TRANSACTIONS (CHAPTER 10 OF LISTING REQUIREMENTS): NON RELATED PARTY TRANSACTIONS

THREE-A RESOURCES BERHAD ("3A" OR "THE COMPANY")

PROPOSED ACQUISITIONS BY SAN SOON SENG FOOD INDUSTRIES SDN BHD ("SSSFI" OR "PURCHASER"), A WHOLLY OWNED SUBSIDIARY OF 3A, OF THE FOLLOWING:-

(I) ONE PIECE OF VACANT LAND HELD UNDER TITLE HSM 12526, PT NO. 64, TEMPAT KG PAYA JARAS, MUKIM SUNGAI BULOH, DAERAH PETALING, NEGERI SELANGOR ("THE PROPERTY I") FROM PRUDENT WORLD SDN BHD ("THE VENDOR I") FOR A TOTAL CASH CONSIDERATION OF RINGGIT MALAYSIA NINE MILLION FIVE HUNDRED THOUSAND ONLY (RM9,500,000.00); AND

(II) ALL THAT PIECE OF LAND HELD UNDER TITLE H.S.(D) 295891, PT 583, PEKAN BARU SUNGAI BULOH, DAERAH PETALING, NEGERI SELANGOR TOGETHER WITH A FACTORY ERECTED THEREON ("THE PROPERTY II") FROM KOTA NIAGA SDN BHD ("THE VENDOR II") FOR A TOTAL CASH CONSIDERATION OF RINGGIT MALAYSIA SEVEN MILLION AND FIVE HUNDRED THOUSAND (RM7,500,000.00).

(COLLECTIVELY REFERRED TO AS THE "PROPOSED ACQUISITIONS")

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1. INTRODUCTION

Pursuant to Paragraphs 10.06 and 10.12 (2)(c) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board of Directors of 3A (**"Board"**) wishes to announce that SSSFI, a wholly-owned subsidiary of 3A, had entered into the following:-

(i) Sale and Purchase Agreement dated 3 January 2017 with Vendor I for the proposed acquisition of Property I at a purchase consideration of RM9,500,000.00 (**"Purchase Consideration I"**)(**"SPA I"**); and
(ii) Sale and Purchase Agreement dated 24 February 2017 with Vendor II for the proposed acquisition of Property II at a purchase consideration of RM7, 500,000.00 (**"Purchase Consideration II"**) (**"SPA II"**).

The aggregate total consideration for the Proposed Acquisitions is RM17,000,000.00 (**"Purchase Consideration"**).

Property I and Property II shall hereinafter be referred to as **"the Properties"**.

Vendor I and Vendor II shall hereinafter be referred to as **"the Vendors"**.

Further details of the Proposed Acquisitions are set out in the ensuing sections of this announcement.

2. DETAILS OF PROPOSED ACQUISITIONS

Pursuant to SPA I and SPA II, the Vendors have agreed to sell and SSSFI had agreed to purchase the Properties on "as is where is" basis free from encumbrances and with legal possession/vacant possession in accordance with the terms stated therein.

2.1 Information on the Vendors

2.1.1 SPA I

Prudent World Sdn Bhd (Company No. 789546-W) a company duly incorporated under Companies Act 1965 with its registered office at Suite 30C, 3rd Floor, Wisma TCL, 470, Jalan Ipoh 3rd Mile, 51200 Kuala Lumpur and business address at 2, Jalan BRP 5/5, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor.

2.1.2 SPA II

Kota Niaga Sdn Bhd (Company No. 90409-P) of Lot 36, Jalan BRP 9/2B, Putra Industrial Park, Bukit Rahman Putra, 47000 Sungai Buloh, Selangor Darul Ehsan.

2.2 Information on the Properties

The Property I is one (1) piece of vacant land held under a leasehold title HSM 12526, PT No. 64, Tempat Kg Paya Jaras, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor

The Property II is all that piece of land held under title H.S.(D) 295891, Pt 583, Pekan Baru Sungai Buloh, Daerah Petaling, Negeri Selangor consisting of a factory erected thereon.

Further details of the Properties are set out below:-

Details	Description	
	Property I	Property II
Postal Address	PT No. 64 (4195), Kampung Paya Jaras Hulu, 40160 Shah Alam, Selangor.	Lot 583 (2506), Jalan Industri Off Jalan Forest, Kampung Baru Sungai Buloh, Seksyen U19, 40160 Shah Alam Selangor.
Purchase Price	RM9,500,000.00	RM7,500,000.00
Approximate Area	8094 square metres	4,426 square metres
Encumbrances	Nil	Nil
Tenure	Leasehold	Leasehold
Expiry date of Lease	99 years expiring on 30 May 2070	99 years expiring on 30 December 2112
Category of Land Use	Vacant land	Building

Existing Use	Vacant land	Building
Proposed Use	Factories, warehouses and office building	Factories, warehouses and office building

2.3 Basis and Justification for the Purchase Consideration

The Purchase Consideration of RM17,000,000.00 was arrived at on a willing buyer and willing seller basis, upon taking into consideration of the prevailing market value of the property around the vicinity at the time of acquisition.

