



THREE-A RESOURCES BERHAD

481559-M
Incorporated in Malaysia

Moving forward, providing
greater opportunities



Annual Report 2002

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VISION To excel as one of the global market leaders in the
manufacture of Food & Beverage Ingredients

MISSION To excel as one of the global
quality brands in the Industries



*Moving forward, providing **GREATER OPPORTUNITIES...***

THREE-A RESOURCES BERHAD (TARB) is principally an investment holding company having only one wholly-owned subsidiary, San Soon Seng Food Industries Sdn Bhd (SSSFI). In late 1970s, Mr. Fang Chew Ham started the Caramel Colour business on a small scale and up to the early 1990s, grew incrementally from profits generated. Today, SSSFI is one of the leading food & beverage ingredients manufacturers of full range of Caramel Colour, Soya Protein Sauce (Hydrolysed Vegetable Protein (HVP)), Natural Fermented Vinegar (NFV), Glucose Syrup, Maltose Syrup, and two newly launched products; Caramel Powder and HVP Powder.

TARB Group has ventured into 12 countries around the world such as Singapore, Hong Kong, Taiwan, China, Philippines, USA, Australia, Poland and other Asia Countries. With the company looking further to diversify into new markets, export markets should provide the much needed earnings growth over the next 1-2 years.

All products produced by TARB Group are HALAL certified by Islamic Development Department of Malaysia. SSSFI was awarded the Internationally Acclaimed ISO 9001:2000 with UKAS (United Kingdom Accreditation System) by SIRIM for Quality Management System; an achievement which TARB Group is proud of. The ISO Quality Policy is enhancing to further the products range and strive for continual improvement to meet customer satisfaction. TARB group is well recognized for its quality and trusted products and service to its customers. Those certifications testify to the Group's relentless efforts in enhancing quality products in order to compete in the global market.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of the Company will be held at Kelab Rahman Putra Malaysia, Putra Court, 1st Floor, Jalan BRP 2/1, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan on Wednesday, the 25th day of June 2003 at 10.00 a.m. for the following purposes:-

Agenda

1. To receive the audited Financial Statements for the financial year ended 31st December 2002 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 93 of the Company's Articles of Association:-
 - 2.1 Mr Fang Chew Ham *(Resolution 2)*
 - 2.2 Mr. Fong Chu King @ Tong Chu King *(Resolution 3)*
 - 2.3 Dato' Mohd Nor Bin Abdul Wahid *(Resolution 4)*
 - 2.4 Mr. Fong Chiew Hean *(Resolution 5)*
 - 2.5 Dato' Samsudin Bin Abu Hassan *(Resolution 6)*
 - 2.6 Mr. Tan Chon Sing @ Tan Kim Tieng *(Resolution 7)*
 - 2.7 En. Mazlan Bin Ibrahim *(Resolution 8)*
 - 2.8 Mr. Chew Eng Chai *(Resolution 9)*
3. To consider and if thought fit, pass the following Resolution in accordance with Section 129(2) of the Companies Act, 1965:-
"That Mr. Foong Chiew Fatt, retiring pursuant to Section 129(2) of the Companies Act, 1965, be and is hereby re-appointed as Director of the Company to hold office until the next Annual General Meeting." *(Resolution 10)*
4. To re-appoint Messrs. Ernst & Young as Auditors and to authorize the Directors to fix their remuneration. *(Resolution 11)*
5. As special business, to consider and if thought fit, to pass the following resolutions:-
 - A. **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 Kuala Lumpur Stock Exchange and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company." *(Resolution 12)*
 - B. **As Special Resolution**
Proposed Amendments to the Articles of Association of the Company
 "That the Company's Articles of Association be altered in manner following:-
 - (i) **Article 2**
 By inserting the following word and its meaning immediately after the word "Securities Account":-

Words	Meanings
"Jumbo Certificates	- Same meaning as is assigned to that expression under the Central Depositories Act"
 - (ii) By inserting a new Article 12(a) immediately after the existing Article 12
New Article 12(a)
Jumbo Certificates
 "The Central Depository or its nominee company shall be entitled to receive jumbo certificates in denominations requested by the Central Depository or its nominee

company for shares that are deposited securities which shall be issued in accordance with the Central Depositories Act and the Rules. If the Central Depository or its nominee company shall require more than one jumbo certificate in respect of the shares that are deposited securities, it shall pay such fee as the Directors may from time to time determine and which the Company may be permitted to charge by law plus any stamp duty levied by the Government from time to time."

- (iii) By inserting a new Article 22(a) immediately after the existing Article 22

New Article 22(a)

Share Certificates

"The Company must allot and/or issue securities and dispatch notices of allotment to the allottees and make an application to the Exchange for the quotation of such securities in the following manner:-

- (i) in respect of a bonus issue, within ten (10) Market Days of the books closing date or such other period as may be prescribed by the Stock Exchange;
- (ii) in respect of a share scheme of employees, within ten (10) Market Days of the date of receipt of a notice of the exercise of the option together with the requisite payment or such other period as may be prescribed by the Stock Exchange;
- (iii) in respect of conversion or exercise of a convertible security, within ten (10) Market Days of the date of receipt of the subscription form together with the requisite payment or such other period as may be prescribed by the Stock Exchange; and
- (iv) in respect of other new issues of securities, within fifteen (15) Market Days of the final application closing date or such other period as may be prescribed by the Stock Exchange;

and deliver to the Central Depository the appropriate Jumbo Certificates in such denomination as may be specified by the Central Depository registered in the name of the Central Depository or its nominee company.

Every certificate shall be issued under the seal and bear the signatures or the autographic signatures reproduced by facsimile or other mechanical means by any two Directors or one Director and the Secretary or such other person as may be authorized by the Directors, and shall specify the number and class of securities to which it relates, and the amount paid up thereon."

- (iv) By inserting a new Article 22(b) immediately after the Article 22(a)

New Article 22(b)

Replacement of defaced, destroyed, lost or stolen certificates

"Subject to the provisions of the Act, the Central Depositories Act and the Rules, if any securities certificate shall be defaced, worn out, destroyed, lost or stolen, it may be renewed on such evidence being produced and a letter of indemnity (if required) being given by the shareholder, transferee, person entitled, Central Depository or its nominee company, purchaser, member company of the Stock Exchange or on behalf of its / their clients as the Directors shall require, and (in case of defacement or wearing out) on delivery of the old certificate, and in any case on payment of such sum as the Directors may determine but not exceeding Ringgit Three (RM3.00) per certificate or such other sum as may from time to time be permitted by the Stock Exchange plus the amount of the proper duty with which each such

certificate is chargeable under any law for the time being in force relating to stamps. In the case of the destruction, loss or theft of a securities certificate a shareholder or person entitled to whom such renewed certificate is given shall also bear the loss and pay the Company all expenses incidental to the investigations by the Company of the evidence of such destruction loss or theft."

- (v) By inserting a new Article 24(a) immediately after the existing Article 24

New Article 24(a)

Crediting of Securities Accounts

"The Company must not caused or authorize its registrars to cause thesecurities of the allottees to becredited with the additional shares until after the Company has filed with the exchange an application of listing of such additional shares and been notified by the Exchange that they have been authorized for listing."

- (vi) By inserting a new Article 28(a) immediately after the existing Article 24

New Article 28(a)

Non-liability of Company Directors and officers in respect of transfer

"Subject to the provisions of the Act, the Central Depositories Act and the Rules, neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares registered by the Central Depository, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally in-operative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred, or otherwise in defective manner."

- (vii) By deleting the existing Article 111 in its entirety and substituting the following new Article 111 in place thereof:-

Existing Article 111

Quorum of meetings of Directors

"The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Director for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under these Articles vested in or exercisable by the Directors generally. For the purpose of determining whether the quorum for the transaction of the business of the Directors exists:-

- (a) in the case of a resolution agreed by Directors in telephonic communications, all such Directors shall be counted in the quorum; and

- (b) in the case of a meeting of Directors, in addition to the Directors present at the meeting, any Director in telephonic communication with such meeting shall be counted in the quorum.

New Article 111

Quorum

"The quorum necessary for the transaction of business of the Directors shall be two (2) and a meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under these Articles vested in or exercisable by the Directors generally. For the purpose of determining whether the quorum for the transaction of the business of the Directors exists, in the case of a meeting of Directors, in addition to the Directors present at the meeting, any Director may participate at the meeting of Directors by way of telephone or video conferencing or by means of other communication equipment whereby all persons participating in the meeting are able to hear each other, in which event such Director shall be deemed to be physically present at the meeting and shall be counted in the quorum. Such a meeting shall be deemed to take place where the largest group of those participating is assembled, or if there is no such group, where the Chairman of the meeting then is."

- (viii) By inserting a new Article 113 (a) immediately after the existing Article 113

New Article 113(a)

Authority of one Director to vote for absent Director

"A Director who has not appointed an alternate Director may authorize any other Director to vote for him at any meeting or meetings at which he is not present and in that event the Directors so authorized shall have a vote for each Director by whom he is so authorized in addition to his own vote. Every such consent and authority shall be in writing or by cable, radiogram or telegram which shall be produced at the meeting or meetings at which the same is to be used and be left with the Secretary for filing." **(Resolution 13)**

6. 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: 29th May 2003

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.12, 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.
- Although the existing Articles of Association are in full compliance with the Listing Rules of the Kuala Lumpur Stock Exchange for the MESDAQ Market, the proposed amendments to the Articles of Association is to enable the Company to improve general administrative efficiency and render consistency throughout.

