

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action to take, you should consult your stockbroker, solicitor, accountant, bank manager or other professional advisers immediately.

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## **THREE-A RESOURCES BERHAD**

(Company No. 481559-M)  
(Incorporated in Malaysia under the Companies Act, 1965)

### **CIRCULAR TO SHAREHOLDERS IN RELATION TO**

#### **PART A**

- I. **PROPOSED CO-OPERATION BETWEEN THREE-A RESOURCES BERHAD ("3A") AND WILMAR INTERNATIONAL LIMITED ("WILMAR") IN THE PEOPLE'S REPUBLIC OF CHINA ("PROPOSED CO-OPERATION");**
- II. **PROPOSED JOINT VENTURE BETWEEN THREE-A FOOD INDUSTRIES (M) SDN. BHD. (FORMERLY KNOWN AS THREE-A PLANTATIONS (PAHANG) SDN. BHD.), A WHOLLY-OWNED SUBSIDIARY OF 3A AND YIHAI KERRY INVESTMENTS CO, LTD., A 98.39% INDIRECTLY OWNED SUBSIDIARY OF WILMAR ("PROPOSED JV 1"); AND**
- III. **PROPOSED PROVISION OF FINANCIAL ASSISTANCE BY 3A IN FAVOUR OF THE JOINT VENTURE COMPANIES TO BE INCORPORATED PURSUANT TO THE PROPOSED CO-OPERATION ("PROPOSED FINANCIAL ASSISTANCE")**

#### **PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF 3A IN RELATION TO THE PROPOSALS**

**AND**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

*Adviser*

*Independent Adviser*



**OSK Investment Bank Berhad** (14152-V)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)



**HWANGDBS INVESTMENT BANK BERHAD**  
(Company No.: 14389-U)  
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting ("EGM") of Three-A Resources Berhad ("3A" or the "Company"), which has been scheduled to be held at Ballroom Level 1, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 11:30 a.m. or immediately after the conclusion or adjournment of the Eighth Annual General Meeting of the Company, which will be held at the same venue and on the same day at 11:00 a.m., whichever is later, together with the Form of Proxy are enclosed herein.

If you are unable to attend and vote at the meeting, you may complete the Form of Proxy and deposit it at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan, Malaysia, not later than forty-eight (48) hours before the stipulated time fixed for the EGM. The lodging of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy: ..... Saturday, 26 June 2010 at 11:30 a.m.

Date and time of the EGM:..... Tuesday, 29 June 2010 at 11:30 a.m.

This Circular is dated 8 June 2010

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## DEFINITIONS

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Except where the context otherwise requires, the following definitions shall apply throughout this Circular:-

"3A" or "Company"	:	Three-A Resources Berhad (481559-M)
"3A Group" or "Group"	:	3A and its subsidiary companies
"3A Share(s)" or "Share(s)"	:	Ordinary shares of RM0.20 each in 3A
"Act"	:	Companies Act, 1965
"AGM"	:	Annual General Meeting
"Board"	:	The Board of Directors of 3A
"Bursa Securities"	:	Bursa Malaysia Securities Berhad (635998-W)
"Circular"	:	This circular to the shareholders of 3A dated 8 June 2010
"Co-operation Agreement"	:	The framework co-operation agreement dated 5 May 2010 entered into between the Parties to invest and explore the possibility of setting up equity joint venture enterprises in the PRC on terms and conditions to be set out in more specific joint venture agreements to be entered into between the Parties
"EGM"	:	Extraordinary General Meeting
"EPS"	:	Earnings per share
"FPE"	:	Financial period ended/ ending
"FYE"	:	Financial year ended/ ending
"HwangDBS" or "IA"	:	HwangDBS Investment Bank Berhad (14389-U), the independent adviser
"IAL"	:	Independent advice letter
"JV Agreement 1"	:	The joint venture agreement dated 5 May 2010, entered into between the JV Parties 1 for a specific joint venture in Shanhaiguan, PRC via the subscription in the share capital of the JV Co 1
"JV Co 1"	:	Three-A (Qinhuangdao) Food Industries Co. Ltd, the joint venture company to be incorporated pursuant to the JV Agreement 1
"JV Party(ies) 1"	:	TAFI and YHK, individually or collectively as the case may be
"Listing Requirements"	:	The Main Market Listing Requirements of Bursa Securities
"LPD"	:	17 May 2010, being the latest practicable date prior to the issuance of this Circular
"NA"	:	Net assets
"NTA"	:	Net tangible assets
"OSK" or "Adviser"	:	OSK Investment Bank Berhad (14152-V)

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**DEFINITIONS (CONT'D)**

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"Party(ies)"	:	3A and Wilmar, individually or collectively as the case may be
"PRC"	:	The People's Republic of China
"Proposals"	:	The Proposed Co-operation, Proposed JV 1 and Proposed Financial Assistance, collectively
"Proposed Co-operation"	:	Proposed co-operation between the Parties in the PRC
"Proposed Financial Assistance"	:	Proposed provision of financial assistance by 3A in favour of the joint venture companies to be incorporated pursuant to the Proposed Co-operation
"Proposed JV 1"	:	Proposed joint venture between the JV Parties 1 in Shanhaiguan, PRC
"RM" and "sen"	:	Ringgit Malaysia and sen respectively
"TAFI"	:	Three-A Food Industries (M) Sdn. Bhd.(formerly known as Three-A Plantations (Pahang) Sdn. Bhd.), a wholly-owned subsidiary of 3A
"USD"	:	United States Dollar
"Wilmar"	:	Wilmar International Limited, a major shareholder of 3A
"YHK"	:	Yihai Kerry Investments Co, Ltd., a 98.39% indirectly owned subsidiary of Wilmar

Words incorporating the singular shall, where applicable, include the plural and vice versa. Words incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include a corporation, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

For the purpose of this Circular, the exchange rate of USD1.00 : RM3.2045 as at 4 May 2010 published by Bank Negara Malaysia have been utilised throughout this Circular.

