



Permaju Industries Berhad

(Company No: 379057-V)
(Incorporated in Malaysia)



REPORT
ANNUAL **2019**

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Permaju Industries Berhad (379057-V) | annual report 2019

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CORPORATE INFORMATION

Board of Directors



JEAN-MICHEL FINK

Independent Non-Executive Chairman

CHAI WOON YUN

Executive Director

TEH FOO HOCK

Executive Director

MARK CHEW SHIN YONG

Independent Non-Executive Director

HO PUI HOLD

Independent Non-Executive Director



AUDIT AND RISK MANAGEMENT COMMITTEE

Chairman

HO PUI HOLD

Independent Non-Executive Director

Member

MARK CHEW SHIN YONG

Independent Non-Executive Director

JEAN-MICHEL FINK

Independent Non-Executive Chairman

REMUNERATION COMMITTEE

Chairman

MARK CHEW SHIN YONG

Independent Non-Executive Director

Member

HO PUI HOLD

Independent Non-Executive Director

JEAN-MICHEL FINK

Independent Non-Executive Chairman

NOMINATION COMMITTEE

Chairman

MARK CHEW SHIN YONG

Independent Non-Executive Director

Member

HO PUI HOLD

Independent Non-Executive Director

JEAN-MICHEL FINK

Independent Non-Executive Chairman

COMPANY SECRETARIES

Tan Tong Lang (MAICSA 7045482)

Thien Lee Mee (LS0009760)

REGISTERED OFFICE

Suite 10.02, Level 10
The Gardens South Tower
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-2298 0263
Fax No. : +603-2298 0268

**CORPORATE
INFORMATION****HEAD OFFICE/PRINCIPAL PLACE OF BUSINESS**

Wisma Cergaz
Lot 45182, Sungai Penchala
Off Jalan Damansara
60000 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-7725 8855
Fax No. : +603-7726 2066

AUDITORS

Messrs. Afrizan Tarmili Khairul Azhar (AF1300)
Chartered Accountants
2, Jalan Rampai Niaga 2
Rampai Business Park
53300 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-4143 9330
Fax No. : +603-4142 9330

PRINCIPAL BANKERS

Hong Leong Bank Berhad
United Overseas Bank (Malaysia) Berhad
RHB Bank Berhad

SHARE REGISTRAR

Shareworks Sdn Bhd
No. 2-1, Jalan Sri Hartamas 8
Sri Hartamas
50480 Kuala Lumpur
Wilayah Persekutuan
Tel No. : +603-6201 1120
Fax No. : +603-6201 3121

STOCK EXCHANGE LISTING

Main Market of
Bursa Malaysia Securities Berhad
Stock name : PERMAJU
Stock code : 7080

WEBSITE

www.permaju.com.my

INVESTOR RELATIONS

Email : investor@permaju.com.my
Tel No. : +603 7725 8855




CORPORATE STRUCTURE

PERMAJU INDUSTRIES BHD

Provision of management services and investment holding



DIRECTORS' PROFILE

JEAN-MICHEL FINK 	<ul style="list-style-type: none"> • 35 years of age, German, Male
	<ul style="list-style-type: none"> • Independent Non-Executive Chairman
	<ul style="list-style-type: none"> • Member of Audit and Risk Management Committee, Remuneration Committee and Nomination Committee

Jean-Michel Fink was appointed to the Board of Directors of PERMAJU INDUSTRIES BERHAD ("Permaju" or the "Company") ("Board") as the Independent Non-Executive Chairman of the Company on 30 November 2017. He holds a degree as a Master of Engineering from the Jade University in Wilhelmshaven and a degree as Bachelor of Engineering from the University of Applied Sciences in Hannover.

He started his career in the machine building industry in 2005, followed by the electronics and automation industry in 2010. After fruitful years of experience as a Product Manager, he currently is a Marketing Manager for a multinational company. He is leading the marketing team of his segment to establish and expand the global product portfolio.

He does not hold directorships in any other public listed companies. He has no relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial period ended 30 June 2019.

CHAI WOON YUN 	<ul style="list-style-type: none"> • 38 years of age, Malaysian, Female
	<ul style="list-style-type: none"> • Executive Director

Chai Woon Yun was appointed to the Board on 24 February 2014 as an Executive Director of the Company. She holds Certificates IV in Fashion and Textiles Merchandising and Clothing Production from RMIT University and has an Advanced Diploma in Fashion Marketing & Management, also from RMIT University.

She began her career in the fashion clothing industry. In 2007, she joined one of the Company's subsidiaries in the automobile division as Operations Manager and was subsequently promoted to be the Managing Director for several of the Company's subsidiaries in the automobile division. She is also a director of several private limited companies.

She does not hold directorships in any other public listed companies. She has no relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

She has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial period ended 30 June 2019.

DIRECTORS' PROFILE

TEH FOO HOCK



- 54 years of age, Malaysian, Male
- Executive Director

Teh Foo Hock was appointed to the Board on 20 July 2018 as Executive Director of the Company. He was redesignated to a Non-Independent Non-Executive Director on 1 May 2019 and on 1 August 2019, he was re-designated to an Executive Director. He is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants (MIA) since 1996. He is also a member of the Malaysian Institute of Taxation, the Institute of Internal Auditors of Malaysia, Institute of Corporate Directors of Malaysia.

He started his career with an international accounting firm in 1985. He joined Kinsteel Berhad, a listed steel manufacturing and trading group as the Chief Financial Officer and Company Secretary for 17 years from May 1997 till April 2014. In May 2014, he joined Tanah Makmur Berhad, a plantations and properties development group as the Chief Financial Officer. The Group was subsequently listed. He left in June 2017 when the Group was privatised. He was appointed the Chief Operating Officer of AYER Holdings Berhad, a listed plantations and properties development group for a year till July 2018. He currently sits on the Board of Komarkcorp Berhad and Ipmuda Berhad.

He has no relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial period ended 30 June 2019.

MARK CHEW SHIN YONG



- 51 years of age, Singaporean, Male
- Independent Non-Executive Director
- Chairman of Remuneration Committee and Nomination Committee
- Member of Audit and Risk Management Committee

Mark Chew Shin Yong was appointed as an Independent Non-Executive Director of the Company on 4 October 2017. In 1996, Mark graduated from Kingston University in United Kingdom (UK) with a Bachelor of Science (Degree) in Computer Information Systems Design. He then obtained a Master of Business Administration (BA) from the University of Surrey, also in UK.

In 1997, he joined the Malahon Group of Companies in their stockbroking division, Malahon Securities Limited. He was then appointed as their Director in 2002, having been a registered dealer with the Hong Kong Exchanges and the Securities and Futures Commission of Hong Kong.

He currently sits on the Board of Malahon Credit Company Limited, which invests primarily in properties. Mark co-founded Mejority Capital Limited in 2012 and as a Principal, is actively involved in the firm's public equity business via Mejority Securities Limited, a participant of the Stock Exchange of Hong Kong. He was also responsible for setting up Messaging Technologies (H.K.) Limited which is a subsidiary of M3 Technologies (Asia) Berhad and is involved in its daily operations.

He was appointed as the Executive Chairman of M3 Technologies (Asia) Berhad and he also has interest in various private limited companies in countries outside Malaysia which are involved in various businesses.

He has no relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial period ended 30 June 2019.

**DIRECTORS'
PROFILE**

HO PUI HOLD	
	<ul style="list-style-type: none"> • 37 years of age, Malaysian, Male
	<ul style="list-style-type: none"> • Independent Non-Executive Director
	<ul style="list-style-type: none"> • Chairman of Audit and Risk Management Committee • Member of Remuneration Committee and Nomination Committee

Ho Pui Hold was appointed as an Independent Non- Executive Director of the Company on 1 February 2019. He is an Accountant by profession, a fellow member of the Association of Chartered Certified Accountants (FCCA), United Kingdom, a member of Malaysian Institute of Accountants (MIA) and a member of Asean Chartered Professional Accountant.

He has over 12 years of professional experience in auditing, banking and corporate finance. He started his career in 2004 by joining a Singapore advisory firm as IPO consultant where he participated in a few successful listing of companies in SGX. He then joined Ernst & Young as Senior Audit Associate until 2009 before he left to join AmBank (M) Berhad Corporate & Institutional Banking. In the bank, he was responsible in client credit evaluation and marketing of the Banks products mainly in debt capital market, offshore loan syndication, corporate finance advisory & treasury products. To further advance his career, he took up the Chief Financial Officer position in a Bursa Malaysia listed foreign company until 2013. He now sits on the board of Milux Corporation Berhad, HB Global Limited, Malaysia Pacific Corporation Berhad and Multi-Usage Holdings Berhad.

He has no relationship with any director and/or major shareholder of the Company and no conflict of interest with the Company.

He has not been convicted of any offences within the past five (5) years other than traffic offences, if any, and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial period ended 30 June 2019.

MANAGEMENT DISCUSSION & ANALYSIS



The Group's principal activities during the period remained unchanged from the previous year continuing to be involved in automobile distribution of the Volkswagen and Ford franchises and the provision of their related support services, property development activities and timber.

FINANCIAL PERFORMANCE

Revenue

During the financial year under review, the Group recorded a revenue of RM114.38 million and a net loss after tax of RM 8.94 million as compared to a revenue of RM69.70 million and a net loss of after tax of RM6.80 million in the financial year ended 31 December 2017. The increase in revenue was mainly due to the change of our financial year end from 31 December to 30 June. The current audited consolidated financial statement was for an 18-month period.

