LB ALUMINIUM BERHAD
Company No. 138535-V
(Incorporated in Malaysia)

SUMMARY OF THE KEY MATTERS DISCUSSED AT THE ANNUAL GENERAL MEETING OF THE COMPANY HELD AT UJONG PANDANG ROOM, STAFFIELD COUNTRY RESORT, BATU 13, JALAN SEREMBAN-KUALA LUMPUR (COUNTRY ROAD), 71700 MANTIN, NEGERI SEMBILAN DARUL KHUSUS ON FRIDAY, 29 SEPTEMBER 2017 AT 10.00 A.M.

1.0 The Chairman invited questions from the shareholders of the Company for each of the resolutions tabled at the Annual General Meeting.

2.0 A shareholder of the Company, commended the Board of Directors for the good performance of the Group for the financial year ended 30 April 2017. He then enquired on the following:-

(i) The areas of improvement that would be focused by the Group in the coming financial years;

(ii) The top three export countries for the Group's products;

(iii) The foreign currency risk sensitivity analysis;

(iv) The profit after taxation as stated in the fourth quarter financial results for the financial period ended 30 April 2017 decreased by 76.4% to RM1.38 million compared with RM5.86 million for the previous year's corresponding quarter, which was mainly due to under provision of deferred tax in the previous financial year. Mr Lam sought clarification from the Board on the said under provision of deferred tax; and

(v) The estimated payback period for the capital expenditure of RM4.4 million to be allocated for upgrading of system and acquisition of office equipment for the financial year ending 30 April 2018 as stated in the Management Discussion and Analysis report.

Mr Mark Wing Kong ("Mr Mark"), the Chief Executive Officer of the Company, addressed the above enquiries on behalf of the Company as follows:-

(i) Moving forward, the Group would continue its effort in enhancing the recovery and efficiency for its operations, processes and manpower, among others, via upgrading of equipment and implementation of internal "KAIZEN" activities.

(ii) The Group's major export countries are Singapore, North America and Australia.

(iii) The estimated payback period for the capital expenditure to be spent on upgrading of system and acquisition of office equipment would be two to three years. The upgrading of system and acquisition of equipment were expected to increase production capacity and at the same time, reduce wastages.

(iv) The foreign currency risk sensitivity analysis was explained in Page 112 of the 2017 Annual Report. The effect on profit or loss of the Group if USD/RM was strengthened by 5% was lower in year 2017. This was because of the lower exposure from hedging activities as compared to the previous financial year. In addition, most of the Group's export was denominated in USD, which could provide a natural hedge effect.

(v) The Group had its own method for computing deferred tax for every financial quarter where subjective estimation was involved. The Group's fourth quarter financial results for the financial period ended 30 April 2017 had been reviewed by the Company's External Auditors, Messrs Crowe Horwarth, and they had a different opinion on the computation method adopted by the Group. The Group had agreed to follow the calculation method as recommended by the Auditors, which resulted in under provision of deferred tax in the previous financial year.

3.0 Mr Mark addressed the enquiries in relation to the operation of the Group raised by a shareholder of the Company, as follows:-

(i) The utilisation rate for the plants currently stood at approximately 50% to 60%.

(ii) The Group currently had approximately 700 workers in its two factories located in Seremban and Sarawak. Both factories operate on two shifts per day.

(iii) The Group supplies aluminium products to customers from different industries such as building and construction, furniture, transportation and engineering.

(iv) As of to date, the Group's export had increased and it currently represented approximately 30% of the total sales.

(v) The Group purchases about 25% of its total raw materials from A-Rank Berhad ("A-Rank")'s Group while the bulk of raw materials were imported from the Middle East. A-Rank Group also provides tolling services for aluminium billets for the Group. The Group had not faced difficulty in sourcing raw materials.

(vi) The Group's electricity usage in its factories was higher than gas usage. The Group would try to increase the usage of gas whenever possible in order to save cost.

(vii) In accordance with the accounting standards and the Auditors' recommendation, the Group had changed the accounting model for its property, plant and equipment ("PPE") from revaluation model to cost model. The last revaluation carried out on the Group's PPE was in financial year 2012.

