Aluminium Company of Malaysia Berhad
(Company No. 3859-U)
alcom
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SUMMARY OF KEY MATTERS DISCUSSED AT THE FIFTY-SEVENTH ANNUAL GENERAL MEETING ("57TH AGM") OF ALUMINIUM COMPANY OF MALAYSIA BERHAD ("ALCOM" OR "THE COMPANY") HELD ON THURSDAY, 7 JUNE 2018 AT 10.00 A.M.

Pursuant to Paragraph 9.21(2)(b) of the Main Market Listing Requirements, a listed issuer must publish a summary of the key matters discussed at the annual general meeting, as soon as practicable after the conclusion of the annual general meeting.

All ordinary resolutions that were tabled at the 57th AGM were duly approved by the members through poll voting. The members also received the Audited Financial Statements of the Company and of the Group for the 9-month financial period ended 31 December 2017 ("**FP 2017**"), along with Reports of the Directors and Auditors thereon.

The following results of the poll and votes casted were projected on a screen::

	Voted in favour		Voted against		Total votes casted	
	No. of shares	**%**	**No. of shares**	**%**	**No. of shares**	**%**
ORDINARY BUSINESS						
Ordinary Resolution 1 Re-election of Dato' Seri Subahan bin Kamal as Director	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
Ordinary Resolution 2 Re-election of Dato' Lim Chee Khoon as Director	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
Ordinary Resolution 3 Re-election of Dato' Eng Kim Liong as Director	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
Ordinary Resolution 4 Re-election of Ang Loo Leong as Director	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
Ordinary Resolution 5 Re-election of Lam Voon Kean as Director	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
Ordinary Resolution 6 Approval of payment of Directors' Fees amounting to RM360,000 to the Directors of the Company and its subsidiaries for the financial year ending 31 December 2018	79,880,064	99.9984	1,300	0.0016	79,881,364	100.0000
Ordinary Resolution 7 Approval of payment of benefits of up to RM50,000 to the Non-Executive Directors of the Company and its subsidiaries for the financial year ending 31 December 2018	79,880,064	99.9984	1,300	0.0016	79,881,364	100.0000

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	No. of shares	**%**	**No. of shares**	**%**	**No. of shares**	**%**
ORDINARY BUSINESS						
Ordinary Resolution 8 Re-appointment of KPMG PLT as Auditors of the Company to hold office until the conclusion of the next Annual General Meeting of the Company and to authorise the Directors to fix the Auditors' remuneration	79,881,364	100.0000	0	0.0000	79,881,364	100.0000
SPECIAL BUSINESS						
Ordinary Resolution 9 Proposed authority to Directors to allot and issue shares pursuant to Sections 75 and 76 of the Companies Act 2016	79,881,064	99.9996	300	0.0004	79,881,364	100.0000
Ordinary Resolution 10 Proposed renewal of authority for the Company to purchase its own shares	79,881,064	99.9996	300	0.0004	79,881,364	100.0000
Ordinary Resolution 11 Proposed renewal of mandate for the Company and its subsidiary to enter into recurrent related party transactions of a revenue or trading nature	41,242,066	99.9993	300	0.0007	41,242,366	100.0000

Questions were received from the floor during the 57th AGM which were duly addressed by the Directors and Officers of the Company as follows:

Q1 (i) In view of the capacity constraint, is ALCOM managing the product mix to get additional contribution and is ALCOM considering building up its capacity to meet greater demand?

(ii) What is the reason for the breakdown in machineries that leads to the Company incurring higher repairs and maintenance costs?

(iii) It was mentioned in the Management Discussion & Analysis ("MD&A") that the Group has temporarily postponed Alcom Nikkei Specialty Coatings Sdn Bhd's ("ANSC") expansion plan of Coater Line 3. Why postpone when the Company is facing capacity constraint? And how much capital has the Company spent on the expansion plan?

(iv) Will the excess capacities from China as mentioned in the MD&A, page 15 of the Annual Report, be advantageous for ALCOM which is facing capacity constraint in the sense that ALCOM can source its products from China?

A1 (i) Yes, ALCOM is continuously changing its product mix to optimise the lines capacity. ALCOM is certainly considering expanding its capacity but with some of the headwinds that ALCOM is facing in a global setting, it is not conducive to go very gung-ho in our expansion plan at the moment. The Company wants to ensure that there is a market for the extra capacity produced before going full scale with the expansion plan.

(ii) ALCOM's machines are old but they are very good European machines. Hence, a little bit more maintenance is needed to keep the machines going. ALCOM will certainly look for capital injection to increase its capacity, but not so soon unless it is known for sure that the market is there, as mentioned earlier.

(iii) Again, ALCOM would like its members to view the deferment of Coater Line 3 as a responsible move by not expanding when the market for the extra capacity is not there. The Company will proceed with the additional line when the market demand is looking well and good. At the point of reporting, the Company has spent less than 20% of the RM18 million for the expansion plan.

