PEGASUS HEIGHTS BERHAD

2017
ANNUAL REPORT

Artist's Impression

Artist's Impression

Artist's Impression

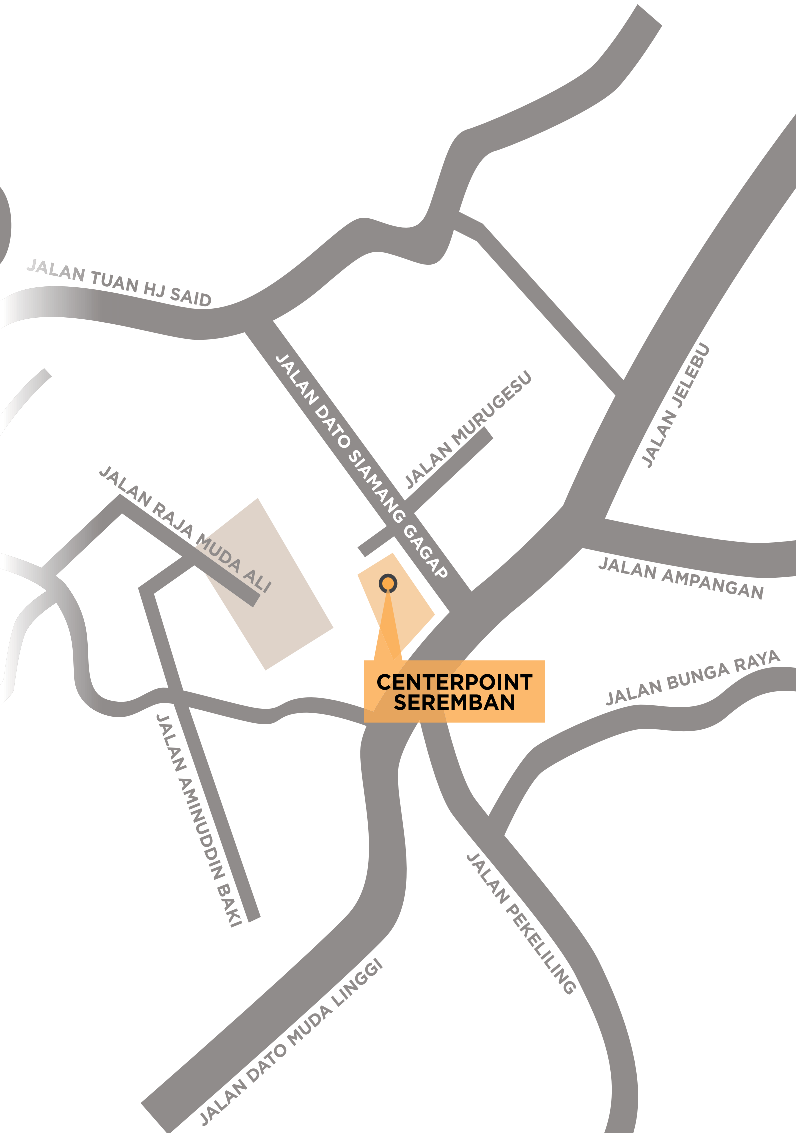
Artist's Impression

CENTERPOINT SEREMBAN

WITH ITS NEW VIBRANT LOOK, IT HAS OPEN ITS DOOR TO PEOPLE IN SEREMBAN TO ENJOY AN EXCITING SHOPPING EXPERIENCE

LEASING ENQUIRIES
0111 930 0000

Address:
33, Jalan Dato Siamang Gagap,
Betaria Business Centre,
70100 Seremban, Negeri Sembilan



PEGASUS HEIGHTS BERHAD

Pegasus Heights Berhad (19727-P)
1-40-1, Berjaya Central Park, 105, Jalan Ampang,
Kuala Lumpur, 50450 Kuala Lumpur
Tel: +603-2181 3553

SERSOL

GLOSS FINISH

Wood & Metal Finish

- For Protection & Decoration of Wood & Metal
- For Both Exterior & Interior Use
- Excellent Gloss Retention
- Rust Resistant with Good Durability
- Fungal Resistant

ANTI FUNGAL & ALGAE

ANTI RUST

RoHS COMPLIANCE

SERSOL

INTERIA

Luxury Interior Finish

- Low Odour
- Good Washability
- Easy Application
- Good Scrub Resistance

SERSOL

Manufacturing Address:
No. 28, Jalan Canggih 1, Taman Perindustrian Cemerlang,
81800 Ulu Tiram, Johor. Malaysia.
Tel : 07-861 1112/3 Fax : 07-863 3116 / 861 9261
E-mail : msjb@multisquare.com Website : www.sersoltech.com

ANTI FUNGAL & ALGAE

RoHS COMPLIANCE

LOW VOC

SERSOL

EXTERIA

Acrylic Exterior Wall Finish

- Excellent Adhesion & Durability
- Superb Matt Finishing

100% PURE ACRYLIC EXTERIOR WALL FINISH

UV RESISTANCE

ANTI FUNGAL & ALGAE

RoHS COMPLIANCE

5 years PERFORMANCE WARRANTY

CORPORATE INFORMATION

BOARD OF DIRECTORS
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Non-Independent Non-Executive Chairman

Dato' Sri Lee See Yang
Executive Director

Low Tuck Meng
Executive Director

Toh Hong Chye
Executive Director

Chua Eng Chin
Independent Non-Executive Director

Dato' Chiong Miaw Thuan
Independent Non-Executive Director

AUDIT COMMITTEE
Chua Eng Chin
Chairman
Independent Non-Executive Director

Dato' Chiong Miaw Thuan
Member
Independent Non-Executive Director

Dato' Abdel Aziz @
Abdul Aziz Bin Abu Bakar
Member
Non-Independent Non-Executive Director

NOMINATION COMMITTEE
Chua Eng Chin
Chairman
Independent Non-Executive Director

Dato' Chiong Miaw Thuan
Member
Independent Non-Executive Director

Dato' Abdel Aziz @
Abdul Aziz Bin Abu Bakar
Member
Non-Independent Non-Executive Director

REMUNERATION COMMITTEE
Dato' Chiong Miaw Thuan
Chairman
Independent Non-Executive Director

Chua Eng Chin
Member
Independent Non-Executive Director

Dato' Abdel Aziz @
Abdul Aziz Bin Abu Bakar
Member
Non-Independent Non-Executive
Director

STOCK EXCHANGE LISTING
Main Market Of Bursa Malaysia
Securities Berhad
Stock Code : 4464

REGISTERED OFFICE
Suite 10.03 Level 10
The Garden South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2279 3080
Fax : (603) 2279 3090

AUDITORS
UHY
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2279 3088
Fax : (603) 2279 3099

COMPANY SECRETARY
Tan Tong Lang
(MAICSA No. 7045482)

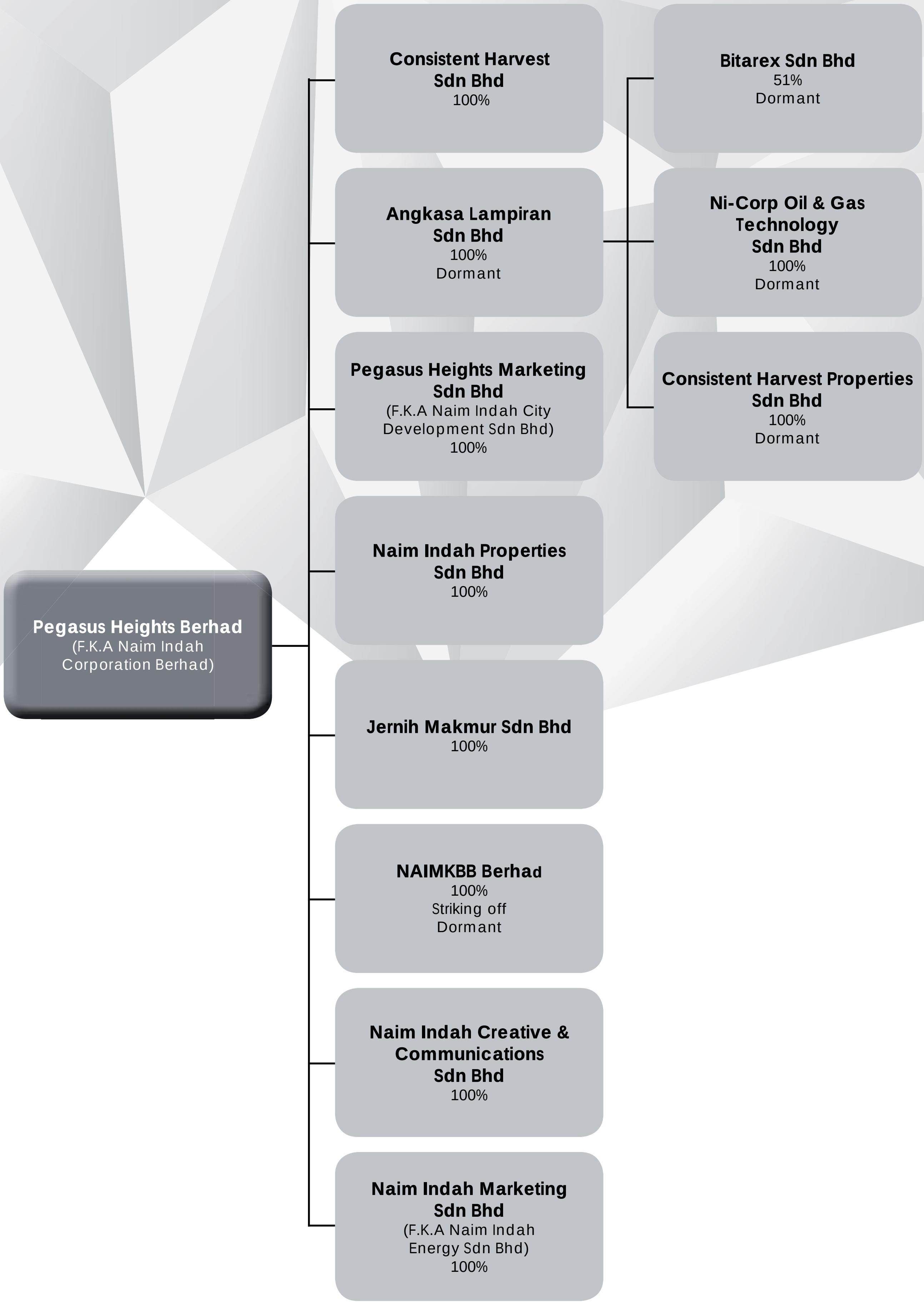
SHARE REGISTRAR
Boardroom Corporate Services (KL) Sdn Bhd
Lot 6.05, Level 6
KPMG Tower
8 First Avenue
Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (603) 7720 1188
Fax : (603) 7720 1111

PRINCIPAL SOLICITOR
David Lai & Tan

PRINCIPAL PLACE OF BUSINESS
1-40-1, Menara Bangkok Bank,
Berjaya Central Park,
50450 Kuala Lumpur
Tel : (603) 2181 3553
Website : www.pegasusheights.com

PRINCIPAL BANKERS
Malayan Banking Berhad
Public Bank Berhad
RHB Bank Berhad

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS

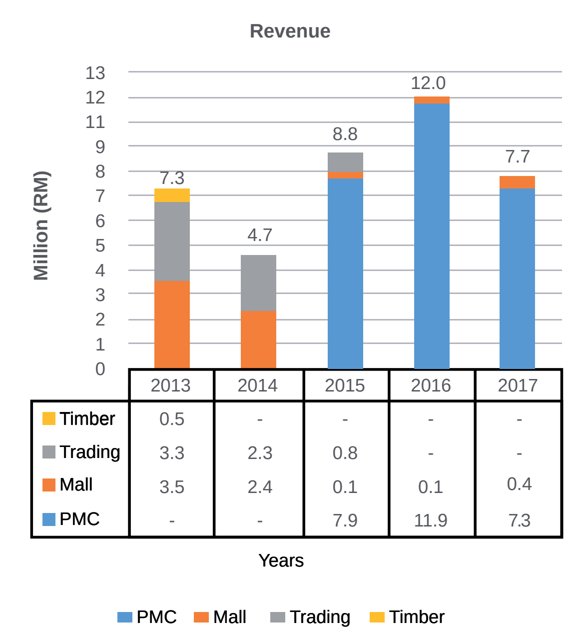
Overview of Group Business and Operation

Pegasus Heights Berhad (formerly known as Naim Indah Corporation Berhad) ("the Company") is a public company, incorporated on 1st August 1974 in Malaysia. The Company is listed on the Main Market of Bursa Malaysia Securities Berhad.

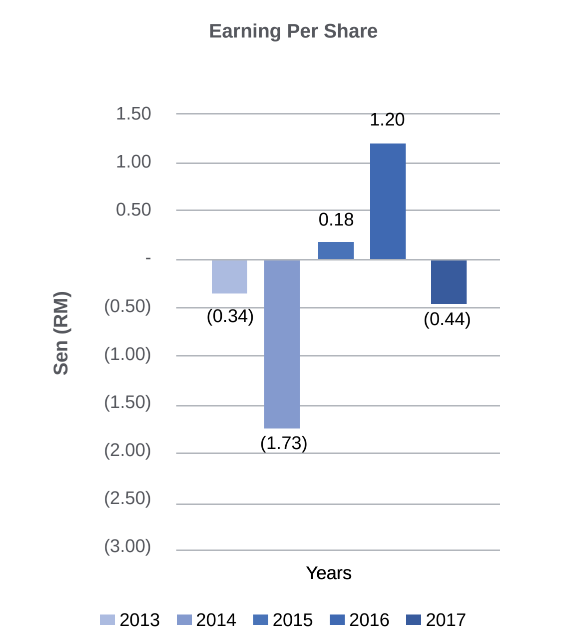
The Company is an investment holding company with subsidiaries (collectively defined as "Group") mainly involved in the following:

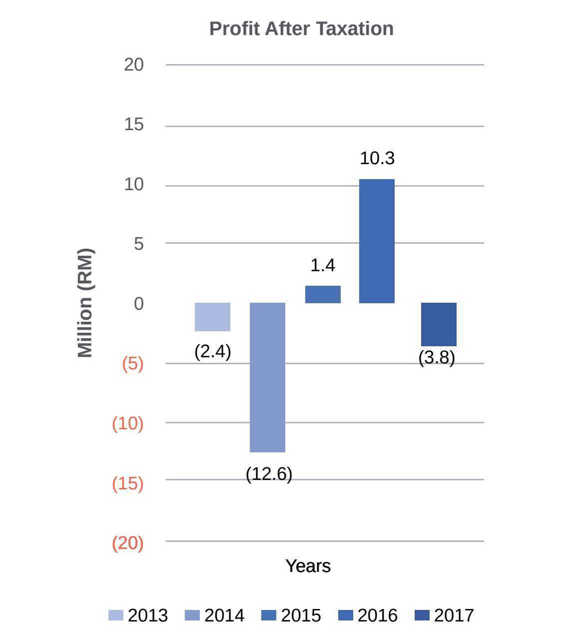
- Project Management Consultant ("PMC") for property development and marketing events;
- Owning and operating a Shopping Mall under the name Centerpoint Seremban Mall;
- Investment holding and provision of management and administrative services; and
- Trading activities.

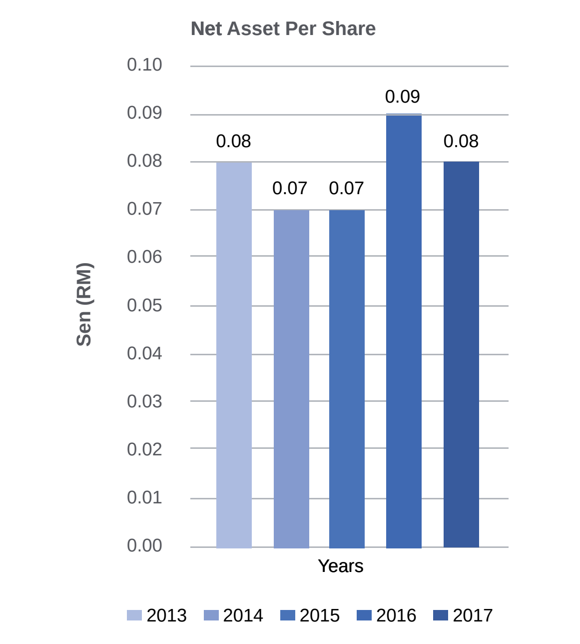
The Group have two major reportable business segments identified based on business segments namely PMC and property management.



	2013	2014	2015	2016	2017
Timber	0.5	-	-	-	-
Trading	3.3	2.3	0.8	-	-
Mall	3.5	2.4	0.1	0.1	0.4
PMC	-	-	7.9	11.9	7.3







MANAGEMENT DISCUSSION AND ANALYSIS
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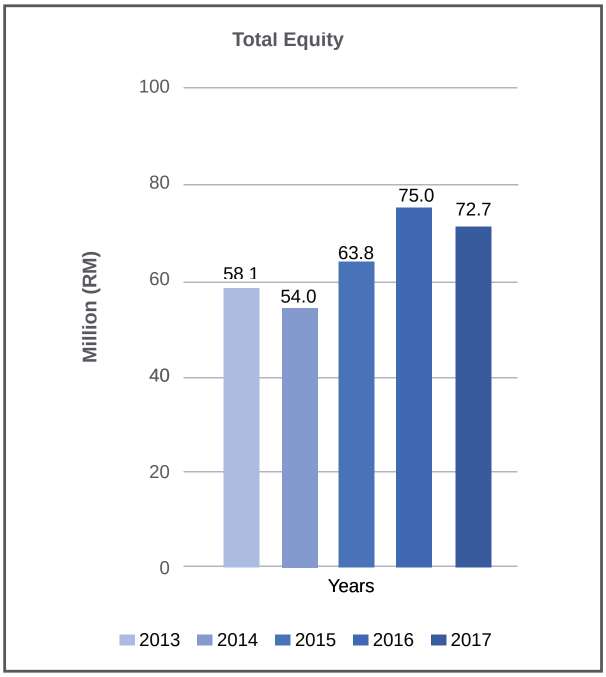
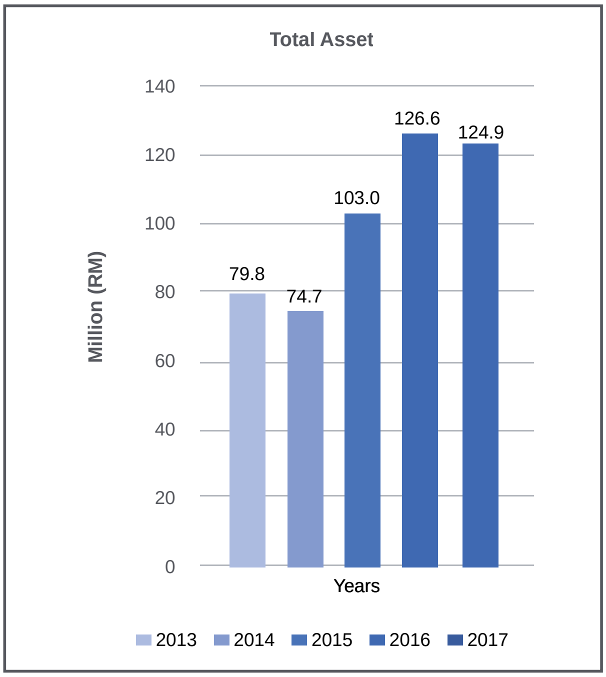




Discussion and Analysis of Financial Results

Financial Results and Key Performance Indicators	2013	2014	2015 (As restated)	2016	2017	2017 vs 2016
	RM'000	RM'000	RM'000	RM'000	RM'000	Changes
Gross Revenue	7,329	4,690	8,855	12,015	7,740	-36%
(Loss) / Profit After Taxation	(2,402)	(12,556)	1,362	10,334	(3,801)	-137%
Basic (Loss) / Earnings Per Share (sen)	(0.34)	(1.73)	0.18	1.20	(0.44)	-136%
Total Asset	79,824	74,650	103,019	126,607	124,885	-1%
Total Equity	58,119	53,988	63,834	75,007	72,683	-3%
Net Asset Per Share	0.08	0.07	0.07	0.09	0.08	-4%

Financial Review

Revenue

The Group's gross revenue decreased by 36% to RM7.74 million for the current financial year. The main reason was due to one of the PMC contract with Lagenda Erajuta Sdn Bhd had been terminated in FYE 2017. The Group's gross revenue generated from the remaining PMC project also decreased during the third quarter of FYE 2017 due to the slow progress on the ground work on a project site.

The other contributor to the Group's revenue was Consistent Harvest Sdn Bhd, a subsidiary of the Company, which owns and operates a shopping mall under the name Centerpoint Seremban Mall which generated a revenue of approximately RM0.3 million to the Group in FYE 2017.