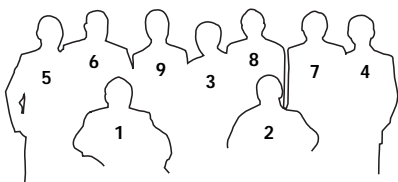
NOTES :-

- A proxy may but need not be a member of the Company and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.
- The proxy form must be duly completed and deposited at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E. not less than 48 hours before the time for holding the meeting. Provided that in the event the member(s) duly executes the form of proxy but does not name any proxy, such member(s) shall be deemed to have appointed the Chairman of the meeting as his /their proxy, PROVIDED Always that the rest of the proxy form, other than the particulars of the proxy have been duly completed by the member(s).
- A member shall be entitled to appoint more than one (1) proxy to attend and vote at the same meeting provided that the provisions of Section 149(1)(c) of the Act are complied with.
- Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where the appointer is a corporation, the proxy form must be executed under its common seal or under the hand of an officer or attorney duly authorized.

Corporate Information

Board of Directors

- 1. Dato Mohd Nor Bin Abdul Wahid**
Non-Independent Executive Chairman
- 2. Fang Chew Ham**
Deputy Executive Chairman & Managing Director
- 3. Fong Chu King @ Tong Chu King**
Non-Independent Executive Director
- 4. Foong Chiew Fatt**
Non-Independent Executive Director
- 5. Fong Chiew Hean**
Non-Independent Non-Executive Director
- 6. Mazlan Bin Ibrahim**
Non-Independent Non-Executive Director
- 7. Chew Eng Chai**
Independent Non-Executive Director
- 8. Tan Chon Sing @ Tan Kim Tieng**
Independent Non-Executive Director
- 9. Dato' Samsudin Bin Abu Hassan**
Independent Non-Executive Director



Secretaries

Ng Bee Lian (MAICSA 7041392)
Tan Enk Purn (MAICSA 7045521)

Audit Committee

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

Remuneration Committee

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

Nomination Committee

Dato' Samsudin Bin Abu Hassan - Chairman
Chew Eng Chai
Fong Chu King @ Tong Chu King



Sponsor

AmMerchant Bank Berhad
21st Floor, Bangunan AmBank Group
55, Jalan Raja Chulan,
50200 Kuala Lumpur
Tel : 603-2078 2633
Fax : 603-2070 8596
Website : www.ambg.com.my

Registered Office

AL 308, Lot 590 & Lot 4196
Jalan Industri, U 19
Kampung Baru Seri Sungai Buloh
47000 Selangor Darul Ehsan
Tel : 603-6156 2655
Fax : 603-6156 2657
E-mail : sssf@po.jaring.my

Company No.

481559-M

Principal Bankers

OCBC Bank (Malaysia) Berhad
Bumiputra-Commerce Bank Berhad

Auditors and Reporting Accountants

Ernst & Young
Chartered Accountants
Level 23A Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
50490 Kuala Lumpur
Tel : 603-2087 7000
Fax : 603-2095 9076
Website : www.ey.com.my

Share Registrar

Signet Share Registration Services
Sdn Bhd
11th Floor, Tower Block
Kompleks Antarabangsa
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : 603-2145 4337
Fax : 603-2142 1353

Stock Exchange Listing

MESDAQ Market
Kuala Lumpur Stock Exchange

Stock Code Name

3A

Board of Directors' Profile

1. Dato' Mohd Nor Bin Abdul Wahid (50 years of age MALAYSIAN)

Non-Independent Executive Chairman. Dato' Mohd Nor 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 experience includes both conventional and interest-free (Islamic) banking.

Presently, Dato' Mohd Nor is the Managing Partner of Mohd Nor, Zaki & Partners, a financial management consultants firm. He also holds directorship in Setron (Malaysia) Berhad., Saship Holdings Bhd. and Aikbee Resources Bhd.

2. Fang Chew Ham (55 years of age MALAYSIAN)

Deputy Executive Chairman cum Managing Director. Mr Fang Chew Ham started the family business producing liquid caramel for more than 25 years ago. In 1978, he set up the Soon Seng Sauce Mixture and Food industry to manufacture Caramel Colour and this partnership was subsequently converted into San Soon Seng Food Industries Sdn Bhd (SSSFI) in 1989; and became a wholly owned subsidiary of Three-A Resources Berhad on 30th April 2002. Equipped with vast experience in the business of sauces and Caramel Colour, he heads the management of SSSFI. His leadership together with the expanded management personnel will result in broad and flexible goal setting, to meet the quality of the ever changing demands and the development of further products related to the manufacturing of soy sauce.

Mr Fang is the co-opted member of The Working Group of Sauces which prepared the Malaysian Standard MS 513:1993 (SIRIM) – Specification for Caramel in the Manufacture of Soya Sauce.

He is a brother of Fong Chu King @ Tong Chu King, Foong Chiew Fatt and Fong Chiew Hean, of whom are Directors of the Group.

3. Fong Chu King @ Tong Chu King (58 years of age MALAYSIAN)

Non-Independent Executive Director and General Manager of the Group. Mr Fong Chu King joined SSSFI in May 2000 after his retirement from Megasteel Mills Sdn Bhd. Mr Fong who graduated with a Bachelor of Science in Chemical Engineering from the National Taiwan University; is the elder brother of Mr Fang Chew Ham. A qualified Professional Engineer with Lembaga Jurutera Malaysia and a member of Institution Engineer Malaysia, he has more than 25 years of working experience in manufacturing industries. 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, General Manager of Megasteel Mills Sdn Bhd. As an Executive Director and General Manager, he is fully in-charged of the production of TARB Group.

He is a brother of Fang Chew Ham, Foong Chiew Fatt and Fong Chiew Hean, of whom are Directors of the Group.

4. Foong Chiew Fatt (70 years of age MALAYSIAN)

Non-Independent Executive Director. Mr Foong Chiew Fatt was appointed Director of TARB Group in year 2000 and was one of the founders of SSSFI with his two brothers. 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.

He is a brother of Fang Chew Ham, Fong Chu King @ Tong Chu King and Fong Chiew Hean, of whom are Directors of the Group.

5. Fong Chiew Hean (66 years of age MALAYSIAN)

Non-Independent Non-Executive Director. Mr Fong Chiew Hean was appointed Director of TARB Group in year 2000 and was one of the initial founders of SSSFI. With vast experience in the sauce making industry, he actively contributes to the long term success of the Group.

He is a brother of Fang Chew Ham, Fong Chu King @ Tong Chu King and Fong Chiew Fatt, of whom are Directors of the Group.

6. Mazlan Bin Ibrahim (34 years of age MALAYSIAN)

Non-Independent Non-Executive Director. Encik Mazlan Bin Ibrahim is a graduate of the Chartered Institute of Management Accountants (UK) and currently holds the position of a Senior Manager with the Investment Monitoring Department of Perbadanan Nasional Berhad (PNS). Prior joining PNS in year 1998, he was a Senior Executive in the Financial Services Department of Perbadanan Usahawan Nasional Berhad (PUNB) and served PUNB for 4 years. He started his career in Ban Hin Lee bank as a Credit officer in year 1994. Encik Mazlan represents the interest of the PNS.

7. Chew Eng Chai (53 years of age MALAYSIAN)

Independent Non-Executive Director. Mr Chew Eng Chai was appointed as Director of TARB Group in year 2002. He is a fellow of the Institute of Chartered Accountants in England and Wales. He is also a member of the Malaysian Institute of Accountants as well as a member of the Malaysian Institute of Certified Public Accountants. Mr Chew was formerly the Director of Yeo Hiap Seng (Malaysia) Berhad, a company he had joined since 1975. He has more than 27 years experience in the food & beverage industry.

8. Tan Chon Sing @ Tan Kim Tieng (64 years of age MALAYSIAN)

Independent Non-Executive Director. Mr Tan Chon Sing was appointed as Director of TARB Group in year 2002. He graduated in 1963 with a Bachelor of Commerce in Accounting from Nanyang University, Singapore. He was a banker for eleven years before joining the stockbroking industry in 1976. He was admitted as a member of KLSE in 1987 and appointed as an Executive Director of Seremban Securities Sdn Bhd (now known as Malpac Management Sdn Bhd) until November 2001. He is currently a director of Malpac Holding Berhad and also sits on the Board of several other private limited companies.

9. Dato' Samsudin Bin Abu Hassan (47 years of age MALAYSIAN)

Independent Non-Executive Director. Dato' Samsudin was appointed as the Director of TARB on 30 August 2002. He is a Fellow member of the Chartered Institute of Management Accountants (UK). Dato' Samsudin has extensive experience in various businesses and a well-known corporate figure. He started his career as an Investment Officer of Bapema Corporation Sdn Bhd in 1980. From 1983 to 1985 he was the Finance Manager of Peremba Berhad and focused on the development of Saujana Golf & Country Club. From 1985 to 1990, he was the Group General Manager of Syarikat Maluri Sdn bhd and also the Chief Executive Officer and Chairman of Cold Storage (M)Bhd.

Dato' Samsudin had served as Director in many listed companies such as Granite Industries Bhd (1992 – 1998) and Cosway Corporation Berhad (1999 – 2001). He is currently sits in the Board of Directors of Mitrajaya Holdings Bhd and Seacera Tiles Bhd.

Chairman's Statement



On behalf of the Board of Directors, it gives me great pleasure to present the Annual Report and Financial Statements of Three-A Resources Berhad ("TARB") and of the Group for the year ended 31 December 2002.

