

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

**QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE PERIOD ENDED
30 JUNE 2015**

(The figures have not been audited)

Explanatory Notes to the Interim Financial Statements Pursuant to MFRS 134

A1 Basis of Preparation

These unaudited condensed consolidated interim financial statements of the Group have been prepared in accordance with MFRS 134, Interim Financial Reporting in Malaysia and with IAS 34, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad. They do not include all of the information required for full annual financial statement, and should be read in conjunction with the Group's annual consolidated financial statements for the year ended 31 December 2014.

These explanatory notes attached to the Interim Financial Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial period ended 31 December 2014.

The accounting policies and presentation adopted by the Group for the quarterly financial statements are consistent with those adopted in the Group's consolidated audited financial statements for the financial year ended 31 December 2014.

MFRSs and amendments to MFRSs that are applicable to the Group but not yet effective

Malaysian Accounting Standards Board had issued the following new standards and amendments to standards which are effective for the financial period beginning on or after 1 January 2016. The Group did not early adopt these new standards, amendments and improvements to published standards.

| | |
|-------------------------------------|--|
| MFRS 9 | Financial Instruments (effective from 1 January 2018) |
| MFRS 15 | Revenue from Contracts with customers (effective from 1 January 2017) |
| Amendments to MFRS 101 | Disclosure Initiative (effective from 1 January 2016) |
| Amendments to MFRS 116 and MFRS 138 | Clarification of Acceptable Methods of Depreciation and Amortisation (effective from 1 January 2016) |
| Annual Improvements to MFRSs | 2012-2014 Cycle (effective from 1 January 2016) |

A2 Audit report of the preceding annual financial statements

The audited financial statements of the Group for the year ended 31 December 2014 were not subject to any qualification.

A3 Seasonal or cyclical factors of interim operations

There were no seasonal or cyclical factors affecting the results of the Group for the current interim period.

A4 Unusual items affecting assets, liabilities, equity, net income, or cash flows

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual in nature, size or incidence for the current interim period and financial year-to-date.

A5 Material changes in estimates

There were no changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years that have a material effect for the current interim period.

A6 Issuances, cancellations, repurchases, resale and repayment of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current interim period.

A7 Dividends

No dividend was paid during the current interim period under review.

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Additional Information Required By The Bursa Malaysia Listing Requirements

B1 Review of Performance

The turnover of the Group for the current quarter of RM92.749 million is 9.7% higher than RM84.510 million recorded in the corresponding quarter in the preceding year as a result of higher sales of the Group's products.

The Group's profit before taxation increased by 15.6% or from RM8.616 million to RM9.960 million is mainly a result of higher turnover, foreign exchange gain and lower finance costs for the current quarter under review as compared to the preceding year corresponding quarter.

B2 Material changes in profit before taxation for the current quarter as compared with the immediate preceding quarter

The comparison of results between the current quarter and the immediate preceding quarter are as follows:-

| | Current quarter (01. 04. 15 to 30. 06. 15) RM'000 | Previous quarter (01. 01. 15 to 31. 03. 15) RM'000 |
|------------------------|---|--|
| Turnover | <u>92,749</u> | <u>74,593</u> |
| Profit before taxation | <u>9,960</u> | <u>5,932</u> |

The Group's turnover for the current quarter of RM92.749 million is 24.3% higher as compared to RM74.593 million recorded in the immediate preceding quarter mainly due to higher sales of the Group's products.

Meanwhile, the profit before taxation for the current quarter of RM9.960 million is 67.9% higher than that recorded in the immediate preceding quarter of RM5.932 million, mainly a result of higher turnover as well as product margins for the current quarter.

B3 Prospects

The Group's products are expected to remain competitive. Barring unforeseen circumstances, the Directors anticipate that the Group to achieve a satisfactory performance for the financial year 2015.

B4 Forecast of profit after tax

Not applicable as no forecast was disclosed in any public document.

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B5 Tax expenses

| | Current quarter 30-Jun-15 RM'000 | Cumulative quarter up to 30-Jun-15 RM'000 |
|----------------------------------|---|--|
| Income tax expense | | |
| - current | 2,874 | 4,706 |
| Deferred Taxation | | |
| - recognised in income statement | 91 | 676 |
| | <u>2,965</u> | <u>5,382</u> |

Income tax expense is recognised in each interim period based on the best estimate of the weighted average annual income tax rate expected for the full financial year. The effective tax rate for both the current interim period and financial year-to-date are higher than the statutory income tax rate, mainly due to expenses not allowable for tax deduction.

B6 Unquoted investments and/or properties

There were no sale or purchase of unquoted investments and properties for the current quarter and financial year-to-date except for share of results from the investment in a joint venture.