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**PART A**

**LETTER TO THE SHAREHOLDERS OF 3A**



## THREE-A RESOURCES BERHAD

(Company No. 481559-M)  
(Incorporated in Malaysia under the Companies Act, 1965)

### Registered Office

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

8 June 2010

### Board of Directors

Dato' Mohd Nor Bin Abdul Wahid (*Non-Independent Executive Chairman*)  
Fang Chew Ham (*Deputy Executive Chairman & Managing Director*)  
Fong Chu King @ Tong Chu King (*Non-Independent Executive Director*)  
Foong Chiew Fatt (*Non-Independent Executive Director*)  
Sun Yi-Ling (*Non-Independent Non-Executive Director*)  
Chew Eng Chai (*Independent Non-Executive Director*)  
Tan Chon Sing @ Tan Kim Tieng (*Independent Non-Executive Director*)  
Fang Siew Yee (*Non-Independent Executive Director*)  
Liew Kuo Shin (*Non-Independent Executive Director*)  
Fang Siew Ping (*Non-Independent Executive Director*)  
Khoo Wee Boon (*Independent Non-Executive Director*)  
Mohd Zaki Bin Hamzah (*Independent Non-Executive Director*)

**To: The Shareholders of Three-A Resources Berhad**

Dear Sir/ Madam,

- I. PROPOSED CO-OPERATION;**
- II. PROPOSED JV 1; AND**
- III. PROPOSED FINANCIAL ASSISTANCE**

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### 1. INTRODUCTION

On 5 May 2010, OSK had, on behalf of the Board announced that 3A had, on even date entered into a framework co-operation agreement with Wilmar to invest and explore the possibility of setting up equity joint venture enterprises in the PRC on terms and conditions to be set out in more specific joint venture agreements to be entered into between the Parties.

Pursuant to the Co-operation Agreement, TAFI had on even date entered into a joint venture agreement with YHK to incorporate a joint venture company in Shanhaiguan, PRC.

In addition to the Proposed Co-operation, OSK had, on behalf of the Board announced that pursuant to Paragraph 8.23 of the Listing Requirements, 3A proposes to render financial assistance in favour of the joint venture companies to be incorporated pursuant to the Proposed Co-operation.

In view of the interest of certain Directors and/ or major shareholders of 3A, details of which are set out in Section 13 of Part A of this Circular, the Proposals are deemed as related party transactions pursuant to Paragraph 10.08 of the Listing Requirements. In this respect, HwangDBS was appointed to act as IA on 12 March 2010 to provide the non-interested shareholders with an independent evaluation of the Proposals. The IAL from HwangDBS is set out in Part B of this Circular.

On 21 May 2010, OSK had, on behalf of the Board, sought for a waiver from Bursa Securities from complying with paragraphs 3, 4 and 5(a) of Part F, Appendix 10B of the Listing Requirements, which stipulated that the following documents must be included in this Circular:-

- i. a valuation report on the foreign assets proposed to be acquired prepared by a qualified valuer, the appointment of which complies with the SC's Asset Valuation Guidelines in relation to the appointment of valuer for valuation of foreign property assets;
- ii. the expert's report, prepared by industry experts, on the fairness of the total purchase consideration for the foreign securities or assets proposed to be acquired; and
- iii. a legal opinion from a reputable law firm on the ownership of title to the securities or assets in the foreign jurisdiction.

A waiver had been sought from complying with the above requirements due to the following rationale:-

- (a) the JV Co 1 has yet to be incorporated. The successful incorporation of the JV Co 1 is subject to various terms and conditions including approvals from shareholders and relevant local and foreign authorities, details are as set out in Section 2.2.1 (ii) of this Circular.
- (b) the JV Co 1 intends to set up a factory to manufacture food and beverage ingredients in Shanhaiguan, PRC. However, the details of the factory set-up have not been finalized at this juncture.
- (c) as there are no foreign securities and/ or assets at this juncture, the valuer and legal counsel are unable to provide their report and opinion as required under items (i) to (iii) stated above.

The approval from Bursa Securities for the above waiver application has been obtained vide its letter dated 3 June 2010.

The purpose of this Circular is to provide the shareholders of 3A with the relevant information on the Proposals, to set out the Board's recommendation and to seek approval from the shareholders of 3A for the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM. The Notice of the EGM together with the Form of Proxy are enclosed herein.

**SHAREHOLDERS OF 3A ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE ORDINARY RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.**

## 2. DETAILS OF THE PROPOSED CO-OPERATION AND PROPOSED JV 1

### 2.1 Details of the Proposed Co-operation

The Proposed Co-operation would enable the Parties to invest and explore the possibility of setting up equity joint venture enterprises in the PRC.

#### 2.1.1 Salient terms and conditions of the Co-operation Agreement

- i. In furtherance of the Proposed Co-operation, the Parties agree to: -
  - (a) engage in good faith negotiations;
  - (b) unless otherwise agreed by the Parties in writing, the Parties will jointly invest up to USD40,000,000 (equivalent to approximately RM128,180,000) or such other amount as may be agreed by the Parties from time to time ("Total Aggregate Investment");
  - (c) unless otherwise agreed by the Parties in writing, each Party shall contribute up to 50% of the Total Aggregate Investment;
  - (d) each Party shall be responsible for the funding of up to 50% of the Total Aggregate Investment;
  - (e) each joint venture or investment undertaken jointly by the Parties in furtherance of the Proposed Co-operation shall be based on a separate feasibility study to be conducted;
  - (f) each Party shall be entitled to nominate their subsidiary to enter into any joint venture agreement to be executed between the Parties (or their nominees) for the purposes of setting up an equity joint venture company in any single location in the PRC ("Provincial JVA"); and
  - (g) nothing shall restrict the rights of either Party to engage with other third parties in relation to their respective business operation in the PRC or on a worldwide basis.
- ii. In respect of any joint venture company to be set up and any Provincial JVA to be entered into in furtherance of the Proposed Co-operation, the terms and conditions shall be similar in form and substance as set out in the Provincial JVA enclosed in Schedule 1 of the Co-operation Agreement.
- iii. Law and jurisdiction

The Co-operation Agreement shall be governed by, and construed in accordance with, the laws of Singapore and the Parties agree that any dispute arising out of or in connection with the Co-operation Agreement, including any question regarding its existence, validity or termination, shall be referred to and finally resolved by arbitration in Singapore in accordance with the Arbitration Rules of the Singapore International Arbitration Centre for the time being in force. The arbitral tribunal shall consist of three (3) arbitrators, one to be appointed by each of the Parties and the third to be appointed by the Chairman of Singapore International Arbitration Centre and the language of arbitration shall be English.

Based on the Co-operation Agreement, 3A Group will invest up to USD20,000,000 (equivalent to approximately RM64,090,000) in the Proposed Co-operation. After taking into consideration the total investment cost of TAFI in the Proposed JV 1 (details of which are set out in Section 2.2. of Part A of this Circular) of up to USD6,000,000 (equivalent to approximately RM19,227,000), the remaining balance of up to USD14,000,000 (equivalent to approximately RM44,863,000) is expected to be invested within the next five (5) years.

In the event that the Parties incorporate any joint venture companies pursuant to the Provincial JVA to be entered into under the Proposed Co-operation, the terms and conditions of the Provincial JVA shall be similar in form and substance as the JV Agreement 1 and will not be less favourable than the Proposed JV 1. The Parties shall share the joint venture companies' profits and bear the losses and risks arising from their investments in proportion to their respective contribution in the joint venture companies.

## **2.2 Details of the Proposed JV 1**

Pursuant to the Co-operation Agreement, the JV Parties 1 had entered into the JV Agreement 1.

The JV Parties 1 has agreed to co-operate in the setting up of a factory in the vicinity of Shanhaiguan, PRC for the business of manufacturing and selling of food and beverage ingredients via JV Co 1.

### **2.2.1 Salient terms of the JV Agreement 1**

i. Amount of investment and registered capital

The total investment of the JV Co 1 shall be USD12,000,000 (equivalent to approximately RM38,454,000) and the registered capital of the JV Co 1 shall be USD5,100,000 (equivalent to approximately RM16,342,950).

The contribution of the registered capital subscribed by each JV Party 1 shall be USD2,550,000 (equivalent to approximately RM8,171,475), representing 50% share of the registered capital of JV Co 1.

ii. Conditions precedent

The JV Agreement 1 is subject to and conditional upon the following conditions being fulfilled or waived:-

- (a) the approval for the JV Agreement 1 and Articles of Association by the relevant government department in the PRC;
- (b) the issuance of the business license of the JV Co 1 by the relevant authorities in the PRC ("Business License");
- (c) the receipt of the written consent for making the capital contribution to the JV Co 1 from the following parties:-
  - all the relevant authorities as may be required under any rules, regulations and laws enforced in Malaysia and the PRC;
  - the directors of the JV Co 1, TAFI and YHK at a board of directors meeting to be convened;

- the shareholder of TAFI at an extraordinary general meeting to be convened; and
  - Bank Negara Malaysia, if applicable.
- (d) the carrying out by both the JV Parties 1 of the due diligence exercise on each other to the satisfaction of each other; and
- (e) conduct of a feasibility study to the satisfaction of both TAFI and YHK.
- iii. Profit sharing arrangement
- The JV Parties 1 shall share the JV Co 1's profits and bear the losses and risks arising from their investments in proportion to their respective contribution in the JV Co 1.
- iv. Restrictions on transfer or dealings by TAFI
- Given that the JV Co 1 will operate on the premises in close proximity to that of YHK, TAFI shall not assign, sell, pledge, mortgage or otherwise transfer or encumber any portion or all of its interest in the JV Co 1 to any party (competitors or otherwise) except with the prior written consent of YHK.
- v. Responsibilities of the JV Parties 1
- (a) YHK is responsible for assisting the JV Co 1 in, amongst others, applying for the relevant licences, approvals and permits required for the operation of JV Co 1's business in the PRC as well as procuring from local sources or by way of import, the necessary facilities and assets required for the production and operations of JV Co 1.
- (b) TAFI is responsible for assisting the JV Co 1 in, amongst others, providing the necessary technical knowhow and expertise to the Proposed JV 1, procuring from overseas the necessary facilities and assets required for the production and operations of JV Co 1 as well as selling the products of JV Co 1 in the international market.
- vi. Board of directors
- The board of directors will have equal representatives from the JV Parties 1.
- vii. Duration of the Proposed JV 1
- The duration of the JV Co 1 is fifty (50) years, calculated from the date of issuance of the Business License or such other period as may be agreed and approved by the JV Parties 1.
- viii. Resolution of deadlock and buyout
- If the board of directors is unable to arrive at a decision on a matter which requires the unanimous consent of the board of directors provided in Article 13 of the JV Agreement 1 by reason of disagreement between themselves then a deadlock ("Deadlock") is deemed to have occurred in relation to that matter. In the event of a Deadlock, the JV Parties 1 may act in accordance with Article 21 of the JV Agreement 1 to resolve the Deadlock.

In no circumstances shall any JV Party 1 create an artificial deadlock and then seek to exercise its rights under that provision. For the purposes of that provision, the expression "artificial deadlock" shall mean a Deadlock caused by a JV Party 1, or directors nominated by a JV Party 1, as the case may be, voting unreasonably in respect of any proposal relating to any matters, or in such a manner as to prevent the JV Co 1 from carrying its business properly and efficiently.

ix. Applicable law

The formation, validity, interpretation and performance of the JV Agreement 1, and any disputes arising under the JV Agreement 1, shall be governed by the published law of the PRC, if there is no published law in the PRC governing a particular matter relating to the JV Agreement 1, reference shall be made to general international commercial practices.

Apart from the above, the other terms of the JV Agreement 1 include amongst others, clauses on the management of JV Co 1, general meeting, financial and regulatory matters.

### **2.3 Capital and investment outlay and sources of funding**

JV Co 1 will require approximately USD12,000,000 (equivalent to approximately RM38,454,000) for the capital expenditure requirements and initial working capital of the factory.

The amount will be funded via JV Co 1's registered capital of USD5,100,000, to be contributed by the JV Parties 1 in equal proportions, as well as bank borrowings or loans from the JV Parties 1. The shareholders' loan, if any, will be provided based on the JV Parties 1 respective shareholdings in JV Co 1. The exact debt equity ratio has not been determined at this juncture.

The total investment cost of TAFI in the Proposed JV 1 will be up to USD6,000,000 (equivalent to approximately RM19,227,000), which includes the potential Proposed Financial Assistance by 3A Group to the JV Co 1 (details of which are set out in Section 3 of Part A of this Circular). TAFI proposes to finance its initial obligations of USD2,550,000 (equivalent to approximately RM8,171,475) from the private placement proceeds obtained by 3A in November 2009, which amounted to approximately RM46.2 million. The remaining investment cost by TAFI for the Proposed JV 1 amounting up to USD3,450,000 (equivalent to approximately RM11,055,525) will be funded from 3A Group's internal funds.

Save as disclosed above as well as the rights of the JV Co 1 to raise further capital contributions in accordance with its business needs, the Board does not expect to incur any additional financial commitment to the JV Co 1.

### **2.4 Liabilities to be assumed**

There are no liabilities, including contingent liabilities to be assumed by 3A/ TAFI arising from the Proposed Co-operation/ Proposed JV 1.

The loan guarantees to the third party lenders, if any, will be given in proportion to the JV Parties 1 respective shareholdings in the JV Co 1.

### 3. DETAILS OF THE PROPOSED FINANCIAL ASSISTANCE

Pursuant to the Proposed Co-operation, the Parties will jointly invest up to USD40,000,000 (equivalent to approximately RM128,180,000) or such other amount as may be agreed by the Parties from time to time.

Based on the terms of the JV Agreement 1, the JV Parties 1 may fund the difference between the total amount of investment and the registered capital by means of bank loans from financial institutions in the PRC or abroad or by shareholder loans from the JV Parties 1. In the event that the JV Parties 1 extend shareholder loans, each JV Party 1 shall provide loans in proportion to its respective share of the registered capital in the JV Co 1. If any lender requires a loan guarantee, the JV Parties 1 shall consult one another to determine whether and on what terms they are willing to provide such guarantees to such third party lender in proportion to their respective shareholding.

In respect of any joint venture company to be set up and any Provincial JVA to be entered into pursuant to the Proposed Co-operation, the terms and conditions shall be similar in form and substance as set out in the JV Agreement 1.

At this juncture, the estimated total amount of loan or loan guarantee to be extended by 3A to the JV Co 1 and/ or other joint venture companies that may be set up are as follows:-

	USD	RM equivalent
Total investment cost by 3A under the Proposed Co-operation	20,000,000	64,090,000
Less: Initial obligations of TAFI in the Proposed JV 1 to be funded via 3A's private placement proceeds	(2,550,000)	(8,171,475)
<b>Maximum indicative financial assistance by 3A Group</b>	<b>17,450,000</b>	<b>55,918,525</b>

Pursuant to Paragraph 8.23 of the Listing Requirements, the provision of loan and/ or loan guarantee is deemed to be a provision of financial assistance. As the indicative amount of up to USD17,450,000 (equivalent to approximately RM55,918,525) exceeds 5% of 3A's NTA based on the latest audited financial statements of 3A for the FYE 31 December 2009, the Proposed Financial Assistance is subject to the approval of the shareholders of 3A at the forthcoming EGM.

### 4. INFORMATION ON THE PARTIES AND JV PARTIES 1

#### 4.1 Information on the Parties

##### i. 3A

3A was incorporated in Malaysia on 21 April 1999 under the Act. As at LPD, the authorized share capital of 3A is RM100,000,000 comprising 500,000,000 Shares whilst its issued and fully paid-up share capital are RM73,920,003 comprising 369,600,019 Shares.

3A is an investment holding company. Its subsidiaries are involved in the business of manufacturing, production, sale, marketing and distribution of a full range of caramel colour, glucose syrup, maltose syrup, soya protein sauce (hydrolyzed vegetable protein ("HVP")), natural fermented vinegar, distilled vinegar, rice vinegar, ketchup, chili sauce, table vinegar, mayonnaise, pickles, caramel powder, HVP powder, soya sauce powder and Maltodextrin. Its products are widely used in the food manufacturing and pharmaceutical sectors such as non-dairy creamer, flavours, seasonings, sauces, beverages, dry mixes, confectionery, frozen foods and snack foods.

ii. Wilmar

Wilmar was incorporated in the Republic of Singapore as a limited liability company on 14 August 1999 under the Registration Number 199904785Z. As at 31 August 2009, the issued and fully paid-up share capital of Wilmar are USD8,414,355,000 (equivalent to approximately RM26,963,800,598) comprising 6,392,360,905 ordinary shares.

Wilmar is an investment holding company. Its group of subsidiaries and/ or subsidiaries are engaged in the business of operation of plantations and oil palm mills, manufacturing and production of consumer products such as edible oils, consumer pack oils, oilseed meals, specialty fats and oleochemicals and fertilizer production.

#### 4.2 Information on the JV Parties 1

i. TAFI

TAFI was incorporated in Malaysia on 30 January 2008 under the Act. As at LPD, the authorized share capital of TAFI is RM100,000 comprising 100,000 ordinary shares of RM1.00 each whilst its issued and fully paid-up share capital are RM2 comprising two (2) ordinary shares of RM1 each.

TAFI is a wholly-owned subsidiary of 3A and is currently dormant.

ii. YHK

YHK is a corporate legal entity registered in the PRC and has its legal address at No. 958 Lu Jia Zui Road, 26<sup>th</sup> Floor, Huaneng Union Building, Pudong New Area, 200120 Shanghai, PRC.

YHK is a 98.39% indirectly owned subsidiary of Wilmar, which in turn is a major shareholder of 3A.

YHK and its subsidiaries is mainly engaged in grain and cooking oil processing, chemical processing of oil, storage and logistics and domestic and foreign trade. It is also involved in the coal business, clean energy development and real estate.

#### 5. INFORMATION ON THE JV CO 1

As at the date hereof, the JV Co 1 has yet to be incorporated. The name of the JV Co 1 shall be Three-A (Qinhuangdao) Food Industries Co., Ltd, with its legal address at Qinhuangdao, Shanhaiguan, PRC.

The proposed registered capital of the JV Co 1 is USD5,100,000 (equivalent to approximately RM16,342,950). The equity holdings of TAFI and YHK in the JV Co 1 shall be in the proportion of 50:50 respectively. The eventual issued and paid-up share capital of the JV Co 1 is not determined at this juncture. Any subsequent capital contributions shall be based on the business activities of the JV Co 1.

The principal activities of the JV Co 1 would be in the business of manufacturing and selling of food and beverage ingredients.

## **6. RATIONALE AND BENEFITS OF THE PROPOSALS**

### **6.1 Proposed Co-operation and Proposed JV 1**

The Proposed Co-operation and Proposed JV 1 are consistent with 3A's objective of seeking various strategic alliances for synergistic benefits to enable 3A to expand into new overseas market. 3A will be able to tap on the expertise and experience of Wilmar in the PRC market for its expansion plans as Wilmar through its subsidiaries and/ or associate companies has experience in conducting business operation in the PRC. The Parties recognize the potential in conducting food related manufacturing, production, sale, marketing and distribution business in the PRC due to its vast number of domestic consumers, in particular the food related products which are currently manufactured, produced and distributed by 3A.

In addition, the Board has undertaken an internal business feasibility study/ evaluation on the Proposed JV 1 which indicates positive business opportunities for 3A Group.

The Proposed Co-operation and Proposed JV 1 combine both parties' respective resources and expertise for their mutual benefit. The Proposed Co-operation and Proposed JV 1 are expected to contribute positively to the future earnings of 3A Group upon commercial operation of the joint venture companies.

### **6.2 Proposed Financial Assistance**

The Proposed Financial Assistance will facilitate the granting of shareholder loan/ loan guarantee for the setting up/ development of joint venture companies to be incorporated pursuant to the Proposed Co-operation.

In order to successfully implement the Proposed Co-operation, shareholder loan/ loan guarantee may be required. The availability of such funding ensures the continued development and completion of the Proposed Co-operation.

## **7. INDUSTRY OVERVIEW AND PROSPECTS**

### **7.1 Overview and prospect of the PRC's economy**

In spite of the global recession, the PRC's economy grew 8.7 percent in 2009. Massive investment-led stimulus was key, but real estate investment gained prominence more recently and household consumption growth has held up very well. The domestic growth momentum continued in the first months of 2010. Exports declined in 2009 as a whole, even as the PRC gained global market share. With imports strong, external trade was a major drag on growth in 2009 and the external current account surplus declined sharply. Exports rebounded strongly through 2009, though, and exceeded the pre-crisis level in early 2010. In a heated real estate market, surging property prices triggered policy measures to expand supply and curb speculation.

