

PERMAJU INDUSTRIES BERHAD

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

Minutes of the Twenty-First Annual General Meeting of the Company held at the Cempaka Room, 2nd Level, Hyatt Regency Kinabalu, Jalan Datuk Salleh Sulong, 88991 Kota Kinabalu, Sabah on Friday, 9 June 2017 at 10.00 a.m.

PRESENT : As per attendance list

IN ATTENDANCE : Mr Thayaparan a/l M. Rasiah (Joint Company Secretary)

1. **WELCOME**

Datuk Wira Chairman welcomed the Board Members and the Shareholders of the Company to the Twenty-First Annual General Meeting of the Company.

2. **QUORUM**

The Company Secretary confirmed that the requisite quorum was present for the meeting.

3. **CHAIRMAN'S ADDRESS**

3.1 Datuk Wira Chairman informed the floor that there were six ordinary resolutions to be tabled for consideration and approval from the shareholders. The Chairman explained that voting would be by way of poll in line with the amendments to the Listing Requirements of Bursa Malaysia Securities Berhad.

3.2 He notified the floor that the poll would be conducted by Tricor Investor & Issuing House Services Sdn. Bhd. as the Poll Administrator and the results of the poll would be verified by Coopers Professional Scrutineers Sdn. Bhd. as Independent Scrutineers.

3.3 He informed that the conduct of the poll would be deferred to the end of the Meeting to enable a more efficient running of the Meeting and only members and proxies appointed for the Meeting were allowed to vote, raise questions or seeks clarifications which were relevant to the proposed motions in the Agenda.

3.4 Datuk Wira Chairman stated that in the event of equality of votes, he as the Chairman would exercise his casting vote as provided in Article 55 of the Articles of Association of the Company.

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4. NOTICE

- 4.1 Datuk Wira Chairman briefed that the Notice of the Meeting had been sent to all shareholders in accordance with the Company's Articles of Association.
- 4.2 It was agreed that the notice convening the Meeting be taken as read.

5. AUDITED FINANCIAL STATEMENTS

- 5.1 Datuk Wira Chairman informed the Meeting that the first item on the Agenda was to receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon and asked the shareholders whether they had any questions thereon. He further mentioned that the said financial statements were meant for discussion only and did not require a formal approval from shareholders and hence it was not put forward for voting.
- 5.2 The Company Secretary informed the Meeting that the Company had received a letter dated 2 June 2017 from the Minority Shareholder Watchdog Group ("MSWG") pertaining to the Strategic and Financial Matters and Corporate Governance Matters of the Group. He further informed that MSWG had requested for the points raised by them to be presented at the Annual General Meeting and the Directors would be replying to them in due course.
- 5.3 He then asked the floor whether they would like the contents of this letter to be read out.
- 5.4 Mr Chuk Chin Leong replied that it was not necessary for the contents to be read out as a copy of the letter had already been distributed to those present.
- 5.5 En Norhisam bin Sidek, the Authorised Representative of MSWG requested for the Board's reply in the interest of the minority shareholders and all other stakeholders of the Company.

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- 5.6 Datuk Wira Chairman then replied to the following questions raised by MSWG:-

Strategic and Financial Matters

Reply to Question 1(i): What are the actions taken by the Board and why were they not effective in improving the Company's performance?

The Automobile Division had shown improvement where the loss before tax had reduced from RM5.5 million in 2015 to RM2.6 million in 2016 while maintaining the same level of revenue at RM68.4 million and RM68.9 million respectively when existing market conditions of the car industry has worsened. The workshop sales for 2016 had improved due to a recall campaign by Ford.

While the Property Division enjoyed good sales when the residential units were launched in 2015, but the slowdown in the property market in 2016 has greatly affected its sales.

In summary, the Automobile Division had improved its 2016 performance in view of the reduced losses. However, the Property Division relies on the market conditions improving to increase its sales.

Apart from the losses in the Property Division, the additional back provision of depreciation derived from the cessation of classification of assets held for sale that was transferred back to Investment Properties had worsened the Group Losses before tax for the financial year ended 31 December 2016.

Reply to Question 1(ii): How does the Board plan to improve the Group's performance given that the measures taken by the Board have failed to yield positive results?