The Group is organised into three major business division based on their products and services. The revenue breakdown is tabulated below:

	1.1.2018 to 30.6.2019 RM	1.1.2017 to 31.12.2017 RM
Business Unit		
Automotive Division	110,896,284	64,417,339
Property Division	3,485,000	5,284,950
Timber / Other Division	-	-
	114,381,284	69,702,289

Profitability

Our financial performance	1.1.2018 to 30.6.2019 RM	1.1.2017 to 31.12.2017 RM
Revenue	114,381,284	69,702,289
Loss before tax ("LBT")	(9,567,061)	(7,126,068)
Loss after tax ("LAT")	(8,941,084)	(6,799,733)
LBT margin	8.36%	10.22%
LAT margin	7.81%	9.75%

The LAT in financial period ended 30 June 2019 (FPE 2019) increased by 31.47% to RM8.94 million as compared to RM6.80 million in FYE 2017 mainly due to higher in administrative expenses and lower in other income recorded in FPE 2019.

Other income

Other income in FPE2019 decreased to RM1.53 million compared to RM2.31 million in FYE 2017 mainly due to Timber Division had disposed a piece of land which contributed to other income RM0.9 million in the previous year.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL PERFORMANCE (CONT'D)

Administrative, Selling and Marketing and Other Expenses

	1.1.2018 to 30.6.2019 RM	1.1.2017 to 31.12.2017 RM
Selling and marketing expenses	6,373,135	4,153,985
Administrative expenses	14,184,444	9,475,858
Other expenses	571,786	1,052,274
Total	21,129,365	14,682,117

Total selling and marketing, administrative and other expenses increased to RM21.13 million as compared to preceding year of RM14.68 million mainly due to a 18-month reporting period.

Taxes

The Group's income tax benefit was RM0.63 million in FPE 2019 which was mainly arising from deferred tax reversal of RM0.93 million during the period.

FINANCIAL POSITION AND LIQUIDITY

Cash Flows

	1.1.2018 to 30.6.2019 RM	1.1.2017 to 31.12.2017 RM
Operating activities	9,987,334	(1,902,622)
Investing activities	1,442,361	3,313,321
Financing activities	(11,146,259)	9,151,437
Net changes in cash and cash equivalent	283,436	10,562,136

Our Group's net cash and cash equivalent increased by RM0.28 million in FPE 2019. With the RM9.99 million of cash generated from operating activities and proceeds from disposal of property, plant and equipment of RM1.53 million, the cash generated has been spent on capital expenditure of RM70,530 and repayment of loans and borrowing of RM10.81 million.

Total Assets

Non-current assets largely comprising property, plant and equipment and land held for property development decreased to RM130.64 million in FPE 2019 from RM132.75 million as at 31 December 2017. This is mainly due to disposal of property, plant and equipment in automotive division and depreciation of land.

The current assets decreased to RM78.25 million in FPE 2019 from RM79.55 million as at 31 December 2017 due to decreased in inventories by 1.57 million as at 30 June 2019. The lower of inventory is following the sales of few units of residential property in FYE 2017.

MANAGEMENT DISCUSSION & ANALYSIS

FINANCIAL POSITION AND LIQUIDITY (CONT'D)

Total Liabilities

Total liabilities mainly comprising loan and borrowings, trade and other payables, and deferred tax liabilities which increased by 7.74% to RM76.91 million in FPE 2019 compared to 31 December 2017. The increase is due to amount owing to directors of RM9.69 million as at 30 June 2019 compared to RM2.87 million as at 31 December 2017.

Shareholders' Equity

Shareholders' equity decreased due to LAT of RM8.94 million in FPE 2019.

GOING FORWARD

Automobile Division

For second half of 2019, Malaysia Automotive Association (MAA) is of the view that total industry volume (TIV) forecast will be maintained at 600,000 units for 2019 due to the stringent hire purchase lending rules. However the introduction of new models with latest designs, additional specifications and competitive price may attract the consumer to purchase new vehicle. Training will continually be facilitated with the principals to improve the competencies and productivity of the staff.

Property Division

The property sector is expected to be challenging due to weak demand and oversupply market.

The management is focused on reviving the Mydin Hypermarket project which would help drive the population to the area and to instil the sales of the completed residential unit. On 25 March 2019, we have entered into Memorandum of Understanding (MOU) with O&C Construction Sdn Bhd which is fully-owned subsidiary of OCR Group Berhad, to jointly complete the development of the Princess Heights Project. The remaining development is estimated to have a Gross Development Value of approximately RM1 billion.

Also future plans are to set up an e-commerce hub and lifestyle based commercial units. The synergistic collaboration of the expertise, resources and experiences of both parties is expected to accelerate the project's development.

Timber Division

On 4 September 2019, our wholly owned subsidiary, Genbayu Gemilang Sdn. Bhd. entered into Collaboration & Alliance Agreement (C&A Agreement) with Solar Interactive Sdn Bhd which is fully-owned subsidiary of Vsolar Group Berhad to collaborate in the development of a Solar Energy Generation Facility with a capacity of up to 90 megawatts to be located at land bank located of Setul, District of Sreemban, Negeri Sembilan. The C&A Agreement is expected to contribute positively to Company's prospects in the medium term.

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors acknowledges the importance of sustainability matters as part of on-going business. Sustainability is an integral part of our business and the Group's corporate responsibility practices focus on three areas - Environment, Economics and Social - which aim to deliver sustainable value to society at large. The Company strives to fulfil the expectation of its stakeholders by enhancing its social environmental and economical performance while ensuring the sustainability and operational success of the Company.

ENVIRONMENT

The Board acknowledges the need to safeguard and minimize the impact to the environment in the course of achieving the Company's objectives. The aftersales service centres generates waste such as used engine oil that could have an environmental impact if not disposed properly. We engage waste disposal contractors licensed by the Department of Environment, Ministry of Natural Resources & Environment to remove, transport and dispose such waste in line with the rules and regulations.

The Group is committed to implementing environmentally friendly work practices. Environmental impacts to our Group's business are primarily energy usage and paper consumption. We continually strive to reduce our energy usage with regular reminders to switch off the lighting, air conditioning or other electrical appliances when they are not in use. We reduce paper consumption by encouraging employees to reduce printing or photocopying, to use double sided printing and reusing paper that has been printed on one side.



CORPORATE SUSTAINABILITY STATEMENT



ECONOMICS

The Group believes that employees are invaluable assets of the Company that drive long term and sustainable organisational successes. The Board endeavours to provide a conducive working environment in their workplace with the objective of ensuring safety and health at the workplace for all employees.

The Group respects the different cultures, gender and religions of our stakeholders as we understand that the diversity and differences give us broader range of competence, skills and experience to enhance our capabilities to achieve business results which is important for the overall business sustainability. Thus, the Group is committed to provide our staff an environment of equal opportunity to strive while promoting diversity in workforce.

To optimise the employee talents and capacities, employees continually attend training programmes by principals to enhance their knowledge and skill while promoting a motivated working team and fostering a closer relationship with each other.

The Group is committed to maintain a proper framework to ensure that the business is run in an efficient and transparent manner in the interest of all its stakeholders. Ensuring that the business is conducted in a fair, transparent, sustainable and professional manner, the Group focused on delivering products of quality and being customer focused. We strive to manage, monitor and ensure that customer complaints are promptly addressed and where needed, escalated to principals for resolution. Our business imperative is to carry out our activities responsibly and with integrity. Our people are expected to behave in an honest and ethical manner in accordance with our policies, business rules and guidelines.

SOCIAL

The Board acknowledges that the Company should play an important role in contributing towards the welfare of the community in which it operates, and shall continuously identify opportunities supporting charitable causes and initiatives in community developments projects.

The Group shall continue to focus its corporate responsibility on enhancing community sustainability.

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Permaju Industries Berhad (“Permaju” or “the Company”) (“the Board”) is pleased to present an overview of the current corporate governance (“CG”) practices of the Company and the Group. CG is an integral part of our way of working and underpins how we conduct our business every day, and in turn forms our culture and our behaviour throughout Permaju and its subsidiaries (“the Group”).

This statement is prepared with the guidance from the key CG principles as set out in the Malaysian Code on Corporate Governance (“MCCG”) and pursuant to Paragraph 15.25 of the Bursa Malaysia Securities Berhad (“Bursa Securities”) Main Market Listing Requirements (“MMLR”). The Board will continuously evaluate the Group’s corporate governance practices and procedures, and where appropriate will adopt and implement the best Practices as enshrined in MCCG to the best interest of the shareholders of the Company. It is to be read in conjunction with the CG Report 2019 which is announced to the website of Bursa Securities and is available on Permaju’s website at www.permaju.com.my. The CG Report provides the details in general on how the Company has applied the best Practices as set out in the MCCG during the financial period ended 30 June 2019 (“FY2019”).

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

PART I - BOARD RESPONSIBILITIES

1. Board’s Leadership on Objectives and Goals

1.1 Set Strategic Aims, Values and Standards for the Company

The respective roles and responsibilities of the Board and management are clearly set out and understood by both parties to ensure accountability.

The Board is responsible for the overall performance of the Group and focuses mainly on the strategic management, performance measurement and monitoring, enterprise risk management, standards of conduct and critical business issues and decisions. It is the responsibilities of the Board is to lead the Group towards its vision and mission and is responsible for the success of the Group.