The entire issued and paid-up capital of TARB comprising of 140,000,010 ordinary shares of RM0.20 each and was quoted and listed on the MESDAQ Market of the Kuala Lumpur Stock Exchange on 13 August 2002.

Performance Review

The year 2002 was the first year that the TARB was listed on the MESDAQ Market of the Kuala Lumpur Stock Exchange. It was also the year that the Group which is made up of TARB and its wholly owned subsidiary, San Soon Seng Food Industries Sdn Bhd ("SSSFI") came into existence when the latter was acquired by TARB.

The past year was a challenging year for the Malaysian economy as a result of global economic downturn, which came at the time when we were overcoming the Asian financial crisis. Despite the adverse market situation, the Group achieved a significant increase of 43% in turnover to RM 34.0 million, compared to the preceding year on the assumption that the Group has existed throughout the years concerned. The Group registered a net profit after tax and basic earnings per share of RM1.87 million and 2.3 sen respectively for the year under review.

Prospects

Currently, the Group has been aggressively working at expanding its export market where there is a vast potential for growth. Export sales of the Group have been growing rapidly as we are seen to be producing good quality products and this is expected to contribute positively to the Group's performance. With all the efforts being put into place to capture the export market, the Board of Directors and the management team believe that the Group would be well positioned to reap the benefits in the advent of the Asean Free Trade Area ("AFTA").

All products manufactured by the subsidiary, SSSFI have been certified as "HALAL" by the Islamic Development Department of Malaysia and SSSFI was also awarded the Internationally Acclaimed ISO 9001:2000 with UKAS (United Kingdom Accreditation System) by SIRIM for Quality Management System. The Group's ISO Quality Policy is to further expand its product range and strive for continual improvement to meet customer satisfaction; as illustrated by the Quality Statement as follows:

SAFE & QUALITY PRODUCTS
SATISFACTION OF CUSTOMER
STRIVE FOR CONTINUAL IMPROVEMENT



In addition, the Company is in the process of obtaining Hazard Analysis Critical Control Point ("HACCP") certification, a widely recognized certification for high quality food products, which will further strengthen the Group's ability to penetrate into export markets.



Dividend

The Board of Directors does not recommend the payment of any dividend for the financial year ended 31 December 2002.

Appreciation

On behalf of the Board, I would like to convey my sincere appreciation to the management and staff of the Group for their tremendous commitment and dedication towards the success of the Group.

I also wish to express my sincere thanks to our shareholders, customers, financiers, business associates and all the various regulatory authorities for their continued support and confidence in the Group.

DATO' MOHD NOR BIN ABDUL WAHID
Executive Chairman

The Group expects to see a new range of products, caramel powder and hydrolised vegetable protein (HVP) powder to be launched into the market in the second half of the year 2003. This will further boost our competitiveness in the market as we head towards the vision to be one of the leading ingredients manufacturers in the food and beverage industry. The Group will continue its focus towards the development of products for niche markets as this represents an important area in securing our long term growth.



Corporate Development

During the year there were no changes in the Group's corporate structure.

On the status on utilisations of the proceeds of the Initial Public Offering, the Company had fully utilised the proceeds as at 31st December 2002; according to the prospectus dated 29 June 2002 in the following manner:-

	RM '000
Set-Up of Factory and Purchase of Plant and Machineries	4,000
Loan Repayment	2,000
Working Capital	2,375
Listing Expenses (Refer note below)	1,500
Total	9,875

Note: Actual listing expenses incurred amounted to approximately RM1,180,379. The remaining balance is adjusted in working capital.



Audit Committee Report

The Board of Directors is pleased to present the report of the Audit Committee for the financial year ended 31 December 2002.

Composition

The Audit Committee was established since August 2002 and its composition complies with the Listing Requirements of the MESDAQ Market.

The Committee shall be appointed by the Board of Directors from among its members and shall consist of no fewer than three members with a majority of the Committee being independent directors and at least one member of the Committee being a member of the Malaysian Institute of Accountants.

The Committee shall elect a Chairman from amongst its members who is an independent director.

In the event that a member of an Audit Committee resigns, dies or for any other reason ceases to be a member with the result that the number of members is reduced below three, the Board of Directors shall, within three months of that event, appoint such number of new members as may be required to make up the minimum of three members.

Members

Chew Eng Chai, C.A. (M)

Chairman, Independent Non-Executive Director
Member of the Malaysian Institute of Accountants

Tan Chon Sing @ Tan Kim Tieng

Member, Independent Non-Executive Director

Dato' Mohd Nor Bin Abdul Wahid

Member, Non-Independent Executive Chairman

Objectives

The primary objectives of the Audit Committee are to:-

- i. Provide assistance to the Board in fulfilling its fiduciary responsibilities, particularly in the areas relating to the Company and its subsidiary companies accounting and management controls, financial reporting and business ethics policies
- ii. Provide greater emphasis on the audit function by serving as the focal point for communication between non-Committee Directors, the External Auditors, Internal Auditors and the Management and providing a forum for discussion that is independent of the management. It is to be the Board's principal agent in assuring the independence of the Company's external auditors, the integrity of the management and the adequacy of disclosure to shareholders.

- iii. Undertake such additional duties as may be appropriate and necessary to assist the Board.

Meetings

The Chairman shall convene a meeting of the Committee if requested to do so by any member, the management or the internal or external auditors to consider any matter within the scope of responsibilities of the Committee.

There were two (2) Audit Committee meetings held during the financial year ended 31st December 2002.

The attendance records of the Audit Committee Members are as follows:-

AUDIT COMMITTEE MEMBERS	TOTAL MEETINGS ATTENDED	PERCENTAGE OF ATTENDANCE (%)
Chew Eng Chai	2	100
Tan Chon Sing @ Tan Kim Tieng	2	100
Dato' Mohd Nor Bin Abdul Wahid	2	100

Terms of Reference

Authority

The Audit Committee is authorized by the Board to investigate any activity within its terms of reference, it shall have:-

1. Explicit authority to investigate any matters within its terms of reference;
2. The resources required to perform its duties;
3. Full access to any employee or member of the management which it requires in the course of performing its duties;
4. Unrestricted access to any information pertaining to the Company and its subsidiary company; and
5. Direct communication channels with both the external auditors and internal auditors;

The Committee is also authorized by the Board to obtain outside legal or other independent professional advice it considers necessary and reasonable for the performance of its duties at the cost of the Company.

Duties and Responsibilities

In fulfilling its primary objectives, the Audit Committee will need to undertake the following duties and responsibilities as summarized below:-

1. To consider the appointment of the external auditors;
2. To review the adequacy of the existing external audit arrangements, with particular emphasis on the nature, scope and quality of the audit and discuss the results of their examination and their evaluation of the system of internal accounting controls;
3. To review the quarterly interim results and annual financial statements with the management prior to them being submitted to the Board. The review shall focus on:-
 - any changes in accounting policies and practices
 - major potential risk issues, if any
 - significant adjustments and issues arising from the audit
 - the going concern assumption
 - compliance with the applicable approved accounting standards
4. To review the external auditors' audit report on the financial statements and to discuss issues arising from the interim and final audit;
5. To review the assistance and co-operation given by the Group, its business units and its officers to the external auditors;
6. To review with management on a periodic basis, the company's general policies, procedures and controls especially in relation to management accounting, financial reporting, risk management and business ethics.
7. To review any related-party transactions and potential conflict of interest situations that may arise within the Company or the Group including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To review the external auditors' management letter and management's response.

Quorum

A quorum shall consist of a majority of members present who must be independent directors and shall not be less than two.

Secretary and Minutes

The Company Secretary shall be the Secretary of the Audit Committee and as a reporting procedure, the minutes shall be circulated to all members of the Board.

Summary of Activities

During the year, the Audit Committee carried out its duties and responsibilities in accordance with its terms of reference.

The main activities undertaken by the Committee were as follows:-

- (i) Review of the external auditors' scope of work and their audit plan.
- (ii) Reviewing with the external auditors on the results of their audit, the audit report and internal control recommendations in respect of control weaknesses noted in the course of their audit.
- (iii) Reviewing the audited financial statements before recommending the same for the Board of Directors' approval
- (iv) Reviewing the Company's compliance, in particular the quarterly and year end financial statements with the listing requirements of the MESDAQ Market and the applicable approved accounting standards issued by the Malaysian Accounting Standards Board.
- (v) Review of the quarterly unaudited financial results announcements before recommending them for the Board of Directors' approval
- (vi) Review of the related party transactions entered into by the Group.

Internal Audit Function

The Company does not have an Internal Audit function, but is in the midst of considering the use of qualified professionals to review and assess the internal audit function of the Group on an ad-hoc basis.

The internal audit function shall be independent of the activities or operation of its auditees. The Internal Auditor shall undertake the audit of the Group's operating units; reviewing the units' compliance to internal control procedures, highlighting weaknesses and making appropriate recommendations for improvement. The Internal Auditor shall report directly to the Audit Committee.

Corporate Governance Statement

Introduction

The Board of Directors of Three-A Resources Berhad recognises the importance of good corporate governance in enhancing long term shareholders value. The Board is committed to adopt the Malaysian Code on Corporate Governance ("the code") and is pleased to disclose hereunder the manner in which the Company endeavoured to apply the principles and the extent of compliance with the best practices of corporate governance as set out in Part 1 and Part 2 respectively of the Code.

Directors

The Board

The Board has the overall responsibility for corporate governance of the Group; including its effective performance and control of the Company and the Group and monitoring on issues relating to strategy and financial matters.