(viii) The Company does not have a dividend policy but the Board would make the recommendation of dividend payment based on the profitability and cash flow position of the Group from time to time.

4.0 A shareholder of the Company, raised the following enquiries:-

(i) The cost incurred and the benefits for the installation of the new premium color anodising technology by the Group;

(ii) The Board's strategies to improve the sales volume of the Group;

(iii) The reasons for the following differences as noted from the Audited Financial Statements for the financial year ended 30 April 2017:-

(a) Higher short-term borrowings and gearing level;
(b) Increase in other income from RM5.139 million to RM9.743 million;
(c) Decrease in other expenses from RM10.505 million to RM7.368 million;
(d) Increase in key management personnel compensation (salaries, bonuses and other benefits) from RM2.510 million to RM3.060 million; and
(e) Increase in capital commitment from RM7.797 million to RM27.003 million.

(iv) The revenue recognition for the payment received from customers in respect of the fabrication of customised die moulds which were used to manufacture the customised aluminium extrusion products;

(v) The details of other investment, which amounted to RM1.62 million; and

(vi) The details of capital work-in-progress, which amounted to RM3.11 million.

Mr Mark and the Chairman addressed the above enquiries as follows:-

(i) The Group had invested approximately RM3 million for the new anodising technology. Anodising is an electrochemical process in which an oxide layer forms on the aluminium surface to protect the aluminium from the elements, thus making it tough and resistant to corrosion and abrasion.

(ii) With the new anodising technology, the production cost would be lower and it would be able to provide higher consistency and uniformity in colour anodised products. The Group had received positive feedback from its customers for the new anodising technology.

(iii) In view of the limited local market size, moving forward, the Group would focus more on exporting and selling its products to its existing overseas markets, such as Australia and North America.

(iv) The increase in short-term borrowing was mainly due to the purchase of raw materials to be kept as inventories in order to meet customers' needs from time to time.

(v) The increase in other income was mainly due to higher recovery of doubtful debts and a gain in foreign exchange.

(vi) A drop in other expenses was due to lower provision of doubtful debts and because the Group recorded a foreign exchange loss in the preceding financial year.

(vii) Increase in key management personnel compensation was mainly due to higher bonus payment. Bonus payout rate had been increased from two months to four months after considering the improved financial performance achieved by the Group.

(viii) The Board had approved a big lump sum of capital commitment for the financial year 2017 instead of granting approval on ad-hoc basis. Any unutilised authorised capital commitment would be carried forward to the next financial year.

(ix) The representative from Messrs Crowe Horwath clarified on behalf of the Company that the payment received from customers in respect of the fabrication of customised die moulds would be recorded as deferred income and would be recognised as revenue over a period of five years.

(x) Other investment referred to the Company's investment in 1,500,000 shares, representing 1.25% equity interest of A-Rank.

(xi) Capital work-in-progress comprises the new equipment being installed. The said equipment would be recognised as fixed assets once they are installed.

5.0 In reply to the shareholder's enquiry on the core strengths of the Group compared with its competitors, the Chairman and Mr Mark informed that the Group owns one of the largest extrusion press in Malaysia and had made significant improvement in the production process over the years. In addition, the Group possesses extensive distribution and network channel with branches and distribution dealers all over Malaysia with competent manpower who are familiar with the aluminium industry. In addition, the Group possesses a strong loyal customer base and also caters to high-end industries for better profit margin, such as supplying aluminium for construction of tall, high-end buildings. The Group, being the owner of one of the largest extrusion press in Malaysia, had been able to meet the quality and delivery expectations of these high-end industries.

6.0 A shareholder of the Company, enquired on the Group's response to the tightening environmental protection by the government and the impact of oil price on the Group.

In response to Mr Kow's enquiries, Mr Mark informed that the Group took environmental protection seriously and therefore, it had been including environmental conservation practices in its day-to-day operations. The Group has its own water treatment facilities to ensure that all waste water is properly treated before it is discharged from the factories. As for the impact of oil price on the Group, Mr Mark informed that the impact was minimal as the Group uses mostly gas and electricity in its production.