Profits

In FYE 2017, the Group recorded a loss after taxation of RM3.801 million as compared to profit after tax of RM10.334 million in FYE 2016. This was caused by reduced project management consultancy services for FYE 2017. In addition, there was a gain on revaluation in FYE 2016 amount of RM11.52 million, which did not occur in FYE 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Liquidity and Capital Resources

As at FYE 2017, the Group recorded cash and bank balances of RM0.96 million and bank overdraft of RM3.0 million (2016: Cash and bank balances RM0.08 million and bank overdraft RM2.9 million), as the cash was mainly utilized for working capital of the Group. The Group would constantly source for financing to ease the overall cash flow requirement.

There was no material commitment on capital expenditure and no changes to the capital resources for the Group for FYE 2017.

Business Segments

By Segments	Gross Revenue				Profit Before Taxation			
	FY2017		FY2016		FY2017		FY2016	
	RM'000	(%)	RM'000	(%)	RM'000	(%)	RM'000	(%)
Project Management Consultancy ("PMC")	7,340	95%	11,884	99%	5,800	-163%	9,911	79%
Mall								
-Operation	400	5%	131	1%	(3,655)	103%	(3,106)	-25%
-Fair value gain	-	-	-	-	-	-	11,520	92%
Investment holding	-	-	-	-	(5,696)	160%	(5,824)	-46%
Trading	-	-	-	-	-	-	-	-
Total	7,740	100%	12,015	100%	(3,551)	100%	12,501	100%

Project Management Consultancy

In FYE 2017, the overall properties market slowdown had affected the revenue of PMC segment and Group result in FYE 2017. The PMC segment reported a total revenue of RM7.34 million (2016: RM11.88 million), representing 95% (2016: 99%) of the Group total revenue.

Centerpoint Seremban Mall

In FYE 2017, the Mall reported a total revenue of RM0.40 million (2016: RM0.13 million), representing 5% (2016: 1%) of the Group total revenue. In November 2017, the Mall was under refurbishment with upgrading works and enhancement to improve the mall's atmosphere and offer new lifestyle to the community.

As at 31 December 2017, the Mall's occupancy rate recorded at 19% and is pending the remaining 35%, which tenants had signed the letter of offer, to convert into actual tenants. To increase occupancy rate, the Management had appointed a third party consultant to approach potential tenants to join the Mall. The increasing population in Seremban will spur the domestic market to demand for better shopping experience. The fresh look of our Mall with active marketing activities will create attraction and raise awareness of the Mall to the surrounding community.

Market Outlook/ Prospect

Overall Economic Overview

In 2017, Malaysia's GDP recorded at 4.9% (2016: 4.5%), as exports expanded at a faster rate than import and increase in fixed investment while private consumption remains robust, supported by continuing spending on infrastructure by government and capital spending in the manufacturing and services sector. On the supply side, growth will be driven by the manufacturing and services sectors. While overall domestic demand expanded in moderate pace, as the improvement in private consumption and investment activity was offset by decline in public expenditure

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Market Outlook/ Prospect (Cont'd)

Overall Economic Overview (Cont'd)

Moving forward, the external environment may continue to remain challenging while the Malaysia economy will experience sustained growth with the primary driver being domestic demand. Private consumption is anticipated to remain supported by wage and employment growth, with additional impetus coming from announced Government measures to support disposable income of households. Investment activity will continue to be anchored by the on-going implementation of infrastructure projects and capital spending in the manufacturing and services sectors.

For 2018, Malaysia GDP forecast to grow at a pace of 5.0%-5.2%, as global growth slowdown, rising volatility in commodity prices and uncertainty in the major developed economies.

Outlook for the PMC Market

The property market moderated in the year 2017. The total transaction recorded decreased in volume and in value. On the supply side, the number of housing approvals for construction approved by government declined on an annual basis. As for the demand side, the loan applications for purchase of residential and non-residential has sunk.

However, the property market in 2018 remains optimistic. Given the resiliency of the economy and expected GDP economic growth of 5.0-5.2%. The property market is expected to have a market correction and leans towards an affordable segment where the market remains at a high demand, though property market may experience some moderation in market activity, the slowdown would be manageable as the market fundamentals remain sound and stable.

The Group will continue to look for more PMC contracts as the property market remains positive while construction market remain as the key driver of GDP economic growth where government continues investing in infrastructure such as High Speed Rail and on-going big project like Mass Rapid Transit 2 and Sabah Pan Borneo highway which will boost project development as infrastructure improved. This would result in opportunities being created for the Group to secure more projects.

Outlook for the Property Management

Despite the significant supply of shopping mall, it is mostly located in states such as Selangor and Kuala Lumpur. Considering the location of Centerpoint Seremban Mall, which is located in sub-urban area, provides lesser competition to the mall. Meanwhile, the strategic location of the mall provide convenience to the neighborhood.

Our concept is to be compatible with the public where we source for suitable tenants to join our mall. The occupancy rate for retail market in Seremban is expected to remain positive as Seremban is having a rapid growth with a population of 1.1 million and well-connected infrastructures and future high speed rail projects.

Dividend

The Board had not proposed any dividend for the financial year ended 31 December 2017.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

Risks

Credit and liquidity risk

The Group also has established a credit policy with procedures and collection process policies to ensure proper monitoring processes are in place to mitigate the risks. The preventive measures taken by the Group was a credit evaluation process on the customers to analyse the customers' ability and background as part of the risk management.

As at 31 December 2017, the Group's statement of financial position indicate a liquidity risk within the Group. The current assets have a lower value than the current liabilities. To mitigate the risk, the Group had carried out a debt and creditors capitalization exercise and approved by the Bursa Malaysia and shareholders in Year 2018. After the corporate exercise taken in place, the company financial position had a better ratio.

Cash flow risk

The Group recorded a cash and bank balances of RM0.96 million and bank overdraft of RM3.0 million as at FYE 2017, as the cash flow was mainly invested in the Mall for refurbishment and upgrading, provide growth in the long-term. To mitigate this risk, the Group had carried out a private placement corporate exercise and approved by bursa Malaysia and shareholder in January 2018 to raise funds for the Group's operation expenses and also to repay part of the bank borrowing to reduce the cost of funds. There was a total of RM10.2 million had been funded from the private placement corporate exercise in 21 March 2018.

Acknowledgement

On behalf of the Board, we would like to thank to all our business partners and shareholders for their continuing support and look forward to further mutual growth and success in the coming years. We would like to commend and thank the Group's personnel for their dedication and commitment in this difficult environment.

Dato' Sri Lee See Yang
Executive Director

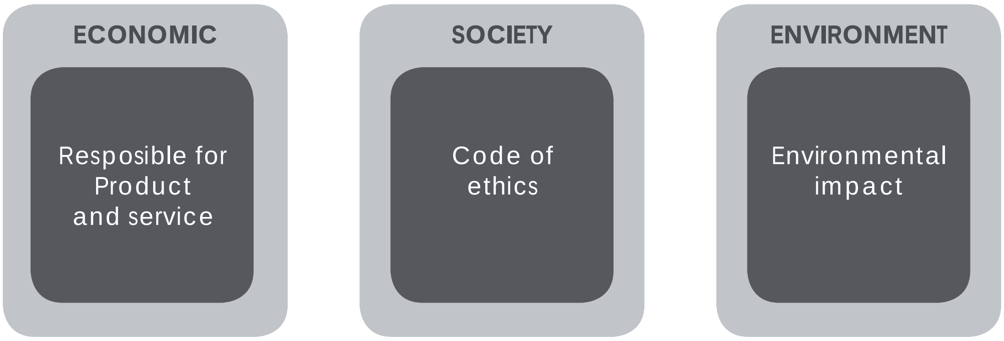
SUSTAINABILITY REPORT

Pegasus Heights Berhad ("PHB") believe that "Sustainability goals and targets are an integral part of an organisation's business strategy and the right sustainability strategy will enhance the efficiency of the organisation's existing operation".

To ensure sustainable goals and targets are being achieve, we create a culture of sustainability within the Group and integrating the economic, society and environmental considerations into group's decision making.

MATERIALITY

During the financial year, we have focused on the Group's sustainability on three (3) material issues which are identified as follows:



ECONOMIC

As part of PHB's sustainability, the Company identifies new suitable business opportunities and which has the innovation to drive the company's growth through new products, services and customers. Such as to venture into new property investment, construction, trading activities and other feasible new development project.

To exploit new market and reduce the reliance on single business and overall risk of Group, we expanded our Project Management Consultancy business into advertising, marketing and events consultancy.

For the Mall business, we will put in more marketing effort to attract new and potential tenants. The Management will also continue to seek improvement in occupancy rate and manage its operational cost effectively.

We are committed in providing the highest level of customer service, and conducting business with high ethical standards, fairness and transparency, while welcoming quality assurance, responsible and diverse range of suppliers. To implement best practices and achieve economies of scale in the procurement of goods and services for Group is our main sustainability concern.

SUSTAINABILITY REPORT
(Cont'd)

SOCIETY

PHB believes that the Code of Ethics outlined below will provide a platform for directors and employees to conduct business under the most optimal and ethical conditions. We also believe in building high standards of ethical conduct will result to a long-term mutually beneficial business of relationship.

We have setup the following policies and guidelines to facilitate the business ethics of the group;-
- General business ethics
- Conflict of interest
- Public relation
- Commercial corruption

Policies and guidelines should be observed continuously to avoid potential conflicts, i.e. commercial transactions will be properly and accurately recorded and documented.

Our employees must make the disclosure to the board and management and obtain necessary approval if it will affect our sustainability principles of honesty, integrity and respect in doing business with or within the group.

We also pursue policies which prohibit the use of funds or assets of the Company for unlawful or improper purpose.

Practising Code of ethics to regulate ethical and promoting employees' sustainable behaviour and in some instances external stakeholders, will also prevent human rights violations and conservation of environmental resources

ENVIRONMENT

PHB places great emphasis on employees' health and safety. A strong health and safety culture would create a more productive team that enhances our operations, efficiency and value of the Group.

We have complied with the Environmental Quality Act, 1974 by establishing the Environmental Committee to enforce and regulate our employees' health and safety in the workplace. We also conduct safety training for our employees and subcontractor's employees to increase their safety awareness.

In addition, we also created our own Occupational Safety and Health Manual, which includes the Health and Safety Policy which sets out the procedures for a ''Safety and Health'' working environment.

COMMITMENT

Sustainability is a useful management tool for an organisation as it acts as an indicator for risk management and business strategy on the economy, environment and society. PHB will continuously identify areas for improvement and recognises and manages sustainability-related risks.

DIRECTORS' PROFILE

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR
Non-independence Non-Executive Chairman

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar ("Dato' Abdel Aziz"), a Malaysian, male aged 64, was appointed as Executive Chairman of the Company on 7 October 2014 and subsequently redesignated as Non-Independent Non-Executive Chairman on 1 July 2016. He is the member of the Audit Committee, Remuneration Committee and Nomination Committee. Dato' Abdel Aziz is currently serves on the Board of Airasia Berhad as a Non- Independent Non- Executive Director. He is also a Trustee of Yayasan Astro Kasih which is the ultimate holding company of Astro Malaysia Holdings Berhad.

Dato' Abdel Aziz holds a Diploma in Agriculture Business from Universiti Pertanian Malaysia in 1975, BSc in Agriculture Business from Louisiana State University, United States of America in 1978, and an MBA from the University of Dallas, United States of America in 1980.

Previously, he had served as a Director of Airasia Berhad from 12 December 2001 to 11 October 2004 and then act as an Alternate Director to Dato' Pahamin Ab. Rajab from 11 October 2004. Subsequently, he was appointed as a Non-Executive Director of Airasia Berhad on 20 April 2005. On 16 June 2008, he was re-designated as a Non-Executive Chairman and subsequently on 6 November 2013 as a Non-Independent Non-Executive Director.

Dato' Abdel Aziz is currently the Executive Chairman of VDSL Technology Sdn Bhd and he also served as the Chairman of Performance and Artistes Rights Malaysia Sdn Bhd (PRISM), a collection society for performers of recorded music, and the Academy of Malaysian Music Industry Association (PAIMM) for more than 10 years until end of 2012 and January 2011, respectively.

From 1981 to 1983 he was the Executive Director of Showmasters (M) Sdn Bhd, an artiste management and concert promotion company. He subsequently joined BMG Music and was a General Manager from 1989 to 1997 and Managing Director from 1997 to 1999. Based on his vast experience and knowledge in growing companies, he shall provide his management expertise and skills in assisting the Group in the development and strategies in moving the Group to a higher level.

He does not have any family relationship with any major shareholders of the Company, has no conflict of interests with the Company, has not been convicted of any offence with the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017 .

As at the date of this Annual Report, Dato' Abdel Aziz holds 9,434,000 ordinary shares in the Company.

Dato' Abdel Aziz attended 5/6 the Board meetings of the Company held during the financial year ended 31 December 2017.

TOH HONG CHYE
Executive Director

Mr Toh Hong Chye, a Malaysian, male, aged 42, was appointed as Executive Director on 9 November 2017. Mr Toh holds a Master Degree in Business Administration in Finance from the International Islamic University Malaysia. He is also a Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

In 2002, Mr Toh began his own career and set up H.C. Toh & Co, a non-audit firm, involving in company secretary, accounting and business advisory of companies from various industries. His experience covers audit and assurance engagements, corporate reporting and compliance, taxation and wide ranging overseas exposures. He had been involved in the successful implementation of several corporate exercises which included merger and acquisition and corporate debt restructuring exercises undertaken by private and public listed companies. He also sits on the Board of AppAsia Berhad and SerSol Berhad as Executive Director.

He does not have any family relationship with any director and/or major shareholder of the Company, nor any conflict or interest in any business arrangement involving the Company. He has not been convicted of any offence within the past 5 years, other than traffic offences, if any and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

As at the date of this Annual Report, Mr Toh holds 86,004,657 ordinary shares in the Company.

Mr Toh did not attend any Board meeting of the Company during the financial year ended 31 December 2017, as the Company did not hold any Board meetings subsequent to his date of appointment.

DIRECTORS' PROFILE
(Cont'd)

LOW TUCK MENG
Executive Director

Mr Low Tuck Meng, a Malaysian, male aged 48, is an Executive Director of the Company and was appointed to the Board on 01 July 2016. Mr Low also sits on the Board of Komarkcorp Berhad as an Independent Non-Executive Director.

Mr Low is a Chartered Accountant by profession with Master of Business Administration (Finance) from University of Leicester, UK. He also a member of the Malaysian Institute of Accountants and a Fellow member of Association of Chartered Certified Accountants.

He started his professional career with a public accounting firm in 1995 and thereafter, he held various senior positions in private limited and public listed companies.

Mr Low was attached with Komarkcorp Berhad for the period from May 2002 to September 2007. He served as the Deputy Financial Controller, China operation and subsequently promoted to Group Financial Controller to head the entire group finance division.

Immediately prior to joining PHB as Chief Financial Officer on 3rd June 2015, he was attached with Hunter Douglas, a European multinational company. He was the Finance Director, China Operations for the period from October 2007 to December 2014 before promoted as Asia Shared Service Head in January 2015.

He is now the Group General Manager cum Chief Financial Officer of the Group.

As at the date of this Annual Report, Mr Low holds 180,000 ordinary shares in the Company. He has no family relation with any other Director and/or major shareholder of the Company, has no conflict of interests with the Company, has not been convicted of any offence with the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

Mr Low attended all six (6) Board meetings of the Company held during the financial year ended 31 December 2017.

DATO' SRI LEE SEE YANG
Executive Director

Dato' Sri Lee See Yang, a Malaysian, male, aged 47, was appointed as Executive Director of the Company on 16th October 2017. He was the Founder of Denby Sdn Bhd, a local distributor of Sweet Dream mattress which acted as a furniture wholesaler for the Malaysian market. He later expanded his business further and established Vitalmore Enterprise Sdn Bhd, which is a local manufacturer of furniture. Besides local business ventures, he also has over 20 years of experience in the import and export trade industry.

He has more than 25 years of experience in business management and development. He is a committed and passionate businessman which has abundant experience in management, sales and business development. Dato' Sri Lee See Yang is also recognized for his expertise in mentoring and mediating between employees, conceptualising and executing new business directions and motives, and application of critical thinking and problem solving.

He does not hold only directorship in other public listed Company. As at the date of this Annual Report, Dato' Sri Lee holds direct shareholding of 109,054,633 ordinary shares and indirect shareholding of 10,000,000 ordinary shares which held by his spouse in the Company. Dato' Sri Lee does not have any family relationship with any other Director and/or major shareholders of the Company, has no conflict of interest with the Company, has not been convicted of any offense within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

Dato' Sri Lee attended one (1) Board meeting of the Company held during the financial year ended 31 December 2017, as there was only one (1) Board meeting held since his date of appointment.

DIRECTORS' PROFILE
(Cont'd)

CHUA ENG CHIN
Independent Non-Executive Director

Mr Chua Eng Chin, a Malaysian, male, aged 58, is an Independent Non-Executive Director of the Company and was appointed to the Board on 26 September 2013. He is the Chairman of the Audit Committee and Nomination Committee and also a member of Remuneration Committee.

He is a Fellow member of the Association of Chartered Certified Accountants and also a member of Malaysian Institute of Accountants.

After qualified as Chartered Accountant in 1984, he started his career in an accounting firm where he specializes in auditing and consultancy works. He had serve in the internal audit department of Public Companies such as the Lion Group and the Berjaya Group. He also served as Senior Accountant in Berjaya Textiles Berhad and Senior Manager in Malpac Holdings Berhad. Mr. Chua is currently a Commissioned Dealer Representative with PM Securities Sdn Bhd and a Non-Independent Non-Executive Director in Tiger Synergy Berhad.

As at the date of this Annual Report, Mr Chua holds indirect shareholding of 250,000 ordinary shares which held by his spouse in the Company. He has no family relation with any other Director and/or major shareholder of the Company has no conflict of interests with the Company, has not been convicted of any offence with the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

Mr Chua attended all six (6) Board meetings of the Company held during the financial year ended on 31 December 2017.

DATO' CHIONG MIAW THUAN
Independent Non-Executive Director

Dato' Chiong Miaw Thuan, a Malaysian, female, aged 34, was appointed as an Independent Director of the Company on 16th October 2017. She is currently serves as Chief Financial Officer of Diamond Pavilion Sdn Bhd since the beginning of 2010. Dato' Chiong Miaw Thuan is an experienced officer in the accounting field and has over 14 years industry knowledge, which accrued through her tenure at reputable accounting firms. She is also recognized for her skills in mentoring and mediating, accrued understanding of financial situations and application of critical thinking and problem solving.

She began her career with Cave & Cellar Sdn Bhd and involved in accounting and administrative tasks for 4 years. She then worked with SH Management Service and managed the accounts and audit taxes. She also worked with Panaproperty Sdn Bhd, an investment property company; and Clover Classic Sdn Bhd, a wholesaler of fashion which in charge of the financial aspects of the business. She holds a Diploma in Accounting.

She does not hold any directorship in other public listed Company.

She does not have any family relationship with any other Director and/or major shareholders of the Company, has no conflict of interest with the Company, has not been convicted of any offense within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2017.

Dato' Chiong Miaw Thuan attended one (1) Board meeting of the Company held during the financial year ended 31 December 2017, as there was only one (1) Board meeting held since her date of appointment.

PROFILES OF KEY SENIOR MANAGEMENT

MANDY TOH GUAT KHEM
DIRECTOR OF SUBSIDIARY/GENERAL MANAGER

Mandy Toh, Australian, female, aged 54, was appointed as Director of Consistent Harvest Sdn Bhd and oversees the business operations of the Company in Australia. She graduated with a Bachelor of Economics from Shinshu University, Japan. She has over 10 years of career experience in real estate & finance broking in Australia.

She is currently a licensed real estate agent and member of Mortgage & Finance Association of Australia (MFAA) & Credit and Investments Ombudsman (CIO).

Mandy Toh is the sister of Toh Hong Chye, Executive Director of PHB Berhad. She also does not hold any shares in 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 by any public sanctions or penalty by relevant regulatory bodies during the financial year.

She does not hold any directorships in any other public companies and listed issuers.

TIEW CHEE MING
ACCOUNTS MANAGER

Tiew Chee Ming, a Malaysian, Male, age 28, graduated from the Association of Chartered Certified Accountants (ACCA) in year 2014. Mr. Tiew is a Chartered Accountant, a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

He joined the company in year 2017 as an accounts manager which in charge of the financial department.

He does not have any family relationship with any Director and/ or substantial shareholder of the Company, nor does he have any personal interest in any business arrangement involving the Company.

He has not been convicted of any offence within the past 5 years, other than traffic offences, if any and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year.