Composition of the Board

The Board currently has nine (9) members, comprising four (4) Non-Independent Executive Directors (including Non-Independent Executive Chairman and Managing Director), two (2) Non-Independent Non-Executive Directors, three (3) Independent Non-Executive Directors which complies with the Kuala Lumpur Stock Exchange / MESDAQ Listing Requirements that requires a minimum of 2 or 1/3 of the Board to be independent directors. Collectively, the Directors, comprising members from a wide background, bring considerable range of business, financial and technical experience to the Group.

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 judgement to bear on issues of strategy, performance, resources and standards of conduct.

There is a balanced Board with the presence of independent directors who are individuals of credibility and who demonstrate objectivity and robust independence of judgement.

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 authorised by the entire Board. The good size and balanced composition ensures that no individual or a group of individuals dominate the decision making process and enable the Board to effectively discharge its principal responsibilities as set out in the Code.

A brief profile of each of the Directors is presented on pages 5 and 6 of this Annual Report.

Board Meetings

During the financial year ended 31 December 2002, two (2) board meetings were held. Details of attendance of each Director at the Board Meetings held under the financial year are set out below:

NAME OF DIRECTORS	TOTAL MEETINGS ATTENDED	PERCENTAGE ATTENDANCE (%)
Dato' Mohd Nor Bin Abdul Wahid	2/2	100
Fang Chew Ham	2/2	100
Foong Chiew Fatt	2/2	100
Fong Chiew Hean	2/2	100
Fong Chu King @ Tong Chu King	2/2	100
Mazlan Bin Ibrahim	2/2	100
Chew Eng Chai	2/2	100
Tan Chon Sing @ Tan Kim Tieng	2/2	100
Dato' Samsudin Bin Abu Hassan*	1/1	100

Note:

* Appointed on 30 August 2002

All the Directors have complied with the minimum 50% attendance at Board meetings during the financial year as stipulated by the Listing Requirements of KLSE.

Supply of Information

All Board members are supplied with information on a timely manner. Scheduled Board meetings are structured with a pre-set agenda. Board reports and Minutes of the meetings are circulated prior to the Board meetings to give the Directors time to consider and deliberate on the issues to be raised at the Board meetings and to enable the Directors to obtain further information and explanation, where necessary, before the meetings.

The Board reports provide, amongst others, periodical financial and corporation information, significant operational, financial and corporate issues, performance of the various products manufactured by the Company and management proposals that require Board's approval. In addition, any Director who wishes to seek independent professional advice in the furtherance of his duties may do so at the Group's expense. Directors have access to all information and records of the Company and also the advice of the Group Company Secretary.

Directors' Training

All the Directors have attended the Mandatory Accreditation Programme conducted by Research Institute of Investment Analysts Malaysia as required under the Listing Requirements of MESDAQ on training for Directors.

Appointment of Directors

The Nomination Committee is responsible for identifying and recommending to the Board suitable nominees for appointment to the Board and Board Committees.

Re-Election of Directors

In accordance with the Company's Articles of Association (Articles), 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 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.

Directors over seventy years of age are required to submit themselves for re-appointment annually in accordance with Section 129(6) of the Companies Act, 1965.

Board Committees

The Board of Directors has delegated specific responsibilities to three (3) sub-committees, namely the Audit Committee, Remuneration Committee and Nomination Committee, in order to enhance business and operational efficiency.

The terms and reference of each Committee have been approved by the Board and, where applicable, comply with the recommendation of the Code. These Committees operate within clearly defined terms of reference.

a) Audit Committee

The Company has an Audit Committee whose composition meets the MESDAQ's Listing Requirements i.e. independent directors forming the majority and a member that is a qualified accountant.

The Audit Committee meets at least four (4) times annually to review the Company's and the Group's financial reporting, the nature, scope and results of audit reviews. During the year ended 31 December 2002, a total of two (2) Audit Committee meetings were held.

The Audit Committee meets periodically to carry out its functions and duties pursuant to its terms of reference. Other board members also attend meetings upon the invitation of the Audit Committee. The members and terms of reference of the Audit Committee of the Company are set out on page 9 and 10 of the Annual Report.

b) Remuneration Committee

The Company's Remuneration Committee was set up in November 2002. The Company has adopted the

objectives as recommended by the Malaysian Code on Corporate Governance to determine the remuneration for Directors so as to ensure that the Company attracts and retains the Directors needed to run the Company successfully.

The members of the Remuneration Committee during the year ending 31 December 2002, the majority of whom are Independent Director, comprises the following:

- Tan Chon Sing @ Tan Kim Tieng
(Independent Non-Executive Director)
- Chew Eng Chai
(Independent Non-Executive Director)
- Dato' Mohd Nor Bin Abdul Wahid
(Non-Independent Executive Chairman)

c) Nomination Committee

The Nomination Committee was set up in November 2002, recommends suitable nominees for appointment as Director. In addition the Nomination Committee assesses the effectiveness of the Board and committees of the Board.

The members of the Nomination Committee during the year ending 31 December 2002, the majority of whom are Independent Director as follows:

- Dato' Samsudin Bin Abu Hassan
(Independent Non-Executive Director)
- Chew Eng Chai
(Independent Non-Executive Director)
- Fong Chu King @ Tong Chu King
(Non-Independent Executive Director)

Directors' Remuneration

The Remuneration Committee is responsible for making recommendations to the Board on the remuneration packages of executive Directors and members of Board Committees. In making recommendations to the Board, information provided by independent consultants and appropriate survey data are taken into consideration.

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

Details of the remuneration of Directors of the Company comprising remuneration received / receivable from the Company and subsidiary company during the financial year ended 31st December 2002 are set out on page 38 of the audited Financial Statements in this Annual Report.

Investor Relations and Shareholder Communication

The Group recognises the need and importance to maintain a constructive and effective communication with all shareholders, investors and the public in general in ensuring their confidence towards the Company. Investors and members of the public who wish to assess corporate information, financial statements, news and events related to the Group can forward their queries via e-mail, facsimile or contact the following personnel:

NAME	CONTACT NO.	E-MAIL ADDRESS
JESSICA S. Y. FANG	603-6156 2655	jessica@three-a.com.my
FONG PENG FAI	603-6157 1301	pfong@three-a.com.my

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 Company uses appropriate accounting policies that are consistently applied

and supported by reasonable as well as prudent judgements and estimates and that all accounting standards which they consider applicable have been followed during the preparation of the financial statements. The Directors are responsible for ensuring that the Company keeps the accounting records and are disclosed with reasonable accuracy which enables them to ensure that the financial statements comply with the Companies Act, 1965. They have the general responsibility for taking such steps to safeguard the assets of the Group and to detect and prevent fraud as well as other irregularities. The Audit Committee of the board assists by scrutinising the information to be disclosed, to ensure accuracy and adequacy.

Internal Control

The Board recognises the importance of sound internal controls and risk management practices to good corporate governance. The Board is considering outsourcing the services of Internal Audit; taking into consideration of their scopes of works and service fees.

Relationship with the Auditors

The Company through the Audit Committees has an appropriate and transparent relationship with the external auditors. In the course of the audit of the Group's financial statements, the external auditors have highlighted to the Audit Committee and the Board, matters that require the Board's attention. The external auditors are invited to attend the Audit Committee meetings to present their audit plan and the auditors' report on the audited financial statements.

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Directors' Report

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 2002.

PRINCIPAL ACTIVITIES

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

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

RESULTS

	<u>Group</u> <u>RM</u>	<u>Company</u> <u>RM</u>
Net profit/(loss) for the year	1,876,839	(45,646)

There were no material transfers to or from reserves or provisions during the financial year other than 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

There were no dividends declared and paid by the Company since the end of the previous financial year.

No dividend is proposed in respect of the financial year ended 31 December 2002.

DIRECTORS

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

Fang Chew Ham	(appointed on 10.5.2002)
Foong Chiew Fatt	(appointed on 10.5.2002)
Fong Chiew Hean	(appointed on 10.5.2002)
Fong Chu King @ Tong Chu King	(appointed on 10.5.2002)
Dato' Mohd Nor Bin Abdul Wahid	(appointed on 10.5.2002)
Mazlan Bin Ibrahim	(appointed on 10.5.2002)
Chew Eng Chai	(appointed on 17.6.2002)
Tan Chon Sing @ Tan Kim Tieng	(appointed on 17.6.2002)
Dato' Samsudin Bin Abu Hassan	(appointed on 30.8.2002)
Tan Sri Dato' Abdul Samad Idris	(appointed on 10.5.2002 and resigned on 27.6.2002)
Tan Kee @ Tan Zern Kee	(resigned on 11.5.2002)
Ahmad Mahir bin Mohd Isa	(resigned on 11.5.2002)

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.

DIRECTORS BENEFITS (CONT'D)

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 17 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 he is a member, or with a Company in which he has a substantial financial interest, except as disclosed in Note 21 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 and its related corporations during the financial year were as follows:

	<i>Number of Ordinary Shares of RM0.20 each</i>				<i>At 31.12.2002</i>
	<i>At 1.1.2002</i>	<i>Acquired*</i>	<i>Bought</i>	<i>Sold</i>	
The Company					
Direct interest					
Fang Chew Ham	-	46,290,300	2,500,000	(200,000)	48,590,300
Foong Chiew Fatt	-	7,935,480	-	-	7,935,480
Fong Chiew Hean	-	7,935,480	-	-	7,935,480
Fong Chu King @ Tong Chu King	-	3,967,740	-	-	3,967,740
Dato' Mohd Nor Bin Abdul Wahid	-	4,221,000	7,150,000	(5,000,000)	6,371,000
Mazlan Bin Ibrahim	-	-	100,000	(30,000)	70,000
Chew Eng Chai	-	-	100,000	-	100,000
Tan Chon Sing @ Tan Kim Tieng	-	-	169,200	-	169,200

* Shares issued by the Company in connection with the acquisition of a subsidiary, San Soon Seng Food Industries Sdn. Bhd. as disclosed in Note 14 to the financial statements.