The Board had reviewed and approved a formal schedule of matters reserved to itself for decision, which includes the overall Group strategy and direction, investment policy, major capital expenditures, consideration of significant financial matters and review of the financial and operating performance of the Group.

The management, including the Executive Directors of the Company, are responsible for managing the day-to-day operation of the business activities in accordance with the direction and delegation of the Board. The management meets regularly to discuss and resolve operational issues.

The Board is entrusted with the responsibility to promote the success of the Group by directing and supervising the Group’s affairs. Hence, to develop corporate objectives and position descriptions including the limits to management’s responsibilities, which the management are aware and are responsible for meeting.

The Board understands the principal risks of all aspects of the business that the Group is engaged in recognising that business decisions require the incurrence of risk. To achieve a proper balance between risks incurred and potential returns to shareholders, the Board ensures that there are in place systems that effectively monitor and manage these risks with a view to the long term viability of the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.2 Board Responsibilities

The principal roles and responsibility assumed by the Board are as follows:

- Review and Adopt Strategic Plan of the Group

The Board plays an active role in the development of the Group's overall corporate strategy, marketing plan and financial plan. The Board is presented with the short and long-term strategies of the Group together with its proposed business plans for the forthcoming year. The Board also monitor budgetary exercise which to supports the Group's business plan and budget plan.

- Implementation of Internal Compliance Controls and Justify Measure to Address Principle Risks

The Board recognises the importance of maintaining a proper sound internal control for good corporate governance. The Board's responsibilities for the Group's system of internal controls including financial condition of the business, operational, regulatory compliance as well as risk management matters.

- Developing and Implementing an Investor Relations Program or Shareholder Communications Policy for The Group

In order to promote transparency and thoroughness in public dissemination of material information, the Board identifies that shareholder and other stakeholder are entitled to be informed in a timely and readily accessible manner of all material information concerning the Company through a series of regular disclosure events during the financial period. Hence, the Company's website is the primary medium in providing information to all shareholders and stakeholders.

- Succession Planning

The Board has entrusted the Nomination Committee and Remuneration Committee with the duty to review candidates with required mix of skills and experience for the Board and to determine remuneration packages for these appointments, and to formulate nomination, selection and remuneration for the Group.

During the review of the performance and strategies presented, at times, the Board reviews on the adequacy of caliber and competent human resources that are put in place for daily management and control of operations as well as proper execution of approved strategies.

The roles and responsibilities of the Board are formally defined in the Board Charter of, which is available on the Company's website at www.permaju.com.my.

The Board will normally hold meetings at least four (4) times in each financial year to consider:

- relevant operational reports from the management;
- reports on the financial performance;
- specific proposals for capital expenditure and acquisitions, if any;
- major issues and opportunities for the Company, if any; and
- quarterly financial statements for announcement to authorities.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.2 Board Responsibilities (Cont'd)

In addition, the Board will, at intervals of not more than one (1) year:

- approve annual financial statements, and other reports to shareholders;
- consider and, if appropriate, declare or recommend the payment of dividends;
- review the Board composition, structure, performance, remuneration and succession plan;
- review the Board committees composition and performance;
- undertake Board and individual Board member evaluations; and
- review risk assessment policies and controls and compliance with legal and regulatory requirements.

The roles and responsibilities of the Independent Non-Executive Directors and Executive Directors are clearly defined and properly segregated. All the Independent Non-Executive Directors are independent of the Executive Directors, management and major shareholders of the Company, and are free from any business or other relationship with the Group that could materially interfere with the exercise of their independent judgement. This offers a strong check and balance on the Board's deliberations.

The Executive Directors are responsible for the overall performance and operations as well as the corporate affairs and administrations of the Group. They are assisted by the senior management personnel of the Group in managing the business activities of the Group in the manner that is consistent with the policies, standards, guidelines, procedures and/ or practices of the Group and in accordance with the specific plans, instructions and directions set by the Board.

The Independent Non-Executive Directors of the Company play a key role in providing insights, unbiased and independent views, advice and judgement to the Board and also ensuring effective checks and balances on Board's decisions. The Board structure ensures that no individual or group of individuals dominates the Board's decision-making process. Although all the Directors have equal responsibility for the Company and the Group's operations, the role of the Independent Directors are particularly important in ensuring that the strategies proposed by the Executive Directors are deliberated on and have taken into account the interest, not only of the Company, but also that of the shareholders, employees, customers, suppliers and the community.

In order to discharge its duties and functions effectively, the Board has set up and delegates specific tasks to three (3) Board Committees namely the Audit and Risk Management Committee ("ARMC"), Nomination Committee ("NC") and Remuneration Committee ("RC"). The Audit Committee and Risk Management Committee has been merged into a new committee known as ARMC. All the Board Committees have its own terms of reference and has the authority to act on behalf of the Board within the authority as lay out in the terms of reference and to report to the Board with the necessary recommendation.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.3 Independent Chairman

Throughout the financial period ended 30 June 2019, the Company has continued to comply with the MMLR of Bursa Securities whereby at least two (2) directors or one-third (1/3) of the Board, whichever is higher, are Independent Directors as well as the recommendation of MCCG whereby at least half of the Board comprises of independent directors.

During the financial period under review, the Board is chaired by an Independent Non-Executive Director and more than one-third (1/3) of the Board consists of Independent Non-Executive Directors.

The Chairman being an Independent Non-Executive Director, is not involved in the day-to-day management of the Group's business and has no relationship that could materially interfere with his judgment.

The Board therefore believes that balance of power and authority exists within its current structure to sufficiently enable it to discharge its duties objectively.

1.4 Division of roles between the Chairman of the Board and Executive Director

The Company has complied with the recommendation of the MCCG where the positions of Chairman of the Board and Executive Director shall be held by different individuals, and the Chairman must be a non-executive member of the Board. Their roles have been clearly defined to ensure accountability and clear division of responsibilities.

The Group has documented clear policies for identifying and separating the functions and responsibilities of the Chairman, Board and management in ensuring the smooth running of the Group's business and operations. These are enshrined in the Board Charter, which has been reviewed and updated to be in line with the practices of MCCG and the Companies Act, 2016 which is made available in the Company's website www.permaju.com.my.

The roles of the Chairman of the Board, Executive Director and the Non-Executive Directors are kept separate with a clear division of responsibilities in line with best practices. The functions and responsibilities are clearly segregated to ensure that there is a balance of power and authority.

1.5 Qualified and Competent Company Secretaries

The Board is supported by qualified and competent Company Secretaries who are responsible for ensuring that the Company's Memorandum and Articles of Association/Constitution, procedures and policies and regulations are complied with. The Board is regularly updated and advised by the Company Secretaries on any new statutory and regulatory requirements in relation to their duties and responsibilities. The Board recognises that the Company Secretaries are suitably qualified and capable of carrying out the duties required. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

The Company Secretaries attend all Board and all Board Committees meetings and ensure that meetings are properly convened, and that accurate and proper records of the proceedings and resolutions passed are taken and maintained accordingly.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (Cont'd)

1. Board's Leadership on Objectives and Goals (Cont'd)

1.6 Access to Information and Advice

Unless otherwise agreed, notice of each meeting confirming the venue, time, date and agenda of the meeting together with relevant Board papers shall be forwarded to each director no later than seven (7) days before the date of the meeting. This is to ensure that Board papers comprising of due notice of issues to be discussed and supporting information and documentations were provided to the Board sufficiently in advance. Furthermore, Directors are given sufficient time to read the Board paper and seek for any clarification as and when they may need advice or further explanation from management and Company Secretaries. The deliberations of the Board in terms of the issues discussed during the meetings and the Board's conclusions in discharging its duties and responsibilities are recorded in the minutes of meetings by the Company Secretaries.

The Board has unrestricted access to all information within the Group as a full Board to enable them to discharge their duties and responsibilities and is supplied on a timely basis with information and reports on financial, regulatory and audit matters by way of Board papers for informed decision making and meaningful discharge of its duties.

In addition, all Directors have direct access to the advice and services of the Company Secretaries who are responsible for ensuring the Board's meeting procedures are adhered to and that applicable rules and regulatory are complied with. External advisers are invited to attend meetings to provide insights and professional views, advice and explanation on specific items on the meeting agenda, when required. Senior management team from different business units are also invited to participate at the Board meetings to enable all Board members to have equal access to the latest updates and developments of business operations of the Group presented by the senior management team. The Chairman of the Board Committees, namely, the ARMC, NC and RC briefs the Board on matters discussed as well as decisions taken at the meetings of their respective Board Committees meetings.

When necessary, Directors may whether as a full Board or in their individual capacity, seek independent professional advice, including the internal and external auditors, at the Company's expense to enable the directors to discharge their duties with adequate knowledge on the matters being deliberated, subject to approval by the Chairman of the Board, and depending on the quantum of the fees involved.

2. Demarcation of Responsibilities

2.1 Board Charter

As part of governance process, the Board has formalised and adopted the Board Charter. This Board Charter sets out the composition and balance, roles and responsibilities, operation and processes of the Board and is to ensure that all Board members acting on behalf of the Company are aware of their duties and responsibilities as Board members.