He is an Independent Non-Executive Director of Appasia Berhad.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("**the Board**") of Pegasus Heights Berhad (formerly known as Naim Indah Corporation Berhad) ("**the Company**") recognises the importance of corporate governance and is committed to ensuring that the principles and best practices in corporate governance as set out in the Malaysian Code on Corporate Governance ("**the Code**") are observed and practised throughout the Company and its subsidiaries (collectively referred to as "**the Group**") so that the affairs of the Group are conducted with integrity and professionalism with the objective of safeguarding shareholders' investment and ultimately enhancing shareholders' value.

This statement outlines the following principles and recommendations which the Group has comprehended and applied with the best practices outlined in the Code and the Board will continue to take measures to improve compliance with principles and recommended best practices in the ensuing years:-

- Board Leadership and Effectiveness
- Effective Audit and Risk Management
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders

BOARD LEADERSHIP AND EFFECTIVENESS

The Board has considered and discussed a wide range of matters during the financial year ended 31 December 2017, including strategic decisions and reviewing of risk associated matters in the business. The Board is aware that decisions made for the business of the Group would affect a broad range of our stakeholders. While the Board seeks to ensure that the decisions were taken in a way that was fair and consistent with the Group's values, the Board also recognised the importance of balancing these with the need to support the long-term future of the business.

During the year, the Board undertook a review and updated its Board Charter and policies to reflect the revised regulatory expectations. These authoritative documents serve to guide the governance and conduct of the Board and its committees.

Moving forward, the Board, being in line with the national target of having 30% women on the boards of the listed issuers, will maintain a register of potential directors which include high-calibre female candidates and appoint them when the need arises.

Further details on how the Board operates as an effective board which is, collectively responsibility for the long-term sustainable success of the Group can be obtained in the Corporate Governance Overview Statement set out on page 15 to page 33 of this Annual Report.

EFFECTIVE AUDIT AND RISK MANAGEMENT

The Audit Committee ("AC") played a key role in ensuring integrity and transparency of corporate reporting. The AC's role is to review and challenge Management to ensure that appropriate disclosures of accounting treatment and accounting policies are made. The AC has a duty to provide assurance to the Board that robust risk management, controls and assurance process are in place. The AC continues to monitor the potential risks of the Group and ensures that mitigating factors are in place to ensure health, safety and business continuity of the Group.

Risk Management is a critical component of good management practice and effective corporate governance. With the Risk Management Framework being in place, the Board's decision-making was supported by sufficient information for the right discussions and considerations. The enhanced level of risk debate and greater involvement from the Management were also critical in ensuring that appropriate monitoring and mitigations were embedded to support the proposals under discussion.

The AC with the assistance of the Internal Audit had undertaken a thorough review of the Revenue and Accounts Receivables functions for project management consultancy within the Group to ensure that appropriate controls and effective management process are in place.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

During the financial year under review, the AC had also engaged Smart Focus Consulting Sdn Bhd to perform a risk assessment on the Company, which would assist the management to identify the risks of the Group and ensure sufficient mitigation plans are in place.

The Board will continue to drive a proactive risk management culture and ensure that the Group's employees have a good understanding and application of risk management principles towards cultivating a sustainable risk management culture. The Board will also continue to challenge the Group's risk reporting mechanism and ensure that it is data-driven to capture and quantify exposures where applicable and necessary.

Further details pertaining to the activities undertaken by the AC can be obtained in the AC report set out on page 37 to page 39 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

The Group recognises the importance of stakeholder engagement to the long-term sustainability of its businesses, means that as a Company, we must interact with, and acknowledge the potential impact of our operations upon a wide range of stakeholders in our duty as a responsible Company. For engagement to be constructive and meaningful, each matter considered by the Board therefore has to be in the context of relevant economic, social and environmental factors.

The Company has heightened its engagement efforts with stakeholders by engaging discussions with analysts, fund managers and shareholders, both locally and overseas, upon requests.

Moving forward, the Board intends to adopt a more mature form of sustainability reporting to stakeholders by implementing the International Integrated Reporting Framework in the Annual Report, allowing stakeholders to have a better understanding on the Group sustainability.

Further details on how this is achieved is explained in the Corporate Governance Overview Statement set out on page 15 to page 33 of this Annual Report.

PRELUDE

Over the next few pages, we would look at the Board, its role, performance and oversight. We will provide details on the Board's activities and discussions during the financial year, the actions arising from these and the progress made against them. We also provide an insight on director independence effectiveness and our Board evaluation, succession planning and induction and ongoing developments.

Good corporate governance of the Group is an important element of our Board environment. To support how we run the business and how we serve our stakeholders, it needs to be relevant, authentic and meaningful. The Board has used the three (3) key principles of the Code to articulate the Board's activities during the year:-

- Board Leadership and Effectiveness
  (page 17 to page 29)
- Effective Audit and Risk Management
  (page 30 to page 32)
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.
  (page 32 to page 33)

The required governance and regulatory assurance are provided throughout this statement reflecting their relevance to the business. The Company's application with the key practices and any departure thereof of the Code is set out in the Company's Corporate Governance Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Board of Directors

Pegasus Heights Berhad (formerly known as Naim Indah Corporation Berhad) ("the Company") and its subsidiaries ("the Group") acknowledge the pivotal role played by the Board of Directors ("the Board") in the stewardship of its directions and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board plays a critical role in setting the appropriate tone at the top and is charged with leading and managing the Group in an effective, good governance and ethical manner. The directors individually have a legal duty to act in the best interest of the Group and are also collectively aware of their responsibilities to the stakeholders for the manner in which the affairs of the Group are managed. The Board's responsibilities, amongst others include the following:-

a) Develop, review and monitor the Group's strategic plan and director and ensure that resources are available to meet its objectives.

b) Identify and review principal risks and ensure the implementation of appropriate systems to manage these risks.

c) Supervise the operation of the Group to evaluate whether established targets are achieved.

d) Monitor the compliance with legal, regulatory requirements and ethical standards.

e) Promote better investor relations and shareholder communications.

f) Ensure that the Group's core values, vision and mission; and shareholders' interests are met.

g) Review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

h) Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.

i) Initiate a Board self-evaluation program and follow up action to deal with issues arising and arrange for directors to attend courses seminars and participate in development programs as the Board deems appropriate.

j) Implement and ensure that the Company has appropriate corporate governance structures in place including standards of ethical behaviour and promoting a culture of corporate responsibility.

To assist in the discharge of its responsibilities, the Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

(i) Nomination Committee ("NC")
(ii) Remuneration Committee ("RC")
(ii) Audit Committee ("AC")

Each Board Committee operates within their approved terms of reference set by the Board which are periodically reviewed. The Board appoints the Chairman and members of each Board Committee.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

1. Board of Directors (Cont'd)

The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board may form other committees delegated with specific authorities to act on their behalf. These committees will operate under approved terms of reference or guidelines and are formed whenever required.

Board meeting agenda includes statutory matters, governance and management reports, which include strategic risks, strategic projects and operational items. The Board approves an annual performance contract setting the priorities director and performance targets for the Group within the parameters of the corporate plan.

The profile of each Director is presented on page 11 to page 13 of this Annual Report.

2. Separation of position of the Chairman and Executive Director

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and Executive Director of the Company are separately held and each has clearly accepted division of responsibilities and accountability to ensure a balance of power and authority. This segregation of roles also facilitates a healthy open, exchange of views between the Board and Management in their deliberation of the business, strategic aims and key activities of the Company.

The Chairman of the Board, Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar, a Non-Independent Non-Executive Director, leads the Board with focus on governance and compliance and acts as a facilitator at Board meetings to ensure that relevant views and contributions from Directors are forthcoming on matters being deliberated and that no Board member dominates the discussion. The Chairman's key responsibility, amongst others, includes the following:-

a) Leadership of the Board;

b) Overseeing the effective discharge of the Board's supervisory role;

c) Facilitating the effective contribution of all Directors;

d) Conducting the Board's function and meetings;

e) Briefing all Directors in relation to issues arising at meetings;

f) Scheduling regular and effective evaluations of the Board's performance;

g) Promoting constructive and respectful relations between Board members and between the Board and the Management.

The Executive Directors, Dato' Sri Lee See Yang and Mr Toh Hong Chye oversees the day-to-day operations to ensure the smooth and effective running of the Group. They also implement the policies, strategies, decisions adopted by the Board, monitors the operating financial results against plans and budgets and acts as a conduit between the Board and Management in ensuring the success of the Group's governance and management functions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

2. Separation of position of the Chairman and Executive Director (Cont'd)

During Board meetings, the Chairman maintains a collaborative atmosphere and ensures that all Directors contribute to the discussion. The Chairman and Executive Directors arrange informal meetings and events from time to time to build constructive relationships between the Board members.

The Executive Directors take on primary responsibility to spearhead and manage the overall business activities of the various business division of the Group to ensure optimum utilization of corporate resources and expertise by all the business divisions and at the same time achieve the Group's long term objectives. The Executive Directors are assisted by the heads of each division in implementing and running the Group's day-to-day business.

3. Supply of and Access to Information

All Directors have full and unrestricted access to all information pertaining to the Group's businesses and affairs in a timely manner to enable them to discharge their duties effectively.

Procedures have been established for timely dissemination of Board and Board Committee papers to all Directors and Board Committees in advance of the scheduled meetings. Notices of meetings are sent to Directors at least seven (7) days before the meetings. Management provides the Board with detailed meeting materials at least seven (7) days in advance of the Board or Board Committees' meetings. Senior Management may be invited to join the meetings to brief the Board and Board Committees on the requisite information on matters being discussed, where necessary.

Technology is effectively used in the meetings of Board and Board Committees and in communication with the Board, where the Directors may receive agenda and meeting materials online and participate in meetings via audio or video conferencing.

4. Commitment of the Board

The Board would meet at least five (5) times a year, at quarterly intervals which are scheduled at the onset of the financial year to help facilitate the Directors in planning their meeting schedule for the year. Additional meetings are convened where necessary to deal with urgent and important matters that require attention of the Board. All Board meetings are furnished with proper agendas with due notice given and Board papers are prepared by the Management and circulated to all Directors prior to the meetings.

All pertinent issues discussed at the Board meetings are properly recorded by the Company Secretary.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

4. Commitment of the Board (Cont'd)

The Board met five (6) times during the financial year ended 31 December 2017. The attendance of each Director at the Board Meeting held during the financial year ended 31 December 2017 is as follow:-

Directors	Number of meetings attended	%
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	5/6	83%
Dato' Sri Siaw Swee Hin (Resigned on 16 October 2017)	5/5	100%
Low Tuck Meng	6/6	100%
Cheang Soon Siang (Retired on 20 June 2017)	3/3	100%
Chua Eng Chin	6/6	100%
Hud bin Abu Bakar (Resigned on 30 April 2017)	2/2	100%
Dato' George Alfonso Miranda (Resigned on 11 August 2017)	4/4	100%
Dato' Chiong Miaw Thuan (Appointed on 16 October 2017)	1/1[1]	100%
Dato' Sri Lee See Yang (Appointed on 16 October 2017)	1/1[1]	100%
Toh Hong Chye (Appointed on 9 November 2017)	N/A[2]	N/A

[1] Only one board meeting was held since their appointment
[2] There was no board meeting held since his appointment

The Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities which is evidenced by the satisfactory attendance record of the Directors at each Board meeting.

It is the Board's policy for Directors to notify the Board before accepting any new directorship notwithstanding that the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") allow a Director to sit on the board of a maximum of five listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. At present, all Directors of the Company have complied with the MMLR where they do not sit on the board of more than five (5) listed issuers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

5. Continuous Development of the Board

The Board, via the NC, continues to identify and attend appropriate briefings, seminars, conferences and courses to keep abreast of changes in legislations and regulations affecting the Group.

All Directors have completed the Mandatory Accreditation Programme. The Directors are mindful that they would continue to enhance their skills and knowledge to maximize their effectiveness as Directors during their tenure. Throughout their period in office, the Directors are continually updated on the Group's business and the regulatory requirements.

Details of training programmes attended by the Directors during the financial year under review are as follows:

Directors	Date	Programmes attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	10 Apr 2017	Seminar for FTSE4 Good Bursa Malaysia Index
	01 Aug 2017	Driving Financial Integrity & Performance – Enhancing Financial Literacy Programme
	26 September 2017	Bursa Fraud Risk Management Workshop
Low Tuck Meng	17 Apr 2017	Financial business Partnering – Create Value, Staying Relevant
	14-15 Jun 2017	Financial & Predictive Modelling with Excel
	12-13 Dec 2017	Asia Pacific Smart Cities Forum
	14 Dec 2017	How to Manage Impairment of Various Assets
Dato' Sri Lee See Yang	6-7 Nov 2017	Mandatory Accreditation Programme
Toh Hong Chye	19-20 April 2017	A to Z Becoming Company Secretary Under The New Companies Act 2016
	17 July 2017	Rising up to the Challenges of Sustainability Reporting
Dato' Chiong Miaw Thuan	6-7 Nov 2017	Mandatory Accreditation Programme
Chua Eng Chin	10 May 2017	AMLA, Market Misconduct, Chinese Wall & Prevention of Insider Trading
	13 May 2017	Warrants and Call Warrants – How To Select Them

The Company Secretary also highlight the relevant guidelines on statutory and regulatory requirements from time to time to the Board. The external auditors on the other hand, briefed the Board on changes to the Malaysian Financial Reporting Standards that affect the Group's financial statements during the year.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

6. Board Committees

AC

The AC monitors internal control policies and procedures designed to safeguard the Group's assets and to maintain the integrity of financial reporting. The AC maintains direct, unfettered access to the Company's external auditor, internal auditor and management.

The AC Report is set out on page 37 to page 39 of this Annual Report.

A copy of the AC's Terms of Reference can be found in the Company's website at http://www.pegasusheights.com.

NC

The NC oversees matters related to the nomination of new Directors, annually reviews the required mix of skills, experience and other requisite qualities of Directors as well as the annual assessment of the effectiveness of the Board as a whole, its Committees and the contribution of each individual Director as well as identify candidates to fill board vacancies, and nominating them for approval by the Board.

The NC comprises three (3) members and are composed as follows for the financial year ended 31 December 2017:-

Director	Designation
Chua Eng Chin	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Dato' Chiong Miaw Thuan (Appointed on 2 November 2017)	Member
Dato' George Alfonso Miranda (Resigned on 11 August 2017)	Member

During the financial year ended 31 December 2017, the NC held one (1) meeting. Below is a summary of the key activities undertaken by the NC in discharge of its duty:-

(a) Reviewed the terms of reference;
(b) Determining the Directors whom are subject to re-election by rotation;
(c) Annual assessment of the Board, the Board Committees and the individual Directors;
(d) Reviewed the performance and term of office of AC; and
(e) Reviewed the composition of the Board of Directors of the Group.

A copy of the NC's Terms of Reference can be found in the Company's website at http://www.pegasusheights.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

6. Board Committees (Cont'd)

RC

The RC is responsible for recommending to the Board the remuneration principles and the framework for members of the Board and Senior Management.

The RC comprises three (3) members and are composed as follows for the financial year ended 31 December 2017:-

Director	Designation
Dato' Chiong Miaw Thuan (Appointed on 2 November 2017)	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Chua Eng Chin	Member
Dato' George Alfonso Miranda (Resigned on 11 August 2017)	Chairman

During the financial year ended 31 December 2017, the RC held one (1) meeting and all members registered full attendance. Below is a summary of the key activities undertaken by the RC in discharge of its duty:-

(a) Reviewed, assessed and recommended the remuneration packages of the Chief Executive Officer, the Executive Directors and Senior Management.
(b) Reviewed the remuneration package of Non-Executive Directors and their Meeting Allowances.

A copy of the RC's Terms of Reference can be found in the Company's website at http://www.pegasusheights.com/

7. Board Charter

The Company has established a Board Charter to promote high standards of corporate governance and the Board Charter is designed to provide guidance and clarity for Directors and Management with regard to the role of the Board and its committees. The Board Charter clearly sets out the key values and principles of the Company and further sets out the duties and responsibilities of the Board, the Chairman, the Chief Executive Officer, Senior Independent Director the Executive Directors and the Board Committees. The Board Charter also provides structure guidance and ethical standards for the Board in discharging their duties towards the Group as well as its operating practices. The Board Charter further entails the following issues and decisions reserved for the Board:-

a) approval of corporate plans and programmes;

b) approval of annual budgets, including major capital commitments;

c) approval of new ventures;

d) approval of material acquisitions and disposals of undertakings and properties; and

e) changes to the management and control structure within the Group, including key policies, delegated authority limits.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

7. Board Charter (Cont'd)

The Board Charter is reviewed annually by the Board to ensure it complies with legislations and best practices, and remains effective and relevant to the Board's objectives.

A copy of the Board Charter can be found in the Company's website at http://www.pegasusheights.com.

8. Code of Conduct and Code of Ethics

The Company has established a Code of Conduct and Code of Ethics which is also enshrined in the Board Charter to promote a corporate culture which engenders ethical conduct that permeates throughout the Group. The Code of Conduct is based on principles in relation to trust, integrity, responsibility, excellence, loyalty, commitment, dedication, discipline, diligence and professionalism. Where else the Code of Conduct is based on the principles in relation to integrity, transparency, accountability and corporate social responsibility.

The Board is focused on creating corporate culture which engenders ethical conduct that permeates throughout the Company. The Group practices the relevant principles and values in the Group's dealings with employees, customers, suppliers and business associates. The Directors, officers and employees of the Group are also required to observe, uphold and maintain high standards of integrity in carrying out their roles and responsibilities and to comply with the relevant laws and regulations as well as the Group's policies. Ongoing training is provided to staff on the Code of Conduct, Ethics and general workplace behaviour to ensure they continuously uphold high standard of conduct when performing their duties.

The Board is provided guidance on disclosure of conflict of interest and other disclosure information/requirements to ensure that the Directors comply with the relevant regulations and practices. In order to address and manage possible conflicts of interest that may arise between Directors' interests and those of the Group, the Company has put in place appropriate procedures including requiring such Directors to abstain from participating in deliberations during meetings and abstaining from voting on any matter in which they may also be interested or conflicted. The Directors of the Group are also required to disclose and confirm their directorships and shareholdings in the Group and any other entities where they have interests for the Company's monitoring on a half yearly basis or as and when required.

Notices on the closed period for trading in the Company's shares are sent to Directors and principal officers and the relevant employees on a quarterly basis specifying the timeframe during which they are prohibited from dealing in the Company's shares, unless they comply with the procedures for dealings during closed period as stipulated in the MMLR.

Details of the Code of Conduct and Code of Ethics can be found in the Company's website at http:/www.pegasusheights.com.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

9. Whistle Blowing Policy and Procedure

The Company has adopted a Whistleblowing Policy as the Board believes that a sound whistleblowing system will strengthen, support good management and at the same time, demonstrate accountability, good risk management and sound corporate governance practices. The policy is to encourage reporting of any major concerns over any wrongdoings within the Group.

The policy outlines the relevant procedures such as when, how and to whom a concern may be properly raised about the genuinely suspected or instances of wrongdoing at the Company and its subsidiaries. The identity of the whistleblower is kept confidential and protection is accorded to the whistleblower against any form of reprisal or retaliation. All such concerns shall be set forth in writing and forwarded in a sealed envelope to either the Chairman of the Board or the members of the AC.

10. Company Secretary

The Board is assisted by qualified and competent Company Secretary who plays a vital role in advising the Board in relation to the Group's constitution, policies, procedures and compliance with the relevant regulatory requirements, codes, guidance and legislations. The Company Secretary is a member of the Malaysian Institute of Chartered Secretaries and Administrators ("MAICSA"). All the Directors have unrestricted access to the advice and services of the Company Secretary for the purpose of the conduct of the Board's affairs and the business.

The Company Secretary constantly keep themselves abreast of the evolving capital market environment, regulatory changes and developments in corporate governance through attendance at relevant conferences and training programmes. He had also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or MAICSA for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretary in discharging its functions.

In addition, the Company Secretary is also accountable to the Board and is responsible for the following:

- Advising the Board on its roles and responsibilities.
- Advising the Board on matters related to corporate governance and the MMLR
- Ensuring that Board procedures and applicable rules are observed.
- Maintaining records of the Board and ensuring effective management of the Company's statutory records.
- Preparing comprehensive minutes to document Board proceedings and ensuring conclusions are accurately recorded.
- Assisting communications between the Board and Management.
- Providing full access and services to the Board and carrying out other functions deemed appropriate by the Board from time to time.
- Preparing agendas and co-coordinating the preparation of Board papers.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition

1. Composition and Diversity

The Directors are of the opinion that the current Board size and composition is adequate for facilitating effective decision making given the cope and nature of the Group's businesses and operations. The Board maintains an appropriate balance of expertise, skills and attributes among the Directors which is reflected in the diversity of backgrounds and competencies of the Directors. Such competencies include finance, accounting, legal, digital and other relevant industry knowledge, entrepreneurial and management experience and familiarity with regulatory requirements and risk management.