The Group has 50% (2014:50%) equity interest in a jointly-controlled entity, Three-A (Qinhuangdao) Food Industries Co. Ltd that is held through a subsidiary. This joint venture is incorporated in the People's Republic of China on 9 August 2010 and is in the business of manufacturing, processing, and trading of Hydrolyzed Vegetable Protein (HVP) (in Liquid and Powder form) and all related by-products.

The Group recognises its interest in joint venture using the equity method. Under the equity method, the investment in joint venture is measured in the statement of financial position at cost plus post-acquisition changes in the Group's share of net assets of the joint venture.

After the application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its joint venture. The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired.

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| | Group 30-Jun-15 RM'000 |
|-----------------------------------|------------------------------|
| Unquoted shares, at cost | 14,039 |
| Share of post-acquisition results | (15,332) |
| | (1,293) |
| Exchange differences | 1,963 |
| | 670 |

The aggregate amounts of each of the current assets, non-current assets, current liabilities, non-current liabilities, income and expenses related to the Group's interests in the jointly-controlled entity are as follows:

| | Group 30-Jun-15 RM'000 |
|---|------------------------------|
| Assets and liabilities: | |
| Current assets | 6,567 |
| Non-current assets | 28,900 |
| Total assets | 35,467 |
| Current liabilities | 34,797 |
| Non-current liabilities | - |
| Total liabilities | 34,797 |
| Income and expenses for the period ended | |
| Income | 3,288 |
| Expenses | (6,408) |

B7 Quoted securities other than securities in existing subsidiaries and associated companies

There were no purchases and disposals of quoted securities other than securities in existing subsidiaries and associated companies for the current quarter and financial year-to-date.

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B8 Status of Corporate Proposals

There were no corporate proposals announced but not completed as at 12 August 2015 for the current quarter and financial year-to-date.

B9 Group borrowings and debt securities

The total Group secured borrowings as at 30 June 2015 are as follows:-

| | Short Term RM'000 | Long Term RM'000 | Total RM'000 |
|-------------------------|----------------------|---------------------|-----------------|
| Bankers' Acceptance | 3,054 | - | 3,054 |
| Term Loans | 1,472 | 6,752 | 8,224 |
| Hire Purchase Creditors | 790 | 1,673 | 2,463 |
| Total | <u>5,316</u> | <u>8,425</u> | <u>13,741</u> |

All the abovementioned borrowings were denominated in Ringgit Malaysia.

B10 Off Balance Sheet financial instruments

The Group had not entered into any contracts involving off balance sheet financial instruments with off balance sheet risk as at 12 August 2015.

B11 Changes in material litigation

There was no material litigation pending for the current financial period to-date and up to 12 August 2015.

B12 Dividend

The Board does not recommend any dividend for the current quarter under review.

B13 Disclosure of nature of outstanding derivatives

There were no outstanding derivatives as at the end of the reporting period.

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B14 Realised and unrealised profits/losses disclosure

| | As at 30-Jun-15 RM'000 | As at 31-Dec-14 RM'000 |
|--|------------------------------|------------------------------|
| Total retained profits of Three-A Resources Berhad and its subsidiaries: | | |
| - Realised | 91,218 | 85,052 |
| - Unrealised | 15,364 | 13,801 |
| | 106,582 | 98,853 |
| Total share of retained earnings from a jointly controlled entity: | | |
| - Realised | (3,120) | (5,901) |
| - Unrealised | - | - |
| | 103,462 | 92,952 |
| Less: Consolidation adjustments | (11,923) | (11,923) |
| Total group retained profits as per consolidated accounts | 91,539 | 81,029 |

B15 Additional disclosures

For the quarter and cumulative period ended 30 June 2015:
(RM'000)

| | Current Period | | Cumulative Period | |
|---|----------------|-------|-------------------|-------|
| | 2015 | 2014 | 2015 | 2014 |
| Interest income | (72) | (27) | (97) | (44) |
| Depreciation and amortisation | 1,820 | 1,814 | 3,601 | 3,619 |
| Realised foreign exchange gain | (400) | (514) | (1,293) | (584) |
| Unrealised foreign exchange (gain)/loss | (146) | 434 | (163) | 596 |

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B16 Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the period, net of tax, attributable to owners of the parent by the weighted average number of ordinary shares outstanding during the period, excluding treasury shares held by the Company.

| | Current Quarter | | Cumulative Quarter | |
|---|--------------------|-------------|-----------------------|-------------|
| | 30-Jun-15 | 30-Jun-14 | 30-Jun-15 | 30-Jun-14 |
| Net profit (RM'000) | 6,995 | 5,203 | 10,510 | 8,803 |
| Weighted average number of ordinary shares in issue ('000) | 393,600 | 393,600 | 393,600 | 393,600 |
| EPS (sen) - Basic | <u>1.78</u> | <u>1.32</u> | <u>2.67</u> | <u>2.24</u> |
| - Diluted | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |