

PRESS METAL ALUMINIUM HOLDINGS BERHAD

Registration No. 201601027232 (1198171-H)

SUMMARY OF KEY MATTERS DISCUSSED AT THE FOURTH ANNUAL GENERAL MEETING (“4TH AGM”)

BROADCAST VENUE : SUITE 61 & 62, SETIA AVENUE
NO. 2, JALAN SETIA PRIMA S U13/S
SETIA ALAM SEKSYEN U13
40170 SHAH ALAM
SELANGOR DARUL EHSAN

DATE : THURSDAY, 11 JUNE 2020

TIME : 10.30 A.M.

1. CHAIRMAN

The Chairman of the Board of Directors, Dato’ Wira (Dr.) Megat Abdul Rahman Bin Megat Ahmad (“Dato Wira Chairman”) presided as Chairman of the Meeting and welcomed all participants to the 4th AGM of the Company conducted through live streaming by using Remote Participation and Voting Facilities (“RPV”), in compliance with Section 327 of the Companies Act 2016 and Clause 64 of the Constitution of the Company.

2. QUORUM AND SUMMARY OF PROXIED RECEIVED

The Company Secretary informed that based on the report issued by the Company’s Share Registrar, Tricor Investor & Issuing House Services Sdn Bhd (“Tricor”), a total of 82 participants, comprising shareholders, proxies and corporate representatives, representing 2,396,757,005 ordinary shares or 59.35% of the total paid-up share capital of the Company have registered to attend the Meeting via RPV.

The Company had received in total 395 valid proxy forms from the shareholders for a total of 2,347,935,883 ordinary shares representing 58.14% of the issued and paid up share capital of the Company.

Out of these, 337 shareholders have appointed the Chairman of the Meeting as the proxy to vote on their behalf and the shares so represented stood at 748,902,013, representing 18.55% of the total issued share capital of the Company.

The Company Secretary confirmed that a quorum was present. With the requisite quorum being present, the 4th AGM was called to order at 10.30 a.m.

3. NOTICE OF MEETING

With the consent of the members present, the Notice convening the Meeting having been circulated within the prescribed period was taken as read.

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4. POLLING

Dato' Wira Chairman informed that in accordance with Paragraph 8.29A of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of Annual General Meeting will be voted by poll. The Chairman, in his capacity as Chairman of the Meeting, demanded for a poll to be taken on all the resolutions set out in the Notice of the 4th AGM pursuant to Clause 77 of the Constitution of the Company.

Dato' Wira Chairman further informed the Meeting that the Company has appointed Tricor as Poll Administrator to conduct the electronic poll voting and Coopers Professional Scrutineers Sdn Bhd as the independent scrutineer to verify the poll results. Shareholders and proxies were informed that the voting on the resolutions could be done any time throughout the Meeting until the closure of the voting session.

5. OVERVIEW OF BUSINESS OPERATIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

At the invitation of Dato' Wira Chairman, the Group Chief Executive Officer ("GCEO"), Tan Sri Dato' Koon Poh Keong ("Tan Sri Dato' Koon") presented an overview on the Group's business operation in year 2019.

6. AUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 TOGETHER WITH THE REPORTS OF THE DIRECTORS AND AUDITORS

Dato' Wira Chairman declared that the Audited Financial Statements of the Group and of the Company for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon which do not require the shareholders' approval pursuant to Section 340(1)(a) of the Companies Act 2016 were received.

7. RESPONSES TO THE QUESTIONS RAISED BY MINORITY SHAREHOLDERS WATCH GROUP

Dato' Wira Chairman informed that the Company had received questions from the Minority Shareholders Watch Group ("MSWG"). The questions posted by MSWG and the Company's responses to the questions were read out by the Company Secretary for shareholders' information and shared to the meeting on the screen.

7.1 Strategy/Financial Matters

Question 1

Although the full impact to the global economy is still unfolding, the Covid-19 pandemic may have deep implications if it carries on further into the second half of the year (Page 11 of the Annual Report 2019).

If the Covid-19 pandemic carries on further into the second half of the year, what will be the worst-case scenario for the Press Metal's business and how does the Board intend to address this?