As at the date of this Statement, the Board consists of one (1) Non-Independent Non-Executive Chairman, Two (2) Independent Non-Executive Directors, and three (3) Executive Director. The composition of the Board ensures that the Independent Non-Executive Directors will be able to exercise independent judgment on the affairs of the Company.

The Board of Directors' profile can be found on page 11 to page 13 of this Annual Report.

2. Independency of Independent Directors

The tenure of the Independent Directors has yet to exceed a cumulative term of nine (9) years. Nonetheless, if such Independent Directors exceeded a cumulative term of nine (9) years, the Board would justify and seek annual shareholders' approval. In addition, if the Board continues to retain the Independent Directors after the twelfth (12th) year, the Board would seek annual shareholders' approval to authorise these Independent Directors to continue in office as Independent Directors through a two-tier process.

The Independent Directors play a crucial role in corporate accountability and provide unbiased views and impartiality to the Board's deliberations and decision-making process. In addition, the Independent Directors ensure that matters and issues brought to the Board are given due consideration, fully discussed and examined, taking into account the interest of all stakeholders. The Board, via the NC assesses each Director's independence to ensure on-going compliance with this requirement annually. The NC is satisfied that the Independent Directors are independent of Management and free from any business or other relationships which could interfere with the exercise of independent judgement, objectivity and the ability to act in the best interest of the Company.

3. Appointment of Board and Senior Management

The Board of Directors comprise of a collective of individuals having an extensive complementary knowledge and competencies, as well as expertise to make an active, informed and positive contribution to the management of the Group in terms of the business' strategic direction and development. The appointment of the Board and its Senior Management are based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender.

The NC will assess the suitability of the candidates before formally considering and recommending them for appointment to the Board or senior management. In proposing its recommendation, the NC will consider and evaluate the candidates' required skills, knowledge, expertise, competence, experience, characteristics, professionalism. For appointment of Independent Directors, considerations will also be given on whether the candidates meet the requirements for independence as defined in MMLR of Bursa Securities and time commitment expected from them to attend to matters of the Company in general, including attending meetings of the Board, Board Committees and Annual General Meeting ("AGM").

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

4. Gender Diversity

While the Board of Directors acknowledges the need to promote gender diversity within its composition and endeavour to increase female participation in the Board and Senior Management, it has decided not to set any specific targets as the Board believes that it is more important to have the right mix and skills for such positions.

Nonetheless, the Board has appointed Dato' Chiong Miaw Thuan as an Independent Non-Executive Director of the Company with effect from 16 October 2017 contributing to 16% of the Board composition, to contribute to the development of the Group.

The Company has adopted a diversity policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board and in Senior Management positions. This includes requirements for the Board to establish measurable objectives for achieving diversity on the Board and in management positions, and for the appropriate Board Committees to monitor the implementation of the policy, assess the effectiveness of the Board nomination process and the appointment process for management positions at achieving the objectives of the policy.

5. Identifying Suitable Candidates

The Board has scrutinised the Company's requirement in relation to the Board's appointment of Independent Directors in order to identify directors which has the right mix of skills and experience and able to contribute positively to the Board. In order to achieve such outcome, the Board had sourced suitable candidates through various means such as recommendation from the existing Board, Senior Management, directors' registry and the use of independent search firms.

6. Chairman of the NC

The NC is led by Mr Chua Eng Chin, the Independent Non-Executive Director, whom directs the NC for succession planning and appointment of Board members and Senior Management by conducting annual review of board effectiveness and skill assessments. This provides the Nominating Committee with relevant information of the Group's needs, allowing them to source for suitable candidates when the need arises.

7. Annual Evaluation

The NC is responsible in evaluating performance and effectiveness of the entire Board, the Board Committees and individual Director on a yearly basis. The evaluation process is led by the NC Chairman and supported by the Company Secretary via questionnaires. The NC reviews the outcome of the evaluation and recommends to the Board on areas for continuous improvement and also for them to form the basis of recommending relevant Directors for re-election at the AGM.

The assessment criteria used in the assessment of Board and individual Directors include mix of skills, knowledge, Board diversity, size and experience of the Board, core competencies and contribution of each Director. The Board Committees were assessed based on their roles and responsibilities, scope and knowledge, frequency and length of meetings, supply of sufficient and timely information to the Board and also overall effectiveness and efficiency in discharging their function.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

7. Annual Evaluation (Cont'd)

The Board evaluation comprises Performance Evaluation of the Board and various Board Committees, Directors' Peer Evaluation and Assessment of the independence of the Independent Directors. The assessment is based on four (4) main areas relating to Board Structure, Board Operations, Board and Chairman's roles and responsibilities and Board Committees' role and responsibilities.

For Directors' Peer Evaluation, the assessment criteria includes abilities and competencies, calibre and personality, technical knowledge, objectivity and the level of participation at Board and Committee meetings including his/ her contribution to Board processes.

Any appointment of a new Director to the Board or Board Committee is recommended by the Nominating Committee for consideration and approval by the Board. In accordance with the Company's Constitution, one-third (1/3) of the Directors for the time being shall retire from office at each AGM. A retiring director shall be eligible for re-election. The Constitution also provides that all directors shall retire at least once every three (3) years.

During the year, the Board conducted an internally facilitated Board assessment. The results and recommendations from the evaluation of the Board and Committees are reported to the Board for full consideration and action. The Board was comfortable with the outcome and that the skills and experience of the current Directors satisfy the requirements of the skills matrix and that the Chairman possesses the leadership to safeguard the stakeholders' interest and ensure the development of the Group.

The NC also considered the results of the evaluation when considering the re-election of Directors and recommended to the Board for endorsement the Directors standing for re-election at forthcoming AGM of the Company.

III. Remuneration

The objective of the Group's internal remuneration policy is to provide fair and competitive remuneration to its Board and senior management in order for the Company to attract and retain Board and senior management of calibre to run the Group successfully. The responsibilities for developing the remuneration policy and determining the remuneration packages of Executive Directors and senior management lie with the RC. Nevertheless, it is ultimately the responsibility of the Board to approve the remuneration of Executive Directors and Senior Management.

Based on the remuneration framework, the remuneration packages for the Executive Directors and Senior Management compose of a fixed component (i.e. salary, allowance and etc.) and a variable component (i.e. bonus, benefit-in kind-and etc.) which is determined by the Group's overall financial performance in each financial year which is designed to support our strategy and provides a balance between motivating and challenging our senior managements to deliver our business priorities, as set out by Executive Directors, and strong performance while also driving the long-term sustainable success of the Group.

The level of remuneration of Non-Executive Directors reflects their experience and level of responsibility undertaken by them. Non-Executive Directors will receive a fixed fee, with additional fees if they are members of Board Committees, with the Chairman of the AC or NC receiving a higher fee in respect of his service as Chairman of the respective Committees. The fees for Directors are determined by the Board with the approval from shareholders at the AGM and no Director is involved in deciding his/her own remuneration.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

During the financial year under review, the RC had reviewed the remuneration for the Executive Directors and Senior Management which reflects their level of responsibilities as well as the performance of the Group, and considered their remuneration packages are comparable within the industry norm. The RC further discussed the annual salary review for the Executive Directors and Senior Management in line with the budget salary increase for the rest of the organisation. When approving payments for annual bonus, the RC considered the overall performance of the business and of the Executive Directors and Senior Management against this, as well as their individual targets. Bonus payments made to Executive Directors and Senior Management reflected the large proportion of collective measures for the year, in support of focusing on teamwork and simplicity within the pay arrangements.

The details of the agreegate remuneration of the Board (on Group basis) and top five (5) Key Senior Management (on bands of RM50,000) of the Company comprising remuneration received/receivable from the Company and the Group for the financial year 2017 are set out below:-

	Company			Total
	Fees	Salaries	others*	
	RM	RM	RM	
Executive Directors	177,097	1,825,188	106,000	2,108,285
Non-Executive Director	112,548	-	40,788	153,337
Total	**289,645**	**1,825,188**	**146,788**	**2,261,622**

	Group			Total
	Fees	Salaries	others*	
	RM	RM	RM	
Executive Directors	177,097	1,825,188	106,000	2,108,285
Non-Executive Director	112,548	-	6,788	153,337
Total	**289,645**	**1,825,188**	**146,788**	**2,261,622**

* Others includes share option expenses and unutilised annual leave.

Remuneration Bands	Number of Key Senior Management
Below RM50,000	
RM150,001- RM200,000	1
RM200,001 – RM300,000	1
RM500,001 – RM550,000	1

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

B. EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AC

Presently, the AC consists of three (3) members and all of them are financial literate and have sufficient understanding of the Group's business. All the members of the AC undertook continuous professional development to keep abreast of relevant developments in accounting and auditing standards, practices and rules. The AC is composed of the following members:-

Director	Designation
Chua Eng Chin	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Dato' Chiong Miaw Thuan (Appointed on 2 November 2017)	Member

The Chairman of the AC is not the Chairman of the Board, ensuring that the impairment of objectivity on the Board's review of the AC's findings and recommendation remains intact.

The AC's terms of reference has adopted a terms of reference which sets out its goals, objectives, duties, responsibilities and criteria on the composition of the AC which includes a former key audit partner of the Group to observe a cooling-off period of at least two (2) years before being able to be appointed as a member of the AC.

The AC's terms of reference has adopted a terms of reference which sets out its goals, objectives, duties, responsibilities and criteria on the composition of the AC.

In presenting the annual audited financial statements and interim financial statements on a quarterly basis to the shareholders, the Board is responsible to present a clear, balanced and understandable assessment of the Group's performance and position. The AC is entrusted to provide assistance to the Board in reviewing the Group's financial reporting process and accuracy of its financial results, and scrutinising information for disclosure to ensure accuracy, adequacy, completeness and compliance with the accounting standards.

The Board places great emphasis on the objectivity and independence of the external auditors. Through the AC, the Board maintains a transparent relationship with the external auditors in seeking professional advice on the internal control and ensuring compliance with the appropriate accounting standards. The AC is empowered to communicate directly with the external auditors to highlight any issues of concern at any point in time.

The external auditors would meet the AC without the presence of the executive Board members and Management at least two (2) times a year on matters relating to the Group and its audit activities. During such meetings, the external auditors highlight and discuss the nature and scope of the audit, audit programme, internal controls and any other issues that may require the attention of the AC or the Board.

The AC ensures the external audit function is independent of the activities it audits and reviews the contracts for the provision of non-audit services by the external auditors in order to make sure that it does not give rise to conflict of interests. The excluded contracts would include management consulting, internal audit and standard operating policies and procedures documentation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

I. AC (Cont'd)

For the financial year ended 31 December 2017, fees paid to the external auditors, Messrs UHY and its affiliated firms by the Company and the Group are stated in the table below:-

Nature of Services	Group (RM)	Company (RM)
Total Audit fees	118,000	85,000
Non-Audit:		
Review of the Statement on Risk Management and Internal Control	5,000	5,000
Total Non-Audit fees	5,000	5,000

The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence criteria set out by the Malaysian Institute of Accountants.

Further information on the roles and responsibilities of the AC may be found in the AC Report on page 37 to page 39 of this Annual Report.

II. Risk Management and Internal Control Framework

The Board assumes ultimate responsibility for the effective management of risk across the Group, determining its risk appetite as well as ensuring that each business area implements appropriate internal controls. In order to achieve such objective, a risk management framework has been adopted by the Group. The Group's risk management systems are designed to manage and eliminate risks (where possible) to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has delegated its responsibility for reviewing the effectiveness of the Group's systems of internal control to the AC. This covers all material controls including financial, operational, compliance and risk management systems. The AC is further supported by a number of sources of internal assurance within the Group in order to determine the adequacy and effectiveness of the framework.

The Group has outsourced the internal audit function as being the most cost effective means of implementing an internal audit function. The independent third party service provider of the internal audit services for the financial year ended 31 December 2017 was GovernanceAdvisory.com Sdn Bhd, which reported directly to the AC as specified in the Terms of Reference of the AC. The Internal Auditor carries out is function in accordance with the approved annual Internal Audit Plan approved by the AC. GovernanceAdvisory.com Sdn Bhd has approximately 7 audit personnel assisting the person responsible for the internal audit. Details on the person responsible for the internal audit are set out below:-

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

B. EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. Risk Management and Internal Control Framework (Cont'd)

Name	:	Jason Tee
Qualification	:	Associate member of the Institute of Internal Auditors Malaysia and B.C. (Hons) in Accounting.
Independence	:	Does not have any family relationship with any director and/or major shareholder of the Company
Public Sanction or penalty	:	Has no convictions for any offences within the past 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 year.

Further information may be found in the Management Discussion and Analysis on page 4 to page 8 and the Statement on Risk Management and Internal Control on page 34 to page 36 of this Annual Report.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

The Board believes that stakeholders' communication is an essential requirement of the Group's sustainability. In view thereof, stakeholders are informed of all material business events and risks of the Group in a factual, timely and widely available manner. The Board has formalised a corporate disclosure policy and procedure not only to comply with the discourse requirements as stipulated in the MMLR, but also sets out the persons authorised and responsible to approve and disclose material information to all stakeholders.

The Group has set up an investor relations program to facilitate effective two-way communication with investors and analyst to provide a greater understanding of the Group's vision, strategies, developments and financial prospects. A variety of engagement initiatives including direct meetings and dialogues with stakeholders are constantly conducted to learn about their needs enabling sustainability and growth of the Group.

The Group's financial performance, major corporate developments and other relevant information are promptly disseminated to shareholders and investors via announcements of its quarterly results, annual report, corporate announcements to Bursa Securities and press conferences. It is the Group's practice that any material information for public announcement, including annual, quarterly financial statements, press releases, and presentation to investors, analyst and media are factual and reviewed internally before issuance to ensure accuracy and is expressed in a clear and objective manner.

The Company's corporate website includes a dedicated Investor Relations section which provides all relevant information on the Group, including announcements to Bursa Securities, share price information as well as the corporate and governance structure of the Group. Stakeholders are also able to subscribe to e-mail alerts from the Group via the Investor Relation page.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

II. Conduct of General Meetings

The AGM is the principal forum for dialogue with shareholders, allowing shareholders to review the Group's performance via the Company's Annual Report and pose questions to the Board for clarification. To ensure shareholders have sufficient time to go through the Annual Report, it is circulated at least twenty eight (28) clear days before the date of the AGM. Shareholders are encouraged to vote on the proposed motions by appointing a proxy in the event they are unable to attend the meeting.

During the AGM, a presentation was shown to the shareholders on the Group's performance and major activities which were carried out during the financial year under review. The Board also encourages participation from shareholders by having a question and answer session during the AGM during which the Directors (inclusive of the Chairman of the AC, NC and RC) are available to provide meaningful response to questions raised by the shareholders.

In line with the MMLR, the Company has implemented and will continue to implement poll voting for all proposed resolutions set out in the notice of any general meeting. An independent scrutineer will also be appointed to validate the votes cast at any general meeting of the Company.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Introduction

The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the Statement on Risk Management and Internal Control (the "Statement"), which outlines the nature and scope of risk management and internal control of the Group during the financial year ended 31 December 2017.

The Statement is made by the Board of Directors pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad and after taking into consideration of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers (the "Guidelines") and taking into consideration the recommendations of the Malaysian Code on Corporate Governance.

Board's Responsibilities

The Board of Directors recognises the importance of sound internal control for good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of those systems. The Board noted, however, that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable, and not absolute, assurance against material misstatement or loss.

The Board confirms that there is an on-going process for identifying, evaluating and managing significant risks faced by the Group that has been put in place for the year under review up to the date of approval of the this Statement for inclusion in the Annual Report. The process is applied in reviewing the risk management and internal control system and that necessary actions have been or are being taken to remedy any significant failings or weaknesses identified from that review. The process is regularly reviewed by the Board through its Audit Committee with the assistance of the Internal Auditors.

The functions of the Board are to:-

- Develop, review and monitor the Group's strategic plan and direction and ensure that resources are available to meet its objectives.
- Identify and review principal risks and ensure the implementation of appropriate systems to manage these risks.
- Supervise the operations of the Group to evaluate whether established targets are achieved.
- Monitor the compliance with legal, regulatory requirements and ethical standards.
- Promote better investor relations and shareholder communications.
- Ensure that the Group's core values, vision and mission, and shareholders' interests are met.
- Review the adequacy and the integrity of the Group's internal control systems including systems for compliance with applicable laws, regulations, rules, directives and guidelines.
- Establish such committees, policies and procedures to effectively discharge the Board's roles and responsibilities.
- Initiate a Board self-evaluation program and follow up action to deal with issues arising and arrange for Directors to attend courses, seminars and participate in development programs as the Board deems appropriate.
- Implement and ensure that the Company has appropriate corporate governance structures in place including standards of ethical behavior and promoting a culture of corporate responsibility.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

Board's Responsibilities (Cont'd)

In performing its review of adequacy and effectiveness of the Group's Internal Control, the Audit Committee considered the following reporting:

- The External Auditors presented their proposed annual audit plan for approval by the Audit Committee and report on any issues identified in the course of their work, including internal control reports on control weaknesses, which were provided to the Audit Committee as well as the management.
- The appointed Internal Auditors, GovernanceAdvisory.com Sdn Bhd document their key findings and discuss with head of operating units on the outcome of the internal audit review and recommendation for improvement in the internal controls. The Internal Auditors report to the Audit Committee, the outcome and improvements recommended in each of the internal audit review assignment with independent and objective reports in the Audit Committee meeting. Follow up reviews were carried out by the Internal Auditors in the subsequent internal audit review assignment to determine the status of implementation of improvements by the management. The Audit Committee would receive copies of management and audit reports and are involved in the decision and actions that are required to maintain the level of risk at an acceptable level. During the year under review, the Internal Auditors had reviewed the Revenue and Account Receivable function Group's subsidiaries, namely for Consistent Harvest Sdn Bhd and Naim Indah Properties Sdn Bhd.

Control and Monitoring Process

The key features of the Group's risk management and internal control systems in relation to the financial reporting process include:

- Business Planning – all business units produce and agree an annual business plan against which the performance of the business is regularly monitored.
- Financial Analysis – the Group's operating profitability and capital expenditure are closely monitored. Results are reviewed by the management and key financial information is reported to the Board on a quarterly basis.
- Risk Assessment – a risk assessment is embedded into the operations of the Group. The Group considers risk in terms of probability of occurrence and potential impact on performance, and mitigating actions, control effectiveness and management responsibility are identified to address these risks.
- Group Authority Framework – an operation structure with defined line of responsibility and delegation of authority to which a process of hierarchical reporting that will provide for a documented and auditable trail of accountability.

There are no material joint ventures that have not been dealt with as part of the Group for applying the Guidelines.

The system of risk management and internal control is currently on-going and thus far nothing has come to the attention of the management that would result in the disclosure of any material loss, contingency or uncertainty in the Group's Annual Report for the financial year under review.

In view of a constant changing environment and competitive landscape, the Board is committed in maintaining a system of internal control that comprises the following environment, key processes and monitoring systems:

- The Audit Committee reviews the adequacy and effectiveness of the Group's risk management and internal control procedures as well as any internal control issues identified by the Internal and External Auditors;
- An annual budgeting process that establishes monthly budgets for the Group against which performance is monitored on an ongoing basis;
- Detailed reporting of trading results, balance sheets and cash flows, with regular review by the management, Audit Committee and Board of Directors; and
- Segregation of duties and limits of authority are practised to ensure accountability and responsibility.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
(Cont'd)

Other Key Elements Of Internal Control

Apart from risk management and internal audit, the Group's system of internal controls comprises the following key elements:-

- a well defined organisational structure with clear reporting lines and accountabilities;
- clearly defined internal policies and procedures for key processes to ensure full compliance by all staffs and to minimise operating risks;
- regular information provided to the management, covering operational performance, key business indicators and financial and cash flow reports;
- The whistleblowing policy provides an avenue for employees and member of the public to disclose any improper conduct or any action that is or could be harmful to the reputation of the Group and/or compromise the interest of stakeholders. The policy outlines when, how and to whom a concern may be properly raised, distinguishes a concern outside their management line and in confidence. The identity of the whistle blower is kept confidential and protection is accorded to the whistle blower against any form of reprisal or retribution. Any concerns raised will be investigated and reported to the Board. The whistleblowing policy has been uploaded in the Group's website (http://www.pegasusheights.com).

The internal control system is designed to give reasonable assurance with respect to the:-

- maintenance of proper operational and accounting records;
- reliability of financial information used within the business or for publication;
- safeguarding of assets against unauthorised use or disposition;
- efficiency and effectiveness of the running of the businesses and operations; and
- compliance with laws and regulations.

The internal audit functions were outsourced to independent advisory firm and reports directly to the Audit Committee. The total costs incurred in managing the internal audit functions for the financial year ended 31 December 2017 was RM8,000.00.