Household consumption growth has remained steady. After weakening in early 2009, labour market conditions improved and employment and wage growth have held up well through early 2010. Incomes and consumption were further supported by falling consumer prices for much of 2009 (which boosted purchasing power); higher government transfers; and other measures such as lower consumption taxes for small cars and subsidies for rural consumption of electronic appliances. With government consumption also up substantially, total consumption rose by an estimated 9.7 percent in real terms in 2009.

Consumer price inflation has picked up. After price declines earlier in 2009, consumer prices picked up in the second half (year-on-year), predominantly because of higher food prices. In February, they were 2.7 percent up on a year ago. Food prices increased together with international food prices and because of unusually cold weather in the PRC in the last months of 2009. The residential component of consumer prices also rose as imputed housing rent increased in line with higher house prices and utility prices were raised. Meanwhile, with industrial raw commodity prices higher, producer prices are now also rising. This implies some further price pressure in the first half of 2010, although industrial raw commodity prices, including food, are not projected to continue to rise strongly in the medium term.

Gross domestic product ("GDP") growth for this year is projected at 9.5 percent, with a shift in the composition. Government-led investment is bound to decelerate. However, exports are likely to continue to recover amidst a pick up in the global economy and real estate activity is likely to grow strongly this year. Consumption growth should remain solid. Inflation is on course to be significant in 2010, after being negative in 2009. With global price pressures likely to be subdued amidst large spare capacity internationally, the PRC's inflation is unlikely to reach high rates in 2010. External surplus is expected to remain broadly unchanged this year.

*(Source: World Bank's China Quarterly Update- March 2010)*

## **7.2 Outlook of the food industry in the PRC and prospects of the JV Co 1**

The prospects of the JV Co 1, which involves the setting up of a factory in the PRC for the business of manufacturing and selling of food and beverage ingredients, will be largely dependent on the prospects of the food industry in the PRC.

The PRC's economy has grown rapidly in the last few decades, and the food and drink sector has seen a boom in output – with 150 per cent growth between the years of 2004 and 2008. In the first five months of year 2009, the output of the country's food industry was 1.82 trillion yuan, an increase of 14.6 percent over the same period of year 2008.

In year 2000, production of flavours, flavourings and fragrances was almost 145,000 tonnes – but by year 2008 it had more than doubled to 300,000 tonnes. Increasing demand for flavours from Chinese food manufacturers has led to rapid growth in the last decade and has encouraged more foreign firms to set up their operations in the PRC.

The Asia Pacific region is said to account for 17 per cent of the global demand for flavours, and domestic demand in the PRC has been a driver for expansion. It is estimated that between 90,000 and 100,000 tonnes of the PRC's production is used by the domestic industry.

In light of the prospects of the food industry in the PRC, the Board expects the JV Co 1 to contribute positively to the future earnings of 3A Group, upon commencement of the JV Co 1's operations, thereby translating to better returns to the shareholders of 3A in the long term.

The time frame for the Proposed JV 1 and the financial resources required to be committed by 3A Group are set out in Section 12 and Section 2.3 of Part A of this Circular respectively.

*(Source: Management of 3A)*

## **8. RISK FACTORS**

The risks factors (which may not be exhaustive) pertaining to the Proposals are set out below:-

### **8.1 Joint venture risks**

The Proposals may potentially expose 3A Group to new risks including those associated with the assimilation of new operations and personnel, the diversion of financial management resources from existing operations and the inability to successfully integrate the joint venture with its current business. There is no assurance that the anticipated benefits from the joint venture will be realised, and that 3A Group will be able to generate sufficient revenue from the joint venture to offset the associated joint venture cost.

Nevertheless, the Board has and will continue to exercise due care in considering the risks and benefits associated with the Proposals and will take appropriate measures in planning the successful integration of this venture with its current business operations. Further, 3A Group is committed towards the close monitoring of the development of the joint venture company's business in order to minimize any implementation issues or delays.

### **8.2 Business and operating risks**

As the Proposed Co-operation and Proposed JV 1 will be in the business of manufacturing and selling of food and beverage ingredients in the PRC, the Proposed Co-operation and Proposed JV 1 will be subject to business risks inherent within the industry in the PRC. The profitability of the Proposed Co-operation and Proposed JV 1 can be adversely affected by many factors including shortages of raw materials, equipment and labour, rising cost of raw materials, adverse weather conditions, natural disasters, labour disputes, industrial accidents, changes in government legislation priorities and unforeseen circumstances.

Although 3A may undertake the necessary efforts to mitigate the various business risks and to strengthen its competitiveness, no assurance can be given that any or all of the above risk factors will not have material adverse effects on its business performance or prospects, which would in turn, affect its financial position.

### **8.3 Sensitivity to political, economic and regulatory factors**

Like other business entities, adverse developments in political, economic, regulatory and social conditions in the countries in which the Parties intend to conduct their businesses in could materially affect the financial and business prospects of 3A Group.

Whilst 3A strives to continue to take effective measures against such circumstances by adopting prudent financial management and efficient operating procedures, there is no assurance that adverse political and economic factors in such country will not materially affect 3A Group.

### **8.4 Foreign exchange risks**

The Proposed Co-operation and Proposed JV 1 will operate in the PRC. Hence 3A Group may be exposed to foreign exchange risk due to such investment and expansion. However, 3A will continue to assess the need to utilise financial instruments to hedge its currency exposure, taking into consideration factors such as foreign currency involved, exposure period and transaction costs. There can be no assurance that any future fluctuations in exchange rates and financial crisis will not have material adverse impact on 3A's financial performance.

## **8.5 Investment risks**

Although the Proposed Co-operation and Proposed JV 1 will carry out similar activities with 3A Group, there can be no assurance that the anticipated benefits from the joint venture will be realised. 3A will however seek to limit its investment risks by adopting prudent investment strategies and conducting feasibility assessment and reviews prior to making its investment decision.

## **8.6 Financing risks**

As mentioned in Section 3 of Part A of this Circular, 3A may extend loan/ loan guarantee to the joint venture companies to be incorporated pursuant to the Proposed Co-operation. The extension of loan may pose a default risk to 3A should the joint venture companies fail to operate successfully. In relation to the loan guarantee, 3A may encounter adverse changes to the terms and conditions imposed by third party lenders.

Whilst 3A Group will continue to review its business strategies and undertake prudent financial management, there can be no assurance that any adverse changes to the joint venture companies' business and/ or operations will not affect their ability to service its repayment obligations as and when it is due.

## **8.7 Completion risks**

The completion of the joint venture companies to be incorporated pursuant to the Proposed Co-operation and/ or the Proposed JV 1 may be subject to many uncertain external factors and risks, and hence the benefit accruing from the Proposed Co-operation/ Proposed JV 1 for the Parties/ JV Parties 1 may not be realised. There is no assurance that the joint venture companies to be incorporated pursuant to the Proposed Co-operation and/ or the Proposed JV 1 would be completed as contemplated by the Parties/ JV Parties 1, and the benefit accruing to them can be realised in a timely manner.