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Response from the Company:

Our smelting operations were authorised to operate at full capacity throughout MCO / CMCO period and we have implemented strict social distancing and operating procedures to uphold health and safety standards in our plants.

Should the pandemic prolong into the second half of the year, the worst-case scenario would be further impact on demand and price of aluminium in the short term. Should this be the situation, we will seek to alleviate the demand situation by selling more primary ingots which is a commodity and more saleable on the market. In turn, we will manage our value-added products sales which is dependent on whether specific market is impacted or logistically inaccessible. To address potential supply disruptions on raw materials, we have already secured our FY2020 requirements with suppliers and joint ventures partners.

Financially, we constantly monitor the credit worthiness of our debtors to better manage credit risk. We will continue to keep sufficient unutilised credit line and cash reserve to ensure adequate liquidity.

Despite temporary setback from the pandemic, we are confident of our low-cost model and we have successfully navigated downcycles in the past. We are confident that our strategies will enable us to emerge stronger from this when the global economic environment improves.

Question 2

What is the progress of the construction of the third aluminum smelting plant, and when is it expected to be completed (Page 5 of the Annual Report 2019; Expansion of Aluminium Smelting Operations).

Response from the Company:

The Samalaju Phase 3 smelter project was delayed by approximately 2-3 months due to lockdowns which resulted in travel restrictions for engineers and labour involved in machineries installation for the plant. We are targeting commissioning by January 2021.

Question 3

What is the current capacity utilisation rates for Phase 1 and Phase 2 smelting plants and the targeted capacity utilisation rates for FY2020?

Response from the Company:

We have combined smelting capacity of 760,000 tonnes per annum (in Samalaju and Mukah) and have been operating at full capacity. We expect this to continue into FY2020.

Question 4

The Group's EBITDA margin registered a decreasing trend since FY2016 (Page 8 of the Annual Report 2019). What steps are being taken to reverse the trend?

Response from the Company:

Our EBITDA is dependent on selling prices and cost.

Aluminum prices have trended downwards in the last 18 months firstly impacted by the trade tensions in 2019 followed by the outbreak of the pandemic in 2020. Exacerbating this situation, raw material prices for alumina and carbon anode were on the rise since 2018, squeezing our EBITDA margin in 2018 and the first half 2019. It was widely reported that alumina prices rose sharply in 2019 due to closure of a major refinery in Brazil. Prices of raw materials have since started to normalize in the second half of 2019. If raw material prices remain at current levels, margins should improve when aluminum prices recover after the pandemic is contained and lockdown eases.

In 2019, we ventured vertically upstream by completing several acquisitions to further secure raw materials, namely alumina and carbon anode. This allows us to have better security of our raw materials supply and reduces pricing volatility. Our subscription of 25% equity interest in PT Bintan Alumina Indonesia located in Kalimantan further reduces logistic costs associated with transportation of raw materials due to its proximity to our smelters.

Demand for Value-added products (VAP) is currently impacted due to the pandemic. VPAs yield better margins and we will seek to increase the contribution of VAP once the situation improves.

7.2 Corporate Governance & Sustainability Matters

Question 1

Under Ordinary Resolution 1, Press Metal is seeking shareholders' approval for the payment of Directors' fees and benefits payable to the Independent Non-Executive Directors up to an aggregate amount of RM625,000 for the financial year ending 31 December 2020.

Please provide the breakdown of the fees and benefits.

Response from the Company:

Approval for the Directors' Fees for the year ending 31 December 2020

	RM
Directors' fees	551,400
Directors' meeting allowance	73,600
	<u>625,000</u>

Question 2

Regulatory Compliance

In FY2019, the Group had an unfortunate incident involving the fatality of an employee at one of the upstream manufacturing plants. It received a fine for the related safety and health incident and to address this incident, the Group implemented corrective and preventative measures to ensure such incidents do not recur (Page 49 of the Annual Report 2019).

As regulatory compliance is crucial for the Group to sustain a license to operate in the locations where it operates, what actions have been taken to prevent such incidents from recurring?

Response from the Company:

Regulatory compliance is crucial to sustain a license to operate in the locations where we operate. We comply with domestic laws, rules and regulations that cover health and safety, employment, environmental and manufacturing practices, among others. To ensure we are up to date on the relevant laws, we have stringent monitoring procedures and processes.

