

## THREE-A RESOURCES BERHAD (“3A” OR “THE COMPANY”)

**PROPOSED DISPOSAL OF THE ENTIRE 50% EQUITY INTEREST HELD BY THREE-A FOOD INDUSTRIES (M) SDN BHD, A WHOLLY-OWNED SUBSIDIARY OF THE COMPANY, IN THREE-A (QINHUANGDAO) FOOD INDUSTRIES CO. LTD TO YIHAI KERRY INVESTMENTS CO. LTD.**

### 1. INTRODUCTION

Pursuant to Paragraph 10.08 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the Board of Directors of 3A wishes to announce that Three-A Food Industries (M) Sdn Bhd (“**TAFISB**”), a wholly-owned subsidiary of the Company, has on 5 September 2017 entered into a Share Purchase Agreement (“**SPA**”) with Yihai Kerry Investments Co. Ltd. (“**YKI**” or “**Purchaser**”), a wholly-owned subsidiary of Wilmar International Limited (“**WIL**”), for the proposed disposal of the entire 50% equity interest held by TAFISB in Three-A (Qinhuangdao) Food Industries Co. Ltd (“**TAQ**”) (“**Sale Shares**”) for RMB5,000,000.00 [equivalent to RM3,263,000 , based on the exchange rate of RMB1:RM0.6526 as at 5 September 2017 ] (“**Consideration**”) (“**Proposed Disposal**”).

Upon completion of the Proposed Disposal, TAQ will cease to be a joint venture company of 3A.

### 2. INFORMATION ON TAQ AND YKI

#### 2.1 Information on TAQ

TAQ was incorporated in People’s Republic of China (“**PRC**”) on 9 August 2010 as a private limited company. Currently, TAFISB and YKI each own 50% of the registered capital of TAQ and TAQ is jointly controlled by TAFISB and YKI.

The present issued and paid-up registered capital of TAQ is USD 17,100,000.00. The principal activities of TAQ are manufacturing and sale of food and beverage ingredients.

The existing directors and shareholders of TAQ are as follows:-

#### Name of Directors

- i. Mu Yan Kui (Chairman)
- ii. Liu Jing Dong
- iii. Wu Dong Xu
- iv. Fong Chu King (Deputy Chairman)
- v. Fang Chew Ham
- vi. Dato’ Mohd Nor Bin Abdul Wahid

TAQ’s unaudited net loss for the 7-month period ended 31 July 2017 and unaudited net assets as of 31 July 2017, are RMB8,500,822 and RMB10,636,930 respectively.

## 2.2 Information on YKI and WIL

YKI is an indirect wholly-owned subsidiary of WIL.

WIL, founded in 1991 and headquartered in Singapore is today Asia's leading agribusiness group. WIL is ranked amongst the largest listed companies by market capitalisation on the Singapore Exchange. The principal activities of WIL include oil palm cultivation, oilseed crushing, edible oil refining, sugar milling and refining, specialty fat, oleochemical, biodiesel and fertiliser manufacturing and grain processing.

## 3. SALIENT TERMS OF THE SPA

TAFISB has entered into the SPA pursuant to which TAFISB will sell the registered capital of TAQ owned by TAFISB to YKI for the Consideration.

Salient terms of the SPA are set out below:

(i) The completion shall take place on a date ("**Completion Date**") when all the following conditions have been satisfied by TAQ or waived by YKI ("**Completion**"):

- a) the filing of the SPA with the Ministry of Commerce of the PRC ("**MOFCOM**") or its local counterpart is accepted;
- b) the change in shareholding in TAQ shall have been filed MOFCOM and registered with State Administration of Industry and Commerce of PRC ("**SAIC**") or its local counterpart; and
- c) no lawsuit, arbitration or other legal or governmental proceeding is pending or threatened against TAQ, TAFISB or YKI that would prevent the transactions contemplated in the SPA from being consummated.

(ii) Deliveries at the Completion Date

On the Completion Date, TAFISB and YKI shall procure TAQ to deliver to YKI a new business license of TAQ issued by the SAIC, certifying the following:-

- a. the transfer of the Sale Shares from TAFISB to YKI;
- b. the amended Articles of Association of TAQ; and
- c. relevant changes of the directors (including legal representative) and officers of TAQ in connection with such transfer.

(iii) Payment

Upon Completion, YKI shall pay the Consideration to TAFISB by wire transfer of immediately available funds to the designated account provided by TAFISB within five (5) months from the date of the SPA or such other date as may be agreed between TAFISB and YKI provided that such remittance is approved by the competent State Administration of Foreign Exchange of the PRC or its local counterpart and the filing procedure with tax authority is completed.

#### **4. BASIS OF ARRIVING AT AND JUSTIFICATION FOR THE CONSIDERATION**

The Consideration was arrived on a willing buyer and willing seller basis and after taking into consideration the latest audited Net Asset of TAQ for the financial year ended (“FYE”) 31 December 2016 of RMB19,137,752 and its unaudited results up to the date of the SPA.

#### **5. RATIONALE AND BENEFIT FOR THE PROPOSED DISPOSAL**

The Proposed Disposal is in line with the strategic direction of the Company and its subsidiaries (“**the Group**” or “**3A Group**”) to realign the Group’s resources and concentrate on carrying out the Group’s business in Malaysia.

#### **6. RISK FACTORS**

The Company does not expect any material risk arising from the Proposed Disposal other than normal economic risk associated with the Proposed Disposal which the Group would take appropriate measures to minimise them.