ISSUE OF SHARES

On 30 April 2002, 20,100,000 ordinary shares of RM1 each were issued at par as consideration for the acquisition of San Soon Seng Food Industries Sdn. Bhd., a company in which certain directors of the Company have substantial financial interests as disclosed in Note 21 to the financial statements.

At an Extraordinary General Meeting convened on 17 June 2002, it was resolved that the Company subdivide each of the ordinary shares in the authorised and issued share capital of RM1 each into 5 ordinary shares of RM0.20 each.

In connection with the Initial Public Offering ("IPO"), 39,500,000 ordinary shares of RM0.20 each were issued at a premium of RM0.05 each for cash.

The issued and paid-up share capital of the Company upon completion of the restructuring exercise and allotment of shares in connection with the IPO was RM28,000,002 divided into 140,000,010 ordinary shares of RM0.20 each.

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 value 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; 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 and 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 in respect of the Group and 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 EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 25 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

DATO' MOHD NOR BIN ABDUL WAHID

FANG CHEW HAM

Kuala Lumpur, Malaysia
24 April 2003

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 21 to 41 are drawn up in accordance with applicable Approved Accounting Standards in Malaysia and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2002 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

DATO' MOHD NOR BIN ABDUL WAHID

FANG CHEW HAM

Kuala Lumpur, Malaysia
24 April 2003

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 21 to 41 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 24 April 2003

FANG CHEW HAM

Before me,

**Report of
the
Auditors**
to the members of
Three-A Resources
Berhad

We have audited the financial statements set out on pages 21 to 41. These financial statements are the responsibility of the Company's directors. Our responsibility is to express an opinion on these financial statements based on our audit.

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 Approved Accounting 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 2002 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 material to the consolidated financial statements and did not include any comment required to be made under Section 174(3) of the Act.

ERNST & YOUNG
AF: 0039
Chartered Accountants

Dato' Nordin Baharuddin
837/3/04(J)
Partner

Kuala Lumpur, Malaysia
24 April 2003

Balance Sheets

as at
31 December 2002

		<i>Group</i> 2002	<i>Company</i>	
	<i>Note</i>	<i>RM</i>	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>
NON-CURRENT ASSETS				
Property, plant and equipment	3	36,800,428	4,558	-
Deferred expenditure	4	-	-	548,000
Investment in a subsidiary	5	-	20,100,000	-
Amount owing by a subsidiary	6	-	8,632,873	-
Reserve on consolidation	7	(2,599,596)	-	-
		34,200,832	28,737,431	548,000
CURRENT ASSETS				
Inventories	8	3,391,448	-	-
Trade receivables	9	9,930,988	-	-
Other receivables	10	147,636	1,160	-
Cash and bank balances		33,434	25,874	-
		13,503,506	27,034	-
CURRENT LIABILITIES				
Trade payables		1,834,265	-	-
Other payables	11	1,001,225	29,188	561,698
Hire purchase payables	12	60,000	-	-
Bank borrowings	13	10,862,884	-	-
Provision for taxation		272,274	-	-
		14,030,648	29,188	561,698
NET CURRENT LIABILITIES		(527,142)	(2,154)	(561,698)
		33,673,690	28,735,277	(13,698)
FINANCED BY:				
Share capital	14	28,000,002	28,000,002	2
Reserves		2,657,760	735,275	(13,700)
Shareholders' equity/(deficit)		30,657,762	28,735,277	(13,698)
Deferred taxation	15	2,900,928	-	-
Hire purchase payables	12	115,000	-	-
Non-current liabilities		3,015,928	-	-
		33,673,690	28,735,277	(13,698)

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

Income Statements

for the year ended
31 December 2002

		<i>Group</i> 2002	<i>Company</i>	
	<i>Note</i>	<i>RM</i>	2002	2001
			<i>RM</i>	<i>RM</i>
Revenue	16	23,780,757	-	-
Cost of sales		(17,519,439)	-	-
Gross profit		6,261,318	-	-
Other operating income		186,683	21,402	-
		6,448,001	21,402	-
Administrative expenses		(2,649,581)	(67,048)	(6,150)
Other operating expenses		(505,882)	-	-
Profit from operations	17	3,292,538	(45,646)	(6,150)
Finance costs	18	(702,803)	-	-
Profit/(loss) before taxation		2,589,735	(45,646)	(6,150)
Taxation	19	(712,896)	-	-
Net profit/(loss) for the year		1,876,839	(45,646)	(6,150)
Basic earnings per share (sen)	20	2.3		

Statements of Changes in Equity

for the year ended
31 December 2002

Group

	<i>Note</i>	<i>Share Capital RM</i>	<i>Share Premium* RM</i>	<i>Revenue Reserve # RM</i>	<i>Total RM</i>
At 1 January 2002		2	-	(13,700)	(13,698)
Issue of share capital	14	28,000,000	-	-	28,000,000
Premium of RM0.05 per share on the issue of 39,500,000 ordinary shares of RM0.20 each arising from the Initial Public Offering		-	1,975,000	-	1,975,000
Expenses relating to the Initial Public Offering		-	(1,180,379)	-	(1,180,379)
Net profit for the year		-	-	1,876,839	1,876,839
At 31 December 2002		28,000,002	794,621	1,863,139	30,657,762

* Non-distributable

Distributable

Company

	<i>Note</i>	<i>Share Capital RM</i>	<i>Non- distributable Share Premium RM</i>	<i>Accumulated Losses RM</i>	<i>Total RM</i>
At 1 January 2001		2	-	(7,550)	(7,548)
Net loss for the year		-	-	(6,150)	(6,150)
At 31 December 2001		2	-	(13,700)	(13,698)
Issue of share capital	14	28,000,000	-	-	28,000,000
Premium of RM0.05 per share on the issue of 39,500,000 ordinary shares of RM0.20 each arising from the Initial Public Offering		-	1,975,000	-	1,975,000
Expenses relating to the Initial Public Offering		-	(1,180,379)	-	(1,180,379)
Net loss for the year		-	-	(45,646)	(45,646)
At 31 December 2002		28,000,002	794,621	(59,346)	28,735,277

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

Cash Flow Statements

for the year ended
31 December 2002

	<i>Note</i>	<i>Group</i> 2002 <i>RM</i>	<i>Company</i> 2002 <i>RM</i>	2001 <i>RM</i>
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before taxation		2,589,735	(45,646)	(6,150)
Adjustments for:				
Depreciation		1,161,174	117	-
Provision for doubtful debts		105,000	-	-
Unrealised foreign exchange losses		1,294	-	-
Interest expense		629,060	-	-
Interest income		(21,402)	(21,402)	-
Operating profit/(loss) before working capital changes		4,464,861	(66,931)	(6,150)
Working capital changes:				
Inventories		(218,427)	-	-
Receivables		(472,450)	(1,160)	-
Payables		(1,118,534)	(116,510)	6,150
Bankers acceptances		86,064	-	-
Cash generated from/(used in) operations		2,741,514	(184,601)	-
Interest received		21,402	21,402	-
Interest paid		(596,889)	-	-
Income tax paid		(766,359)	-	-
Net cash generated from/(used in) operating activities		1,399,668	(163,199)	
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisition of a subsidiary	5	(8,177,739)	-	-
Purchase of property, plant and equipment		(4,204,498)	(4,675)	-
Net cash used in investing activities		(12,382,237)	(4,675)	-

		<i>Group</i> 2002	<i>Company</i>	
	<i>Note</i>	<i>RM</i>	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from the issuance of shares		9,875,000	9,875,000	-
Listing expenses paid		(840,379)	(840,379)	-
Loan to a subsidiary		-	(9,200,000)	-
Payment made on behalf by a subsidiary		-	359,127	-
Repayment of term loans		(1,639,289)	-	-
Repayment of hire purchase financing		(645,846)	-	-
Net cash generated from financing activities		6,749,486	193,748	-
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(4,233,083)	25,874	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL YEAR		-	-	-
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL YEAR	(a)	(4,233,083)	25,874	-

NOTES TO CASH FLOW STATEMENT

(a) Cash and cash equivalents stated in the cash flow statements comprise the following balance sheet amounts:

		<i>Group</i> 2002	<i>Company</i>	
		<i>RM</i>	<i>2002</i> <i>RM</i>	<i>2001</i> <i>RM</i>
Cash and bank balances		33,434	25,874	-
Bank overdrafts (Note 13)		(4,266,517)	-	-
		(4,233,083)	25,874	-

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

Notes to the Financial Statements

- 31 December 2002

1. CORPORATE INFORMATION

The principal activity of the Company is that of an investment holding company. The principal activities of the subsidiary are manufacturing and selling of food and beverage ingredients. There have been no significant changes in the nature of the principal activities during the financial year.

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

There were no personnel employed by the Company for the financial years ended 31 December 2002 and 2001 as the financial statements and relevant records are maintained by employees of San Soon Seng Food Industries Sdn Bhd, the subsidiary. The number of employees in the Group at the end of the financial year was 78.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 24 April 2003.

2. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements of the Group and of the Company have been prepared under the historical cost convention and comply with the provisions of the Companies Act 1965 and applicable Approved Accounting Standards in Malaysia.

(b) Basis of Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiary. A subsidiary is a company in which the Group has a long term equity interest and where it has power to exercise control over the financial and operating policies so as to obtain benefits therefrom.

The subsidiary is consolidated using the acquisition method of accounting. Under the acquisition method of accounting, the results of subsidiary acquired or disposed of during the year is included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. The assets and liabilities of a subsidiary are measured at their fair values at the date of acquisition and these values are reflected in the consolidated balance sheet. The difference between the cost of an acquisition and the fair value of the Group's share of the net assets of the acquired subsidiary at the date of acquisition is included in the consolidated balance sheet as goodwill or reserve arising on consolidation. The resulting goodwill or reserve is not amortised in the income statement. The carrying amount of goodwill is reviewed annually and written down for impairment where it is considered necessary.

Intragroup transactions, balances and resulting unrealised gains are eliminated on consolidation and the consolidated financial statements reflect external transactions only. Unrealised losses are eliminated on consolidation unless costs cannot be recovered.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets together with any unamortised balance of goodwill and exchange differences which were not previously recognised in the consolidated income statement.

Minority interest is measured at the minorities' share of the post acquisition fair values of the identifiable assets and liabilities of the acquiree.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Investment in a subsidiary

The Company's investment in a subsidiary is stated at cost less impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with the policy in Note 2(l).

On disposal of such investment, the difference between net disposal proceeds and its carrying amount is charged or credited to the income statement.

(d) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 2(l).

Long leasehold land and capital work-in-progress are not depreciated. Short leasehold land with unexpired lease periods of less than 50 years are amortised over the remaining period of the lease.

Depreciation on other property, plant and equipment is calculated on a reducing balance basis to write off the cost of the assets over their estimated useful lives. The principal annual rates used are as follows:

Factory and office buildings	2.00%
Plant and machinery	
- acquired before 31.12.94	10.00%
- acquired after 31.12.94	6.60%
Tools and implements	10.00%
Furniture, fittings, lab and office equipment	10.00%
Renovation and electrical installation	10.00%
Motor vehicles	10.00%
Fire hydrant system	10.00%

Upon the disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

(e) Leases

A lease is recognised as a finance lease if it transfers substantially to the Group all the risks and rewards incident to ownership.

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.

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 charged to the income statement 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 consistent with that for depreciable property, plant and equipment as described in Note 2(d).

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inventories

Inventories are stated at the lower of cost (determined on the first-in, first-out basis) and net realisable value. Cost of finished goods and work-in-progress includes direct materials, direct labour, other direct costs and appropriate production overheads. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing, selling and distribution.

(g) Deferred Taxation

The tax expense for the year is based on the profit for the year, as adjusted for tax purposes, together with a charge or credit for deferred taxation.

Deferred taxation is provided for by the liability method for all timing differences except when there is reasonable evidence that these timing differences will not reverse in the foreseeable future. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

(h) Provisions

Provisions for liabilities 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 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, the amount of a provision is the present value of the expenditure expected to be required to settle the obligation.

(i) Foreign Currencies

Transactions in foreign currencies are recorded in Ringgit Malaysia at the rates of exchange which approximate the exchange rates ruling at the dates of the transactions. Assets and liabilities in foreign currencies at balance sheet date are reported in Ringgit Malaysia at rates ruling at that date. Exchange differences are dealt with through the income statement.

The principal closing rates used in translation of foreign currencies balances are as follows:

Foreign currency	31.12.2002 RM	31.12.2001 RM
1 US Dollar	3.800	3.800
1 Singaporean Dollar	2.162	2.044

(j) 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.

(k) 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 from sale of goods is recognised net of returns and discounts upon the transfer of risks and rewards of ownership.

(ii) Interest income

Interest is recognised on a time proportion basis that reflects the effective yield on the asset.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Impairment of Assets

At each balance sheet date, the Group reviews the carrying amounts of its assets, other than inventories and financial assets, to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, impairment is measured by comparing the carrying values of the assets with their recoverable amounts. Recoverable amount is the higher of net selling price and value in use, which is measured by reference to discounted future cash flows. Recoverable amounts are estimated for individual assets or, if it is not possible, for cash-generating unit to which the asset belongs.

An impairment loss is charged to the income statement immediately.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. The reversal is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in the income statement immediately.

(m) Deferred Expenditure

The deferred expenditure comprised professional fees and expenses incurred in connection with the Company's Initial Public Offering. This will be written off against the share premium arising from the public issue.

(n) 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, 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) 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.

(ii) 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.

(iii) Interest-Bearing Borrowings

Interest-bearing bank loans and overdrafts are recorded at the amount of proceeds received, net of transaction costs.

Borrowing costs directly attributable to the acquisition of property, plant and equipment are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use. All other borrowing costs are charged to the income statement as an expense in the period in which they are incurred.

2. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(iv) Equity Instruments

Ordinary shares are classified as equity.

The transaction costs of an equity transaction, other than in the context of a business combination, 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. Cost of issuing equity securities in connection with a business combination are included in the cost of acquisition.

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

3. PROPERTY, PLANT AND EQUIPMENT

Company	<i>Furniture and fittings 2002 RM</i>
Cost	
At 1 January 2002	-
Additions	4,675
At 31 December 2002	4,675
Accumulated Depreciation	
At 1 January 2002	-
Charge for the year (Note 17)	117
At 31 December 2002	117
Net Book Value	
At 31 December 2002	4,558
At 31 December 2001	-
Depreciation charge for 2001	-

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

Group	Long leasehold land RM	Short leasehold land RM	Factory and office buildings RM	Plant and machinery RM	Tools and implements RM	Furniture and fittings, lab and office equipment RM	Renovation and electrical installation RM	Motor vehicles RM	Fire hydrant system RM	Capital work-in-progress RM	Total 2002 RM
At 1 January	-	-	-	-	-	-	-	-	-	-	-
Arising on acquisition of subsidiary company	5,279,432	500,000	9,430,603	20,195,123	1,332,947	538,217	625,288	1,137,484	218,200	96,614	39,353,908
Additions	-	-	225,504	1,515,922	5,023	1,103,940	60,669	185,000	-	1,108,440	4,204,498
At 31 December	5,279,432	500,000	9,656,107	21,711,045	1,337,970	1,642,157	685,957	1,322,484	218,200	1,205,054	43,558,406
Accumulated Depreciation											
At 1 January	-	-	-	-	-	-	-	-	-	-	-
Arising on acquisition of subsidiary company	302,703	60,667	700,253	3,313,439	496,450	134,393	178,886	368,870	41,143	-	5,596,804
Charge for the year (Note 17)	-	-	119,030	815,501	60,743	57,256	34,176	62,257	12,211	-	1,161,174
At 31 December	302,703	60,667	819,283	4,128,940	557,193	191,649	213,062	431,127	53,354	-	6,757,978
Net Book Value											
At 31 December	4,976,729	439,333	8,836,824	17,582,105	780,777	1,450,508	472,895	891,357	164,846	1,205,054	36,800,428

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

- (a) The net book value of property, plant and equipment pledged as security for bank borrowings, as disclosed in Note 13 is as follows:

	<i>Group 2002 RM</i>
Long leasehold land	4,976,729
Short leasehold land	439,333
Factory and office buildings	8,836,824
	14,252,886

- (b) The net book value of property, plant and equipment at balance sheet date acquired under hire purchase arrangements is as follows:

	<i>Group 2002 RM</i>
Motor vehicles	293,043

4. DEFERRED EXPENDITURE

	<i>Company 2002 RM</i>
At 1 January 2002	548,000
Written off to share premium account	(548,000)
At 31 December 2002	-

5. INVESTMENT IN A SUBSIDIARY

	<i>Company 2002 RM</i>
Unquoted shares, at cost	20,100,000

The particulars of the subsidiary are as follows:

<i>Subsidiary</i>	<i>Country of incorporation</i>	<i>Percentage of equity held</i>	<i>Principal activities</i>
San Soon Seng Food Industries Sdn. Bhd.	Malaysia	100%	Manufacturing and selling of food and beverage ingredients

- (i) On 30 April 2002, the Company acquired the entire issued and paid-up share capital of its subsidiary as disclosed above for a purchase consideration of RM20,100,000 satisfied by an issuance of 20,100,000 ordinary shares of RM1 each to the shareholders of the subsidiary in exchange for the entire issued and paid-up share capital of the subsidiary.