The health and safety of our stakeholders have always been important to us, especially our employees and contractors. At Press Metal, we are committed to provide a safe and injury-free work environment. All our operating plants in Malaysia and China are certified to ISO 45001:2018 (Occupational Health and Safety Assessment Series).

The EHS Department has conducted a root cause investigation and identified the cause of the incident. As a result, to prevent such recurrence of such incident, additional precaution measure which is Job Statement Method, a stage-by-stage and exhaustive process flow, was introduced immediately as corrective action. All high risk job activities such as working at elevated platform, work involves hot work, amongst others, are required to formulate the Job Method Statement along with Job Hazard Analysis and seek approval by Head of EHS Department before allowed to perform such activities. On top of that, EHS Department will perform daily surveillance to ensure compliance.

In addition, a special task force has been created that aim to strengthen safety culture in our workplace. The objectives of the task force are to enhance the current health & safety system in place, ensure compliance through continuous monitoring and enforcement and strengthen competency through education development.

Question 3

Customer Satisfaction

For the Group’s upstream operations, the average customer satisfaction survey score in FY2019 was 92.5%, while for mid/downstream operations, it was 86%.

Entities	Score (%) 2017	Score (%) 2018	Score (%) 2019
Upstream	85%	90%	93%
Mid/Down stream	91%	90%	86%

(Page 65 of the Annual Report 2019)

The average customer satisfaction survey score for mid/downstream operations has shown a decreasing trend over the period 2017-2019.

What are the reasons for the decreasing trend in the average customer satisfaction survey score for mid/ downstream operations? How will Press Metal address this issue, moving forward?

Response from the Company:

Our entities are ISO 9001:2015 Quality Management Systems certified. Guided by the quality objective of this standard, we focus on consistency in quality of products and services, and reliability of our production and deliverables to our customers.

We strive to provide the highest quality aluminum products that meet our customers’ quality expectations while ensuring the products are safe for people and the environment. In addition, our wire rods are in compliance with REACH and RoHS of the European Union.

Our mid/ downstream operations produce value-added products which are customized according to the customers’ needs. While we strive for excellent customer satisfaction, due to the increasing demand for lower pricing, product requirement and better customer support, the satisfactory score has been impacted.

Moving forward, Press Metal will improve its customer service support and work closely with our customers to meet product requirements.

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8. QUESTION AND ANSWER SESSION

Dato' Wira Chairman informed that the Company had received questions from shareholders prior to the 4th AGM. The pre-submitted questions by shareholders and the Company's responses to the pre-submitted questions were read out by the Company Secretary for shareholders' information and shared to the meeting on the screen. Company Secretary informed that some of the questions have been moderated for brevity and clarity.

8.1 Pre-Submitted Questions from the Shareholders prior to the AGM

Question 1

What is the impact of COVID-19 and MCO on the profitability of the company?

Response from the Company :

Our smelting operations were authorised to operate at full capacity throughout MCO / CMCO period and we have implemented strict social distancing and operating procedures to uphold health and safety standards in our plants. The COVID-19 pandemic and lockdowns have impacted aluminium prices and demand for our value-added products ("VAP"). Consequently, our revenue was 15.7% lower in 1Q2020 as compared to 1Q2019. The Group's profit after tax and minority interest ("PATMI") decreased by 10.9% from RM115.11 million in 1QFY19 to RM102.57 million in 1QFY20. The fall in revenue and profit was mainly attributable to lower realised aluminium prices as compared to last year.

As the economy globally is gradually re-opening, we expect recovery in both aluminium prices and demand for VAP.

Question 2

Is there any order deferment or cancellation due to the COVID-19 pandemic?

Response from the Company:

We did not face any order deferment or cancellation from this pandemic.

Question 3

Is there any issues on Press Metal's business operations or on-going project due to business affiliates winding up?

Response from the Company:

No issue on Press Metal's business operations or on-going project due to business affiliates winding up.

Question 4

Is Press Metal considering any business restructuring or change in Board of Directors?

Response from the Company:

We are not considering business restructuring and remain steadfast in carrying out our plans. Our Senior Independent Non-Executive Director Mr. Tan Heng Kui is retiring from our Board of Directors and any replacement will be announced later.