Review of this Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2017.

Their review was performed in accordance with Recommended Practice Guide 5 (RPG 5) issued by the Malaysian Institute of Accountants. Their review has been conducted to assess whether this Statement is both supported by the documentation prepared by or for the Directors and appropriately reflects the process the Directors have adopted in reviewing the adequacy and integrity of the system of internal controls for the Group.

This Statement on Risk Management and Internal Control is made in accordance with the resolution of the Board dated 25 April 2018.

AUDIT COMMITTEE REPORT

OBJECTIVE

The purpose of establishing the Audit Committee ("AC" or "the Committee") is to assist the Board of Directors in discharging its responsibilities to safeguard the Company's assets, maintain adequate accounting records, develop and maintain effective systems of internal control with the overall objective of ensuring the Management creates and maintain an effective control environment in the Group. The Committee also provides a communication channel between the Board of Directors, Management, External Auditors and Internal Auditors.

MEMBERS OF THE AUDIT COMMITTEE

The existing Audit Committee comprises three (3) members of the Board, two (2) of its members are Independent Non-Executive Director and one (1) of its member is a Non-Independent Non-Executive Chairman.

As at the date of this, Annual Report, the composition of the Audit Committee is as follows:-

Chua Eng Chin	Chairman, Independent Non-Executive Director
Dato' Chiong Miaw Thuan (Appointed on 2 November 2017)	Member, Independent Non-Executive Director
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Member, Non-Independent Non-Executive Director
Dato' George Alfonso Miranda (Resigned on 11 August 2017)	Member, Independent Non-Executive Director

ATTENDANCE OF MEETINGS

Details of the attendance of each member in the AC meetings held during the financial year ended 31 December 2017 are set out below:

Name	Designation	Meetings Attended
Chua Eng Chin (Chairman of the Committee)	Independent Non-Executive Director	4/4
Dato' George Alfonso Miranda	Independent Non-Executive Director	3/3[1]
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Non-Independent Non-Executive Director	3/4
Dato' Chiong Miaw Thuan	Independent Non-Executive Director	1/1[2]

1 Dato' George Alfonso Miranda has attended all the AC meetings prior to his resignation
2 Dato' Chiong Miaw Thuan has attended all the AC meetings since her appointment

TERMS OF REFERENCES OF THE AUDIT COMMITTEE

The full terms of reference of the Audit Committee outlines the objectives, composition of the Audit Committee, retirement and resignation, chairman, secretary, meetings, minutes, resolutions, authority and duties and responsibilities is accessible via the Company's website at www.pegasusheights.com.

AUDIT COMMITTEE REPORT
(Cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A brief summary and an overview of the activities of the Audit Committee in discharging their duties and responsibilities during the financial year ended 31 December 2017 are as follows:-

(i) reviewed the unaudited quarterly financial results of the Group for recommendation to the Board of Directors for approval;

(ii) reviewed the audited financial statements of the Group with the External Auditors before recommending the same for the Board's approval and release to Bursa Malaysia Securities Berhad;

(iii) reviewed the annual audit planning memorandum and the scope of work prepared by the external auditors;

(iv) reviewed the proposed audit fees for external auditors;

(v) discussed with the external auditors their report on the financial statements and management letter relating to their audit;

(vi) met with the external auditors for a private session without the presence of the Executive Board members and Management staff;

(vii) reviewed major findings in the reports prepared by the outsourced internal auditors together with the recommended Management's responses;

(viii) reviewed on a quarterly basis the actual transacted value of related party;

(ix) reviewed the Circular to Shareholders in relation to the proposed shareholders' mandate for recurrent related party transactions of a revenue or trading nature prior to its approval by the Board (if any);

(x) reviewed the Audit Committee Report and Statement on Risk Management and Internal Control and its recommendation to the Board for inclusion in the Annual Report 2017;

(xi) accessed the suitability and independence of the External Auditors; and

(xii) reviewed the valuation report of the investment property.

AUDIT COMMITTEE REPORT
(Cont'd)

INTERNAL AUDIT FUNCTION

The Group has established an internal audit function for assisting the Audit Committee in reviewing the state of the systems of internal control maintained by the management. This function is outsourced to an internal audit consulting company. The audit team members are independent of the activities audited by them. Functionally, the Internal Auditors review and assess the Group's system of internal control and report to the Committee directly. Before the commencement of audit reviews, an audit plan is presented to the Audit Committee for review and approval. This is to ensure that the audit direction is in line with the Audit Committee's expectations.

During the financial year, the Internal Auditors conducted internal audit reviews on revenue and account receivable functions for Project Management Consultancy and Centerpoint Seremban Mall. Review was conducted based upon examination of the policies, manuals and standards that govern the activities, processes, systems and on analysis of the data contained in the accounting, and management information systems, where applicable. Key management personnel were also been interviewed by the Internal Auditors.

The audit reports containing audit findings and recommendations together with Management's responses thereto were circulated to all members of the Audit Committee. Areas of improvement identified were communicated to the Management for further action. As conclusion, the Internal Audit is of the opinion that overall key internal controls under review are rates as 'Satisfactory'.

In year 2017, an internal audit plan were issued and presented to the Audit Committee with recommended corrective actions acted upon.

The Audit Committee is satisfied with the performance of the Internal Auditors and have in the interest of greater independence and continuity in the internal audit function.

STATEMENT ON SHARE ISSUANCE SCHEME ("SIS") BY AUDIT COMMITTEE

The AC confirms that the share options offered to the eligible employees and Directors of the Company and its subsidiaries pursuant to the SIS during the financial year under review are in compliance with the criterial of allocation pursuant to the By-Laws of the SIS.

There is no options offered to and exercised by Non-Executive Directors pursuant to the SIS during the financial year ended 31 December 2017.

NOMINATION COMMITTEE STATEMENT

The Nomination Committee was established on 28 August 2012 by the Board and comprises wholly of Non-Executive Directors, majority of whom are Independent Directors.
The Nomination Committee comprises of the following manners:

- Chua Eng Chin (Chairman)
  - Independent Non-Executive Director

- Dato' Chiong Miaw Thuan (Appointed on 02 November 2017)
  - Independent Non-Executive Director

- Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar
  - Non-Independent Non-Executive Director

- Dato' George Alfonso Miranda (Resigned on 11 August 2017)
  - Independent Non-Executive Director

The Nomination Committee is responsible for identifying, evaluating and recommending suitable candidates to the Board, suitable candidates to fill the Board's vacancies at the Company as well as its subsidiaries' level. The Nomination Committee also assess the performance of the Directors on an on-going basis and carried out evaluation on the effectiveness of the Board as a whole, the Board Committees and the contribution of each individual Director. Such evaluation also includes the evaluation of Independent Non-Executive Directors on their independences and that all assessments and evaluations by the Nomination Committee would be properly documented. The Board will have the ultimate responsibility and final decision for appointment, either to fill vacancies or as additions to meet the changing needs of the Group. This process shall ensure that the Board membership accurately reflects the long-term strategic direction and needs of the Company and determines the skill matrix to support the strategic direction and needs of the Company.

The members of the Nomination Committee shall be appointed by the Board from amongst their members and shall not consist of less than three (3) members.

The members of the Committee shall elect the Chairman from amongst their members.

Pursuant to the recommendation of the Malaysian Code on Corporate Governance, the Nomination Committee should be chaired by a Senior Independent Director or an Independent Director.

If a member of the Committee ceases to be a member with the result that the number of the members is reduced below three (3), the Board shall within three (3) months as may be required to make up the minimum number of three (3) members.

A quorum shall consist of two (2) members.

The Committee shall meet at least once a year. Additional meetings shall be scheduled as considered necessary by the Committee or Chairman.

The Nomination Committee met once during the financial year ended 31 December 2017. The minute of each meeting are kept by the Company Secretary as evidence that the Nomination Committee has discharged its functions. The Chairman of the Nomination Committee reports to the Board after each Committee Meeting.

NOMINATION COMMITTEE STATEMENT
(Cont'd)

Details of attendance of members of the Nomination Committee were as follows:

Name of Committee Members	Attendance
Chua Eng Chin (Chairman)	1/1
Dato' Chiong Miaw Thuan (Appointed on 2 November 2017)	-*
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	1/1
Dato' George Alfonso Miranda (Resigned on 11/08/2017)	1/1

* The Nomination Committee Meeting did not held any meeting since the appointment of Dato' Chiong Miaw Thuan

The Board takes note of the recommendation of the Malaysian Code on Corporate Governance ("MCCG") pertaining to the need to establish a policy formalising the approach to boardroom gender diversity and to set targets and measures for the adoption of the said recommendation. In view of the best practices recommended by the MCCG, the Company has adopted a diversity policy which outlines its approach to achieving and maintaining diversity (including gender diversity) on its Board and in Senior Management positions. This includes requirements for the Board to establish measurable objectives for achieving diversity on the Board and in management positions, and for the appropriate Board Committees to monitor the implementation of the policy, assess the effectiveness of the Board nomination process and the appointment process for management positions at achieving the objectives of the policy.

OBJECTIVE

The Nomination Committee is guided by specific terms of reference, among others, the responsibilities of the Nomination Committee include:-

- To recommend candidates for all directorships to be approved by the Board and shareholders;
- To recommend to the Board the directors to fill the seats on the various Board committees;
- To review the mix of skills, knowledge, expertise and experience of the Directors and other qualities, including core competencies required for the Board;
- To develop and maintain the criteria to be used in the recruitment process and the annual assessment of Directors;
- To assist the Board in annual reviewing of the independence of the Independent Non-Executive Directors;
- To assess the effectiveness of the Board as a whole, as well as that of the Board Committees and the contribution of each individual Director; and
- To consider other matters as referred to the Committee by the Board.

The Board is assisted by the Nomination Committee to consider the following aspects:

- Integrity and reputation – the person must have the personal qualities such as honesty, integrity, diligence and independence of mind and fairness.
- Competence and capability – the person must have the necessary qualification and experience, skills, ability and commitment to carry out the role.

NOMINATION COMMITTEE STATEMENT
(Cont'd)

BOARD EFFECTIVENESS ASSESSMENT

The Board reviews and evaluates its own performance and the performance of its Committees on an annual basis through Board Assessment, an Individual Self-Assessment and an Assessment of Independence of the Independent Directors.

The assessment of the Board is based on specific criteria, covering areas such as the Board structure, Board operations, roles and responsibilities of the Board, the Board Committee and the Chairman's role and responsibilities. For Individual Self-Assessment, the assessment criteria include contribution to interaction, quality of inputs and understanding of role.

The Nomination Committee conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Members in respect of the financial year ended 31 December 2017. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Nomination Committee for review and deliberation.

SUMMARY OF ACTIVITIES PERFORMED BY THE NOMINATION COMMITTEE

The Nomination Committee met once during the financial year ended 31 December 2017.
The activities undertaken by the Nomination Committee in relation to the financial year ended 31 December 2017 were as follows:

- Conducted an annual assessment of the Board's effectiveness as a whole and the contribution of each individual Director and Board Committees. The results of the self-assessment by Directors and the Board's effectiveness as a whole as compiled by the Company Secretary were tabled to the Board for review and deliberation;
- Conducted an annual assessment on the independence of each independent director;
- Reviewed and made recommendations to the Board for the appointment of Directors to the Board;
- Reviewed and made recommendations to the Board for the changes of Nomination Committee's Terms of Reference; and
- Made recommendations to the Board for the re-election or re-appointment of the Directors who are subject to retirement at the forthcoming Annual General Meeting.

ADDITIONAL COMPLIANCE INFORMATION

SHARE ISSUANCE SCHEME

The Share Issuance Scheme of the Company ("SIS") is governed by the SIS By-Laws and was approved by shareholders on 17 April 2015. The SIS is to be in force for a period of 5 years effective from 28 May 2015 and will be expiring on 27 May 2020.

The option prices and the details in the movement of the options granted are as follows:-

Date of Offer	Exercise Price	← Number of options over Ordinary Shares → At 1 January 2017 '000	Granted '000	Exercised '000	Lapsed '000	At 31 December 2017 '000
18 August 2015	RM0.10	82,400	-	(13,000)	(35,750)	33,650
		82,400	-	(13,000)	(35,750)	33,650

MATERIAL CONTRACTS INVOLVING DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

There were no material contracts entered into by the Company and its subsidiaries which involving the interests of Directors and major shareholders during the financial year ended 31 December 2017.

UTILISATION OF PROCEEDS

The Company did not implement any fund raising exercise during the financial year.

RECURRENT RELATED PARTY TRANSACTION

The recurrent related party transaction of the Group for period ended 31 December 2017 is as follows:

	31 December 2017 RM'000
Project management consultancy fee from a company related to a director*	7,330

The directors are of the opinion that the above transaction have been entered into in the normal course of business and have been established under terms that were mutually agreed between the parties.

* The director had resigned from the Group.

STATEMENT OF DIRECTORS' RESPONSIBILITY
IN RESPECT OF THE AUDITED FINANCIAL STATEMENTS

Directors are legally required to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year and of the results of the Group and of the Company for the financial year then ended.

In preparing those financial statements, the Directors of the Company have:

- adopted suitable accounting policies and then applied them consistently;
- made judgments and estimates that are prudent and reasonable;
- ensured applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statement on the going concern basis unless it is inappropriate to presume that the Group and the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016 and applicable approved accounting standards. The Directors are also responsible for the assets of the Group and of the Company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are satisfied that in preparing the financial statements of the Group and the Company or the financial year ended 31 December 2017, appropriate accounting policies were used and applied consistently, and adopted to include new and revised Malaysian Financial Reporting Standards where applicable. The Directors are also of the view that relevant approved accounting standards have been followed in the preparation of these financial statements.

DIRECTORS' REPORT

The Directors hereby present their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

Principal Activities

The principal activities of the Company are investment holding and provision of management and administrative services. The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

Financial Results

	Group RM'000	Company RM'000
Loss for the financial year	3,801	117
Attributable to:		
Owners of the parent	3,798	117
Non-controlling interests	3	-
	3,801	117

Reserves and Provisions

There were no material transfers to or from reserves or provisions during the financial year other than as disclosed in the financial statements.

Dividends

There were no dividends proposed, declared or paid by the Company since the end of the previous financial year. The Directors do not recommend any dividend in respect of the current financial year.

Issue of Shares and Debentures

During the financial year, the Company issued 13,000,000 new ordinary shares for a consideration of RM1,300,000 arising from the exercise of employees' share options at an exercise price of RM0.10 per ordinary share, satisfied by way of capitalisation of amount owing to a former Director.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

DIRECTORS' REPORT
(CONT'D)

Options Granted Over Unissued Shares

No options were granted to any person to take up unissued shares of the Company during the financial year apart from the issue of options pursuant to the Share Issuance Scheme ("SIS").

At the Extraordinary General Meeting held on 17 April 2015, the Company's shareholders approved the establishment of a SIS of not more than 15% of the issued share capital of the Company at the point of time throughout the duration of the scheme to eligible employees of the Group.

The SIS is to be in force for a period of 5 years effective from 28 May 2015 and will be expiring on 27 May 2020.

The main features of the SIS are disclosed in Note 14(b) to the financial statements.

The exercise price and the movement of the options granted are as follows:

		← Number of Options over Ordinary Shares →			
Date of Offer	**Exercise Price**	**At 1.1.2017 '000**	**Exercised '000**	**Lapsed '000**	**At 31.12.2017 '000**
18 August 2015	RM0.10	82,400	(13,000)	(35,750)	33,650

Directors

The Directors in office during the financial year until the date of this report are:

Chua Eng Chin	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Low Tuck Meng*	
Dato' Sri Lee See Yang*	(Appointed on 16.10.2017)
Dato' Chiong Miaw Thuan	(Appointed on 16.10.2017)
Toh Hong Chye	(Appointed on 9.11.2017)
Hud Bin Abu Bakar	(Resigned on 30.4.2017)
Cheang Soon Siang	(Resigned on 20.6.2017)
Dato' George Alfonso Miranda	(Resigned on 11.8.2017)
Dato' Sri Siaw Swee Hin	(Resigned on 16.10.2017)

** Director of the Company and subsidiary companies*

The Directors who held office in the subsidiary companies (excluding Directors who are also Directors of the Company) during the financial year up to the date of this report:

Dato' Sri Siaw Swee Hin
Cheang Soon Siang
Shapiza Binti Abdul Aziz
Toh Guat Khem
Siaw Swee Woon

The information required to be disclosed pursuant to section 253 of the Companies Act, 2016 is deemed incorporated herein by such reference to the financial statements of the respective subsidiary companies and made a part hereof.

DIRECTORS' REPORT
(CONT'D)

Directors' Interests

The interests and deemed interests in the shares and options of the Company at financial year end (including their spouses) according to the Register of Directors' Shareholdings are as follows:

	Number of Ordinary Shares			
	At 1.1.2017/ At date of appointment '000	Bought '000	Sold '000	At 31.12.2017 '000
Interests in the Company				
Direct Interest				
Lee See Yang	20,000	-	-	20,000
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	9,434	-	-	9,434
Low Tuck Meng	180	-	-	180
Indirect Interest				
Chua Eng Chin *	250	-	-	250

* Deemed interested through spouse's shareholding in the Company.

	Number of Options over Ordinary Shares			
	At 1.1.2017/ At date of appointment '000	Bought '000	Sold '000	At 31.12.2017 '000
Interests in the Company				
Direct Interest				
Low Tuck Meng	11,000	-	-	11,000
Chua Eng Chin	2,000	-	-	2,000
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	10,000	-	-	10,000

None of the other Directors in office at the end of the financial year had any interest in shares in the Company or its related corporations during the financial year.

Directors' Benefits

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive a benefit (other than a benefit included in the aggregate amount of remuneration received or due and receivable by Directors as shown in Notes 22 and 26 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest, except for any deemed benefits that may accrue to certain Directors by virtue of the normal trading transactions by the Group and the Company with related parties as disclosed in Note 26 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object was to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the issue of the Share Issuance Scheme.

DIRECTORS' REPORT
(CONT'D)

Indemnity and Insurance Costs

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and certain officers of the Company were RM1,000,000 and RM5,225 respectively. No indemnity was given to or insurance effected for auditors of the Company.

Other Statutory Information

(a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:

- (i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that adequate allowance had been made for doubtful debts there were no bad debts to be written off; and
- (ii) to ensure that any current assets which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company have been written down to an amount which the current assets might be expected so to realise.

(b) At the date of this report, the Directors are not aware of any circumstances:

- (i) which would render it necessary to write off any bad debt or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
- (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (iii) not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading; or
- (iv) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

(c) At the date of this report, there does not exist:

- (i) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (ii) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

(d) In the opinion of the Directors:

- (i) no contingent liability or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet its obligations as and when they fall due;
- (ii) the results of operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, except as disclosed in the notes to the financial statements; and
- (iii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

DIRECTORS' REPORT
(CONT'D)

Subsidiary Companies

The details of the subsidiary companies are disclosed in Note 6 to the financial statements.

Auditors' Remuneration

The details of auditors' remuneration are set out in Note 22 to the financial statements.

Auditors

The Auditors, Messrs. UHY, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated

TOH HONG CHYE

DATO' SRI LEE SEE YANG

KUALA LUMPUR

STATEMENT BY DIRECTORS
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the financial statements set out on pages 55 to 118 are drawn up in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 April 2018.

TOH HONG CHYE

DATO' SRI LEE SEE YANG

KUALA LUMPUR

STATUTORY DECLARATION
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, TOH HONG CHYE (MIA Membership No: 17804), being the Director primarily responsible for the financial management of Pegasus Heights Berhad (formerly known as Naim Indah Corporation Berhad), do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 55 to 118 are correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the)
abovenamed at KUALA LUMPUR in the)
Federal Territory on 25 April 2018)

TOH HONG CHYE

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD
(Formerly known as Naim Indah Corporation Berhad)
(Company No.: 19727-P) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pegasus Heights Berhad (formerly known as Naim Indah Corporation Berhad), which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 55 to 118.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017, and of their financial performance and their cash flows for financial year then ended in accordance with Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Requirements

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD (CONT'D)
(Formerly known as Naim Indah Corporation Berhad)
(Company No.: 19727-P) (Incorporated in Malaysia)

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
Fair value assessment on investment property As disclosed in Note 5 to the financial statements, the Group's investment properties are stated at fair values. The fair values of the investment properties were determined by an independent firm of professional valuer appointed by the Group. Based on the appraisal performed by the valuer, the carrying value of investment properties as at 31 December 2017 was RM120 million. We focused on this area in our audit as the carrying amount of the investment properties represents approximately 96% of the Group's total assets as at 31 December 2017. In addition, the valuation process involved significant judgements in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalisation rate, terminal yield, discount rate, net initial yield, replacement cost and price of comparable plots.	We performed the following audit procedures: We evaluated the objectivity, independence and capabilities of the professional valuer. We assessed the appropriateness of the valuation model, property related data, including estimated used by the professional valuer. We assessed the reasonableness of the assumptions used in the valuation and judgements made.

Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company, or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD (CONT'D)
(Formerly known as Naim Indah Corporation Berhad)
(Company No.: 19727-P) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decision of users taken on the basis of the financial statements.

As part of an audit in accordance with approved standard on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related of disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD (CONT'D)
(Formerly known as Naim Indah Corporation Berhad)
(Company No.: 19727-P) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(1) The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on these statements on 18 April 2017.

(2) This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

UHY
Firm Number: AF 1411
Chartered Accountants

TAN TIAN WOOI
Approved Number: 2969/05/18 (J)
Chartered Accountant

KUALA LUMPUR
25 April 2018

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Non-Current Assets					
Property, plant and equipment	4	971	1,630	919	1,482
Investment properties	5	120,000	120,000	-	-
Investment in subsidiary companies	6	-	-	52,263	52,263
Investment in an associated company	7	-	-	-	-
Deferred tax assets	8	-	250	-	250
		120,971	121,880	53,182	53,995
Current Assets					
Trade receivables	9	2,306	3,869	2,152	2,985
Other receivables	10	389	530	151	176
Amount owing by subsidiary companies	11	-	-	31,672	25,940
Tax recoverable		9	-	-	-
Fixed deposit with a licensed bank	12	253	251	-	-
Cash and bank balances		957	77	392	22
		3,914	4,727	34,367	29,123
Total Assets		124,885	126,607	87,549	83,118
Equity					
Share capital	13	89,789	86,346	89,789	86,346
Reserves	14	273	3,280	273	3,280
Accumulated losses		(17,370)	(14,613)	(15,126)	(16,050)
Equity attributable to owners of the parent		72,692	75,013	74,936	73,576
Non-controlling interests		(9)	(6)	-	-
Total Equity		72,683	75,007	74,936	73,576

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017 (CONT'D)

		Group		Company	
	Note	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Non-Current Liabilities					
Borrowings	15	16,522	17,034	5,246	4,930
Finance lease liabilities	16	293	385	223	279
Amount owing to a former Director	17	16,181	13,018	6,170	2,948
Deferred tax liabilities	8	2,251	2,251	-	-
		35,247	32,688	11,639	8,157
Current Liabilities					
Trade payables	18	150	137	-	-
Other payables	19	12,691	14,675	654	1,192
Amount owing to subsidiary companies	11	-	-	309	84
Provision for taxation		4	44	-	-
Borrowings	15	1,066	1,041	-	-
Bank overdraft	15	3,016	2,880	-	-
Finance lease liabilities	16	28	135	11	109
		16,955	18,912	974	1,385
Total Liabilities		52,202	51,600	12,613	9,542
Total Equity and Liabilities		124,885	126,607	87,549	83,118

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Note	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Revenue	20	7,740	12,015	7,230	11,010
Cost of sales		(3,718)	(1,968)	(1,442)	(1,267)
Gross profit		4,022	10,047	5,788	9,743
Other income		351	11,669	45	9
Administrative expenses		(6,112)	(7,050)	(5,361)	(5,180)
Other expenses		(197)	(544)	-	(1,134)
(Loss)/Profit from operations		(1,936)	14,122	472	3,438
Finance costs	21	(1,615)	(1,609)	(339)	(161)
Share of results of associate company		-	(12)	-	-
(Loss)/Profit before tax	22	(3,551)	12,501	133	3,277
Taxation	23	(250)	(2,167)	(250)	(1,277)
Net(loss)/profit for the financial year, representing total comprehensive (loss)/income for the financial year		(3,801)	10,334	(117)	2,000
(Loss)/Profit for the financial year attributable to:					
Owners of the parent		(3,798)	10,338	(117)	2,000
Non-controlling interests		(3)	(4)	-	-
		(3,801)	10,334	(117)	2,000
Total comprehensive(loss)/ income attributable to:					
Owners of the parent		(3,798)	10,338	(117)	2,000
Non-controlling interests		(3)	(4)	-	-
		(3,801)	10,334	(117)	2,000
(Loss)/Earnings per share(sen)					
Basic	24(a)	(0.44)	1.20		
Diluted	24(b)	(0.44)	1.20		

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Attributable to Owners of the Company						
	Non-distributable			Distributable			
Group	Share Capital RM'000	Share Premium RM'000	SIS Options Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2017	86,346	1,891	1,389	(14,613)	75,013	(6)	75,007
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(3,798)	(3,798)	(3)	(3,801)
Transaction with owners:							
Exercise of SIS Options	1,300	252	(252)	-	1,300	-	1,300
SIS options to employees:							
- lapsed	-	-	(1,041)	1,041	-	-	-
- vested	-	-	177	-	177	-	177
	1,300	252	(1,116)	1,041	1,477	-	1,477
Transition to no-par value regime on 31 January 2017	2,143	(2,143)	-	-	-	-	-
At 31 December 2017	89,789	-	273	(17,370)	72,692	(9)	72,683
At 1 January 2016	86,346	1,891	550	(24,951)	63,836	(2)	63,834
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	10,338	10,338	(4)	10,334
Transaction with owners:							
SIS options to employees	-	-	839	-	839	-	839
At 31 December 2016	86,346	1,891	1,389	(14,613)	75,013	(6)	75,007

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Attributable to Owners of the Company				
	Non-distributable			Distributable	
	Share Capital RM RM'000	Share Premium RM RM'000	SIS Options Reserve RM RM'000	Accumulated Losses RM RM'000	Total Equity RM RM'000
Company					
At 1 January 2017	86,346	1,891	1,389	(16,050)	73,576
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(117)	(117)
Transaction with owners:					
New ordinary shares issued persuant to exercise of SIS Options	1,300	252	(252)	-	1,300
SIS options to employees:					
- lapsed	-	-	(1,041)	1,041	-
- vested	-	-	177	-	177
	1,300	252	(1,116)	1,041	1,477
Transition to no-par value regime on 31 January 2017	2,143	(2,143)	-	-	-
At 31 December 2017	89,789	-	273	(15,126)	74,936
At 1 January 2016	86,346	1,891	550	(18,050)	70,737
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	2,000	2,000
Transaction with owners: SIS options to employees	-	-	839	-	839
At 31 December 2016	86,346	1,891	1,389	(16,050)	73,576

The accompanying notes form an integral part of the financial statements.

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash Flows From Operating Activities				
(Loss)/Profit before tax	(3,551)	12,501	133	3,277
Adjustments for:				
Deposits received written off	(279)	-	-	-
Depreciation of property, plant and equipment	539	544	483	482
Impairment loss on:				
- goodwill	-	5	-	-
- amount owing by subsidiary companies	-	-	11	652
- trade receivables	5	-	-	-
Reversal of impairment loss on trade receivables	-	(10)	-	-
Fair value gain on investment property	-	(11,520)	-	-
Gain on disposal of an associate	-	(96)	-	-
Gain on disposal of property, plant and equipment	(63)	-	(45)	-
Share options to employees	177	839	177	839
Share of results of associate company	-	12	-	-
Interest income	(7)	(7)	-	-
Interest expense	1,615	1,609	339	161
Operating(loss)/profit before working capital changes	(1,564)	3,877	1,098	5,411
Changes in working capital:				
Receivables	1,699	(2,540)	858	(1,555)
Payables	(1,692)	3,359	(538)	606
	7	819	320	(949)
Cash (used in)/from operations	(1,557)	4,696	1,418	4,462
Interest paid	(1,292)	(1,480)	(16)	(31)
Tax paid	(49)	(554)	-	-
	(1,341)	(2,034)	(16)	(31)
Net cash (used in)/from operating activities	(2,898)	2,662	1,402	4,431

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Cash Flows From Investing Activities				
Advances to subsidiary companies	-	-	(5,518)	(12,731)
Acquisition of property, plant and equipment	(4)	(167)	(1)	(125)
Interest income received	7	7	-	-
Proceeds from disposal of an associate	-	400	-	400
Proceeds from disposal of property, plant and equipment	187	-	126	-
Pledged deposit with a licensed bank	(2)	(21)	-	-
Increase in construction-in-progress of investment property	-	(17,282)	-	-
Net cash from/(used in) investing activities	188	(17,063)	(5,393)	(12,456)
Cash Flows From Financing Activities				
Advances from/(repayment to) a former Director	3,163	4,936	3,222	(335)
Drawdown of term loans	-	4,800	-	4,800
Repayment of term loans	(810)	(899)	(7)	-
Repayment of finance lease liabilities	(199)	(131)	(154)	(104)
Proceeds from exercise of SIS options	1,300	-	1,300	-
Net cash from financing activities	3,454	8,706	4,361	4,361
Net increase/(decrease) in cash and cash equivalents	744	(5,695)	370	(3,664)
Cash and cash equivalents at beginning of the financial year	(2,803)	2,892	22	3,686
Cash and cash equivalents at end of the financial year	(2,059)	(2,803)	392	22
Cash and cash equivalents at end of the financial year comprise:				
Cash and bank balances	957	77	392	22
Fixed deposits with a licensed bank	253	251	-	-
Bank overdrafts	(3,016)	(2,880)	-	-
	(1,806)	(2,552)	392	22
Less: Fixed deposit pledged with a licensed bank	(253)	(251)	-	-
	(2,059)	(2,803)	392	22

The accompanying notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

1. Corporate Information

The Company is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal place of business of the Company is located at 1-40-1, Menara Bangkok Bank, Berjaya Central Park, No. 105, Jalan Ampang, 50450 Kuala Lumpur.

The registered office of the Company is located at Suite 10.03, Level 10, The Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

The principal activities of the Company are investment holding and provision of management and administrative services. The principal activities of its subsidiary companies are disclosed in Note 6. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Financial Reporting Standards ("FRSs") and the requirements of the Companies Act, 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention, unless otherwise indicated in the significant accounting policies below.

Adoption of new and amended standards

During the financial year, the Group and the Company have adopted the following amendments to FRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

Amendments to FRS 107	Disclosure Initiative
Amendments to FRS 112	Recognition of Deferred Tax Assets for Unrealised Losses
Annual Improvements to FRSs 2014 – 2016 Cycle	Amendments to FRS 12

Adoption of above Amendments to FRS did not have any significant impact on the financial statements of the Group and the Company, except for the adoption of the Amendments to MFRS 107 required additional disclosure of changes in liabilities arising from financing activities in Note 25 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new FRSs, interpretation and amendments to FRSs that have been issued by the MASB but are not yet effective for the Group and the Company:

		Effective dates for financial periods beginning on or after
FRS 9	Financial Instruments (IFRS 9 issued by the IASB in July 2014)	1 January 2018
Amendments to FRS 140	Transfers of Investment Property	1 January 2018
IC Interpretation 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to FRS 2	Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 4	Applying FRS 9 *Financial Instruments with* FRS 4 Insurance Contracts	1 January 2018*
Annual Improvements to FRSs 2014 – 2016 Cycle:		
• Amendments to FRS 1		1 January 2018
• Amendments to FRS 128		1 January 2018
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to FRS 10 and FRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further notice

Note:
* *Entities that meet the specific criteria in FRS 4, paragraph 20B, may choose to defer the application of FRS 9 until that earlier of the application of the forthcoming insurance contracts standard or annual periods beginning before 1 January 2021.*

The Group's and the Company's financial statements for annual period beginning 1 January 2018 will be prepared in accordance with the Malaysian Financial Reporting Standards issued by the MASB. As a result, the Group and the Company will not be adopting the above FRSs, Interpretations and amendments.

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018

On 19 November 2011, the MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards ("MFRS Framework"). The MFRS Framework is to be applied by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities that are within the scope of MFRS 141 *Agriculture* and IC Interpretation 15 *Agreements for Construction of Real Estate*, including its parent, significant investor and venturer (hereinafter called "Transitioning Entities").

Transitioning Entities will be allowed to defer adoption of the new MFRS Framework and continue to use the existing FRS Framework. The adoption of the MFRS Framework by Transitioning Entities will be mandatory for annual periods beginning on or after 1 January 2018.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

The Group and the Company fall within the scope definition of Transitioning Entities and accordingly, will be required to prepare financial statements using the MFRS Framework in their first MFRS financial statements for the financial year ending 31 December 2018. In presenting their first MFRS financial statements, the Group and the Company will be required to restate the comparative financial statements to amounts reflecting the application of the MFRS Framework. The majority of the adjustments required on transition will be made, retrospectively, against opening retained earnings.

The Group and the Company consider that they are achieving their schedule milestone and expect to be in the position to fully comply with the requirements of the MFRS Framework for the financial year ending 31 December 2018.

Certain subsidiary companies, associates and joint ventures of the Group which do not fall within the scope of Transition Entities have adopted the MFRS Framework. Accordingly, reconciliations have been performed for the different financial reporting frameworks. However, the difference did not have significant impact to these consolidated financial statements.

The Directors expect the adoption of MFRS Framework will have no material impacts on the financial statements of the Group and the Company.

The initial application of the abovementioned MFRSs are not expect to have any significant inpacts on the financial statements of the Group and of the Company except as mentioned below:

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014)

MFRS 9 (IFRS 9 issued by IASB in July 2014) replaces earlier versions of MFRS 9 and introduces a package of improvements which includes a classification and measurement model, a single forward looking 'expected loss' impairment model and a substantially reformed approach to hedge accounting. MFRS 9 when effective will replace MFRS 139 *Financial Instruments: Recognition and Measurement.*

MFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income and fair value through profit or loss. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in other comprehensive income not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in MFRS 139. For financial liabilities there were no changes to classification and measurement except for the recognition of changes in own credit risk in other comprehensive income, for liabilities designated at fair value through profit or loss. MFRS 9 relaxes the requirements for hedge effectiveness by replacing the bright line hedge effectiveness tests. It requires an economic relationship between the hedged item and hedging instrument and for the 'hedged ratio' to be the same as the one management actually use for risk management purposes. Contemporaneous documentation is still required but is different to that currently prepared under MFRS 139.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

Based on the analysis of the Group's and of the Company's financial assets and liabilities as at 31 December 2017 on the basis of facts and circumstances that existed at that date, the Directors of the Group and of the Company have assessed the impact of MFRS 9 to the Group's and the Company's consolidated financial statements as follows:

(a) Classification and measurement

MFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which the assets are managed and their cash flow characteristics.

MFRS 9 contains three (3) principal classification categories for financial assets:
- Amortised Cost ("AC");
- Fair Value through Other Comprehensive Income ("FVOCI"); and
- Fair Value through Profit or Loss ("FVTPL").

The standard eliminates the existing MFRS 139 categories of Held-to-Maturity ("HTM"), Loans and Receivables ("L&R") and Available-for-Sale ("AFS").

Based on its assessment, the Group and the Company believe that the new classification requirements will have no material impact on the Group and the Company's financial assets.

Accordingly, the Group and the Company does not expect the new guidance to affect the classification and measurement of the above financial assets.

(b) Impairment

MFRS 9 replaces the "incurred loss" model in MFRS 139 with a forward-looking "expected credit loss" ("ECL") model. This will require considerable judgement about how changes in economic factors affect ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets measured at AC or FVOCI, except for investments in equity instruments.

Under MFRS 9, loss allowances will be measured on either of the following bases:
- 12-month ECLs: these are ECLs that result from possible default events within the 12 months after the reporting date; and
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

Lifetime ECL measurement applies if the credit risk of a financial asset at the reporting date has increased significantly since initial recognition and 12-month ECL measurement applies if it has not increased significantly. An entity may determine that a financial asset's credit risk has not increased significantly if the asset has low credit risk at the reporting date. However, the Group has adopted lifetime ECL measurements for insurance receivables due to the expected lifetime period of insurance receivables are generally less than 12 months.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

(i) MFRS 9 *Financial Instruments* (IFRS 9 issued by IASB in July 2014) (Cont'd)

(b) Impairment (Cont'd)

On the ECL impact, the Group and the Company expects an increase in the Group's and the Company's allowance for impairment by less than 5% of loans and receivables.

The Group and the Company will apply the new rules retrospectively from 1 January 2018, with the practical expedients permitted under the standard. Comparative for 2017 will not be restated.

(c) Hedge accounting

The Group and the Company does not adopt hedge accounting in the Group's financial statements. Hence hedging requirements of MFRS 9 will not have any impact on the Group's financial statements.

The assessment is based on currently available information and may be subject to changes arising from further reasonable and supportable information being made available to the Group and the Company in 2018 when the Group and the Company adopt MFRS 9.

(ii) MFRS 15 *Revenue from Contracts with Customers* (effective for annual period beginning on or after on 1 January 2018)

MFRS 15 replaces MFRS 118 Revenue, MFRS 111 Construction Contracts and related IC Interpretations. The Standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

An entity recognises revenue in accordance with the core principle by applying the following steps:

(1) Identify the contracts with a customer;
(2) Identify the performance obligation in the contract;
(3) Determine the transaction price;
(4) Allocate the transaction price to the performance obligations in the contract;
(5) Recognise revenue when the entity satisfies a performance obligation.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

New Malaysian Financial Reporting Standards ("MFRS Framework") issued but not yet effective for annual period beginning on or after 1 January 2018 (Cont'd)

(ii) MFRS 15 *Revenue from Contracts with Customers* (effective for annual period beginning on or after on 1 January 2018) (Cont'd)

The Group and the Company intend to adopt the standard using modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1 January 2018 and that comparatives will not be restated.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

Based on the assessment, the Group and the Company do not expect the application of MFRS 15 to have a significant impact on its consolidated financial statements.

(iii) MFRS 16 *Leases* (effective for annual period beginning on or after on 1 January 2019)

MFRS 16, which upon the effective date will supersede MFRS 117 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under MFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, MFRS 117.

In respect of the lessor accounting, MFRS 16 substantially carries forward the lessor accounting requirements in MFRS 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

The Group and the Company do not expect the application of MFRS16 to have a significant impact on its consolidated financial statements.

(b) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional currency. All financial information is presented in RM and has been rounded to the nearest thousand except when otherwise stated.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(c) Going concern

During the financial year, the Group and the Company incurred a net loss of RM3,798,000 and RM117,000 respectively. As at 31 December 2017, the Group's total current liabilities exceeded its total current assets by RM13,041,000 (2016: RM14,185,000).

The management continues to adopt going concern basis in preparing the financial statements in view of the approval and implementation of the debt restructuring exercises as disclosed in Note 32 to the financial statements and a 12-month cash flow forecast prepared by the management supporting the assertion that the Group and the Company will have sufficient resources to continue as a going concern for a period of at least 12 months from the end of the financial year.

(d) Significant accounting judgements, estimates and assumptions

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Judgements

<u>Operating lease commitments – Group as lessor</u>

The Group has entered into commercial property leases on its investment properties. The Group has determined that it retains all the significant risks and rewards of ownership of these properties which are leased out on operating leases.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

<u>Useful lives of property, plant and equipment (Note 4)</u>

The Group regularly review the estimated useful lives of property, plant and equipment based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the value of property, plant and equipment.

<u>Revaluation of investment properties</u>

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The Group engaged an independent valuation specialist to assess fair value as at 31 December 2017 for investment properties. A valuation methodology based on sales comparison approach was used. Land was valued by reference to market-based evidence, using comparable prices adjusted for specific market factors such as nature, location and condition of the property. The fair value of buildings was determined using the market comparable approach that reflects recent transaction price for similar properties.

The key assumptions used to determine the fair value of the properties are provided in Note 5.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

2. Basis of Preparation (Cont'd)

(d) Significant accounting judgements, estimates and assumptions (Cont'd)

Key sources of estimation uncertainty (Cont'd)

Impairment of loans and receivables

The Group assesses at end of each reporting period whether there is any objective evidence that a receivable is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts at the reporting date for loans and receivables are disclosed in Notes 9, 10 and 11 respectively.

Employee share options

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also require determining the most appropriate inputs to the valuation model including the expected life of the share option, volatility and dividend yield and making assumptions about them. Details of assumptions made in respect of the share-based payment scheme are disclosed in Note 14(b).

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax payable of RM4,000 (2016: RM44,000).

3. Significant Accounting Policies

The Group and the Company apply the significant accounting policies set out below, consistently throughout all periods presented in the financial statements unless otherwise stated.

(a) Basis of consolidation

(i) Subsidiary companies

Subsidiary companies are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end to the reporting period in which the combinations occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of FRS 139 Financial Instruments: Recognition and Measurement, is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

In the Company's separate financial statement, investment in subsidiary companies is stated at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts are recognised in profit or loss. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(i)(i) to the financial statements on impairment of non-financial assets.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

(iv) Goodwill on consolidation

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(i)(i) to the financial statements on impairment of non-financial assets.

(b) Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(i)(i).