## **8.8 Product liability risks**

The manufacturing and marketing of the joint venture companies' products may expose them to product liability claims. The joint venture companies may be held responsible for any defects that occur with respect to its products and services. Based on the defect, the joint venture companies may be liable for significant damages, which may adversely affect its financial results and condition.

In this regard, the Parties may undertake a product liability insurance policy to indemnify the joint venture companies should they become legally liable to pay. Notwithstanding this, there can be no assurance that the insurance coverage will be adequate.

## **9. POLICIES ON FOREIGN INVESTMENTS, TAXATION AND REPATRIATION OF PROFITS IN THE PRC**

The report on the policies on foreign investments, taxation and repatriation of profits in the PRC as provided by Guangxin Lawyers is enclosed in Appendix I of this Circular.

## **10. EFFECTS OF THE PROPOSALS**

The Proposed Co-operation will not have any effect on the issued and paid-up share capital, substantial shareholders' shareholdings, NA, gearing and earnings and EPS of the Company.

The effects of the Proposed JV 1 and Proposed Financial Assistance are as follows:-

### **10.1 Issued and paid-up share capital and substantial shareholders' shareholdings**

The Proposed JV 1 and Proposed Financial Assistance will not have any effect on the issued and paid-up share capital and the substantial shareholders' shareholdings in 3A as the Proposed JV 1 and Proposed Financial Assistance does not involve the issuance of new 3A Shares.

### **10.2 NA per share, earnings and EPS**

The Proposed JV 1 and Proposed Financial Assistance are not expected to have any material effect on the NA per share, earnings and EPS of 3A for the FYE 31 December 2009 (assuming that the relevant proposals had been effected in year 2009) and FYE 31 December 2010 as the Proposed JV 1 does not involve the issuance of new 3A Shares and is expected to commence business operations in year 2011. 3A is expected to apply the equity method of accounting for its share of profits or losses in the JV Co 1.

However, in the long term, the Proposed JV 1 is expected to contribute positively to the future NA per share, earnings and EPS of 3A Group as a result of the expected profit to be derived from the JV Co 1 in the long run. The Proposed Financial Assistance will ensure the availability of resources to fund the business requirement of JV Co 1 in a more expedient manner thereby allowing the resources and time to be channelled towards its business operations.

### **10.3 Gearing**

The Proposed JV 1 and Proposed Financial Assistance are not expected to have any material effect on the gearing of 3A Group on the assumption that the JV Co 1 will be accounted for using the equity method of accounting.

## **11. APPROVALS REQUIRED**

The Proposed Co-operation and Proposed Financial Assistance are subject to the approval being obtained from the shareholders of 3A at an EGM to be convened.

The Proposed JV 1 is subject to the approvals being obtained from the following:-

- (a) the shareholders of 3A at an EGM to be convened;
- (b) the approval for the JV Agreement 1 and Articles of Association by the relevant government department in the PRC;
- (c) the issuance of the business license of the JV Co 1 by the relevant authorities in the PRC;
- (d) the receipt of the written consent for making the capital contribution to the JV Co 1 from the following parties:-
  - all the relevant authorities as may be required under any rules, regulations and laws enforced in Malaysia and the PRC;

- the directors of the JV Co 1, TAFI and YHK at a board of directors meeting to be convened;
  - the shareholder of TAFI at an extraordinary general meeting to be convened; and
  - Bank Negara Malaysia, if applicable.
- (e) the carrying out by both the JV Parties 1 of the due diligence exercise on each other to the satisfaction of each other; and
- (f) conduct of a feasibility study to the satisfaction of both TAFI and YHK.

## **12. ESTIMATED TIME FRAME FOR IMPLEMENTATION AND COMPLETION OF THE PROPOSALS**

### **12.1 Proposed Co-operation**

Barring unforeseen circumstances and subject to the successful implementation of the Proposed JV 1, the Company expects to set up equity joint venture enterprises in the PRC within the next five (5) years.

### **12.2 Proposed JV 1**

The tentative timeline for the Proposed JV 1 is as follows:-

<b>Tentative dates</b>	<b>Events</b>
June 2010	EGM
2 <sup>nd</sup> half of year 2010	Commence construction of the factory
2 <sup>nd</sup> half of year 2011	Commence manufacturing and sale of food and beverage ingredients

The Proposed JV 1 is expected to commence operations upon completion of the setting up of the factory in year 2011. The duration of the Proposed JV 1 is fifty (50) years, calculated from the date of issuance of the Business License or such other period as may be agreed and approved by the JV Parties 1.

### **12.3 Proposed Financial Assistance**

The Proposed Financial Assistance shall continue to be in existence until the estimated total amount of up to USD17,450,000 (equivalent to approximately RM55,918,525) had been extended by 3A Group by way of loan or loan guarantee to the JV Co 1 and/ or other joint venture companies that may be set up.

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

Save as disclosed below, none of the directors and/ or major shareholders and/ or persons connected to them have any interest, whether direct or indirect, in the Proposals:-

- i. Sun Yi-Ling ("SYL"), a non-independent non-executive director of 3A, is nominated by Wilmar; and
- ii. Wilmar, the Party, is a major shareholder of 3A. YHK, the JV Party 1, is a 98.39% indirectly owned subsidiary of Wilmar.

Hence, SYL ("Interested Director") and Wilmar ("Interested Major Shareholder") is deemed interested in the Proposals.

The direct and indirect interests of the Interested Director and Interested Major Shareholder in 3A as at LPD are as follows:-

	<-----Direct----->		<-----Indirect----->	
	No. of Shares	%	No. of Shares	%
<b>Interested Director</b>				
SYL	-	-	-	-
<b>Interested Major Shareholder</b>				
Wilmar	61,600,000	16.67	-	-

Accordingly, the Interested Director has abstained and will continue to abstain from all board deliberations and voting on the ordinary resolutions pertaining to the Proposals. The Interested Director and the Interested Major Shareholder will abstain from voting in respect of their direct and/ or indirect interests in the Company on the ordinary resolutions pertaining to the Proposals at the forthcoming EGM. The Interested Director and Interested Major Shareholder have undertaken to ensure that persons connected to them will abstain from voting in respect of their direct and indirect interests in the Company on the ordinary resolutions pertaining to the Proposals at the forthcoming EGM.

**14. AMOUNT TRANSACTED WITH THE INTERESTED DIRECTORS AND/ OR INTERESTED MAJOR SHAREHOLDERS FOR THE PRECEDING 12 MONTHS**

As at LPD, the total amount transacted with the Interested Major Shareholder for the preceding 12 months were RM46.2 million, being the proceeds received pursuant to the private placement by 3A.