Question 5

Does Press Metal expects to increase its cost efficiency in the coming quarters?

Response from the Company:

We are constantly emphasising on increasing operational efficiencies.

Question 6

Does Press Metal foresee any change in the dividend payout for this year and for the upcoming years?

Response from the Company:

While rewarding our shareholders is one of our priorities, we are also prudent in our cash management to ensure we conserve sufficient cash balance for our business operations and future investments. Any dividend payout will be made after taking into account the requirements of our business.

Question 7

What is the progress of on-going projects outside Malaysia i.e. Pt. Bintan, Indonesia?

Response from the Company:

Pt. Bintan project is on-going as scheduled and the Phase 1 is expected to be completed by end of 2020.

Question 8

Given COVID-19 has dampen economic activities globally, what is the Press Metal's action plan to address this situation?

Response from the Company:

For 2020, we have partially locked in some favourable selling pricing from our forward hedging which mitigated some of the impacts from the prevailing low-price environment. To address potential supply disruptions on raw materials, we have secured our FY2020 requirements with suppliers and joint venture partners. Financially, we constantly monitor the credit worthiness of our debtors to better manage collection risk. We will continue to keep a portion of unutilised credit line which allows us drawdown flexibility if need arises.

Question 9

Given the anti-rust properties of aluminium, can it be used to produce construction materials such as gutter and rain water down pipe?

Response from the Company:

Aluminium's properties such as light weight and anti-rust makes it as the suitable material for many construction materials including gutters and rain water down pipe. Press Metal supplies the raw material that is required to make these construction materials to the manufacturers.

Question 10

Please give us some e-vouchers for attending the virtual AGM.

Response from the Company:

We thank you for your support and participation. The company chooses to reward shareholders through dividend payments.

8.2 Live questions from the Shareholders during the AGM via RPV's query box

The Company had received questions from the Shareholders during the AGM via RPV's query box. Questions relevant to the business or the performance of the Company were read out by Company Secretary and succinctly addressed by Tan Sri Dato' Koon. It was noted that some of the questions posed by shareholders during the AGM which are repetitive / similar to pre-submitted questions have been addressed earlier.

Question 1

How do you finance the Phase 3 expansion?

Response from the Company:

The Company has successfully raised funds through issuance of Sukuk Wakalah of RM1.0 billion under the Sukuk Programme which is mainly used for the Phase 3 project. The Phase 3 project will also be financed using internally generated fund. The Company do not foresee any shortfall in financing the Phase 3 project.

Notwithstanding that, the Company will continue to explore available financing options to further strengthen the financial health of the Company.

Question 2

How soon does the management expect Phase 3 to start contributing positively to the group?

Response from the Company:

The Phase 3 expansion project will take about 3-4 months to ramp up to full production capacity. Accordingly, the plant will be able to see the contribution generated from the project from the second quarter 2021 onwards if the project is able to start within the projected time.

Question 3

Given that Covid-19 may dampen the demand for aluminium, particularly in Transport industry and Construction industry, will there be enough demand for existing and enlarged capacity?

Response from the Company:

The Covid-19 affected the world demand for aluminium with a number of operations being shut down and activities are slow.

However, the Company continue to produce at full capacity and is able to sell its products to the markets amidst this challenging situation. Aluminium is widely used in many sectors, not only in the transport industry and our products usage are not limited to certain sectors.

As the situation now improving with more countries opening up, the demand of the aluminium is expected to continue to grow.

The Company low cost model coupled with cost efficiency has given us the competitive advantage as compared to other aluminium players who operate at higher cost.

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Question 4

Currently, are any other Aluminium producers also expanding their capacity? Will there be a supply glut given that demand may drop?

Response from the Company:

We are not aware of other capacity expansion going on ex-China at this point of time. In turn, supply of aluminium may be a concern when demand started to recuperate as lesser supply are coming into the market following the closure of some operations.

Question 5

How do you compete with larger players from China given your low-cost model. How is your smelting cost comparing to peers? How do you further improve your cost efficiency moving forward? Besides costing, what are your other competitive advantages?

