



THREE-A RESOURCES BERHAD

481559-M

SUMMARY OF KEY MATTERS DISCUSSED 18TH ANNUAL GENERAL MEETING HELD ON 29 JUNE 2020

1. What is the expected financial performance of the Group for the financial year ending 31 December 2020 in view of the challenging business environment and weak consumer sentiments due to the Covid-19 pandemic?

Response

The Group has been granted approval by the Ministry of International Trade and Industry (MITI) to operate with strict conditions from the initial stage of the implementation of the Movement Control Order by the Government until the present. The Group does not expect the Covid-19 pandemic to have severe adverse impact on the Group's performance. However, the Covid-19 pandemic has materially changed the business environment and may have lasting effect. The Group will need to adjust to the new ways of conducting business with its business partners. On the hand, raw materials prices continue to be volatile, but the Group has been able to cope with the volatility by sourcing the main raw materials (i.e. tapioca starch and corn starch) from the Asia Pacific region. The Group's strategies for better performance through sales mix and product pricing will continue to evolve to meet the changing business environment.

The Group will continue to adhere to the Standard Operating Procedures (SOPs) set by the Government to control the Covid-19 transmission although the precautionary measures taken by the Group, such as providing hand sanitizer, face masks and gloves to the employees of the Group, have increased the operating cost of the Group as the Group places importance on the safety of its employees. Notwithstanding the economic challenges ahead, the Board of Directors of the Company ("Board") is confident that the Group will achieve decent growth in the following year.

2. Given the current economic situation, what are the Company's plans, moving forward?

Response

The Group will continue with its long-term plan to upgrade its plants and invest in automation to improve capacity and efficiency so as to reduce cost and meet customers' product quality requirements. In addition, the Group will revisit its medium- and long-term business plans. The Group will continue to be cautious in its business approach and be mindful of the interests of the shareholders and employees in implementing its business plans.

3. How does the Company manage the volatility of the raw material cost and what are these raw materials? Please provide insight on the sales-mix and products pricing strategies mentioned in the Management Discussion and Analysis section of the Company's Annual Report 2019 ("AR 2019").

Response

The main raw materials are tapioca starch and corn starch. The Group has developed business strategies all along to deal with the volatility of raw material prices and these strategies, which comprised sales mix and product pricing, will be adjusted according to the changes in the market. Management is constantly reviewing the cost structure and cost-saving plans in order to manage the production costs.

4. Why has the Board not adopted a dividend policy what was the dividend per share that the Company declared for the financial year ended 31 December 2019?

Response

The Group is still growing and the Board has to take into consideration the cash flow requirements for the operating and investing activities of the Group in order to be able to continue generating returns for the shareholders. Given the current economic situation and development, the Board is of the view that it is not the right time for the Company to adopt a dividend policy.

An interim dividend of 2.0 sen per share amounting to RM9.84 million was declared in respect of the financial year ended 31 December 2019 and the payment was made on 20 December 2019.

5. Does the Company plan to increase its profit margin in the long run?

Response

It has always been the Company's policy to look into increasing production efficiency to save costs and produce quality products to meet customers' requirements.

In addition, the Group will look into the possibility of passing on the increase in raw material prices to customers and work closely with business partners to meet their product requirements in terms of packaging and product quality. With the aforementioned business strategies, the Group hopes to be able to increase its profit margin.

6. During this challenging time, please reward shareholders who participate in the 18 th Annual General Meeting via the Remote Participation and Voting facility with e-vouchers or e-wallet credits.

Response

It has not been the Company's practice to give out door gifts or vouchers to shareholders who attend its Annual General Meetings ("AGMs") and the Company does not intend to do so at the moment. However, the Company takes note of the suggestion for future AGMs.