2.4 Liabilities to be assumed

There are no liabilities, including contingent liabilities and guarantees to be assumed by SSSFI from the Proposed Acquisitions.

2.5 Sources of Funding

The Proposed Acquisitions for Property I and Property II are expected to be funded by internally generated funds and bank borrowings of the Company, the quantum of which has yet to be determined at this juncture.

2.6 Salient terms and conditions of the SPA I and SPA II

The Salient terms and conditions of the SPA I and SPA II are as follows:-

2.6.1 SPA I

<u>Conditions Precedent</u>

The said SPA I shall be conditional upon the original consent from the state authority for the sale and transfer of the Property I in favour of the Purchaser being obtained.

In the case where the said consent cannot be obtained upon expiry of 90 days from the date of the SPA I **("the Condition Period")**, without fault on either parties, the parties mutually agreed to further extend the Conditional Period for another 30 days immediately following the expiry of the Conditional Period.

In the event that the conditions precedent are not fulfilled, the Vendor I shall pay the Purchaser interest at the rate of Interest on the unpaid monies calculated on a daily rest basis from the date of expiry of the aforesaid period of fourteen (14) days until the date of full refund and payment by the Vendor I and thereafter the SPA I shall become null and void and be of no further effect and neither party hereto shall have any further claims or actions whatsoever against the other under or arising from the SPA I.

2.6.2 SPA II

<u>Conditions Precedent</u>

The SPA II shall be conditional upon the Vendor II obtaining the consent of the relevant authority for the transfer of the Property II to SSSFI within 3 months from the date of SPA II or within extended period(s) of time as the parties may agree.

In the event that the conditions precedent are not fulfilled, the Vendor II shall refund free of interest to the Purchaser the Deposit II and all other sums paid by the Purchaser to the Vendor II towards the account of the Purchase Consideration II hereunder and the Vendor II shall pay a further sum amounting to Ringgit Malaysia Seven Hundred and Fifty Thousand (RM750,000.00) only to the Purchaser being agreed liquidated damages within fourteen (14) days upon the Vendor II's receipt of the notice of termination from the Purchaser or the Purchaser's Solicitors, failing which the Vendor II shall pay to the Purchaser interest at the rate of eight per cent (8%) per annum calculated on a daily basis on the Deposit II and the said all other sums paid by the Purchaser to the Vendor II herein under and agreed liquidated damages then due and owing by the Vendor II to the Purchaser from the date the same is due until the whole sum thereof including the interest thereto is fully realised PROVIDED ALWAYS THAT the Purchaser shall have duly complied with the above and thereafter the SPA II shall be null and void and neither party hereto shall have any claim against the other save for any antecedent breach of the SPA II.

3. RATIONALE AND PROSPECTS FOR THE PROPOSED ACQUISITIONS

The purpose of the Proposed Acquisition is for the Group's future expansion, building more food and beverage ingredients production lines as well as warehouses and office building.

4. RISK FACTORS

The Group's expansion plans are subject to a number of risks, including but not limited to fluctuations in demand for the products, changes in general economic and business climate, capital expenditures in respect of costs of setting up new production facilities, warehouses and office building as well as other working capital requirements.

Based on past track record, the Group's has demonstrated its ability to weather through the various economic cycles and continue to generate net cash flows for the foreseeable future. The Group is expected to generate sufficient cash flow to fund the entire construction of the new factory production line, warehouses and office building without relying significantly on bank borrowings.

5. EFFECTS OF THE PROPOSED ACQUISITIONS

5.1 Share capital and substantial shareholders' shareholding

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

5.2 Earnings per share, net assets per share and gearing

The Proposed Acquisitions are not expected to have any material effect on the earning per share, net assets per share and gearing of 3A and its subsidiaries **("Group")** for the financial year ending 31 December 2017

6. APPROVAL REQUIRED FOR THE PROPOSED ACQUISITIONS

The Proposed Acquisitions are not subject to the approval of shareholders of the Company.

However, as set out in Section 2.6, the Proposed Acquisitions are subject to the consent from the relevant state authority for the transfer of the Properties from the Vendors to the Purchaser.

7. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM.

None of the Directors, major shareholders and/or persons connected to them has any interest, whether direct or indirect, in the Proposed Acquisitions.

8. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Acquisitions are expected to be completed by the third quarter of 2017.

9. PERCENTAGE RATIOS

Based on 3A's audited consolidated financial statement for the financial year ended 31 December 2015 and pursuant to paragraph 10.02(g) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the highest percentage ratio applicable to the Proposed Acquisitions is 6.85%.

10. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Acquisitions, is of the opinion that the terms of the Proposed Acquisitions are in the best interest of the 3A Group.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The SPA I and SPA II will be made available for inspection at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U 19, Kampung Baru Sungai Buloh, 40160 Shah Alam, Selangor Darul Ehsan, during normal business hours (except public holidays) for a period of three (3) months from the date of this Announcement.

This announcement is dated 24 February 2017