Response from the Company:

China aluminium are traded and consumed domestically and generally not for export. Hence, the Company do not compete directly with aluminium producers from China.

Large players in China are affected by the environmental policy in China as their smelters are primarily coal-fired. The environmental policy in China does not encourage coal-fired operations to continue to expand and some are required to shut down. This policy is expected to continue, hence there will be a constraint to the new supply coming from China.

In addition, most of the players from China do not have the long-term power supply contract and the power tariff fluctuates according to spot prices. Aluminium is also not able to be exported from China as raw material hence the Company does not compete directly with China producers.

The Company competes with international competitors ex-China. Compared with our peers, the Company's smelters are located in Sarawak which is a low-cost environment. The Company adopted low-cost operating model with proven technology from China. Other competitive advantage include stable and competitive power supply.

The Company being located in South East Asia and Asia region where most of the growth and demand are coming from and the Samalaju plant being strategically located next to the port, have provided the location, logistics and marketing advantages to the Company. The Company also taps on the green energy i.e. hydropower which in turn gaining the green energy competitive advantage and as a preferred producer for green-minded consumers demanding aluminium from green source.

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Question 6

Has the new sales tax on Aluminium products by the Sarawak State government been implemented? How will this impact your profitability?

Response from the Company:

Due to MCO, all discussions with the State government has been halted during the last few months. The Company will continue to discuss with the State government to explore a solution to mitigate the situation.

9. POLL RESULTS

The poll results which were duly verified and confirmed by the independent scrutineers, Coopers Professional Scrutineers Sdn Bhd were as follows:

Ordinary Resolution 1	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To approve the payment of Directors' fees and benefits payable to the Independent Non-Executive Directors up to an aggregate amount of RM625,000 for the financial year ending 31 December 2020.	3,184,556,719	98.9870	32,594,755	1.0130

Ordinary Resolution 2	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To re-elect Dato' Koon Poh Tat who is retiring pursuant to Clause 102 of the Constitution of the Company.	3,007,887,297	97.5740	74,796,897	2.4260

Ordinary Resolution 3	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To re-elect Mr. Koon Poh Weng who is retiring pursuant to Clause 102 of the Constitution of the Company.	2,949,878,809	97.5270	74,796,897	2.4730

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Ordinary Resolution 4	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To re-appoint Messrs KPMG PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.	3,211,118,463	99.8800	6,437,111	0.2000

Ordinary Resolution 5	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To approve the proposed authority under Section 76 of the Companies Act 2016 for the Directors to allot and issue shares.	3,183,770,919	98.9500	33,784,655	1.0500

Ordinary Resolution 6	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To approve the proposed authority for Dato' Wira (Dr.) Megat Abdul Rahman Bin Megat Ahmad to continue in office as Independent Non-Executive Chairman – Tier 1	2,480,730,996	100	0	0
To approve the proposed authority for Dato' Wira (Dr.) Megat Abdul Rahman Bin Megat Ahmad to continue in office as Independent Non-Executive Chairman – Tier 2	415,059,779	56.3520	321,484,799	43.6480

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Ordinary Resolution 7	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
To approve the proposed authority for Mr. Loo Lean Hock to continue in office as Independent Non-Executive Director – Tier 1	2,480,730,996	100	0	0
To approve the proposed authority for Mr. Loo Lean Hock to continue in office as Independent Non-Executive Director – Tier 2	418,102,829	56.7440	318,721,749	43.2560

Ordinary Resolution 8	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions and Proposed New Shareholders' Mandate for Additional Recurrent Related Party Transactions for Press Metal Aluminium Holdings Berhad and its subsidiaries ("Proposed Shareholders Mandate")	735,420,223	99.9990	10,855	0.0010

Ordinary Resolution 9	Votes in favour		Votes against	
	No. of votes	%	No. of votes	%
Proposed Renewal of Authority for the Company to Purchase its own Ordinary Shares	3,182,664,789	98.9620	33,373,385	1.0380

Based on the poll results, all resolutions as set out in the Notice of the 4th Annual General Meeting of the Company were duly carried.

10. CONCLUSION

There being no other business to be transacted, the Meeting concluded at 12.25 p.m. with a vote of thanks to the Chair.