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(b) Property, plant and equipment (Cont'd)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

(iii) Depreciation

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Leased assets are depreciated over the shorter of the lease term and their useful lives. Capital work-in-progress is not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated useful lives of the assets as follows:

Computer equipment	25%
Electrical fittings	10%
Furniture and fittings	10%
Motor vehicles	20%
Office equipment	10 – 20%
Renovation	10 – 20%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the property, plant and equipment.

(c) Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception date, whether fulfillment of the arrangement is dependent on the use of a specific asset or asset and the arrangement conveys a right to use the asset, even if that right is not explicitly specific in an arrangement.

As lessee

(i) Finance lease

Leases in terms of which the Group or the Company assumes substantially all the risks and rewards of ownership are classified as finance lease. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the profit or loss. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

Leasehold land which in substance is a finance lease is classified as a property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

As lessee (Cont'd)

(ii) Operating leases

Leases, where the Group or the Company does not assume substantially all the risks and rewards of ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the statement of financial position. Property interest held under an operating lease, which is held to earn rental income or for capital appreciation or both, is classified as investment property and measured using fair value model.

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense, over the term of the lease. Contingent rentals are charged to profit or loss in the reporting period in which they are incurred.

Leasehold land which in substance is an operating lease is classified as prepaid land lease payments.

As lessor

Leases in which the Group or the Company does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

(d) Investment properties

Investment properties are properties which are owned or held under a leasehold interest to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are measured initially at cost, including transaction costs. Subsequently, investment properties are measured at fair value which reflects market conditions at the reporting date. Gains and losses arising from changes in the fair values of investment properties are recognised in profit or loss for the period in which they arise. Where the fair value of the investment property under construction is not reliably determinable, the investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is complete, whichever is earlier.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Investment properties are valued by independent professionally qualified valuers, having appropriate recognised professional qualifications and recent experience in the locations and segments of the investment properties valued. The management team reviewed and discussed the valuations, including valuation processes, performed by the independent valuers for financial reporting purposes

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(d) Investment properties (Cont'd)

Investment properties are derecognised when either they are disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from the disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in the profit or loss in the reporting period of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

(e) Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets at fair value through profit or loss are recognised immediately in profit or loss.

The Group and the Company classify their financial assets depends on the purpose for which the financial assets were acquired at initial recognition, into the loans and receivables.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those maturing later than 12 months after the end of the reporting period which are presented as non-current assets.

After initial recognition, financial assets categorised as loans and receivables are measured at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

A financial asset is derecognised when the contractual rights to receive cash flows from the financial asset has expired or has been transferred and the Group and the Company have transferred substantially all risks and rewards of ownership. On derecognition of a financial asset, the difference between the carrying amount and the sum of consideration received and any cumulative gains or loss that had been recognised in equity is recognised in the profit or loss.

(f) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definition of financial liabilities.

Financial liabilities are recognised on the statements of financial position when, and only when the Group and the Company become a party to the contractual provisions of the financial instrument.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. **Significant Accounting Policies (Cont'd)**

(f) Financial liabilities (Cont'd)

The Group and the Company classify their financial liabilities at initial recognition, into the following categories:

(i) Other financial liabilities measured at amortised cost

The Group's and the Company's financial liabilities comprise trade and other payables, amount owing to subsidiary companies, amount owing to Directors and loans and borrowings.

Trade and other payables, amount owing to subsidiary companies, and amount owing to Directors are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Gains and losses on financial liabilities measured at amortised cost are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

(ii) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specific payment to reimburse the holder for a loss it incurs because a specific debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequently, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount recognised less cumulative amortisation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(g) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdraft and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. **Significant Accounting Policies (Cont'd)**

(i) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

The recoverable amount of an asset or cash-generating unit is the greater of its value-in-use and its fair value less costs of disposal. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

All financial assets, other than investment in subsidiary companies are assessed at each reporting date whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the asset.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(i) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the receivable and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with defaults on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the assets' carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of impairment loss is recognised in profit or loss. Receivables together with the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(j) Share capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(k) Provisions

Provisions are recognised when there is a present legal or constructive obligation as a result of a past event, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at each end of the reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(l) Employee benefits

(i) Short term employee benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employee Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred. Once the contributions have been paid, the Group has no further payment obligations.

(iii) Share-based payment transactions

The Group operates an equity-settled, share-based compensation plan for the employees of the Group. Employee services received in exchange for the grant of the share options is recognised as an expense in the profit or loss over the vesting periods of the grant with a corresponding increase in equity.

For options granted to the employees of the subsidiary companies, the fair value of the options granted is recognised as cost of investment in the subsidiary companies over the vesting period with a corresponding adjustment to equity in the Company's financial statements.

The total amount to be expensed over the vesting period is determined by reference to the fair value of the share options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to be vested. At the end of each reporting date, the Group revises its estimates of the number of share options that are expected to be vested. It recognises the impact of the revision of original estimates, if any, in the profit or loss, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares and the share option reserve is transferred to share capital when the options are exercised. When options are not exercised and lapsed, the share option reserve is transferred to retained earnings.

(m) Revenue

(i) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(m) Revenue (Cont'd)

(ii) Project management consultancy fee

Revenue is recognised upon the rendering of services and when the outcome of the transaction can be estimated reliably by reference to the stage of completion at the end of the reporting period. The stage of completion is determined by reference to the surveys of work performed. In the event the outcome of the transaction could not be estimated reliably, revenue is recognised to the extent of the expenses incurred that are recoverable.

(iii) Interest income

Interest income is recognised on accruals basis using the effective interest method.

(n) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for theirs intended use or sale, are capitalised as part of the cost of those assets. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(o) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit nor loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

3. Significant Accounting Policies (Cont'd)

(o) Income taxes (Cont'd)

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period, except for investment properties carried at fair value model. Where investment properties measured using fair value model, the amount of deferred tax recognised is measured using the tax rates that would apply on sale of those assets at their carrying amounts at the reporting date unless the property is depreciable and is held with the objective to consume substantially all of the economic benefits embodied in the property over time, rather than through sale. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

(p) Goods and Services Tax ("GST")

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are recognised inclusive of GST.

The net amount of GST being the difference between output and input of GST, payable to or receivables from the authority at the reporting date, is included in other payables or other receivables in the statements of financial position.

(q) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

(r) Contingencies

Where it is not probable that an inflow or an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the asset or the obligation is disclosed as a contingent asset or contingent liability, unless the probability of inflow or outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent assets or contingent liabilities unless the probability of inflow or outflow of economic benefits is remote.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

4. Property, Plant and Equipment

Group 2017	Computer equipment RM'000	Electrical fittings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2017	788	69	595	1,259	587	698	3,996
Additions	3	-	1	-	-	-	4
Disposals	-	-	-	(296)	-	-	(296)
Written off	(93)	(12)	(189)	-	(38)	(75)	(407)
At 31 December 2017	698	57	407	963	549	623	3,297
Accumulated depreciation							
At 1 January 2017	472	24	448	488	531	403	2,366
Charge for the financial year	165	6	18	231	14	105	539
Disposals	-	-	-	(172)	-	-	(172)
Written off	(93)	(12)	(189)	-	(38)	(75)	(407)
At 31 December 2017	544	18	277	547	507	433	2,326
Carrying amount							
At 31 December 2017	154	39	130	416	42	190	971
2016							
Cost							
At 1 January 2016	724	69	587	1,174	577	698	3,829
Additions	64	-	8	85	10	-	167
At 31 December 2016	788	69	595	1,259	587	698	3,996
Accumulated depreciation							
At 1 January 2016	316	18	430	247	518	293	1,822
Charge for the financial year	156	6	18	241	13	110	544
At 31 December 2016	472	24	448	488	531	403	2,366
Carrying amount							
At 31 December 2016	316	45	147	771	56	295	1,630

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

4. Property, Plant and Equipment

Company 2017	Computer equipment RM'000	Electrical fittings RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2017	722	69	364	990	105	602	2,852
Additions	-	-	1	-	-	-	1
Disposals	-	-	-	(195)	-	-	(195)
Written off	(93)	(12)	(189)	-	(38)	(75)	(407)
At 31 December 2017	629	57	176	795	67	527	2,251
Accumulated depreciation							
At 1 January 2017	433	24	221	325	61	306	1,370
Charge for the financial year	157	6	18	184	12	106	483
Disposals	-	-	-	(114)	-	-	(114)
Written off	(93)	(12)	(189)	-	(38)	(75)	(407)
At 31 December 2017	497	18	50	395	35	337	1,332
Carrying amount							
At 31 December 2017	132	39	126	400	32	190	919
2016							
Cost							
At 1 January 2016	686	69	360	905	105	602	2,727
Additions	36	-	4	85	-	-	125
At 31 December 2016	722	69	364	990	105	602	2,852
Accumulated depreciation							
At 1 January 2016	278	18	204	137	50	201	888
Charge for the financial year	155	6	17	188	11	105	482
At 31 December 2016	433	24	221	325	61	306	1,370
Carrying amount							
At 31 December 2016	289	45	143	665	44	296	1,482

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

4. Property, Plant and Equipment (Cont'd)

The carrying amount of property, plant and equipment of the Group acquired under finance lease arrangement is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Motor vehicles	416	771	400	665

5. Investment Properties

	Group	
	2017 RM'000	2016 RM'000
At 1 January	120,000	91,198
Additions	-	17,282
Fair value adjustment	-	11,520
At 31 December	120,000	120,000
Included in the above are:		
At fair value		
Leasehold land	30,630	30,630
Building	89,370	89,370
	120,000	120,000

(a) Investment properties under leases

Investment properties comprise commercial properties that are leased to third parties. Each of the leases contains a non-cancellable period ranging of 2 to 3 years. Subsequent renewals are negotiated with the lessee on an average renewal of 2 to 3 years. No contingent rents are charged.

(b) Fair value basis of investment properties

The investment properties are valued annually at fair value based on market values determined by independent qualified valuers amounting to RM120 million (2016: RM120 million). The independent professionally qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value measurements of the investment properties are based on the highest and best use, which does not differ from their actual use. The fair values are within level 2 of the fair value hierarchy. The fair values have been derived using the sales comparison approach. Sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties.

There were no transfers between levels during current and previous financial year. The increase of fair value of RM11.5 million was recognised in the profit or loss in the previous financial year. There was no change in the fair value during the financial year.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

5. Investment Properties (Cont'd)

(c) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RM120 million (2016: RM120 million) have been pledged to secured borrowing facilities granted to the Group.

(d) Income and expenses recognised in profit or loss

The following are recognised in profit or loss in respect of investment properties:

	Group	
	2017 RM'000	**2016 RM'000**
Rental income	400	131
Direct operating expenses:		
- Income generating investment properties	2,190	874

6. Investment in Subsidiary Companies

	Company	
	2017 RM'000	**2016 RM'000**
In Malaysia:		
At cost		
Unquoted share	70,632	70,632
Quasi loans	38,051	38,051
	108,683	108,683
Less: Impairment loss	(56,420)	(56,420)
	52,263	52,263

Quasi loans represent advances and payments made on behalf of which the settlement are neither planned nor likely to occur in the foreseeable future. These amounts are, in substance, a part of the Company's net investment in the subsidiary companies. The quasi loans are stated at costs less accumulated impairment losses, if any.

(a) Details of the subsidiary companies are as follows:

Name of company	Country of incorporation	Effective equity interest 2017 %	Effective equity interest 2016 %	Principal activities
Angkasa Lampiran Sdn. Bhd.	Malaysia	100	100	Property development. Ceased operations in the previous financial years.
Consistent Harvest Sdn. Bhd.	Malaysia	100	100	Property management.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

(a) Details of the subsidiary companies are as follows (Cont'd):

Name of company	Country of incorporation	Effective equity interest 2017 %	2016 %	Principal activities
Jernih Makmur Sdn. Bhd.	Malaysia	100	100	Logging and selling round end timber logs. Ceased operations in the previous financial years.
NAIMKBB Berhad#	Malaysia	100	100	Dormant.
Pegasus Heights Marketing Sdn. Bhd. (f.k.a Naim Indah City Development Sdn. Bhd.)	Malaysia	100	100	Property development and investment holding.
Naim Indah Properties Sdn. Bhd.	Malaysia	100	100	Property management, leasing and renting property.
Naim Indah Marketing Sdn. Bhd. (f.k.a. Naim Indah Energy Sdn. Bhd.)	Malaysia	100	100	Renewable energy.
Naim Indah Creative & Communications Sdn. Bhd. (f.k.a. Pedoman Nusantara Sdn. Bhd.)	Malaysia	100	100	Marketing project management consultancy.
Held through Angkasa Lampiran Sdn. Bhd.				
Bitarex Sdn. Bhd.	Malaysia	51	51	Dormant.
Consistent Harvest Properties Sdn. Bhd.	Malaysia	100	100	Leasing and renting property. Ceased operations in the previous financial years.
Ni-Corp Oil & Gas Technology Sdn. Bhd.	Malaysia	100	100	Trading of building materials and rental of machinery. Ceased operations in the previous financial years.

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NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

(b) Kewangan Bersatu Berhad ("KBB")

As disclosed in Note 3(a)(i) to the financial statements, subsidiary companies are entities over which the Group has the power, directly or indirectly, to exercise control over its financial and operating policies so as to obtain benefits from its activities. On 4 January 1999, pursuant to Banking and Financing Institutions (Kewangan Bersatu Berhad) (Assumption of Control) Order, 1998 issued by the Minister of Finance, Bank Negara Malaysia ("BNM") assumed control of the whole properties, business and affairs of Kewangan Bersatu Berhad ("KBB") and its subsidiary companies, KBB Nominees (Tempatan) Sdn. Bhd. and KBB Properties Sdn. Bhd. ("KBB Group"), which was wholly-owned by the Company.

Accordingly, the financial statements of KBB Group has not been consolidated in the preparation of the consolidated financial statements in previous financial years as the Directors were of the opinion that the Company has lost effective control in KBB Group.

The Company's investment in KBB has been fully impaired in prior years.

During the financial year ended 31 December 2008, the Company was informed by BNM vide its letter dated 20 June 2008 that:

(i) After assuming control of KBB group on 20 December 1998, BNM had obtained approval from the Minister of Finance pursuant to the Banking and Financial Institutions Act 1989 ("BAFIA") for Malayan Banking Berhad ("MBB") to acquire the whole of the assets and liabilities of KBB group. The acquisition was completed through a vesting order by the Kuala Lumpur High Court on 30 September 2006;

(ii) Following the completion of the acquisition of the assets and liabilities of KBB group by MBB, BNM had obtained approval from the Minister of Finance to carry out the following:

(a) Cancellation of an order made by BNM on 30 December 1998 pursuant to Section 73 (5) of BAFIA to relinquish control of KBB back to the Company; and

(b) Revocation of the license granted to KBB pursuant to Section 10(4) of BAFIA whereby KBB shall no longer be a licensed financial institution under BAFIA.

The above orders have been gazette and became effective on 8 April 2008. Consequently, KBB is no longer allowed to use the word "kewangan" as part or it name. BNM granted to KBB the extension of time to June 2009 to delete the word "Kewangan" from part of its name.

(iii) With effect from 8 April 2008, the management and administration of KBB shall be the responsibility of the management and board of Directors of KBB.

The letter from BNM further stated that KBB is now a "shell" company.

On 6 April 2009, Kewangan Bersatu Bhd changed its name to NAIMKBB Berhad.

During the financial year ended 31 December 2009, MBB had informed the Company, vide its letter dated 15 January 2010, that MBB has acquired the two subsidiary companies of KBB, namely KBB nominees (Tempatan) Sdn. Bhd. and KBB properties Sdn. Bhd. pursuant to a Business Transfer Agreement between BNM, KBB and MBB dated 16 March 2006 and the Kuala Lumpur High Court (Commercial Division) Vesting Order Summons No. D1-24-535-06 dated 28 September 2006.

The Companies Commission of Malaysia issued notices under sections 308(1) and 308(2) of the Companies Act, 1965 to NAIMKBB Berhad on 16 March 2016 and 17 March 2017 respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

6. Investment in Subsidiary Companies (Cont'd)

(c) Acquisition of subsidiary companies in the previous financial year

On 20 October 2016, the Company acquired 2 ordinary shares of RM1.00 each, representing equity interests in Naim Indah Creative & Communications Sdn. Bhd. (f.k.a. Pedoman Nusantara Sdn. Bhd.) for a cash consideration of RM2. The acquisition of this subsidiary company is to enable the Group to expand its business into marketing project management consultancy.

On 26 October 2016, the Company acquired 2 ordinary shares of RM1.00 each, representing 100% equity interests in Naim Indah Energy Sdn Bhd for a total cash consideration of RM2. The acquisition of this subsidiary company is to enable the Group to expand its business into renewable energy activities.

The fair value of purchase consideration and identifiable assets acquired and liabilities assumed of the above subsidiary companies as at the date of acquisition has no material impact on the financial statements of the Group.

The acquired subsidiary companies' contribution was not material to the result of the Group.

(d) Summarised financial information of non-controlling interest in Bitarex Sdn. Bhd. has not been presented as it is not material to the Group

7. Investment in an Associated Company

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
At cost				
Unquoted shares in Malaysia	-	400	-	400
Share of post-acquisition results	-	(96)	-	-
	-	304	-	400
Disposal during the financial year	-	(304)	-	(400)
	-	-	-	-

(a) Share of result in the associate is based on unaudited financial statements of the associate.

(b) On 1 March 2016, the Company entered into a Share Sale Agreement to dispose of its entire 20% equity interest in Naim Indah Mobile Communications Sdn. Bhd. for a total sales consideration of RM400,000.

Upon completion of the disposal on 8 March 2016, NIMCSB ceased to be an associate company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

8. Deferred Tax Assets/(Liabilities)

	Group and Company	
	2017 RM'000	2016 RM'000
Deferred Tax Assets		
At 1 January	250	1,527
Recognised in profit or loss (Note 22)	(250)	(1,277)
At 31 December	-	250
Deferred Tax Liabilities		
At 1 January	2,251	1,675
Recognised in profit or loss (Note 22)	-	576
At 31 December	2,251	2,251

The deferred tax liabilities and assets shown on the statements of financial position are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Deferred tax liabilities	(2,251)	(2,251)	-	-
Deferred tax assets	-	250	-	250

The components and movements of deferred tax liabilities and assets prior to offsetting are as follows:

Group	Fair value of investment properties RM'000
Deferred tax liabilities	
At 1 January 2017	2,251
Recognised in profit or loss	-
At 31 December 2017	2,251
At 1 January 2016	1,675
Recognised in profit or loss	576
At 31 December 2016	2,251

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

8. Deferred Tax Assets/(Liabilities) (Cont'd)

Group and Company	Unutilised tax losses RM'000
Deferred tax assets	
At 1 January 2017	250
Recognised in profit or loss	(250)
At 31 December 2017	-
At 1 January 2016	1,527
Recognised in profit or loss	(1,277)
At 31 December 2016	250

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Unutilised tax losses	67,061	63,880	49,999	50,666
Impairment loss on receivables	1,210	1,205	-	-
Others	-	127	-	-
	68,271	65,212	49,999	50,666

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

9. Trade Receivables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Trade receivables				
- Third parties	3,516	1,215	2,152	-
- Related parties	-	3,859	-	2,985
	3,516	5,074	2,152	2,985
Less: Accumulated impairment losses	(1,210)	(1,205)	-	-
At 31 December	2,306	3,869	2,152	2,985

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2016: 7 to 90 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

9. Trade Receivables (Cont'd)

Movements in the allowance for impairment losses of trade receivables are as follows:

	Group	
	2017 RM'000	2016 RM'000
At 1 January	1,205	1,215
Impairment losses reversed	-	(10)
Impairment losses recognised	5	-
At 31 December	1,210	1,205

Analysis of the trade receivables ageing as at the end of the financial year is as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Neither past due nor impaired	531	3,864	382	2,985
Past due not impaired:				
Less than 30 days	123	-	120	-
31 to 60 days	122	-	120	-
61 to 90 days	120	4	120	-
91 to 120 days	1,302	1	1,302	-
More than 120 days	108	-	108	-
	1,775	5	1,770	-
	2,306	3,869	2,152	2,985
Impaired	1,210	1,205	-	-
	3,516	5,074	2,152	2,985

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2017, trade receivables of the Group and of the Company of RM1,765,000 and RM1,770,000 respectively (2016: RM5,000 and Nil respectively) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM1,210,000 (2016: RM1,205,000) related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

10. Other Receivables

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Other receivables				
- Investment and advances to joint venture projects	-	2,790	-	2,790
- Payment of purchase of properties	-	10,790	-	10,790
- Others	167	304	-	-
	167	13,884	-	13,580
Less: Accumulated impairment losses	-	(13,580)	-	(13,580)
	167	304	-	-
Deposits	119	124	96	111
Prepayments	103	102	55	65
	389	530	151	176

Movements in the allowance for impairment losses of other receivables are as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
At 1 January	13,580	13,580	13,580	13,580
Amount written off	(13,580)	-	(13,580)	-
At 31 December	-	13,580	-	13,580

11. Amount Owing by/(to) Subsidiary Companies

	Company 2017 RM'000	Company 2016 RM'000
Amount owing by subsidiaries companies	33,842	28,099
Less: Accumulated impairment losses	(2,170)	(2,159)
	31,672	25,940

Amount owing by/(to) subsidiary companies is unsecured, interest free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

11. Amount Owing by/(to) Subsidiary Companies (Cont'd)

Movements in the allowance for impairment losses of amount owing by subsidiary companies are as follows:

	Company	
	2017 RM'000	2016 RM'000
At 1 January	2,159	1,507
Impairment losses recognised	11	652
At 31 December	2,170	2,159

12. Fixed Deposit with a Licensed Bank

The fixed deposit amounting to RM253,297 (2016: RM251,175) was pledged with a licensed bank as security for bank guarantee issued.