As at LPD, there were no transactions with the Interested Director for the preceding 12 months.

**15. CORPORATE PROPOSALS ANNOUNCED BUT NOT YET COMPLETED**

Save for the Proposals, the Board confirms that as at LPD there are no other corporate proposals which have been announced but not yet completed.

The Board also wishes to confirm that the Proposals are inter-conditional upon each other but are not conditional upon any other corporate proposals currently undertaken by the Company.

**16. STATEMENT BY THE BOARD AND THE AUDIT COMMITTEE**

The Board (save for the Interested Director) and the Audit Committee is of the opinion that the Proposals are in the best interest of 3A Group and the terms of the Proposals are fair, reasonable and on normal commercial terms and hence will not be detrimental to the interest of the non-interested shareholders.

The view of the Board (save for the Interested Director) and the Audit Committee was arrived at after having considered the terms and conditions of the Co-operation Agreement and JV Agreement 1, the rationale for the Proposals, risks pertaining to the Proposals, prospects of the Proposed Co-operation/ Proposed JV 1, the potential positive effects of the Proposed JV 1 on 3A Group as well as the evaluation by the IA on the fairness and reasonableness of the Proposals.

Accordingly, the Board (save for the Interested Director) recommends that you vote in favour of the ordinary resolutions pertaining to the Proposals to be tabled at the forthcoming EGM.

**17. EGM**

The EGM, the notice of which is enclosed in the Circular, will be held at Ballroom Level 1, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 11:30 a.m. or immediately after the conclusion or adjournment of the Eighth AGM of the Company which will be held at the same venue and on the same day at 11:00 a.m., whichever is later, for the purpose of considering and if thought fit, passing the ordinary resolutions to give effect to the Proposals.

If you are unable to attend and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instruction therein to the Company's Registered Office at AL 308, Lot 590 & Lot 4196, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan not less than forty-eight (48) hours before that time set for the EGM or any adjournment thereof. The lodging of the Form of Proxy does not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.

**18. FURTHER INFORMATION**

Shareholders are advised to refer to the attached appendices for further information.

Yours faithfully,  
For and on behalf of the Board of  
**THREE-A RESOURCES BERHAD**

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

**PART B**

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS  
OF 3A IN RELATION TO THE PROPOSALS**

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**EXPERT'S OPINION IN RELATION TO POLICIES ON FOREIGN INVESTMENTS, TAXATION AND  
REPATRIATION OF PROFITS IN THE PRC**

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**LEGAL OPINION ON THE ENFORCEABILITY OF AGREEMENTS, REPRESENTATIONS AND UNDERTAKINGS GIVEN BY FOREIGN COUNTER-PARTIES UNDER THE LAWS OF THE PRC**

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**FURTHER INFORMATION**


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**1. RESPONSIBILITY STATEMENT**

This Circular has been seen and approved by the Board who collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts the omission of which would make any statement herein false or misleading.

**2. CONSENT AND CONFLICT OF INTEREST**

The written consent of OSK to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear have been given and have not been subsequently withdrawn before the issue of this Circular. As at the date of this Circular, OSK is not aware of any equity and/ or financial relationship with the Company which exists or is likely to exist that may result in a conflict of interest situation in its role as the Adviser to 3A for the Proposals.

The written consent of HwangDBS to the inclusion in this Circular of its name and IAL (as per Part B of this Circular) and all references thereto in the form and context in which they appear have been given and have not been subsequently withdrawn before the issue of this Circular. As at the date of this Circular, HwangDBS is not aware of any equity and/ or financial relationship with the Company which exists or is likely to exist that may result in a conflict of interest situation in its role as the IA to the non-interested directors and non-interested shareholders of 3A for the Proposals.

The written consent of Guangxin Lawyers to the inclusion in this Circular of its name and opinion letters (as per Appendix I and Appendix II of this Circular) and all references thereto in the form and context in which they appear have been given and have not been subsequently withdrawn before the issue of this Circular. As at the date of this Circular, Guangxin Lawyers is not aware of any equity and/ or financial relationship with the Company which exists or is likely to exist that may result in a conflict of interest situation in its role as the legal counsel to the Company for the rendering of the opinion letter.

**3. MATERIAL LITIGATION, CLAIM OR ARBITRATION**

As at LPD, neither 3A and/ or its subsidiaries are engaged in any material litigation, claim or arbitration either as plaintiff or defendant and the Board do not have any knowledge of proceedings pending or threatened against the Group, or any fact likely to give rise to any proceeding which might materially and adversely affect the financial position or business of the Group.

**4. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

Save as disclosed below, as at LPD, the Board is not aware of any material commitments and contingent liabilities incurred or known to be incurred by 3A Group:-

	<b>RM'000</b>
<b>Capital commitments</b>	
- Approved and contracted for	11.438
<b>Contingent liabilities</b>	
- Corporate guarantees provided to licensed financial institutions in respect of credit facilities granted to a subsidiary company	45.314

## 5. MATERIAL CONTRACTS

Save for the Co-operation Agreement and JV Agreement 1 and those disclosed below, as at LPD, neither 3A nor any of its subsidiaries have entered into any material contracts (not being contracts entered into in the ordinary course of business) within two (2) years immediately preceding the date of this Circular:-

- i. Sale and Purchase Agreement dated 26 March 2010 whereby Excellent Chemicals Industrial Sdn Bhd is desirous of selling and San Soon Seng Food Industries Sdn. Bhd. is desirous of purchasing a piece of leasehold land held under HS(M) 9108, PT 27688, Bt 14, Jalan Kuala Selangor, Mukim Sungai Buloh, Daerah Petaling, Negeri Selangor Darul Ehsan, measuring in approximately 4,106 square meters together with a factory erected thereon and bearing the postal address of Lot 9108, Jalan Industri U19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan, free from all encumbrances and with vacant possession but subject to the restrictions in interest and conditions now or presently expressed or implied on the register document of title at the purchase price of RM1,600,000.00.

## 6. HISTORICAL SHARE PRICES

The monthly highest and lowest prices of 3A Shares as traded on the Main Market of Bursa Securities for the last 12 months from June 2009 to May 2010 are as follows:-

	<b>High</b>	<b>Low</b>
	<b>RM</b>	<b>RM</b>
<b>2009</b>		
June	0.475	0.345
July	0.485	0.375
August	0.61	0.43
September	0.95	0.55
October	1.70	0.81
November	1.77	1.21
December	1.64	1.23
<b>2010</b>		
January	2.15	1.51
February	2.36	1.99
March	2.28	1.92
April	2.08	1.80
May	1.96	1.56
Last transacted market price of 3A Shares on 4 May 2010 (being the last transacted price immediately before the announcement of the Proposed JV)		1.79
The last transacted market price on 3 June 2010 (being the latest practicable date prior to the printing of this Circular)		1.72

(Source: Bloomberg)

## **7. DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the registered office of the Company at AL 308, Lot 590 & Lot 4196, Jalan Industri, U 19, Kampung Baru Seri Sungai Buloh, 47000 Selangor Darul Ehsan during normal business hours from the date hereof up to the time fixed for the holding of the EGM:-

- i. Memorandum and Articles of Association of 3A;
- ii. audited consolidated financial statements of 3A for the past two (2) FYE 31 December 2008 and 31 December 2009 and the latest unaudited consolidated financial results for the FPE 31 March 2010;
- iii. audited consolidated financial statements of TAFI for the past two (2) FYE 31 December 2008 and 31 December 2009 and the latest unaudited financial results for the FPE 31 March 2010;
- iv. expert's opinion in relation to policies on foreign investments, taxation and repatriation of profits in the PRC dated 19 May 2010 as set out in Appendix I of this Circular;
- v. legal opinion on the enforceability of agreements, representations and undertakings given by foreign counter-parties under the laws of the PRC dated 19 May 2010 as set out in Appendix II of this Circular;
- vi. Co-operation Agreement;
- vii. JV Agreement 1;
- viii. letters of consent referred to in Section 2 above; and
- ix. material contracts referred to in Section 5 above.

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## **THREE-A RESOURCES BERHAD**

(Company No. 481559-M)

(Incorporated in Malaysia under the Companies Act, 1965)

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN THAT** an Extraordinary General Meeting of Three-A Resources Berhad ("3A" or "Company") will be held at Ballroom Level 1, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 11:30 a.m. or any adjournment thereof, for the purpose of considering and if thought fit, passing the following ordinary resolutions:-

#### **ORDINARY RESOLUTION I**

##### **PROPOSED CO-OPERATION BETWEEN 3A AND WILMAR INTERNATIONAL LIMITED ("WILMAR") IN THE PEOPLE'S REPUBLIC OF CHINA ("PROPOSED CO-OPERATION");**

"**THAT**, subject to the passing of Ordinary Resolution II and Ordinary Resolution III as well as the approvals of the relevant authorities being obtained, approval be and is hereby given to the Company (or its nominee(s)) to undertake the proposed co-operation with Wilmar (or its nominee(s)), in accordance with the terms and conditions as contained in the Framework Co-operation Agreement entered into by the Company and Wilmar on 5 May 2010 ("Co-operation Agreement") and any amendments thereto.

**AND THAT** save for Sun Yi-Ling, being the interested director in the Proposed Co-operation, the Directors be and are hereby authorised to give effect to the aforesaid Proposed Co-operation and to take all such steps and do all acts and things in any manner as they may deem fit, necessary or expedient in the best interest of the Company, to implement, finalise and give full effect to the Proposed Co-operation.

#### **ORDINARY RESOLUTION II**

##### **PROPOSED JOINT VENTURE BETWEEN THREE-A FOOD INDUSTRIES (M) SDN. BHD. (FORMERLY KNOWN AS THREE-A PLANTATIONS (PAHANG) SDN. BHD.) ("TAFI"), A WHOLLY-OWNED SUBSIDIARY OF 3A AND YIHAI KERRY INVESTMENTS CO, LTD. ("YHK"), A 98.39% INDIRECTLY OWNED SUBSIDIARY OF WILMAR ("PROPOSED JV 1)**

"**THAT**, subject to the passing of Ordinary Resolution I and Ordinary Resolution III as well as the approvals of the relevant authorities being obtained, approval be and is hereby given to TAFI to undertake the proposed joint venture with YHK, in accordance with the terms and conditions as contained in the Joint Venture Agreement entered into by TAFI and YHK on 5 May 2010 ("JV Agreement 1") and any amendments thereto.

**AND THAT** save for Sun Yi-Ling, being the interested director in the Proposed JV 1, the Directors be and are hereby authorised to give effect to the aforesaid Proposed JV 1 and to take all such steps and do all acts and things in any manner as they may deem fit, necessary or expedient in the best interest of the Company, to implement, finalise and give full effect to the Proposed JV 1.

### ORDINARY RESOLUTION III

#### PROPOSED PROVISION OF FINANCIAL ASSISTANCE BY 3A IN FAVOUR OF THE JOINT VENTURE COMPANIES TO BE INCORPORATED PURSUANT TO THE PROPOSED CO-OPERATION ("PROPOSED FINANCIAL ASSISTANCE")

"**THAT**, subject to the passing of Ordinary Resolution I and Ordinary Resolution II as well as the approvals of the relevant authorities being obtained, approval be and is hereby given to 3A to render financial assistance in favour of the joint venture companies to be incorporated pursuant to the Proposed Co-operation, at an indicative amount of up to USD17,450,000 (equivalent to approximately RM55,918,525), including but not limited to shareholders' loan to the joint venture companies and/ or loan guarantee for the benefit of the joint venture companies.

**AND THAT** save for Sun Yi-Ling, being the interested director in the Proposed Financial Assistance, the Directors be and are hereby authorised to give effect to the aforesaid Proposed Financial Assistance and to take all such steps and do all acts and things in any manner as they may deem fit, necessary or expedient in the best interest of the Company, to implement, finalise and give full effect to the Proposed Financial Assistance.

By order of the Board,

**Ng Bee Lian (MAICSA 7041392)**  
Company Secretary

Kuala Lumpur  
8 June 2010

Notes:-

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



**THREE-A RESOURCES BERHAD**

(Company No. 481559-M)

(Incorporated in Malaysia under the Companies Act, 1965)

**FORM OF PROXY**

I/We.....

of.....

being a member/members 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 Extraordinary General Meeting of the Company to be held at Ballroom Level 1, Tropicana Golf & Country Resort 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 29 June 2010 at 11:30 a.m. or any adjournment thereof:-

<b>ORDINARY RESOLUTIONS</b>	<b>FOR</b>	<b>AGAINST</b>
Proposed Co-operation		
Proposed JV 1		
Proposed Financial Assistance		

(Please indicate with a cross (x) in the appropriate box how you wish your vote to be cast in respect of the resolution. In the absence of specific direction, your proxy will vote or abstain from voting as he thinks fit.)

Dated this ..... day of .....2010

<b>Number of shares held</b>	
------------------------------	--

.....  
Signature/ Common Seal of Shareholder(s)

**Notes:**

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

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Affix  
stamp

The Company Secretary  
**THREE-A RESOURCES BERHAD** (481559-M)  
AL 308, Lot 590 & Lot 4196  
Jalan Industri, U 19  
Kampung Baru Seri Sungai Buloh  
47000 Selangor Darul Ehsan

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