The Board Charter is reviewed periodically as and when the need arises to ensure that the dynamic needs of the Group are consistently met. A copy of the Board Charter is available for reference at the Company's website at www.permaju.com.my.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART I - BOARD RESPONSIBILITIES (Cont'd)

3. Good Business Conduct and Corporate Culture

3.1 Code of Conduct and Ethics

The Board is committed in maintaining a corporate culture which engenders ethical conduct. The Board has formalised the Code of Conducts and Ethics which is incorporated in the Board Charter which summarises what the Company must endeavour to do proactively in order to increase corporate value, and which describes the areas in daily activities that require caution in order to minimise any risks that may occur. The Code of Conduct and Ethics provides guidance for Directors regarding ethical and behavioural considerations and/or actions as they address their duties and obligations during the appointment.

The Board will review the Code of Conduct and Ethics when necessary to ensure it remains relevant and appropriate. The details of the Code of Conduct and Ethics are available for reference at the Company's website at www.permaju.com.my.

3.2 Whistle-blowing Policy

Whistleblowing Policy is established to provide avenue for employees of the Group and members of the public to disclose any improper conduct in a confidential manner. The Chairman of the Board and/or the Chairman of the ARMC is committed to investigate and address all cases of reported misconduct and recommend action to be taken by the Board (if any). The policy underscores the Group's commitment to developing a culture of openness and honesty, where a person who is aware of a potential malpractice or misconduct is encouraged to report such matters in good faith, without fear of reprisal.

The main objectives of the policy are:

- Be committed to the Group's business ethics of Honesty, Integrity and Transparency;
- To provide a transparent and confidential process for all parties to give information on non-compliances to the Code of Conduct and Ethics, or any misconduct regardless of his or her position, to an independent party to investigate the allegations and take the appropriate actions; and
- To uphold the moral duty of protecting the interest of all its stakeholders.

The details of the Whistle-blowing Policy are available for reference at the Company's website at www.permaju.com.my.

PART II - BOARD COMPOSITION

4. Board's Objectivity

4.1 Board Composition and Balance

The Board of Permaju presently consists of five (5) members comprising an Independent Non-Executive Chairman, two (2) Executive Directors and two (2) Independent Non-Executive Directors. The composition of the Board complies with Paragraph 15.02 of the Listing Requirements whereby at least two (2) or one third (1/3) of its Board members are independent directors as well as the recommendation of MCCG whereby at least half of the Board comprises of independent directors.

The Board considers that the current size of the Board adequate and facilitates effective decision-making. The current Board compositions are persons of high calibre, experienced and are professionals in their respective fields. Together, this bring a wide range of mix of industry specific knowledge, broad based business and commercial experience that are vital to the Board's successful stewardship of the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (Cont'd)

4.2 Re-election of Directors

The procedure on re-election of directors by rotation is set out in the Company's Articles of Association ("the Articles"). In accordance with the Company's Articles of Association, one-third (1/3) of the Directors for the time being or, if their number is not a multiple of three (3), the number nearest to one-third (1/3) with minimum of one (1), shall retire from office and an election of Directors shall take place. The Articles further provide that each Director shall retire once in every three (3) years but shall be eligible for re-election.

Newly appointed directors shall hold office only until the next annual general meeting and shall be eligible for re-election.

The election of each director is voted on separately. To assist shareholders in their decision, sufficient information such as personal profile, meetings attendance and their shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of Annual General Meeting.

Upon the recommendation of the NC and the Board, the Directors who are standing for re-election and re-appointment at the forthcoming Annual General Meeting of the Company to be held in 2019 are as stated in the Notice of Annual General Meeting.

4.3 Tenure of Independent Directors

Currently, none of the Independent Non-Executive Directors had served the Company for more than nine (9) years since his/her appointment as per the recommendation of MCCG.

4.4 Policy of Tenure of Independent Directors

Currently, the Board does not have a policy on the tenure for Independent Directors as the Board is of the view that a term of more than nine (9) years may not necessary impair independence and judgement of an Independent Director and therefore the Board does not deem it appropriate to impose a fixed term limit for Independent Directors at this juncture.

However, as recommended by the MCCG, the tenure of an independent director should not exceed cumulative term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board subject to the director's re-designation as a non-independent director. In the event the Board intends to retain such Director as Independent Director after the latter has served a cumulative term of nine (9) years, the Board must justify the decision and seek shareholders' approval at a general meeting, normally the annual general meeting of the Company. If the Board continues to retain the Independent Director after the twelfth (12) years, the Board will seek annual shareholders' approval through a two-tier voting process.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (Cont'd)

4.5 Boardroom Diversity

The Board acknowledges the recommendation of MCCG and recognises the importance of boardroom diversity. However, the Board is of the view that the suitability of a candidate for the Board is dependent on the candidate's competency, skills, experience, expertise, character, time commitment, integrity and other qualities in meeting the needs of the Company. The Board constantly advocates fair and equal participation and opportunity for all individuals of the right calibre without any specific discrimination as to the age, ethnicity or gender of the candidates concerned. The Board has been taking steps to seek out female candidates based on meritocracy with the optimum mix of skills, knowledge and experience to fill Board positions.

Nevertheless, the Board is supportive of gender diversity on the Board and senior management team and will consider to take measures in setting gender diversity of the Board composition in the future.

Presently, the Board has one (1) female Director on Board. In line with the country's aspirational target of 30% representation of women on boards, the Board may consider appointing more females onto the Board in future to bring about a more diverse perspective.

4.6 New Candidates for Board Appointment

The appointment of new Directors is the responsibility of the Board after considering the recommendations of the NC. As a whole, the Company maintains a lean number of Board members. The Board appoints its members through a formal and transparent selection process which is consistent with Articles of Association of the Company. This process has been reviewed, approved and adopted by the Board. New appointees will be considered and evaluated by the NC. The NC will then recommend the candidates to be approved and appointed by the Board. The Company Secretary will ensure that all appointments are properly made, and that legal and regulatory obligations are met.

Generally, the Board adopts a flexible approach when selecting and appointing new directors depending upon the circumstances and timing of the appointment. The NC will help assess and recommend to the Board, the candidature of directors, appointment of directors to board committees, review of Board's succession plans and training programmes for the Board.

The Board acknowledges the importance of having women's representatives on the Board. The number of women directors on the Board remains the same i.e. one female representation and the percentage is below 30% of the total number of Directors. The Board endeavours to consider suitable female candidates for appointment to the Board whenever a vacancy arises.

In assessing suitability of candidates,

- i) consideration will be given to the core competencies, commitment, contribution and performance of the candidates to ensure that there is a range of skills, experience and diversity (including gender diversity) represented in addition to an understanding of:
 - the Business, the Markets and the Industry in which the Group operates; and
 - the accounting, finance and legal matters.
- ii) where a need has been identified, the NC shall then task the Company's Chairman or Executive Directors:
 - to search/recommend for potential candidates from within the Company; or
 - engage its Human Resources Department to advertise (whether locally or internationally); or
 - appoint recruitment advisers; or
 - draw references and recommendations from the fellow directors of the Company.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

4. Board's Objectivity (Cont'd)

4.6 New Candidates for Board Appointment (Cont'd)

iii) the Company's Chairman or Executive Directors:

- shall develop short list of all potential candidates taking into account, amongst other things, the particular skills, experience and contribution to diversity of each individual candidate and their fit with the existing Board; whereby women candidates would be encouraged to join; and
- recommend to the NC the candidate from the short list who best matches the needs of the Board.

The NC will assess, review and deliberate and thereafter, present their recommendations to the Board for consideration and approval.

Factors considered by the NC when recommending a person for appointment as a director include:

- the merits and time commitment required for a Non-Executive Director to effectively discharge his or her duties to the Company;
- the outside commitments of a candidate to be appointed or elected as a Non-Executive Director and the need for that person to acknowledge that they have sufficient time to effectively discharge their duties; and
- the extent to which the appointee is likely to work constructively with the existing directors and contribute to the overall effectiveness of the Board.

4.7 Nomination Committee ("NC")

The Board has established the NC comprising exclusively of Independent Non-Executive Directors, with the responsibilities of assessing the balance composition of Board members, nominate the proposed Board member by looking into his skills and expertise for contribution to the Company on an ongoing basis.

The present members of the NC are:

Chairman

Mark Chew Shin Yong

Independent Non-Executive Director

Members

Jean-Michel Fink
(appointed w.e.f 23/08/2018)

Independent Non-Executive Chairman

Ho Pui Hold
(appointed w.e.f 01/02/2019)

Independent Non-Executive Director

The Terms of Reference of the NC can be viewed at the Company's website at www.permaju.com.my.

During the financial period, the NC had assisted the Board on the following functions:

- reviewed the size and composition of the Board and made recommendation to the Board as regards any changes that may, in their view, be beneficial to the Company and Group;
- reviewed and assessed the independence of Independent Non-Executive Directors;
- reviewed the effectiveness of the Board as a whole, committees of the Board and the contribution of individual directors;
- reviewed and recommended to the Board directors who are retiring by rotation to be put forward for re-election; and
- reviewed and recommended the appointment of Executive Director and Independent Non-Executive Director.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

5. Overall Board Effectiveness

5.1 Annual Evaluation

The NC would conduct an assessment of the performance of the Board, as a whole, Board Committees and individual Directors. From the results of the assessment, including the mix of skills and experience possessed by Directors, the Board will consider and approve the recommendations on the re-election and re-appointment of Directors at the forthcoming Annual General Meeting of the Company, with a view to meeting current and future requirements of the Group.

The criteria used by the NC in evaluating the performance of individual, including contribution to interaction, integrity, competency and time commitment of the members of the Board and Board Committees in discharging their duties, are in a set of questionnaires. The Board did not engage any external party to undertake an independent assessment of the Directors.