(iv) Yes, ALCOM is taking advantage of the excess capacities by importing from China and adding value to the imported products before selling them. ALCOM is not limited to what it is able to produce in-house but ALCOM is able to go beyond its capacity constraint.

Q2 (i) Since ALCOM is operating at full capacity, why is ALCOM building up inventory? ALCOM's inventory of finished products and trade receivables are both very high.

(ii) Does ALCOM hedge its inventories or sell forward?

A2 (i) Inventories are valued based on the base metal costs, which if you refer to page 11 of the Annual Report, had increased to USD2,087/metric tonne ("**mt**") for the period under review from USD1,699/mt in the corresponding period last year. In terms of tonnage, the increase was 260 tonnes only which was very nominal compared to the valuation.

As for the accounts receivable, the practice in previous years was to get customers to pay ALCOM in advance to achieve a certain KPI in the cash balance. That was about almost RM2.1 million for the financial year ended 31 March 2017. Because this was not practised for the FP 2017 and the average credit period is 39 days, the accounts receivable was at a higher level.

(ii) ALCOM does not hedge its inventories or sell forward. The inventories are for firm orders and the lead time will be 1 month to 1.5 months. ALCOM will normally increase its stocks for the cyclical high season which is from December to March each year.

Q3 Can ALCOM further increase the revenue through export and how is ALCOM managing the exchange rate?

A3 ALCOM exports approximately 70% of its products overseas to countries such as Thailand (big volume), India (volume is growing) and Europe namely, Spain and Turkey. ALCOM is focused on maintaining consistency in terms of market, product and profit. Once ALCOM has a market that is growing, its capacity should increase in tandem.

Exports have been good to ALCOM due to the weakening of Ringgit Malaysia ("**RM**"). The strengthening of the United States Dollar ("**USD**") against the RM has an effect on ALCOM's bottom line, hence, if ALCOM doesn't have a strong domestic market, it will be subjected to volatile currency situation. ALCOM is now looking at achieving a balance between its exports and domestic sales. Building up our roofing segment in the domestic market will therefore reduce reliance on export markets.

Our roofing segment has tripled in volume since conception a few years ago and is progressing relatively well despite the current slowdown in the construction market.

Q4 Will the tariffs imposed by the United States ("US") have any impact on the aluminium market?

A4 The imposition by US of a 25% tariff on steel imports and a 10% tariff on aluminium imports from several countries had opened up a potential market for ALCOM into US.

Q5 (i) How much has the roofing segment contributed to ALCOM's revenue and what is the prospect of the roofing segment?

(ii) Can you give us some perspective on how ALCOM's aluminium roofing fare against galvanised iron ("GI") roofing in the domestic market? What is the price difference between the 2 products?

(iii) Should ALCOM invests in branding its aluminium roofing at a later stage?

A5 (i) The roofing segment's contribution was less than 5% for the FP 2017. In its initial years, it contributed about 400 tonnes per year out of a total of 20,000 over tonnes of products manufactured by ALCOM. We anticipated its contribution to grow in 2018.

(ii) ALCOM's aluminium roofing is a premium product compared to GI roofing. Our roofing is also able to command a relatively better premium compared to steel roofing because of its resistant to corrosion. Our roofing is specifically suitable for manufacturing plants which are exposed to highly corrosive environment such as fertilizer, glove and ports located along coastlines. Therefore, for the next couple of years, ALCOM will focus on these markets.

(iii) ALCOM's aluminium roofing has already made its presence known in the industrial market. But as mentioned earlier, the construction market is slow, hence ALCOM is not aggressively pushing its roofing products into the market.

Q6 (i) What is the status of the proposed acquisition?

(ii) What is the bottom line contribution from the Kota Damansara Land development once ALCOM obtains the approval?

(iii) How will ALCOM, a newcomer perform better than Paramount Corporation Berhad ("Paramount"), a prominent and experienced property developer since ALCOM is buying the Kota Damansara Land from Paramount's subsidiary company, Seleksi Megah Sdn Bhd?

(iv) Why is ALCOM diversifying into an area that it is not an expert in instead of expanding in the aluminium area? Why would ALCOM, an aluminium company, have an edge over other property developers, and is there any synergy?

A6 (i) The development plan is currently pending approval from the authority which we anticipate to obtain in the fourth quarter of 2018. The construction will start early next year and take a duration of 3 to 4 years for completion.

(ii) The 3-in-1 hybrid (showroom, warehouse and office) industrial property will be located in Kota Damansara, exactly in Taman Sains Selangor. There is demand for this segment of industrial property from small and medium enterprises ("**SMEs**"). The proposed development is expected to contribute 10% to 15% to the bottom line of ALCOM.