5. INVESTMENT IN A SUBSIDIARY (CONT'D)

The effect of the acquisition on the financial results of the Group from the date of acquisition to 31 December 2002 is as follows:

	<i>RM</i>
Revenue	23,780,757
Other operating income	165,281
Operating costs	(20,607,854)
Finance costs	(702,803)
Profit before taxation	2,635,381
Taxation	(712,896)
Net profit after taxation	1,922,485

(ii) The effect of the acquisition on the financial position of the Group as at 31 December 2002 is as follows:

	<i>RM</i>
Property, plant and equipment	36,795,870
Inventories	3,391,448
Trade and other receivables	10,077,464
Cash and bank balances	7,560
Trade and other payables	(2,806,302)
Hire purchase payables	(175,000)
Amount owing to holding company	(8,632,873)
Bank borrowings	(10,862,884)
Provision for taxation	(272,274)
Deferred taxation	(2,900,928)
Group's share of net assets	24,622,081

(iii) The fair value of assets acquired and liabilities assumed from the acquisition of the subsidiary is as follows:

	<i>30.4.2002</i> <i>RM</i>
Property, plant and equipment	33,757,104
Inventories	3,173,021
Trade and other receivables	9,712,468
Trade and other payables	(3,568,155)
Hire purchase payables	(820,846)
Bank borrowings	(16,327,331)
Provision for taxation	(999,101)
Deferred taxation	(2,227,564)
	22,699,596
Reserve on acquisition	(2,599,596)
Total purchase consideration	20,100,000
Satisfied by:	
Shares issued	(20,100,000)
	-
Add : Bank overdraft of a subsidiary acquired	(8,177,739)
Cash flow arising on acquisition of a subsidiary	(8,177,739)

6. AMOUNT OWING BY A SUBSIDIARY

The amount owing by a subsidiary is unsecured, interest-free and has no fixed terms of repayment.

7. RESERVE ON CONSOLIDATION

	<i>Group 2002 RM</i>
At 1 January 2002	-
Arising on acquisition of a subsidiary	2,599,596
At 31 December 2002	2,599,596

8. INVENTORIES

	<i>Group 2002 RM</i>
At cost:	
Finished goods	1,636,986
Raw materials	1,452,988
Packing materials	301,474
	3,391,448

The cost of inventories recognised as an expense during the financial year in the Group amounted to RM17,519,439.

9. TRADE RECEIVABLES

	<i>Group 2002 RM</i>
Trade receivables	10,356,447
Less: Provision for doubtful debts	(425,459)
	9,930,988

Included in trade receivables is an amount of RM97,139 due from Seong Chan Sauce & Foodstuff Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests.

10. OTHER RECEIVABLES

	<i>Group 2002 RM</i>	<i>Company 2002 RM</i>	<i>2001 RM</i>
Sundry receivables, deposits and prepayments	327,636	1,160	-
Less: Provision for doubtful debts	(180,000)	-	-
	147,636	1,160	-

11. OTHER PAYABLES

Included in other payables is an amount of RM4,037 due to Excellent Chemicals Industrial Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests.

The amount due to a company in which directors have substantial financial interests is unsecured, interest-free with no fixed terms of repayment.

12. HIRE PURCHASE PAYABLES

	<i>Group 2002 RM</i>
Minimum instalments payable:	
Not later than one year	75,000
Later than one year and not later than five years	143,750
	218,750
Less : Finance charges allocated to future periods	(43,750)
Present value of hire purchase liabilities	175,000
Repayable as follows:	
Not later than one year (included under current liabilities)	60,000
Later than one year and not later than five years	115,000
	175,000

The hire purchase liabilities bore interest during the year of between 9.15% to 10.11% per annum.

13. BANK BORROWINGS

	<i>Group 2002 RM</i>
Short Term Borrowings	
Secured:	
Term loans	-
Bank overdrafts	4,266,517
Bankers acceptances	6,596,367
	10,862,884

The term loans were fully settled during the year.

13. BANK BORROWINGS (CONT'D)

The average effective interest rates are as follows:

	<i>Group 2002</i>
	%
Bank overdraft	7.90
Bankers acceptances	3.10 - 4.60
Term loans	8.40

The bank borrowings are secured by:

- the leasehold land 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;
- joint and several guarantees by the directors of the subsidiary.

14. SHARE CAPITAL

Group and Company

	<i>2002</i>		<i>2001</i>	
	<i>No. of shares</i>	<i>RM</i>	<i>No. of shares</i>	<i>RM</i>
Authorised:				
At 1 January				
Ordinary shares of RM1 (2001: RM1) each	100,000	100,000	100,000	100,000
Created during the year				
Ordinary shares of RM1 (2001: RM1) each	49,900,000	49,900,000	-	-
Additional number of ordinary shares arising from subdivision of each of the ordinary shares of RM1 each into 5 ordinary shares of RM0.20 each	200,000,000	-	-	-
At 31 December				
Ordinary shares of RM0.20 (2001: RM1) each	250,000,000	50,000,000	100,000	100,000

14. SHARE CAPITAL (CONT'D)

Group and Company (Cont'd)

	2002		2001	
	No. of shares	RM	No. of shares	RM
Issued and fully paid:				
At 1 January				
Ordinary shares of RM1 (2001: RM1) each	2	2	2	2
Issue of ordinary shares of RM1 each as consideration for acquisition of a subsidiary (Note 5)	20,100,000	20,100,000	-	-
Additional number of ordinary shares arising from subdivision of each of the ordinary shares of RM1 each into 5 ordinary shares of RM0.20 each	80,400,008	-	-	-
Issued during the year				
- Public issue				
Ordinary shares of RM0.20 each	39,500,000	7,900,000	-	-
At 31 December				
Ordinary shares of RM0.20 (2001: RM1) each	140,000,010	28,000,002	2	2

15. DEFERRED TAXATION

	Group 2002 RM
At 1 January 2002	-
Arising on acquisition of subsidiary	2,227,564
Transfer from income statement (Note 19)	673,364
At 31 December 2002	2,900,928

16. REVENUE

Revenue represents the invoiced value of goods sold less sales tax, goods returned and trade discounts.

17. PROFIT FROM OPERATIONS

	<i>Group</i> 2002 RM	<i>Company</i> 2002 RM	2001 RM
Profit from operations is stated after charging/(crediting):			
Staff costs (excluding directors' remuneration)	2,920,171	-	-
Directors' remuneration	840,404	15,000	-
Auditors' remuneration			
- current year	35,000	10,000	1,000
- underprovision in previous year	10,000	-	-
Depreciation	1,161,174	117	-
Unrealised foreign exchange losses	1,294	-	-
Provision for doubtful debts	105,000	-	-
Rental of premises	3,200	-	-
Realised exchange gain	(136,087)	-	-
Interest income	(21,402)	(21,402)	-
Directors of the Company			
Executive:			
Salaries and other emoluments	753,304	-	-
Fees	-	-	-
Bonus	68,500	-	-
Benefits-in-kind	-	-	-
	821,804	-	-
Non-executive:			
Salaries and other emoluments	18,600	15,000	-
Fees	-	-	-
Bonus	-	-	-
Benefits-in-kind	-	-	-
	18,600	15,000	-
Total	840,404	15,000	-
Analysis excluding benefits-in-kind:			
Total executive directors' remuneration	821,804	-	-
Total non-executive directors' remuneration	18,600	15,000	-
Total directors' remuneration	840,404	15,000	-

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

	<i>Number of directors</i> 2002
Executive directors:	
RM50,001 - RM100,000	1
RM150,001 - RM200,000	1
RM200,001 - RM250,000	1
RM350,000 - RM400,000	1
Non-Executive directors:	
Below RM50,000	3

18. FINANCE COSTS

	<i>Group 2002 RM</i>
Interest expense on:	
Term loans	64,253
Other bank borrowings	509,076
Hire purchase	55,731
Bank charges	73,743
	702,803

19. TAXATION

	<i>Group 2002 RM</i>
Malaysian taxation based on results for the year:	
Current	39,532
Transfer to deferred taxation (Note 15)	673,364
	712,896

There is no tax charge for the year for the Company as the Company is in a tax loss position.

The effective tax rate of the Group is lower than the statutory tax rate due to the utilisation of reinvestment allowances against taxable income by a subsidiary.

Subject to the agreement by the Inland Revenue Board, the estimated unutilised reinvestment allowances of the Group available for utilisation against future taxable income prior to year of assessment 2001 is RM2,382,000. The estimated unutilised reinvestment allowances of the Group available for utilisation against future taxable income after year of assessment 2001 is RM6,995,000.

20. EARNINGS PER SHARE

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

	<i>Group 2002</i>
Net profit for the year (RM)	1,876,839
Weighted average number of ordinary shares in issue	80,166,677
Basic earnings per share (sen)	2.3

Diluted earnings per share is not presented as the Company does not have any potential ordinary shares outstanding as at year end.

21. SIGNIFICANT RELATED PARTY TRANSACTIONS

	<i>Group</i> 2002 RM	<i>Company</i> 2002 RM	2001 RM
Acquisition of a subsidiary in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean, Fong Chu King @ Tong Chu King and Dato' Mohd Nor Bin Abdul Wahid have substantial financial interests (Note 5)	-	20,100,000	-
Loan to a subsidiary	-	(9,200,000)	-
Payment made on behalf by a subsidiary	-	359,127	-
Repayment to a director, Fang Chew Ham by a subsidiary	(4,126)	-	-
Sales to Seong Chan Sauce & Foodstuff Sdn Bhd, a company in which certain directors, Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King @ Tong Chu King have substantial financial interests	(407,147)	-	-

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 those obtainable in transactions with unrelated parties.

22. CAPITAL COMMITMENTS

As at 31 December 2002, the Group has the following capital commitments in respect of property, plant and equipment:

	<i>Group</i> 2002 RM
Approved and contracted for	1,250,000

23. 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.

(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 ensures that it obtains borrowings at interest rates that are not materially different from the market rates.

Information relating to the Group's interest rate is disclosed in the Notes 12 and 13 to the financial statements.

(c) Foreign Exchange Risk

The Group is exposed to the effects of foreign currency exchange rate fluctuations, primarily in relation to the Singaporean dollar.

The Group's policy is to manage all its foreign financial assets and liabilities using the best available foreign currency exchange rates. Transactional exposures in currencies other than the entity's functional currency are kept at a minimal level.