Based on the assessment conducted for the financial period 2019, the Board and the NC is satisfied with the current size, composition as well as the mix of qualifications, skills and experience among the Board members and the independence of its Independent Non-Executive Directors.

The Board also assesses the independence of the Independent Directors annually, taking into account the individual Director's ability to exercise its independent judgement at all times and to contribute to the effective functioning of the Board.

Based on the assessment carried out during the financial period 2019, the Board is satisfied with the level of independence demonstrated by all the Independent Directors and their ability to act in the best interests of the Company during the financial period under review, and that each of them continues to fulfill the definition of independence as set out in the Listing Requirements of Bursa Securities.

5.2 Time Commitment and Directorship in Other Public Listed Companies

Under the Board Charter, the directorships in other public listed companies in Malaysia held by any Board member at any one time shall not exceed any number as may be prescribed by the relevant authorities. In addition, at the time of appointment, the Board shall obtain the Director's commitment to devote sufficient time to carry out his responsibilities. Directors are required to notify the Chairman before accepting any new directorship(s). The notification would include an indication of time that will be spent on the new appointment(s). Any Director is, while holding office, at liberty to accept other Board appointment in other companies so long as the appointment is not in conflict with the Company's business and does not affect the discharge of his/her duty as a Director of the Company. To ensure the Directors have the time to focus and fulfill their roles and responsibilities effectively, one (1) criterion as agreed by the Board is that they must not hold directorships at more than five (5) public listed companies as prescribed in Paragraph 15.06 of the Listing Requirements.

The dates scheduled for Board meetings, Board Committee meetings and Annual General Meeting are set in advance and circulated to the Directors to facilitate the Directors' time planning. At the end of each Board and Committee meetings, the date of the next meetings is to be re-confirmed. Each Board member is expected to achieve at least 50% attendance of total Board Meetings in any applicable financial year with appropriate leave of absence be notified to the Chairman and/or Company Secretaries, where applicable.

The Directors have demonstrated their abilities to devote sufficient time and commitment to their roles and responsibilities as Directors of the Company. The Board is satisfied with the level of time and commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out in the section below.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

5. Overall Board Effectiveness (Cont'd)

5.3 Board Meetings and Attendance

During the financial period ended 30 June 2019, the Board conducted ten (10) Board meetings and each Board member fulfilled the required attendance of Board meetings as required under Paragraph 15.05 of the Listing Requirements. The summary of attendance at the Board meetings is as follows:

Name of Directors	Meeting Attendance	Percentage of Attendance
Jean-Michel Fink	9/10	90%
Chai Woon Yun	10/10	100%
Mark Chew Shin Yong	8/10	80%
Teh Foo Hock (appointed w.e.f. 20/07/2018)	6/6	100%
Ho Pui Hold (appointed w.e.f 01/02/2019)	4/4	100%
Mazlan Bin Mohamad (retired w.e.f. 29/06/2018)	3/3	100%
Brig. General (Ret.) Datuk Muhamad Yasin Bin Yahya (retired w.e.f. 29/06/2018)	2/3	66%
Datuk Wira Hj Hamza Bin Taib (retired w.e.f. 29/06/2018)	3/3	100%
Datuk Michael Lor Chee Leng (retired w.e.f. 29/06/2018)	3/3	100%
Tan Lay Chee (retired w.e.f. 29/06/2018)	3/3	100%
Yong Chung Sin (appointed w.e.f 20/07/2018) (resigned w.e.f 01/11/2018)	1/1	100%

The Board is satisfied with the level of time commitment given by the Directors of the Company towards fulfilling their duties and responsibilities. This is evidenced by the attendance record of the Directors as set out herein above.

The Board meets on a quarterly basis, with amongst others, review the operations, financial performance, reports from the various Board Committees and other significant matters of the Group. Where any direction or decisions are required expeditiously or urgently from the Board between the regular meetings, special Board meetings maybe convened by the Company Secretaries, after consultation with the Chairman. Additionally, in between Board meetings, the Directors also approved various matters requiring the sanction of the Board by way of circular resolutions.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART II - BOARD COMPOSITION (CONT'D)

5. Overall Board Effectiveness (Cont'd)

5.4 Continuing Education Programs

As required by the MMLR, all Directors have completed the Mandatory Accreditation Programme ("MAP") within the stipulated timeframe of four months from their respective date of appointment.

Although the Board does not have a policy requiring each Director to attend a specific number and types of training sessions each year, the Directors are encouraged to attend continuous education programmes/seminars/conferences and shall as such receive further training from time to time to further their understanding of the issues faced by the Group and to keep themselves abreast of the latest development in statutory laws, regulations and best practices, where appropriate, in line with the changing business environment and enhance their business acumen and professionalism in discharging their duties to the Group.

The Directors after accessing and identifying their own training needs, attended the following conferences, seminars and training programmes during the period under review:

Name of Director	Seminars/Conferences/Training Programmes Attended
Jean-Michel Fink	<ol style="list-style-type: none"> 1. Malaysian Code on Corporate Governance & Corporate Sustainability 2. The Mandatory Accreditation Programme (MAP) 3. Deep Dive into CG Cases in Malaysia: Petra Perdana and Trive
Chai Woon Yun	<ol style="list-style-type: none"> 1. Malaysian Code on Corporate Governance & Corporate Sustainability 2. Basic Understanding of Risk Management & Its Relationship to Controls
Mark Chew Shin Yong	<ol style="list-style-type: none"> 1. Malaysian Code on Corporate Governance & Corporate Sustainability
Teh Foo Hock (appointed w.e.f. 20/07/2018)	<ol style="list-style-type: none"> 1. Malaysian Code on Corporate Governance & Corporate Sustainability 2. Mandatory Accreditation Programme for Directors of PLC 3. Basic Understanding of Risk Management & Its Relationship to Controls
Yong Chung Sin (appointed w.e.f 20/07/2018) (resigned w.e.f 01/11/2018)	<ol style="list-style-type: none"> 1. Malaysian Code on Corporate Governance & Corporate Sustainability
Ho Pui Hold (appointed w.e.f 01/02/2019)	<ol style="list-style-type: none"> 1. MIA Technical Updates 2018 2. Briefing on Overview of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad 3. MIA International Accountants Conference 2018 4. Compliance for Bursa Listing Rules & Corporate Governance 5. Unclaimed Money Act 1965 6. MIA's Engagement Session with Audit Committee Members on Integrated Reporting 7. Sustainability Report Awareness

In addition, during the financial period under review, the Directors would be updated on recent developments in the areas of statutory and regulatory requirements from the briefing by the External Auditors, the Internal auditors and the Company Secretaries during the Committee and/or Board meetings and suitable training and education programmes were identified for their participation from time to time.

The Board will continue to evaluate and determine the training needed by the Directors from time to time to enhance their skills and knowledge in order to enable them to discharge their responsibilities more effectively.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION

6. Level and Composition of Remuneration

6.1 Remuneration Committee ("RC")

The Board has set up a RC which comprising exclusively of Independent Non-Executive Directors in order to assist the Board for determining the Director's remuneration.

The present members of the RC are as follow:

Chairman

Mark Chew Shin Yong Independent Non-Executive Director

Members

Jean-Michel Fink Independent Non-Executive Chairman

Ho Pui Hold
(appointed w.e.f 01/02/2019) Independent Non-Executive Director

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The remuneration of Directors shall be the ultimate responsibility of the full Board after considering the recommendations of the RC. The Board as a whole, with the assistance of RC, determines the fees for Non-Executive Directors, with each Director concerned abstaining from any decision with regards to his own remuneration.

The Terms of Reference of the RC can be viewed at the Company's website at www.permaju.com.my.

The summary of activities undertaken by the RC during the financial period included the following:

- i) Reviewed and recommended the payment of Directors' fees and other benefits payable to the Directors of the Company.

6.2 Remuneration Policy

The RC is authorised by the Board to establish a formal and transparent procedure for developing policy for remuneration of the Executive Directors of the Company and for fixing the remuneration packages of individual Directors. The RC also determines and recommends to the Board any performance related pay schemes for Executive Directors.

The Board believes in a remuneration policy that fairly supports the Directors' responsibilities and fiduciary duties in steering the Group to achieve its long-term goals and enhance shareholders' value. The Board's offers a competitive remuneration package in order to attract, develop and retain talented individuals to serve as directors.

The RC's principal objective is to evaluate, deliberate and recommend to the Board a remuneration policy for Executive Directors that is fairly guided by market norms and industry practice. The Remuneration Committee also recommends the Executive Directors' remuneration and benefits based on their individual performances and that of the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION (CONT'D)

6. Level and Composition of Remuneration (Cont'd)

6.2 Remuneration Policy (Cont'd)

The determination of the remuneration for Non-Executive Directors is a matter of the Board as a whole. The level of remuneration for Non-Executive Directors reflects the amount paid by other comparable organisations, adjusted for the experience and levels of responsibilities undertaken by the particular Non-Executive Directors concerned. The remuneration package of Non-Executive Directors will be a matter to be deliberated by the Board, with the Director concerned abstaining from deliberations and voting on deliberations in respect of his individual remuneration. In addition, the Company also reimburses reasonable out-of-pocket expenses incurred by all the Executive Directors in the course of their duties as Directors of the Company. The aggregate annual Directors' fees and other benefits payable are to be approved by shareholders at the Annual General Meeting based on recommendations of the Board.

