

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

- **PROPOSED PRIVATE PLACEMENT OF NEW ORDINARY SHARES OF RM0.20 EACH OF UP TO TEN PERCENT (10%) IN 3A**
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1. INTRODUCTION

On behalf of the Board of Directors of the Company (“**Board**”), AmlInvestment Bank Berhad, a member of the AmlInvestment Bank Group (“**AmlInvestment Bank**”) is pleased to announce that the Company proposes to undertake a proposed private placement of new ordinary shares of RM0.20 each in the Company (“**3A Shares**”) (“**Placement Shares**”) of up to 36,960,000 Placement Shares, representing up to ten percent (10%) of the existing issued and paid-up share capital of 3A (“**Proposed Private Placement**”).

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

2.1 Size of Placement

The Proposed Private Placement entails a proposed private placement of up to 36,960,000 3A Shares, representing approximately ten percent (10%) of the existing issued and paid-up share capital of the Company. The Proposed Private Placement will be undertaken in accordance with the general mandate pursuant to Section 132D of the Companies Act, 1965 (“**Act**”) obtained from the shareholders of 3A in its annual general meeting (“**AGM**”) convened on 29 June 2010.

As at 24 June 2010, the issued and paid-up share capital of the Company is RM73,920,003 comprising 369,600,019 3A Shares.

2.2 Placement Arrangement

The Company proposes to place out the Placement Shares to third party investors. At this juncture, the placees have yet to be identified.

The Company does not intend to place the 3A Shares to the following parties:-

- (i) a director, major shareholder or chief executive of 3A or a holding company of 3A (“**Interested Person**”);
- (ii) a person connected with an Interested Person; and
- (iii) nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

The Proposed Private Placement may be undertaken in one (1) or more tranches. This is because the Company believes that the placees may be identified and procured over a period of time rather than simultaneously.

2.3 Ranking of the Placement Shares

The Placement Shares shall, upon allotment and issue, rank *pari passu* in all respects with the existing 3A Shares save and except that they shall not be entitled to any dividends, rights, allotments and/or other distributions, the entitlement date of which is prior to the date of the allotment of the Placement Shares.

2.4 Listing and Quotation of the Placement Shares

An application will be made to Bursa Malaysia Securities Berhad (“**Bursa Securities**”) for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities.

2.5 Basis of Pricing

The issue price of the Placement Shares shall be determined by the Board at a later date after the receipt of all relevant approvals for the Proposed Private Placement.

The Placement Shares will not be priced at more than 10% discount to the five (5)-day volume weighted average market price (“**VWAP**”) of 3A Shares immediately before the price fixing date. In any event, the Placement Shares will not be priced lower than RM0.20, being the par value of 3A Shares.

For information only, the five (5)-day VWAP of the 3A Shares up to 1 July 2010, being the latest practicable date prior to this announcement, is RM1.68.

2.6 Utilisation of Proceeds

For illustrative purposes, based on the proposed placement size of 36,960,000 3A Shares at an issue price of RM1.68 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM62.09 million.

The said proceeds from the Proposed Private Placement shall be utilised by 3A and its subsidiaries (“**3A Group**” or the “**Group**”) for working capital and/or investment for business expansion in related industries as well as to defray the expenses in respect of the Proposed Private Placement as set out in **Table 1**.

The actual proceeds to be raised from the Proposed Private Placement will be dependent on the issue price and actual number of Placements Shares to be issued. In addition, any differences in the actual expenses related to the Proposed Private Placement will be adjusted to the allocation for the working capital.

The actual proceeds are expected to be utilised within thirty six (36) months from the date of completion of the Proposed Private Placement.

3. RATIONALE FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement will enable the Company to raise funds required to finance its investments and/or working capital requirements.

After due consideration of the various methods of fund raising, the Board is of the view that raising funds by way of a private placement would be most appropriate avenue of fund raising as it will enable the 3A Group to raise funds without incurring interest cost as compared to bank borrowings.

4. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

4.1 Share Capital

The effects of the Proposed Private Placement on the issued and paid-up share capital of the Company as at 24 June 2010 are shown in **Table 2**.

4.2 Earnings

The Proposed Private Placement is not expected to have a material effect on the earnings of the Group for the financial year ending 31 December 2010.

The earnings per share shall be correspondingly diluted as a result of the increase in the number of issued and paid-up share capital of the Company pursuant to the Proposed Private Placement. However, the Proposed Private Placement is expected to contribute positively to the Group's earnings thereafter through the utilisation of the proceeds for working capital and/or investments and any interest savings will translate to an improvement to the Group's earnings.

4.3 Net Assets ("NA") and Gearing

The proforma effects of the Proposed Private Placement on the NA and gearing of the 3A Group are illustrated in **Table 3**.

