Date: 18 April 2008

**EXPLANATORY NOTES TO SPECIAL BUSINESS:-**

Your Board would like to act expeditiously on opportunities to expand your Group's business, if and when they arise. The proposed resolution No.8, if passed, is to authorize the Directors to issue up to 10% of the paid up capital of the Company. This is to avoid any delay and cost involved in convening a general meeting to approve such an issue of shares. This authority will, unless revoked or varied by the Company in a General Meeting, expire at the conclusion of the next Annual General Meeting or the expiration of the period within which the next Annual General Meeting is required by law to be held, whichever is the earlier.

**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 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)
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 authorized.

# Statement accompanying notice of annual general meeting

## 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 6th Annual General Meeting of the Company

Three (3) Directors retiring by rotation pursuant to Article 86 of the Company's Articles of Association and seeking re-election are:

- Mr. Liew Kuo Shin
- Ms. Fang Siew Ping
- Mr. Khoo Wee Boon

Two (2) Directors who are over the age of seventy (70) years are seeking re-appointment are:

- Mr. Foong Chiew Fatt
- Mr. Fong Chiew Hean

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 9 to 12 of this Annual Report. The Directors' shareholdings in the Company are set out in the Analysis of Shareholdings which appear on page 64 of this Annual Report.

### Board Meetings held in the financial year ended 31 December 2007

A total of five (5) Board Meetings were held in the financial year ended 31 December 2007.

The attendance of the Directors at the Board Meetings held in the financial year ended 31 December 2007 is set out below:

Date of Board Meeting	Independent Director	Attendance by Directors	
		Non-Independent Director	Total No. of Directors
i. 09 January 2007	4	8	12
ii. 26 February 2007	4	8	12
iii. 28 May 2007	4	8	12
iv. 30 July 2007	4	8	12
v. 13 November 2007	4	8	12

Details of attendance by each Director at the Board Meetings held in the financial year ended 31 December 2007 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%
Foong Chiew Fatt	5/5	100%
Fong Chiew Hean	5/5	100%
Chew Eng Chai	5/5	100%
Tan Chon Sing @ Tan Kim Tieng	5/5	100%
Fang Siew Yee	5/5	100%
Liew Kuo Shin	5/5	100%
Fang Siew Ping	5/5	100%
Khoo Wee Boon	5/5	100%
Mohd Zaki Bin Hamzah	5/5	100%

Details of venue, date and time of the 6th Annual General Meeting

#### VENUE

Ballroom, Level 1  
Tropicana Golf & County Resort  
47410 Petaling Jaya  
Selangor Darul Ehsan

#### DATE AND TIME

Tuesday, 13 May 2008 at 10.00 a.m.



# proxy form



## THREE-A RESOURCES BERHAD 481559-M

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 Sixth Annual General Meeting of the Company to be held on the 13 day of May 2008 at 10.00 a.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
1 Receive the audited Financial Statements for the financial year ended 31st December 2007 and the Reports of the Directors and Auditors thereon		
2 Re-election of Mr Liew Kuo Shin		
3 Re-election of Ms Fang Siew Ping		
4 Re-election of Mr Khoo Wee Boon		
5 Re-appointment of Mr. Foong Chiew Fatt		
6 Re-appointment of Mr. Fong Chiew Hean		
7 Re-appointment of Messrs. Ernst & Young as Auditors and to authorize the directors to fix the Auditors' Remuneration		
8 Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act, 1965		

(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.)

Dated this ..... day of .....2008

No. of Shares

.....  
Signature / Common Seal

### 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 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).
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 authorized.

Fold here

AFFIX  
30 sen  
STAMP

**THREE-A RESOURCES BERHAD**  
AL 308, Lot 590 & Lot 4196  
Jalan Industri, U 19  
Kampung Baru Seri Sungai Buloh  
47000 Selangor Darul Ehsan

Fold here



**THREE-A RESOURCES BERHAD**

481559-M

AL 308, Lot 590 & Lot 4196, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan, Malaysia

Tel: 603-6156 2655, 6157 1301, 6156 2930 Fax: 603-6156 2657, 6157 1302

E-mail: [three-a@three-a.com.my](mailto:three-a@three-a.com.my) Website: [www.three-a.com.my](http://www.three-a.com.my)