7. Remuneration of Director and Senior Management

7.1 Details of Directors' Remuneration

Details of the Directors' remuneration paid or payable to all Directors of the Company (both by the Company and the Group) for the financial period ended 30 June 2019 are as follows:

Director	Company		Group	
	Fees (RM)	Salaries and other emoluments (RM)	Fees (RM)	Salaries and other emoluments (RM)
Jean-Michel Fink	75,002	1,850	75,002	1,850
Chai Woon Yun	75,002	1,200	75,002	421,200
Mazlan Bin Mohamad (retired w.e.f. 29/06/2018)	25,000	-	25,000	-
Brig. General (Ret.) Datuk Muhamad Yasin Bin Yahya (retired w.e.f. 29/06/2018)	25,000	-	25,000	-
Datuk Wira Hj Hamza Bin Taib (retired w.e.f. 29/06/2018)	25,000	-	25,000	-
Datuk Michael Lor Chee Leng (retired w.e.f. 29/06/2018)	25,000	-	25,000	-
Mark Chew Shin Yong	75,002	1,850	75,002	1,850
Tan Lay Chee (retired w.e.f. 29/06/2018)	25,000	-	25,000	-
Yong Chung Sin (resigned w.e.f. 01/11/2018)	17,500	-	17,500	-
Teh Foo Hock (appointed w.e.f. 20/07/2018)	47,919	169,014	47,919	169,014
Ho Pui Hold (appointed w.e.f. 01/02/2019)	25,000	900	25,000	900
Total	440,425	174,814	440,425	594,814

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

PART III - REMUNERATION (CONT'D)

7. Remuneration of Director and Senior Management (Cont'd)

7.2 Remuneration of Top Four (4) Senior Management

The total remuneration received by top four (4) senior management of the Group including salary, bonus, benefits in-kind and other emoluments for the financial period ended 30 June 2019 are as follows:

Name	Range of Remuneration		
	RM100,001 to RM150,000	RM150,001 to RM200,000	RM200,001 and above
Hia Ngee Teng Chief Financial Officer (resigned on 14/12/2018)	√		
Wong Foo Keong Dealer Principal (resigned on 27/03/2019)			√
Koh King Tian General Manager (resigned on 31/12/2018)		√	
Chuk Chin Leong Accountant (resigned on 15/11/2018)	√		

Details of total remuneration received by the top four (4) senior management are not disclosed in this report as the Board is of the view that the above remuneration disclosure by band satisfies the accountability and transparency aspects of the MCCG.

No other senior management except as disclosed above.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

PART I - AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC")

8. Effective and Independent ARMC

8.1 Chairman of ARMC

The ARMC is chaired by an Independent Director who is distinct from the Chairman of the Board. The Chairman of ARMC is a member of Malaysian Institute of Accountants. The Company complied with Practice 8.1 of MCCG which stipulates that the Chairman of the ARMC is not the Chairman of the Board.

8.2 Former Key Audit Partner

The Company recognized the need to uphold independence of its external auditors and that no possible conflict of interest whatsoever should arise. During the financial period, Messrs Afrizan Tarmili Khairul Azhar has been appointed as the new Auditors in place of Messrs Ernst & Young. None of the members of the Board nor the ARMC of the Company were former key audit partner of the External Auditors and the Directors do not foresee any new appointment of former key audit partner to the Board. However, the Board will observe the cooling-off period of at least two (2) years before appointing the former key audit partner, if any.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I - AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC") (CONT'D)

8. Effective and Independent ARMC

8.3 Assessment of Suitability and Independence of External Auditors

The Company has established a transparent and appropriate relationship with the Company's External Auditors. The Auditors will highlight to the ARMC and the Board on matters that require the Board's attention.

The ARMC is responsible for reviewing the audit, recurring audit-related and non-audit services provided by the External Auditors. The ARMC has been explicitly accorded the power to communicate directly with both the External Auditors and Internal Auditors. The terms of engagement for services provided by the External Auditors are reviewed by the ARMC prior to submission to the Board for approval. The effectiveness and performance of the External Auditors are reviewed annually by the ARMC.

To assess or determine the suitability and independence of the External Auditors, the ARMC has taken into consideration of the following:

- i) the adequacy of the experience and resources of the External Auditors;
- ii) the External Auditor's ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
- iii) the nature of the non-audit services provided by the External Auditors and fees paid for such services relative to the audit fee; and
- iv) whether there are safeguards in place to ensure that there is no threat to the objectivity and independence of the audit arising from the provision of non-audit services or tenure of the External Auditors.

Annual appointment or re-appointment of the External Auditors is via shareholders' resolution at the Annual General Meeting on the recommendation of the Board. The External Auditors are being invited to attend the Annual General Meeting of the Company to respond and reply to the Shareholders' enquiries on the conduct of the statutory audit and the preparation and contents of the audited financial statement.

Where necessary, the ARMC will meet with the External Auditors without the presence of Executive Director and members of management to ensure that the independence and objectivity of the External Auditors are not compromised and matters of concerns expressed by the ARMC are duly recorded by the Company Secretaries.

In presenting the Audit Planning Memorandum to the ARMC, the External Auditors have highlighted their internal policies and procedures with respect to their audit independence and objectivity which include safeguards and procedures and independent policy adopted by the External Auditors.

The ARMC is satisfied with the competence and independence of the External Auditors for the financial period under review. Having regard to the outcome of the annual assessment of the External Auditors, the Board approved the ARMC's recommendation for the shareholders' approval to be sought at the Annual General Meeting on the re-appointment of Messrs Afrizan Tarmili Khairul Azhar as the External Auditors of the Company for the financial year ending 30 June 2019.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

PART I - AUDIT AND RISK MANAGEMENT COMMITTEE ("ARMC") (CONT'D)

8. Effective and Independent ARMC

8.4 Composition of the ARMC

The ARMC comprises three (3) Non-Executive Directors and all of the ARMC members are Independent Directors. The present members of the ARMC are as follows:

Chairman

Ho Pui Hold Independent Non-Executive Director
(appointed w.e.f 01/02/2019)

Members

Mark Chew Shin Yong Independent Non-Executive Director

Jean-Michel Fink Independent Non-Executive Chairman
(appointed w.e.f 23/08/2018)

The terms of reference and summary of activities of the ARMC are set out in the ARMC Report.

PART II - RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

9. Effective Risk Management and Internal Control Framework

The Audit Committee was merged together with the Risk Management Committee to form the ARMC and the ARMC is comprised of entirely Independent Non-Executive Directors.

The Board is entrusted with the overall responsibility of continually maintaining a sound system of internal controls, which covers not only financial controls but also operational and compliance controls as well as risk management, and the need to review its effectiveness regularly in order to safeguard shareholders' investments and the Company's assets. The internal control system is designed to access current and emerging risks and respond appropriately to the risks encountered.

As an effort to enhance the system of internal controls, the Board together with the assistance of external professional Internal Audit firm adopted on-going monitoring and review the existing of risk management process in place within the various business operations, with the aim of formalising the risk management functions across the Group. This function also acts as a source to assist the ARMC and the Board to strengthen and improve current management and operating style in pursuit of best practices.

As an ongoing process, significant business risks faced by the Group are identified and evaluated and consideration is given to the potential impact of achieving the business objectives. This includes examining principal business risks in critical areas, assessing the likelihood of material exposures and identifying the measures taken to mitigate, avoid or eliminate these risks.

The information on the Group's internal control is further presented in the Statement on Risk Management and Internal Control set out in the Annual Report.

10. Internal Audit Function

The Board has engaged a professional service provider to assume the Internal Audit Function of the Group. The Internal Auditors conducted regular audit reviews and assess the effectiveness and adequacy of the governance, risk management and internal controls in the Group. These reviews were reported to the ARMC directly by the Internal Auditors.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

PART I – COMMUNICATION WITH STAKEHOLDERS

11. Continuous Communication between Company and Stakeholders

11.1 Corporate Disclosure

The Company acknowledges the importance of communication with its shareholders, institutional and potential investors. As such, the Group strictly adheres to the disclosure requirements of Bursa Securities. The Group practices open communication with its investors to provide its shareholders and potential investors an overview of the Company's performance and operations.

In order to maintain its commitment of effective communication with shareholders, the Group embrace the practice of comprehensive, timely and continuing disclosures of information to its shareholders as well as the general investing public.

The practice of disclosure of information is to adopt the best practices recommended in the MCCG with regard to strengthening engagement and communication with shareholders, it is not only established just to comply with the Listing requirements of Bursa Securities.

The Group also endeavour to provide additional disclosures of information on a voluntary basis, where necessary. The management believes that consistently maintaining a high level of disclosure and extensive communication is vital to shareholders and investors in making informed investment decisions.

Besides the above, the Company's Annual Report and financial results are dispatched on an annual basis to the shareholders to provide an overview of the Group's business activities and performance. The Share Registrar is available to attend to administrative matters relating to shareholders' interest.

11.2 Leverage on Information Technology for Effective Dissemination of Information

The Company's website at www.permaju.com.my incorporates an Investor Relations section which provides all relevant information on the Company accessible to the public. This section enhances the Investor Relations function by including all announcements made by the Company and its annual reports.

The quarterly financial results are announced to Bursa Securities after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

Shareholders and investors may also forward their queries to the Company via email to investor@permaju.com.my.