(iii) The industrial land was owned by Paramount for the past 6 or 7 years and they have been trying to convert the land to commercial category but to no avail due to zoning issues. That was the reason why Paramount did not develop the land and now ALCOM is developing it into a hybrid 3-in-1 industrial development as the up and coming trend is the development of e-commerce businesses. ALCOM has done its survey and Selangor Science Park is a choice location for SMEs to expand there and ALCOM is very confident that the take-up rate will be good.

(iv) Expanding into other aluminium area would require a lot of capital expenditure in order to compete against the technologically advanced companies from China, India and Japan. We had to think out of the box, move forward and add value to ALCOM, therefore, the management decided to rope in Dato' Lim Chee Khoon and his team who have the expertise in property development to focus on that area. ALCOM is looking for viable long-term investment projects and had chosen property development as such. There is no synergy but we are looking at diversification of the existing operation for intrinsic gain and capital gain.

Q7 (i) We note that ALCOM has taken a lot of borrowings for its business. What is ALCOM's comfortable gearing ratio and what is ALCOM's present gearing?

(ii) Will ALCOM be considering a rights issue to raise funds?

(iii) According to ALCOM's Statements of Financial Position, ALCOM's total loans and borrowings is approximately RM70 million and ALCOM will take another RM92 million borrowing to fund the proposed acquisition of the industrial land. Is ALCOM's cash flow able to support the new property investment?

(iv) What is the interest rate of the RM70 million term loan?

A7 (i) ALCOM's current gearing for manufacturing operation is about 55% which is comfortable for now.

(ii) ALCOM is not considering a rights issue at the moment.

(iii) The RM70 million existing borrowing should be viewed separately in evaluating gearing. The borrowings for property development is no different from any other property development companies where collection from purchasers of the industrial units will be used to repay the loan.

(iv) The term loan is a 12-year loan and the interest rate is currently at 5.72%, i.e. cost of fund plus margin of 1.5%.

Q8 (i) Please explain the increase in the Main Japanese Port Premium ("MJP") when there were excess capacities from China?

(ii) During Novelis time, MJP was the main factor that attributed to ALCOM's negative results. Is it not an issue now?

A8 (i) MJP is determined by the supply and demand in the world market and Japanese buyers used to be the biggest purchasers in Asia. That is where the premium is being stipulated and everyone in Asia follows MJP, so it has been going up. There is a dichotomy between China and the rest of Asia and even the rest of the world. China uses Shanghai Futures Exchange ("**SHFE**") while London Metal Exchange ("**LME**") and MJP depend on world economics. It is hard to explain why SHFE is currently down while LME and MJP are up but the main cause is geopolitical influence rather than any fundamental reason.

(ii) Years ago, MJP skyrocketed to USD425/mt versus metal price of USD1,800/mt. Now, it is hovering between USD95/mt to USD125/mt versus metal price of USD2,200/mt which is of no significant impact on ALCOM.

Q9 The Yeoh family acquired 60% interest in ALCOM and in less than 2 years, disposed about 30% of the shareholding. Has the Yeoh family lost interest or lost confidence in ALCOM?

A9 Executive Director, Yeoh Jin Hoe assured that the question of no confidence in ALCOM does not arise. Dato' Lim Chee Khoon and his team, who are from SCland Group, have been in the property segment for years and their group are running profitably. Hence, to add value to ALCOM, Executive Director, Yeoh Jin Hoe decided to bring them in by offering them shares in ALCOM so that they can add value to the Company.

Q10 ALCOM used to have a cladding segment, what happened to that segment?

A10 ALCOM still sells the material for making building cladding. In the past, cladding was packed with composite panel, a highly flammable material but now the Singapore Housing & Development Board has banned it and Malaysia is following suit due to increasing incidences of fire hazards. With the ban of composite panel, the trend is towards solid aluminium panel and this poses a great opportunity for ALCOM.

Q11 (i) What is the future direction of your dividend payout?

(ii) Does ALCOM has a dividend policy?

A11 (i) There are 2 ways to give out returns to shareholders: one is via capital nature and the other is dividend.

(ii) ALCOM does not have any dividend policy.

Q12 (i) What is ALCOM's approach to buying and selling treasury shares?

(ii) Was the recent disposal of treasury shares at a loss or a gain?

A12 (i) Treasury shares is a just-in-case strategy for the Company to maintain the fluctuation of its share value, if applicable. Whether the Company buy or sell its own shares, it has to comply with the Bursa Malaysia Securities Berhad's Main Market Listing Requirements ("**MMLR**") as stated in page 3 of the Share Buy-Back Statement. Also, it will affect the Company's financial resources if Share Buy-Back is implemented as the Company will have to forego other investment opportunity or cash dividend payment.

(ii) ALCOM's treasury shares were sold based on the MMLR. If we were to take into consideration past dividends and capital distribution, the treasury shares were sold at no loss.

There being no further business, the 57th AGM of the Company was concluded, and the Chairman thanked all present for their attendance. The meeting ended at 12.20 p.m. with a vote of thanks to the Chair.