23. FINANCIAL INSTRUMENTS (CONT'D)

(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.

The Group does not anticipate any problems in obtaining external funding in the foreseeable future if the need arises.

(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 the customers with appropriate credit history and has internal mechanism 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 value

The carrying amounts of inventories, trade and other receivables, cash and cash equivalents, trade and other payables and hire purchase payables approximate their fair values due to their short-term nature.

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

The fair values of the other non-current liabilities are not materially different from their carrying value as at 31 December 2002.

24. SEGMENT INFORMATION

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

25. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) The Company acquired the entire issued and paid-up share capital of San Soon Seng Food Industries Sdn. Bhd. for a purchase consideration of RM20,100,000 on 30 April 2002 in which certain directors of the Company have substantial financial interests, as disclosed in Note 21 to the financial statements.
- (b) The Company issued 39,500,000 ordinary shares of RM0.20 each, at an issue price of RM0.25 per share by way of public issue and private placement.
- (c) The Company was listed on the MESDAQ Market of the Kuala Lumpur Stock Exchange on 13 August 2002.

26. COMPARATIVE FIGURES

There are no Group comparative figures as this is the first set of Group financial statements presented by the Group.

Summary of Landed Properties

<i>Location</i>	<i>Existing Use</i>	<i>Age of Factory / Building</i>	<i>Build Up Area / Land Area (Sq feet)</i>	<i>Tenure</i>	<i>Cost (RM '000)</i>	<i>NBV as at 31.12.2002 (RM '000)</i>
Lot 4196, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	- Factories NFV, HVP, Glucose / Maltose, Caramel Powder / HVP Powder - Office Building	7 years	46,877 / 110,976	99 years (Industrial Lot)	1,319	1,319
Lot 590, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	- Factory Caramel Colour - Office Building - Warehouse	26 years	33,907 / 35,120	99 years (Industrial Lot)	1,235	1,148
Lot 585, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	Vacant Industrial Lot	-----	* / 43,517	99 years (Industrial Lot)	1,272	1,172
Lot 586, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	Vacant Industrial Lot	-----	* / 48,615	99 years (Industrial Lot)	1,453	1,338
Lot PT 5938, Jalan Union, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	Warehouse	4 years	5,785 / 6,806	60 years (Commercial Lot)	320	283
Lot PT 2317 (Lot 671) Jalan Middle, Kampung Baru Seri Sungai Buloh, 47000 Selangor D.E.	Warehouse	4 years	6,942 / 8,167	60 years (Commercial Lot)	180	156
TOTAL					5,779	5,416

* vacant

Analysis of Shareholdings

Authorised Share Capital	:	RM 50,000,000 Dividend into 250,000,000 Ordinary Shares Of RM 0.20 per share.
Issued and Fully Paid-up Capital	:	RM 28,000,002 Dividend into 140,000,010 Ordinary Shares Of RM 0.20 per share.
Class of Shares	:	Ordinary Share
Voting Rights	:	One voting right for one Ordinary Share

ANALYSIS BY SIZE OF SHAREHOLDINGS AS AT 30TH APRIL 2003

<i>Size of Holdings</i>		<i>No. of Holders</i>	<i>%</i>	<i>No. of Shares</i>	<i>%</i>
1	- 199	21	1.46	2,010	0.00
200	- 999	29	2.02	14,900	0.01
1,000	- 4,999	818	56.88	1,193,900	0.85
5,000	- 10,000	326	22.67	2,345,200	1.68
10,001	- 100,000	193	13.42	7,674,200	5.48
100,001	- 1,000,000	37	2.57	13,404,800	9.57
1,000,000	And Above	14	0.97	115,365,000	82.40
Total		1,438	100.00	140,000,010	100.00

LIST OF TOP 30 SHAREHOLDERS AS AT 30TH APRIL 2003

<i>No.</i>	<i>Name</i>	<i>Shares held</i>	<i>%</i>
1	FANG CHEW HAM	48,590,300	34.71
2	PERBADANAN NASIONAL BERHAD	13,000,000	9.29
3	PERBADANAN NASIONAL BERHAD	10,000,000	7.14
4	FOONG CHIEW FATT	8,535,480	6.10
5	FONG CHIEW HEAN	7,935,480	5.67
6	MOHD NOR BIN ABDUL WAHID	6,371,000	4.55
7	FONG CHU KING @ TONG CHU KING	3,967,740	2.83
8	KONG CHEE CHOONG	3,600,000	2.57
9	LIM HONG LIANG	3,000,000	2.14
10	ZAHARIN BIN MD ARIF	2,633,900	1.88
11	OSK NOMINEES (TEMPATAN) SDN BERHAD	2,520,000	1.80
12	KOH KOO KEE @ KOH AH FOOK	2,505,000	1.79
13	NURNIDAR BINTI KHAIRUDDIN	2,446,100	1.75
14	YAN KOK YING	1,280,000	0.91
15	CHEONG PANG KWAN	1,000,000	0.71
16	KUALA LUMPUR CITY NOMINEES (TEMPATAN) SDN BHD	1,000,000	0.71
17	AIZUL ROHAN BIN ANUAR	900,000	0.64
18	HEE KIAM MIN	820,000	0.59
19	LEE CHIN BEE	800,000	0.57
20	LEE CHIN YOKE	800,000	0.57
21	TAN CHUANG	752,000	0.54
22	LOKE KING LOONG	500,000	0.36
23	WONG MEI SUN	466,500	0.33

LIST OF TOP 30 SHAREHOLDERS (CONT'D)

<i>No.</i>	<i>Name</i>	<i>Shares held</i>	<i>%</i>
24	TAN KIM TEE	451,000	0.32
25	HONG CHON KIN	373,900	0.27
26	YEN PENG KONG	320,000	0.23
27	CHIN HON KEE	302,000	0.22
28	LIEW KUO SHIN	270,000	0.19
29	WONG CHEE KIN	252,000	0.18
30	ANG SING @ WANG YEE	251,000	0.18

DIRECTORS' SHAREHOLDINGS AS AT 30TH APRIL 2003

<i>No.</i>	<i>Name</i>	<i>DIRECT</i>		<i>INDIRECT</i>	
		<i>Shares held</i>	<i>Direct %</i>	<i>Shares held</i>	<i>Indirect %</i>
1	FANG CHEW HAM	48,560,300	34.71	20,438,700	14.60
2	FOONG CHIEW FATT	8,535,480	6.10	60,493,520	43.21
3	FONG CHIEW HEAN	7,935,480	5.67	61,093,520	43.64
4	DATO MOHD NOR BIN ABDUL WAHID	6,371,000	4.55	-	-
5	FONG CHU KING @ TONG CHU KING	3,967,740	2.83	65,061,260	46.48
6	TAN CHON SING @ TAN KIM TIENG	169,200	0.12	-	-
7	CHEW ENG CHAI	100,000	0.07	-	-
8	MAZLAN BIN IBRAHIM	-	-	-	-
9	DATO' SAMSUDIN BIN ABU HASSAN	-	-	-	-

Note: Fang Chew Ham, Foong Chiew Fatt, Fong Chiew Hean and Fong Chu King are brothers. Hence, they are deemed interested by virtue of the other brother's shareholdings.

SUBSTANTIAL SHAREHOLDERS AS AT 30TH APRIL 2003

<i>No.</i>	<i>Name</i>	<i>Shares held</i>	<i>%</i>
1	FANG CHEW HAM	48,590,300	34.71
2	PERBADANAN NASIONAL BERHAD	13,000,000	9.29
3	PERBADANAN NASIONAL BERHAD	10,000,000	7.14
4	FOONG CHIEW FATT	8,535,480	6.10
5	FONG CHIEW HEAN	7,935,480	5.67

**Proxy
form**



THREE-A RESOURCES BERHAD

(481559-M)

Incorporated in Malaysia

I/We, _____
of _____
being a member of THREE-A RESOURCES BERHAD hereby appoint _____
_____ of _____

or the Chairman of the meeting as my / our proxy to attend and vote as indicated hereon on my /our behalf at the Annual General Meeting of the Company to be held on the 25th day of June 2003 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 2002 and the Reports of the Directors and Auditors thereon		
2 Re-election of Mr. Fang Chew Ham		
3 Re-election of Mr. Fong Chu King @ Tong Chu King		
4 Re-election of Dato' Mohd Nor Bin Abdul Wahid		
5 Re-election of Mr. Fong Chiew Hean		
6 Re-election of Dato' Samsudin Bin Abu Hassan		
7 Re-election of Mr. Tan Chon Sing @ Tan Kim Tieng		
8 Re-election of En. Mazlan Bin Ibrahim		
9 Re-election of Mr. Chew Eng Chai		
10 Re-appointment of Mr. Foong Chiew Fatt		
11 Re-appointment of Messrs. Ernst & Young as Auditors and to authorize the directors to fix the Auditors' Remuneration		
12 Authority to Directors to allot and issue shares pursuant to Section 132D of the Companies Act 1965		
13 To approve the proposed Alteration of Articles of Association on Article 2, 12(a), 22(a), 22(b), 24(a), 28(a), 111 and 113(a)		

(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 _____ 2003

Number 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 Companies Act, 1965 shall not apply to the Company.
To be valid, this form duly completed must be deposited at the Registered Office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person or persons named in such instrument proposes to vote 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 / her 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).
2. 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 Companies Act, 1965 are complied with.
3. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions that the provisions of his holdings to be represented by each proxy.
4. Where the appointer is a corporation, this 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