11.3 Dialogue with Shareholders

In addition to the dissemination of information to shareholders and other interested parties via announcements to Bursa Securities, its website, circulars and press releases, the Board is of the view that the annual and any extraordinary general meetings as ideal opportunities to communicate with shareholders.

The Chairman or the Executive Directors of the Company will brief shareholders on the Company's projects and elaborate further on proposals for which the approval of shareholders is being sought at the general meeting.

Whilst the Company aims to provide as much information as possible to its shareholders, it is also mindful of the legal and regulatory framework governing the release of material and price-sensitive information.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II- CONDUCT OF GENERAL MEETINGS

12.1 Shareholder Participation at General Meeting

The Annual General Meeting ("AGM") is the principal forum for dialogue and interaction with individual shareholders and investors where they may seek clarifications on the Group's businesses. As recommended by the MCCG, at least twenty-eight (28) days prior to the AGM, the Notice of the AGM, Annual Report and Circular to Shareholders (if any) will be mailed to the shareholders to inform them of the financial performance and other corporate information relating to the Company to allow shareholders to have additional time to go through the Annual Report and make the necessary attendance and voting arrangements. The notice of AGM, which sets out the business to be transacted at the AGM, is also published in a major local newspaper. The Board will ensure that each item of special business included in the notices of the AGM or extraordinary general meeting is accompanied by a full explanation of the effects of any proposed resolution. Shareholders who are unable to attend are allowed to appoint proxies to attend, speak and vote on their behalf.

At the AGM, the Board will brief the shareholders on the progress and performance of the Group and the shareholders are encouraged to participate in the questions and answers session where they will be given the opportunity to raise questions or seek and clarify any pertinent and relevant issues raised in the meeting in relation to the operations and performance of the Company and to exchange views with the Board members. Informal discussions between the Directors, senior management staff, the shareholders and investors are always active before and after the general meetings. Apart from contacts at general meetings, currently there is no formal program or schedule of meetings with investors, shareholders, stakeholders and the public generally. External Auditors are also present to provide their professional and independent clarification on issues and concerns raised by shareholders.

12.2 Attendance of Directors at General Meetings

The tentative dates of the AGM will be discussed and fixed by the Board in advance to ensure that each of the Directors is able to make necessary arrangement to attend the planned AGM.

At the Twenty-Second (22nd) AGM of the Company held on 29 June 2018, seven (7) out of eight (8) the Directors were present in person to engage directly with shareholders, and be accountable for their stewardship of the Company.

12.3 Poll Voting

In line with Paragraph 8.29A of the Listing Requirements, the Company will ensure that any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting, is voted by poll. At the same time, the Company will appoint at least one (1) scrutineer to validate the votes cast at the general meeting.

The Chairman will announce the poll results of the forthcoming 23rd AGM with details on the number of votes cast for and against for each resolution and the respective percentage on the same day to Bursa Securities. The presentation at the AGM will also be made available on the Company's website.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

PART II- CONDUCT OF GENERAL MEETINGS (CONT'D)

12.4 Effective Communication and Proactive Engagement

The Company recognises the importance of keeping shareholders and investors informed of the Group's business and corporate developments. The Company's annual reports, quarterly financial results and any announcements on material corporate exercises are the primary modes of disseminating information on the Group's business activities and financial performance.

To this end, the Group relies on the following channels for effective communication with the shareholders and stakeholders:

- Interim financial reports to provide updates on the Group's operations and business developments on a quarterly basis;
- Annual audited financial statements and annual report to provide an overview of the Group's state of governance, state of affairs, financial performance and cash flows for the relevant financial year;
- Corporate announcements to Bursa Securities on material developments of the Group, as and when necessary and mandated by the Listing Requirements; and
- AGM

COMPLIANCE STATEMENT

Saved as disclosed above, the Board is satisfied that to the best of its knowledge, the Group has complied with and shall remain committed to attaining the highest possible standards through the continuous adoption of the principles and best practices set out in MCCG and all other applicable laws, where applicable and appropriate.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

INTRODUCTION

Pursuant to Paragraph 15.26(b) of the Listing Requirements of Bursa Securities, the Board of Directors of Permaju is pleased to report on its Statement on Risk Management and Internal Control, which provides an overview of the nature and state of risk management and internal controls of Permaju and its Group during the financial period under review and up to the date of approval of this statement by the Board. This statement is guided by the latest Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD'S RESPONSIBILITIES

The Board recognises the importance of good risk management practices and sound internal controls as a platform to good corporate governance. The Board acknowledges its overall responsibility for maintaining a sound system of risk management and internal control, and for reviewing its adequacy and integrity. In addition, the Board has also received assurance from the Executive Directors that the Group's risk management and internal control system are operating adequately and effectively, in all material aspects.

Due to inherent limitations in any risk management and internal control system, such system is designed to manage the risk that may impede the achievement of the Group's business objectives rather than eliminate these risks. Therefore, the risk management and internal control system can only provide reasonable and not absolute assurance against fraud, material misstatement or errors.

The Board through its ARMC has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Group and this process includes enhancing the risk management and internal control system as and when there are changes to the business environment and regulatory requirements. The process is reviewed by the Board and the ARMC on a periodic basis.

Management assists the Board in the implementation of the Board's policies and procedures on risk and control by identifying and assessing the risks faced by the Group, and in the design and operation of suitable internal controls to mitigate these risks identified.

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the annual report is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators, employees and the Group's assets.

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Key elements that have been established in the Group's risk management and internal control system are described below:

1. Risk Management System

The Board recognises that risk management is an integral part of the Group's business operations and that the identification and management of risks will affect the achievement of the Group's business objectives. The Board confirms there is an on-going process of identifying, evaluating, monitoring and managing risks to achieve the objectives of the Group for the financial period under review. In discharging its responsibilities, the Board has taken into account the guidance of the MCCG.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

KEY FEATURES OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM (CONT'D)

2. Internal Control System

- (i) An organisational structure with clear lines of accountability and responsibilities provide a sound framework within the organisation in facilitating check and balance for proper decision making at the appropriate authority levels of management including matters that require the Board's approval.
- (ii) The ARMC and the Board of Directors meet at least once on a quarterly basis to review and deliberate on financial reports, annual financial statements, internal audit reports and etc. Discussions with management were held to deliberate on the actions that are required to be taken to address internal control issues identified.
- (iii) The ARMC and the Board review findings of the internal and external audit on accounting and internal control issues, and hold discussions with management on actions to be taken in resolving them; and
- (iv) Internal policies and procedures had been established for key business units within the Group;
- (v) The Internal Audit function reports directly to the ARMC. Findings are communicated to Management and the ARMC with recommendations for improvements and follow-up to confirm all agreed recommendations are implemented. The Internal Audit plan is reviewed and approved by the ARMC; and
- (vi) Regular interactive meetings between the external and internal auditors to identify and rectify any weakness in the system of internal controls.

3. Internal Audit Function

The Board acknowledges its overall responsibility for maintaining a sound system of internal controls that provides assurance of effective and efficient operations and compliance with laws and regulations including its internal procedures and guidelines. The size and complexity of the operations may give rise to risks of unanticipated or unavoidable losses.

The Group's internal audit function is outsourced to an independent professional firm. The firm was appointed by ARMC and reports directly to the ARMC. Its role is to assist the Board and ARMC in providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's internal control system. The management is responsible for ensuring that corrective actions are taken on reported weaknesses and the internal audit function will carry out subsequent follow-up review to ensure the identified areas are rectified for control improvement.

Internal audits were conducted on the internal control system of service administration, inventory management, preparation of budget and sales performance against budget and project management of the Group's automobile and property business operations respectively.

The Board has reviewed the adequacy and effectiveness of the Group's risk management activities and internal control framework and ensured that necessary actions have been or are being taken to rectify weaknesses identified. The Board concludes that continual improvement on the effective system of risk management and internal control is in place to safeguard the shareholders' investment and the Group's assets.

Based on the internal audit review conducted, none of the weaknesses noted have resulted in any material losses, contingencies or uncertainties that would require a separate disclosure in this Annual Report.

The total cost incurred by the IA function is RM52,704 for the financial period ended 30 June 2019.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

MANAGEMENT'S ASSURANCE

The Executive Director representing the management, has given reasonable assurance to the Board that the Group's risk management and internal control systems are adequate and effective, in all material aspects, based on the risk management and internal controls adopted by the Group and similar assurance given by the respective heads of operations.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

The external auditors have reviewed this Statement on Risk Management and Internal Control for inclusion in the annual report of the Group for the financial period ended 30 June 2019 and reported to the Board that nothing has come to their attention that causes them to believe that the statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and effectiveness of the Group's risk management and internal control system.

CONCLUSION

The Board is satisfied that, during the financial period under review, the existing system of internal controls and risk management is sound and adequate to safeguard the Group's assets at the existing level of operations of the Group. The Board recognizes that the development of internal control system is an ongoing process. Therefore, in striving for continuous improvement, the Board will continue to take appropriate action plans to further enhance the Group's system of internal control.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

The primary objective of the ARMC is to establish a documented, formal and transparent procedure to assist the Board in fulfilling its fiduciary responsibilities relating to corporate accounting, financial reporting practices, a system of risk management and internal control, the audit process and the process of monitoring compliance with laws and regulations.

COMPOSITION

The present members of the ARMC are as follows:

Chairman

Ho Pui Hold
(appointed w.e.f. 01/02/2019) Independent Non-Executive Director

Members

Mark Chew Shin Yong Independent Non-Executive Director

Jean-Michel Fink
(appointed w.e.f. 23/08/2018) Independent Non-Executive Chairman

TERMS OF REFERENCE

The Terms of Reference of the ARMC which laid down its duties and responsibilities are accessible via the Company's website at www.permaju.com.my.