For the Automobile Division, the Board is addressing the performance through:

- (a) increasing productivity and cost reduction wherever possible to reduce losses, which is seen in the improved performance in 2016, and move towards achieving breakeven in current climate and the near term.
- (b) started negotiation of possibility of diversifying through new brands.

If the above do not improve the performance or materialise, the Board would have no choice but to consider the following:

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- (a) disposal of Automotive Division - this would be considered if there are interested buyers
- (b) cessation of Automotive Division and rent the building.

While the Property Division relies on the tide of market conditions to improve its performance but the Division is actively looking into affordable housing to improve on its earnings.

Reply to Question 2(i): What was the staff turnover rate in FY2016?
The aftersales staff turnover in Automobile Division was 35%. As the number of staff is low, if there is a turnover, the percentage would be high.

Reply to Question 2(ii): What are the measures taken by the Board to ensure competent staff are retained?
The staff are paid market rate compensation but the competitors would increase the compensation to entice the staff to join them. The Board is assessing the remuneration package to be competitive and in line with the market.

Reply to Question 3: What was the nature of impairment loss on trade and other receivables amounting to RM1.8 million?
The impairment was due to dispute with the automobile principal on the warranty claims. This is mainly due to the constant process and procedure changes by the principal's restructuring of its business. In February 2017, the principal has conducted a training session on the warranty process and procedure to our aftersales team. We hope the process would remain stable instead of constant changes. However, we are still pursuing the claim on an amicable basis, and legal action would only be taken as a last resort.

Reply to Question 4: What is the financial impact of these changes of the building works to the Group?
The hypermarket project has not started, thus there are no financial impact from these changes.

Reply to Question 5(i): Could the Board provide more details on the properties?
These properties are the 2-storey terrace houses and 2½-storey terrace houses.

Reply to Question 5(ii): How many of these properties were sold subsequent to the year end?
As at 5 June 2017, 6 units of the properties were sold.

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Reply to Question 5(iii): Are there any new launches planned for FY2017?

The Property Division is only planning to launch 80 units of 3-storey shoplots after the launching of the hypermarket when all changes are confirmed. We believe the hypermarket would drive positive impact on both the sales of the remaining residential lots and the intended shoplots.

Corporate Governance Matters

Reply to Question 1: What was the basis for the bonus to be paid to the executive directors despite the Company's poor performance?

Despite the soft market conditions for the Automobile Division, the management was able to improve the financial conditions of the division. Further, the management of the Property Division was able to finalise the Mydin Project, which would have positive impact on the sales of the residential houses constructed and the possible launching of some shoplots. Thus, the directors are compensated accordingly.

Reply to Question 2: Does it mean that during FY2017, no allowances or benefits-in-kind or any other benefits would be paid to the directors until such resolution is tabled at the AGM in 2018 and shareholders' approval obtained? Please explain.

There are no allowances and benefits-in-kind or any other benefits to be paid other than the directors' fees and those in the service agreements. The Board would check if the air tickets and hotel accommodation paid by the Company for directors to attend the Company's meetings are deemed as directors' benefits and subject to shareholders' approval.

Mr Low added that the management involved has been working hard on the Property Division, especially the hypermarket project which would only yield positive contributions in 2-3 years' time.

Reply to Question 3: Could the Board please explain why the Group's 5-year financial highlights were not included in the Annual Report?

The information is available on the website.

- 5.7 En Norhisam proposed that the Company could put the Company's link address in the Annual Report.
- 5.8 As there were no further questions from the floor, Datuk Wira Chairman declared that the Audited Financial Statements for the financial year ended 31 December 2016 together with the Reports of the Directors and Auditors thereon be properly laid and received.

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6. DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6.1 Members were informed that the proposed Ordinary Resolution 1 was to approve the payment of Directors' fees of RM300,000.00 for the financial year ended 31 December 2016.

6.2 Mr Chuk Chin Leong and Mdm Ho En Yin @ Katherine Fernandez ("Mdm Katherine Fernandez") proposed and seconded the resolution respectively.

7. DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 31 DECEMBER 2017

7.1 Members were informed that the proposed Ordinary Resolution 2 was to approve the payment of Directors' fees of RM300,000.00 for the financial year ending 31 December 2017.