#### **7. ORIGINAL COST OF INVESTMENT**

The original cost and date of investment in TAQ are as follows:-

<b>Date of Investment</b>	<b>Cost of Investment RM</b>
6-Sep-10	2,384,505
24-Nov-10	1,758,174
17-Jan-11	780,300
25-Feb-11	2,961,264
3-Sep-12	1,246,000
1-Oct-12	4,908,800
21-Jul-15	15,238,000

#### **8. LIABILITIES TO BE ASSUMED**

YKI will not be assuming any liabilities, including contingent liabilities and guarantees from the Proposed Disposal.

#### **9. EXPECTED GAIN/ LOSS FROM THE PROPOSED DISPOSAL**

The expected gain/loss from the Proposed Disposal is calculated by the difference between the Consideration and the carrying amount of the 3A Group’s investment in TAQ as at the date of disposal, that is 5 September 2017

However, based on latest available information of share of unaudited results of TAQ as at 31 July 2017 and audited financial statements for the FYE 31 December 2016 of the Group, the computation of the net loss arising from the Proposed Disposal as at 31 July 2017 is presented instead as follows:

	<b>RM</b>
Carrying amount as at 31 December 2016	6,771,847
Share of results for year 2017 up to 31 July 2017	(2,707,982)
Exchange differences	(94,748)
Carrying amount as at 31 July 2017	<u>3,969,117</u>
Proceeds from Proposed Disposal	<u>3,263,000</u>
Expected loss on disposal	<u>706,117</u>

## **10. PROPOSED UTILISATION OF PROCEEDS FROM THE PROPOSED DISPOSAL**

The proceeds from the Proposed Disposal of RM3,263,000 will be utilised for the Group as normal working capital purposes from time to time. The amount allocated for working capital will include purchase of raw materials as well as payment of trade and other payables. At present, the Group has not determined the exact breakdown and timing of the utilisation of proceeds in respect of the aforesaid working capital requirements.

## **11. EFFECTS OF THE PROPOSED DISPOSAL**

### **11.1 Share Capital and Substantial Shareholders' Shareholding**

The Proposed Disposal does not have any effect on the share capital and substantial shareholders' shareholdings of the Company.

### **11.2 Earnings per share, net assets per share and gearing**

The Proposed Disposal will not have any significant impact on the earnings per share, the net assets per share and the gearing of 3A Group for the financial year ending 31 December 2017.

## **12. ESTIMATED TIMEFRAME FOR COMPLETION**

Barring unforeseen circumstances, the Proposed Disposal is expected to be completed in the first half year of 2018.

## **13. APPROVAL REQUIRED**

The Proposed Disposal is not subject to or conditional upon the approvals to be obtained from the shareholders of the Company but is subject to the completion of filing procedures with the relevant regulatory authorities in the PRC.

**14. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED**

Save as disclosed below, none of the Directors and/or major shareholders of 3A and TAFISB and/or person connected to them have any interest, direct or indirect in the Proposed Disposal:-

- i) WIL is a major shareholder of 3A with a shareholding of 15.65%; and
- ii) Mr Gurpreet Singh Vohra and Mr Loo Cheau Leong, Non-Independent Non-Executive Directors of 3A, are also the board representatives of WIL in 3A (**“Interested Directors”**).

The Interested Directors have abstained from all Board deliberation and voting on the resolution relating to the Proposed Disposal.

**15. STATEMENT BY THE AUDIT COMMITTEE**

The Audit Committee, having considered all aspects of the Proposed Disposal, including the rationale, is of the opinion that the Proposed Disposal is in the best interest of the Group, is fair, reasonable and on normal commercial terms and is not detrimental to the interest of the minority shareholders.

**16. DIRECTORS' STATEMENT**

The Board of Directors of 3A, save for the Interested Directors, after having considered the Proposed Disposal, is of the opinion that the Proposed Disposal is fair, reasonable and on normal commercial terms and not detrimental to the interest of the minority shareholders.

**17. PERCENTAGE RATIO**

The highest percentage ratio applicable to the Proposed Disposal pursuant to Paragraph 10.02(g) of the Bursa Malaysia Securities Berhad Main Market Listing Requirements computed based on 3A's latest audited consolidated financial statements for the financial year ended 31 December 2016 is 2.42%.

**18. TOTAL AMOUNT TRANSACTED WITH RELATED PARTY**

Save for the recurrent related party transactions transacted pursuant to the Shareholders' mandate as disclosed below, there were no transactions entered into with WIL/ or persons connected with them for the preceding 12 months:-

<b>Related Party</b>	<b>Interested Directors/ Major Shareholders/ Persons connected</b>	<b>Nature of Transactions</b>	<b>Value of Transactions</b>
TAQ	1) YKI 2) WIL 3) Gurpreet Singh Vohra 4) Loo Cheau Leong	Sales of Caramel sauce by San Soon Seng Food Industries Sdn. Bhd. (SSSFI), a wholly-owned subsidiary of the Company, to TAQ  Sale of food ingredients by TAQ to SSSFI	RM691,379  RM1,061,352

#### **19. Documents for inspection**

The SPA is available for inspection at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U19 Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan, Malaysia during normal office hours from Mondays to Fridays (except public holidays) for a period of three (3) months from the date of this announcement.

This announcement is dated 5 September 2017.