FINANCIAL LITERACY OF THE AUDIT AND RISK MANAGEMENT COMMITTEE MEMBERS

The members of the ARMC have the relevant experience and expertise in finance and accounting, and have carried out their duties in accordance with the Terms of Reference of the ARMC. The qualification and experience of the individual ARMC members are disclosed in the Directors' Profiles in the Annual Report.

All members of ARMC have also undertaken and will continue to undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules as and when required.

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

ATTENDANCE OF MEETINGS

During the financial period ended 30 June 2019, the ARMC held nine (9) meetings. Details of the attendance of committee members are as follow:

Name	Attendance	Percentage of Attendance
Ho Pui Hold (appointed w.e.f 01/02/2019)	4/4	100%
Brid. General (Ret.) Datuk Muhamad Yasin Bin Yahya (retired w.e.f. 29/06/2018)	2/3	66%
Datuk Michael Lor Chee Leng (retired w.e.f. 29/06/2018)	3/3	100%
Mark Chew Shin Yong	7/9	78%
Tan Lay Chee (retired w.e.f. 29/06/2018)	3/3	100%
Jean-Michel Fink (appointed w.e.f. 23/08/2018)	5/6	83%
Yong Chung Sin (appointed w.e.f 23/08/2018) (resigned w.e.f 01/11/2018)	1/1	100%

SUMMARY ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL PERIOD

The following activities were carried out by the ARMC in the discharge of its functions and duties during the financial period:

- a) Reviewed the quarterly unaudited financial results and audited financial statements of the Group and the Company including the announcements pertaining thereto, before recommending to the Board for approval and release of the Group's results to Bursa Securities;
- b) Reviewed and discussed with external auditors on their audit planning memorandum on the statutory audit of the Group for the financial period ended 30 June 2019;
- c) Reviewed and discussed with the external auditors of their audit findings inclusive of system evaluation, audit fees, issues raised, audit recommendations and management's response to these recommendations;
- d) Evaluated the performance of the external auditors for the financial period ended 30 June 2019 covering areas such as calibre, quality processes, audit team, audit scope, audit communication, audit governance and independence and considered and recommended the re-appointment of the external auditors;
- e) Reviewed and assessed the adequacy of the scope and functions of the internal audit plan;
- f) Reviewed the internal audit reports presented and considered the findings of internal audit through the review of the internal audit reports tabled and management responses thereof;
- g) Reviewed the effectiveness of the Group's system of internal control;
- h) Reviewed the proposed fees for the external auditors and internal auditors in respect of their audit of the Company and the Group;

AUDIT AND RISK MANAGEMENT COMMITTEE REPORT

SUMMARY ACTIVITIES OF THE AUDIT AND RISK MANAGEMENT COMMITTEE DURING THE FINANCIAL PERIOD (CONT'D)

- i) Reviewed related party transactions and conflict of interest situation that may arise within the Company or the Group;
- j) Reviewed the Company's compliance with the Listing Requirements, applicable Approved Accounting Standards and other relevant legal and regulatory requirements;
- k) Reviewed the ARMC Report and Statement on Risk Management and Internal Control before recommending to the Board for approval and inclusion in the Annual Report; and
- l) Report to the Board on its activities and significant findings and results.

INTERNAL AUDIT FUNCTIONS AND ACTIVITIES

The Group has appointed an established external professional Internal Audit firm namely Messrs Mac & Associates PLT., headed by Mr. Josh Chuah Lai Meng, who graduated from Deakin University, Australia. He holds Certified Internal Auditors ("CIA"), Certified Risk Manager Assessor ("CRMA"), Quality Assurance Reviewer ("QAR") and Certification in Control Self-Assessment ("CCSA"). The Internal Audit firm appointed by the Company is independent of activities related to business operations and are free from any relationships or conflicts of interest, which could impair the objectivity and independence.

Internal audit provides independent assessment on the effectiveness and efficiency of internal controls utilising a global audit methodology and tool to support the corporate governance framework and an efficient and effective risk management framework to provide assurance to the ARMC.

The internal audit activities were reported directly to the ARMC based on the approved annual Internal Audit Plan. Any subsequent changes to the internal audit plan are approved by the ARMC. The approved annual Internal Audit Plan is designed to cover entities across all level of operations within the Group.

The Internal Auditors assists the Audit Committee in reviewing the effectiveness of the internal control systems whilst ensuring that there is an appropriate balance of controls and risks throughout the Group in achieving its business objectives. With the internal audit function being put in place, remedial actions can be taken in relation to weaknesses identified and noted in the systems and controls of the respective operating units. The setting up of the internal audit function is geared towards increasing efficiency and better management of resources in all aspects of the Group's operations.

The cost incurred for the Internal Audit function during the financial period is approximately RM52,704.

During the financial period under review, the following activities were carried out by the internal auditors in discharge of its responsibilities:

- Review of Internal Control of the Sales Function of Subsidiaries
- Risk Management Framework
- Revised ARMC Term of Reference

The ARMC and the Board are satisfied with the performance of the outsourced Internal Auditors and have in the interest of greater independence and continuity in the internal audit function, taken the decision to continue with the outsource of the Internal Audit function.

For further details on the risk management, internal controls and internal audit function, please refer to the Statement on Risk Management and Internal Control in this Annual Report.

STATEMENT OF DIRECTORS' RESPONSIBILITY

In Respect of the Audited Financial Statements

(pursuant to Paragraph 15.26(a) of the Main Market Listing Requirement of Bursa Malaysia Securities Berhad)

The Directors are responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and the Company as at the end of the accounting period and of their results and cash flows for the period then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

In ensuring the preparation of these financial statements, the Directors have observed the following criteria:

- Overseeing the overall conduct of the Company's business and that of the Group;
- Identifying principal risks and ensuring that an appropriate system of internal control exists to manage these risks;
- Reviewing the adequacy and integrity of Internal Controls System and Management Information System in the Company and within the Group;
- Adopting suitable accounting policies and apply them consistently;
- Making judgments and estimates that are reasonable and prudent; and
- Ensuring compliance with application Approved Accounting Standards in Malaysia.

The Directors are responsible for ensuring that the Group and the Company keep proper accounting records and other records which are closed with reasonable accuracy at any time the financial position of the Group and the Company.

The Directors are collectively responsible to ensure that the financial statements comply with the Listing Requirements of Bursa Securities, the provisions of the Companies Act, 2016 and applicable approved accounting standards in Malaysia.

The Directors are also responsible for taking such reasonable steps to safeguard the assets of the Group and to minimise fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group for the financial period ended 30 June 2019, appropriate accounting policies were used and applied consistently and supported by reasonable and prudent judgments and estimates. The Directors also consider that all applicable approved accounting standards have been complied with and further confirm that the financial statements have been prepared on a going concern basis.

OTHER DISCLOSURE REQUIREMENTS

Pursuant to the Listing Requirements of Bursa Securities

1. UTILISATION OF PROCEEDS FROM CORPORATE EXERCISE

At the Extraordinary General Meeting held on 29 June 2018, the shareholders of the Company have approved the Proposed renounceable rights issue of up to 936,309,855 new Irredeemable Convertible Preference Shares in Permaju ("ICPS") ("Rights ICPS") at an issue price of RM0.05 per Rights ICPS together with up to 93,630,985 free detachable Warrants ("Warrants") on the basis of 10 Rights ICPS together with 1 free Warrant for every 2 existing ordinary shares in Permaju held by the entitled shareholders of Permaju ("Proposed Rights Issue of ICPS with Warrants") and the Proposed Settlement of debt owing to Tan Sri Datuk Chai Kin Kong and Dato' Chua Tiong Moon in the aggregate sum of RM22,248,918 to be fully satisfied via the issuance of 444,978,360 ICPS ("Settlement ICPS") at an issue price of RM0.05 per Settlement ICPS ("Proposed Settlement").

On 8 October 2018, the Company had submitted an application to Bursa Securities to seek an extension of time to implement and complete this exercise. On 12 October 2018, Bursa Securities approved the extension of time of 6 months from 15 November 2018 up to 15 May 2019.

On 2 May 2019, the Company had submitted a second application to Bursa Securities to seek an extension of time to implement and complete this exercise. On 16 May 2019, Bursa Securities approved a further extension of 6 months till 15 November 2019.

2. AUDIT AND NON-AUDIT FEES PAID TO EXTERNAL AUDITORS

During the financial period, the Company and the Group has change their External Auditor from Messrs Ernst & Young (AF0039) to Messrs Afrizan Tarmili Khairul Azhar (AF1300) effective on 25 February 2019. The amount of audit and non-audit fees paid/payable to the external auditors by the Company and the Group respectively for the financial period ended 30 June 2019 were as follows:

Fee Incurred	Audit fee (RM)	Non-Audit fee (RM)
The Company	93,002	45,619
The Group	250,118	54,619

3. MATERIAL CONTRACTS

During the financial period, there were no material contracts entered into by the Company and its subsidiary involving Directors' and major shareholders' interests

4. CONTRACTS RELATING TO LOAN

During the financial period, there were no material contracts relating to loans entered into by the Company involving Directors and major shareholders

5. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE AND TRADING NATURE

There was no material Recurrent Related Party Transactions of a revenue or trading nature during the financial period.