7.2 Mdm Ho En Yin @ Katherine Fernandez ("Mdm Katherine Fernandez") and Mr Chuk Chin Leong proposed and seconded the resolution respectively.

8. RE-ELECTION OF MS CHAI WOON YUN

8.1 Members were informed that the proposed Ordinary Resolution 3 was for the re-election of Ms Chai Woon Yun as a Director of the Company who retired in accordance with Article 88 of the Company's Articles of Association.

8.2 Mdm Ho En Yin @ Katherine Fernandez ("Mdm Katherine Fernandez") and Mr Chuk Chin Leong proposed and seconded the resolution respectively.

9. RE-ELECTION OF MR CHANG YEW KWONG

9.1 Members were informed that the proposed Ordinary Resolution 4 was for the re-election of Mr Chang Yew Kwong as a Director of the Company who retired in accordance with Article 88 of the Company's Articles of Association.

9.2 Mr Chuk Chin Leong and Mdm Ho En Yin @ Katherine Fernandez ("Mdm Katherine Fernandez") proposed and seconded the resolution respectively.

10. RE-APPOINTMENT OF AUDITORS

- 10.1 Members were informed that the proposed Ordinary Resolution 5 was for the re-appointment of Messrs Ernst & Young as Auditors of the Company and to authorise the Directors to determine their remuneration.
- 10.2 Mr Chuk Chin Leong and Mdm Ho En Yin @ Katherine Fernandez (“Mdm Katherine Fernandez”) proposed and seconded the resolution respectively.

SPECIAL BUSINESS

ORDINARY RESOLUTION

11. Continuing in office as an Independent Non-Executive Director

- 11.1 Members were informed that Ordinary Resolution 6 was to seek the approval of the shareholders for Brig. General (Ret.) Datuk Muhamad Yasin bin Yahya who has served as an Independent Non-Executive Director of the Company for a cumulative term of more than nine years to continue to act as an Independent Non-Executive Director of the Company until the conclusion of the next Annual General Meeting.
- 11.2 Mdm Ho En Yin @ Katherine Fernandez (“Mdm Katherine Fernandez”) and Mr Chuk Chin Leong proposed and seconded the resolution respectively.

12. CONDUCT OF POLL

- 12.1 Before proceeding with the polling and at the request of Datuk Wira Chairman, the Company Secretary explained the polling procedures. The Company Secretary then read the polling procedures.
- 12.2 As there were no questions from the floor, Datuk Wira Chairman called upon the members to proceed to cast their votes.
- 12.3 As there were no more voting slips to be collected, Datuk Wira Chairman requested the Independent Scrutineer to proceed with the verification and counting of the votes.
- 12.4 Datuk Wira Chairman adjourned the Meeting at 10.33 a.m. to facilitate with the counting of the votes.
- 12.5 He then invited the members to have some refreshments.

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13. DECLARATION OF POLL RESULTS

13.1 The Meeting resumed at 10.39 a.m. with the requisite quorum being present.

13.2 Datuk Wira Chairman then called the Meeting to order for the declaration of results. He informed that the poll voting results had been duly validated by the Independent Scrutineer.

13.3 He announced the results as follows:-

Resolution(s)	Vote For		Vote Against		Total Votes	
	No. of Units	%	No. of Units	%	No. of Units	%
Ordinary Resolution 1	44,459,967	99.9998	100	0.002	44,460,967	100.000
Ordinary Resolution 2	44,459,967	99.9998	100	0.002	44,460,967	100.000
Ordinary Resolution 3	44,459,967	99.9998	100	0.002	44,460,967	100.000
Ordinary Resolution 4	44,459,967	99.9998	100	0.002	44,460,967	100.000
Ordinary Resolution 5	44,460,967	100.000	0	0.000	44,460,967	100.000
Ordinary Resolution 6	44,459,967	99.9998	100	0.002	44,460,967	100.000

13.4 Based on the results, Datuk Wira Chairman declared that all the resolutions were carried.

14. VOTE OF THANKS

On the proposal of Mr Low Teng Lum and seconded by Mr Lee Caw Cing, a vote of thanks was proposed to Datuk Wira Chairman.

15. CLOSURE

There being no other business to discuss, the Meeting ended at 10.40 a.m.

Signed as a correct record

CHAIRMAN

Date: 25 August 2017