4.4 Substantial Shareholders' Shareholdings

The effects of the Proposed Private Placement on the substantial shareholders' shareholdings in the Company as at 24 June 2010 are set out in **Table 4**.

5. APPROVALS REQUIRED

The Proposed Private Placement is conditional upon the following approvals being obtained:-

- (i) Bursa Securities for the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities; and
- (ii) Any other relevant authorities (where applicable).

The Company had obtained the approval of the Company's shareholders at the last AGM convened on 29 June 2010 pursuant to Section 132D of the Act that empowers the Board to issue new 3A Shares from time to time and upon such terms and conditions and for such purposes as the Board may deem fit provided that the aggregate number of the 3A Shares to be issued does not exceed ten percent (10%) of the issued and paid-up share capital of the Company. The approval is valid until the next AGM.

6. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

None of the directors and/or major shareholders or persons connected with them has any interest, direct or indirect, in the Proposed Private Placement in view that the Placement Shares will be placed to third party investors as detailed in Section 2.2 above.

7. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, is of the opinion that the Proposed Private Placement is in the best interest of the Company.

8. APPLICATIONS TO THE RELEVANT AUTHORITIES

Applications to the relevant authorities for the Proposed Private Placement are expected to be submitted within one (1) month from the date of this announcement.

9. ESTIMATED TIME FRAME FOR COMPLETION

Barring any unforeseen circumstances, the Board expects the Proposed Private Placement to be completed in the last quarter of 2010.

10. ADVISER AND PLACEMENT AGENTS

AmInvestment Bank has been appointed as the Adviser and the placement agent in relation to the Proposed Private Placement.

This announcement is dated 2 July 2010.

TABLE 1

Proposed Utilisation of Proceeds	Note	Amount	Estimated timeframe for utilisation
		RM	
Working capital and/or investments	(a)	61,692,800	Within 36 months
Estimated expenses in relation to the Proposed Private Placement	(b)	400,000	Within 12 months
Total		62,092,800	

Notes:-

- (a) *The precise allocation between working capital and/or investments for business expansion in related industries cannot be determined at this juncture. As at the date of the announcement, potential investments have not been identified. In the event that no suitable investments are identified by the Company, the entire RM61,692,800 will be utilised for working capital.*
- (b) *The estimated expenses of approximately RM400,000 consist of professional fees, fees payable to authorities and other miscellaneous expenses. Any variation in the actual amount of the expenses of the Proposed Private Placement will be adjusted in the portion of the proceeds to be utilised for working capital and/or investment purposes.*

TABLE 2

Share Capital	No. of Shares	Par Value	RM
Authorised Share Capital			
Authorised share capital as at 24 June 2010	500,000,000	RM0.20	100,000,000
Issued and Paid-Up Share Capital			
Existing as at 24 June 2010	369,600,019	RM0.20	73,920,003
To be issued pursuant to the Proposed Private Placement	36,960,000	RM0.20	7,392,000
Enlarged issued and paid up share capital	406,560,019	RM0.20	81,312,003

TABLE 3

	Audited as at 31 December 2009	Proforma I After the Proposed Private Placement
	RM	RM
Share capital	73,920,003	81,312,003
Share premium	33,759,152	88,059,952 ^(c)
Retained earnings	28,565,820	28,565,820
Shareholders' equity/NA	<u>136,244,975</u>	<u>197,937,775</u>
No. of Shares ('000)	369,600,019	406,560,019
NA per Share (RM)	0.37	0.49
Total borrowings ^(a)	33,025,652	33,025,652
Gearing ^(b)	0.24	0.17

Notes:

- (a) *Calculated as total borrowings (all interest-bearing debts)*
- (b) *Calculated as total borrowings (all interest-bearing debts) over the corresponding equity funds.*

- (c) Assuming the Placement Shares are placed out at RM1.68 per Placement Share and after deducting estimated expenses incidental to the Proposed Private Placement of RM400,000.

TABLE 4

	(I)				(II)			
	Existing as at 24 June 2010				After (I) and Proposed Private Placement			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Fang Chew Ham Holdings Sdn Bhd	80,420,000	21.76	-	-	80,420,000	19.78	-	-
Fang Chew Ham	-	-	124,301,920 ^(a)	33.63	-	-	124,301,920 ^(a)	30.58
Wilmar International Limited	61,600,000	16.67	-	-	61,600,000	15.15	-	-
Third party investors to be identified	-	-	-	-	36,960,000	9.09	-	-

Note:-

- (a) Deemed interested via shareholdings of his siblings Foong Chiew Fatt, Fong Chiew Hean, Fong Chu King @ Tong Chu King; his daughter Fang Siew Ping and Fang Chew Ham Holdings Sdn Bhd.