The effective interest rates of the fixed deposit ranging from 2.65% to 3.25% (2016: 2.65% to 3.25%) per annum and its maturity period ranging from 30 to 365 days (2016: 30 to 365 days).

13. Share Capital

	Group and Company			
	Number of shares		Amount	
	2017 '000	2016 '000	2017 RM'000	2016 RM'000
Ordinary shares with no par value (2016: par value of RM0.10 each)				
Authorised				
At 31 December	-	5,000,000	-	500,000
Issued and fully paid				
At 1 January	863,460	863,460	86,346	86,346
Issuance of shares persuant to:				
- exercise of SIS options (Note 14 (b))	13,000	-	1,300	-
Transition to no-par value regime on 31 January 2017 (Note 14 (a))	-	-	2,143	-
At 31 December	876,460	863,460	89,789	86,346

During the financial year, the Company issued 13,000,000 new ordinary shares of RM0.10 each for a consideration of RM1,300,000 arising from the exercise of employees' share options at an exercise price of RM0.10 per ordinary share, satisfied by way of capitalisation of amount owing to a former Director.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

13. Share Capital (Cont'd)

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. There is no impact on the numbers of ordinary shares in issues to the relative entitlement of any of the members as a result of this transition.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

14. Reserves

		Group and Company	
		2017	2016
		RM'000	RM'000
Non-distributable			
Share premium	(a)	-	1,891
SIS options reserve	(b)	273	1,389
		273	3,280

The nature of reserves of the Group and of the Company is as follows:

(a) Share premium

In previous financial year, share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

The movements in the share premium of the Group and of the Company are as follow

	Group and Company	
	2017	2016
	RM'000	RM'000
At 1 January	1,891	1,891
Issuance of shares persuant to:		
- exercise of SIS options	252	-
Transition to no-par value regime on 31 January 2017	(2,143)	-
At 31 December	-	1,891

Prior to 31 January 2017, the application of the share premium account was governed by Sections 60 and 61 of the Companies Act, 1965. In accordance with the transitional provisions set out in Section 618(2) of the new Companies Act, 2016 (the "Act"), on 31 January 2017, the amounts standing to the credit of the share premium account become part of the Company's share capital (Note 13). Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM2,143,000 for purposes as set out in Sections 618(3).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

14. Reserves (Cont'd)

(b) SIS options reserve

The SIS options reserve represents the reserve arising from the vesting of equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

The Share Issuance Scheme ("SIS") of the Company is governed by the SIS By-laws and was approved by shareholders on 17 April 2015. The SIS By-laws sets out the basis upon which the Company shall allocate the SIS Options to eligible person of the Company to subscribe for new ordinary shares in the Company. The SIS is to be in force for a period of 5 years effective from 28 May 2015.

The main features of the SIS are as follows:

(i) Eligible persons are employees and/or Directors of the Group, save for companies which are dormant, who have been confirmed in the employment of the Group or such employee is serving such in a specific designation under and employment contract for a fixed duration of at least 1 year from the date of offer;

(ii) The maximum number of new ordinary shares of the Company, which may be available under the scheme, shall not exceed in aggregate 15%, or any such amount or percentage as may be permitted by the relevant authorities of the issued and paid-up capital of the Company at any one time during the existence of the SIS;

(iii) The option price shall be determined by the Scheme Committee based on the 5-day weighted average market price of ordinary shares of the Company immediately preceding the offer date of the option, which a discount of not more than 10% or at the par value of ordinary shares of the Company, whichever is higher;

(iv) The option may be exercised by the grantee by notice in writing to the Company in the prescribed form during the option period in respect of all or any part of the new ordinary shares of the Company comprised in the SIS; and

(v) All new ordinary shares issued upon exercise of the options granted under the SIS will rank pari passu in all respects with the existing ordinary shares of the Company, provided always that new ordinary shares so allocated and issued, will not be entitled to any dividends, rights, allotments and/or other distributions declared, where the entitlement date of which is prior to date of allotment and issuance of the new ordinary shares.

The option prices and the details in the movement of the options granted are as follows:

			Number of Options over Ordinary Shares			
Date of Offer	Exercise Price	Remaining Contractual Life of Options Price	At 1.1.2017 '000	Exercised '000	Lapsed '000	At 31.12.2017 '000
18 August 2015	RM0.10	4 years	82,400	(13,000)	(35,750)	33,650

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

14. Reserves (Cont'd)

The fair values of share options granted were estimated using a binomial model, taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:

	Option Date 18 August 2015
Fair value of share options at the grant date (RM)	0.0194
Weighted average ordinary share price (RM)	0.08
Exercise price of share option (RM)	0.10
Expected volatility (%)	29.60
Expected life (years)	5
Risk free rate (%)	4.02

15. Borrowings

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Secured				
Term loans	17,588	18,075	5,246	4,930
Bank overdrafts	3,016	2,880	-	-
	20,604	20,955	5,246	4,930
Non-current				
Term loans	16,522	17,034	5,246	4,930
Current				
Term loans	1,066	1,041	-	-
Bank overdrafts	3,016	2,880	-	-
	4,082	3,921	-	-
	20,604	20,955	5,246	4,930

The above borrowing facilities obtained from licensed banks and financial institutions are secured by the following:

(a) A first and third party legal charge created on the investment property owned by a subsidiary company;

(b) A pledge of fixed deposits of the Group; and

(c) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

15. Borrowings (Cont'd)

Effective interest rates of the borrowings are as follows:

	Group		Company	
	2017 %	2016 %	2017 %	2016 %
Term loans	8.98	8.16	9.00	9.00
Bank overdrafts	8.97	7.72	-	-

16. Finance Lease Liabilities

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Minimum lease payments:				
Within one year	268	157	11	125
Later than one year and not later than five years	75	399	223	294
Later than five years	-	10	-	-
	343	566	234	419
Less: Future finance charges	(22)	(46)	(14)	(31)
Present value of minimum lease payments	321	520	220	388
Present value of minimum lease payments:				
Within one year	28	135	11	109
Later than one year and not later than five years	293	375	223	279
Later than five years	-	10	-	-
	321	520	234	388

The finance lease liabilities bear interest at rates ranging from 2.41% to 2.63% (2016: 4.57% to 4.97%) per annum.

17. Amount Owing to a Former Director

Amount owing to a former director is unsecured, interest free and is repayable on demand only after a period of 12 months from the end of the reporting period.

18. Trade Payables

The normal trade credit terms of the Group ranged from 30 to 60 days (2016: 30 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

19. Other Payables

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Other payables	10,856	11,998	94	195
Accruals	866	1,490	560	997
Deposits received	969	1,187	-	-
	12,691	14,675	654	1,192

20. Revenue

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Project management consultancy fee	7,340	11,010	7,230	11,010
Marketing project management consultancy fee	-	874	-	-
Rental income from investment property	400	131	-	-
	7,740	12,015	7,230	11,010

21. Finance Costs

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Interest expenses on:				
Bank overdrafts	237	250	-	-
Term loans	1,358	1,330	323	140
Finance lease liabilities	20	28	16	21
Bank guarantee	-	1	-	-
	1,615	1,609	339	161

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

22. (Loss)/Profit Before Tax

(Loss)/Profit before tax is derived after charging/(crediting):

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Auditors' remuneration				
- statutory audit:				
- current year	118	133	85	95
- over provision in prior year	(1)	-	-	-
- non-statutory audit	5	5	5	5
Depreciation of property, plant and equipment	539	544	483	482
Directors' remuneration	2,262	2,592	2,262	2,592
Deposits received written off	(279)	-	-	-
Fair value gain on investment properties	-	(11,520)	-	-
Gain on disposal of an associate	-	(96)	-	-
Gain on disposal of property, plant and equipment	(63)	-	(45)	-
Impairment loss on amount owing by subsidiary companies	-	-	11	652
Impairment loss on trade receivables	5	-	-	-
Impairment loss on goodwill	-	5	-	-
Interest income	(7)	(7)	-	-
Rental expenses:				
- office	254	240	254	240
- premises	110	120	110	120
- equipment	7	6	-	6
- car park	24	21	24	21
Rental income	-	(9)	-	(9)
Reversal of impairment loss on trade receivables	-	(10)	-	-
Staff costs:				
- share option expenses	177	839	177	839
- others	1,555	2,598	1,104	2,393

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

23. Taxation

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
Tax expenses recognised in profit or loss:				
Current tax provision	4	44	-	-
(Over)/Under provision in prior years	(4)	270	-	-
	-	314	-	-
Deferred tax: (Note 8)				
Origination and reversal of temporary differences	250	1,853	250	1,277
	250	1,853	250	1,277
Tax expenses for the financial year	250	2,167	250	1,277

Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

A reconciliation of income tax expense applicable (loss)/profit before tax at the statutory income tax rate to income tax expense at the effective income tax rate of the Group and of the Company is as follows:

	Group 2017 RM'000	Group 2016 RM'000	Company 2017 RM'000	Company 2016 RM'000
(Loss)/Profit before tax	(3,551)	12,501	133	3,277
At Malaysian statutory tax rate of 24%(2016: 24%)	(852)	3,000	32	786
Expenses not deductible for tax purposes	1,691	478	156	534
Income not subject to tax	(101)	(2,765)	(28)	-
Utilisation of previously utilised tax losses	250	1,277	250	1,277
Effect of differential in tax rates on fair value adjustment on investment property	-	576	-	-
Utilisation of previously unrecognised deferred tax assets	(734)	(1,320)	(160)	(1,320)
Deferred tax assets not recognised	-	651	-	-
(Over)/Under provision of taxation in prior years	(4)	270	-	-
Tax expenses for the financial year	250	2,167	250	1,277

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

24. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

The basic (loss)/earnings per share are calculated based on the consolidated profit for the financial year attributable to owners of the parent and the weighted average number of ordinary shares in issue during the financial year as follows:

	Group	
	2017 RM'000	2016 RM'000
(Loss)/Profit attributable to owners of the parent	(3,798)	10,338
Weighted average number of ordinary shares in issue (unit) ('000)	869,194	863,460
Basic (loss)/earnings per ordinary shares (in sen)	(0.44)	1.20

(b) Diluted (loss)/earnings per share

The Group has no dilution in their (loss)/earnings per ordinary share as the exercise price of the outstanding SIS exceeded the average market price of ordinary shares during the financial year and accordingly, the options do not have any dilutive effect on the weighted average number of ordinary shares.

25. Reconciliation of liabilities arising from financing activities

The table below details changes in the liabilities of the Group and of the Company arising from financing activities, including both cash and non-cash changes:

	At 1 January 2017 RM'000	Financing cash flows (i) RM'000	Other changes (ii) RM'000	At 31 December 2017 RM'000
Group				
Borrowings	18,075	(810)	323	17,588
Finance lease liabilities	520	(199)	-	321
Amount owing to a former Director	13,018	3,163	-	16,181
Share capital	86,346	1,300	2,143	89,789
	117,959	3,454	2,466	123,879
Company				
Borrowings	4,930	(7)	323	5,246
Finance lease liabilities	388	(154)	-	234
Amount owing to a former Director	2,948	3,222	-	6,170
Share capital	86,346	1,300	2,143	89,789
	94,612	4,361	2,466	101,439

(i) The cash flows from loans and borrowings make up the net amount of proceeds from or repayments of borrowings in the statements of cash flows.

(ii) Other changes include the interest accruals and transition to no-par value regime on 31 January 2017.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

26. Related Party Disclosures

(a) Identifying related parties

For the purposes of these financial statements, parties are considered to be related to the Group if the Group or the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group or the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		Company	
	2017 RM'000	2016 RM'000	2017 RM'000	2016 RM'000
Project management consultancy fee from a company related to a Director*	7,330	11,884	7,230	11,010
Loan from a financial institution related to a Director*	4,940	4,940	4,940	4,940

* This represents the related party transaction with a past Director/past key management personnel of the Company until his retirement on 16 October 2017.

(c) Compensation of key management personnel

The key management personnel of the Group and of the Company include Executive Directors and Non-Executive Directors of the Company and certain members of senior management of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

26. Related Party Disclosures (Cont'd)

(c) Compensation of key management personnel (Cont'd)

(i) The key management personnel compensation during the financial year are as follows:

	Group		Company	
	2017 RM'000	**2016 RM'000**	**2017 RM'000**	**2016 RM'000**
Directors				
Executive Directors				
Short-term employee benefits:				
- fees	177	252	177	252
- salaries, bonuses and other benefits	1,832	1,444	1,832	1,444
	2,009	1,696	2,009	1,696
Share option expenses	106	428	106	428
Benefit-in-kind	-	145	-	145
	2,115	2,269	2,115	2,269
Non-executive Directors				
Short-term employee benefits:				
- fees	113	162	113	162
- Share option expenses	34	161	34	161
	147	323	147	323
Total Directors' remunerations (Note 22)	2,262	2,592	2,262	2,592
Other Key Management Personnel				
Short-term employee benefits	836	772	836	772
Share option expenses	25	118	25	118
Total compensation for other key management personnel	861	890	861	890

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

26. Related Party Disclosures (Cont'd)

(c) Compensation of key management personnel (Cont'd)

(ii) Number of Directors whose remuneration falls into the following bands:

Range of Remuneration	Number of Directors Executive	Number of Directors Non-Executive
Below RM 50,000	1	3
RM50,001 – RM100,000	2	1
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	1	-
RM400,001 – RM450,000	1	-
RM1,100,001 – RM1,150,000	-	1
Total	5	5

27. Segment Information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable segments as follows:

Investment property	Involved in the leasing out commercial properties
Project management, consultancy	Involved in the project management consultancy for property development and marketing events
Investment holding and others	Mainly involved in the Group-level corporate services

The management assessed the performance of the reportable segments based on their profit before interest and taxation. The accounting policies of the reportable segments are the same as Group's accounting policies.

Borrowings and investment-related activities are managed on a group basis by the central treasury function and are not allocated to operating reportable segments.

Each reportable segment assets is measured based on all assets (including goodwill) of the segment other than tax related assets.

Each reportable segment liabilities is measured based on all liabilities of the segment other than borrowings and tax-related liabilities.

Assets, liabilities and expenses which are common and cannot be meaningful allocated to the reportable segments are presented under unallocated items. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters) and head office expenses.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

27. Segment Information (Cont'd)

(a) Business segment

Group 2017	Project Management Consultancy RM'000	Investment Property RM'000	Investment Holding and Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue						
External customers	7,340	400	-	7,740	-	7,740
Inter-segment sales	10	-	-	10	(10)	-
Total revenue	7,350	400	-	7,750	10	7,740
Results						
Interest income	-	7	-	7	-	7
Finance costs	-	(1,276)	(339)	(1,615)	-	(1,615)
Depreciation	(483)	(56)	-	(539)	-	(539)
Other non-cash items	40	297	(177)	160	-	160
Segment profit/(loss)	5,800	(2,391)	(5,356)	(1,947)	11	(1,936)
Segment assets	87,548	121,360	1,090	209,998	(85,113)	124,885
Included in measurement of segment assets are capital expenditure	1	4	-	5	-	5
Segment liabilities	12,612	72,073	2,538	87,223	(35,021)	52,202
Other non-cash items						
Deposits received written off	-	279	-	279	-	279
Gain on disposal of property, plant and equipment	45	18	-	63	-	63
Impairment loss on trade receivables	(5)	-	-	(5)	-	(5)
Share option expenses	-	-	(177)	(177)	-	(177)
	40	297	(177)	160	-	160

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

27. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group 2016	Project Management Consultancy RM'000	Investment Property RM'000	Investment Holding and Others RM'000	Total RM'000	Adjustments and Eliminations RM'000	Consolidated RM'000
Revenue						
External customers	11,884	131	-	12,015	-	12,015
Inter-segment sales	-	-	-	-	-	-
Total revenue	11,884	131	-	12,015	-	12,015
Results						
Interest income	-	7	-	7	-	7
Finance costs	-	(1,448)	(161)	(1609)	-	(1,609)
Depreciation	(482)	(62)	-	(544)	-	(544)
Fair value gain on investment properties	-	11,520	-	11,520	-	11,520
Other non-cash items	-	10	(250)	(240)	91	(149)
Segment profit/(loss)	9,911	9,863	(6,394)	13,380	742	14,122
Segment assets	31,482	121,301	52,521	205,304	(78,697)	126,607
Included in the measurement of segment assets are:						
Fair value gain on investment properties	-	11,520	-	11,520	-	11,520
Capital expenditure	125	17,324	-	17,449	-	17,449
Segment liabilities	4,933	49,086	26,174	80,193	(28,593)	51,600
Other non-cash items						
Reversal of impairment loss on trade receivables	-	10	-	10	-	10
Gain on disposal of an associate	-	-	-	-	96	96
Impairment loss on goodwill	-	-	-	-	(5)	(5)
Share option expenses	-	-	(250)	(250)	-	(250)
	-	10	(250)	(240)	91	(149)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

27. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Geographic Information
No geographical analysis has been prepared as the Group operates wholly in Malaysia.

Major Customers
The following are major customers with revenue equal to or more than 10% of Group's total revenue:

	Revenue		
	2017 RM'000	2016 RM'000	Segment
Customer 1	5,400	5,903	Project management consultancy
Customer 2	1,830	5,975	Project management consultancy
	7,230	11,878	

28. Financial Instruments

(a) Classification of financial instruments

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Group			
2017			
Financial Assets			
Trade receivables	2,306	-	2,306
Other receivables	286	-	286
Fixed deposit with a licensed bank	253	-	253
Cash and bank balances	957	-	957
	3,802	-	3,802

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Group			
2017			
Financial Liabilities			
Term loans	-	17,588	17,588
Finance lease liabilities	-	321	321
Bank overdraft	-	3,016	3,016
Amount owing to a former Director	-	16,181	16,181
Trade payables	-	150	150
Other payables	-	12,691	12,691
	-	49,947	49,947
2016			
Financial Assets			
Trade receivables	3,869	-	3,869
Other receivables	428	-	428
Fixed deposit with a licensed bank	251	-	251
Cash and bank balances	77	-	77
	4,625	-	4,625
Financial Liabilities			
Term loans	-	18,075	18,075
Finance lease liabilities	-	520	520
Bank overdraft	-	2,880	2,880
Amount owing to a former Director	-	13,018	13,018
Trade payables	-	137	137
Other payables	-	14,675	14,675
	-	49,305	49,305

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Company			
2017			
Financial Assets			
Trade receivables	2,152	-	2,152
Other receivables	96	-	96
Amount owing by subsidiary companies	31,672	-	31,672
Cash and bank balances	392	-	392
	34,312	-	34,312
Financial Liabilities			
Term loans	-	5,246	5,246
Finance lease liabilities	-	234	234
Amount owing to a Director	-	6,170	6,170
Other payables	-	654	654
Amount owing to subsidiary companies	-	309	309
	-	12,613	12,613
2016			
Financial Assets			
Trade receivables	2,985	-	2,985
Other receivables	111	-	111
Amount owing by subsidiary companies	25,940	-	25,940
Cash and bank balances	22	-	22
	29,058	-	29,058
Financial Liabilities			
Term loans	-	4,930	4,930
Finance lease liabilities	-	388	388
Amount owing to a Director	-	2,948	2,948
Other payables	-	1,192	1,192
Amount owing to subsidiary companies	-	84	84
	-	9,542	9,542

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group operations whilst managing its financial risks, including credit, liquidity and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers and deposits with banks and financial institutions. The Company's exposure to credit risk arises principally from loans and advances to subsidiary companies and financial guarantees given to banks for credit facilities granted to subsidiary companies.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Company provides unsecured loans and advances to subsidiary companies. It also provides unsecured financial guarantees to banks for banking facilities granted to certain subsidiary companies. The Company monitors on an ongoing basis the results of the subsidiary companies and repayments made by the subsidiary companies.

The carrying amounts of the financial assets recorded on the statements of financial position at the end of the financial year represents the Group's and the Company's maximum exposure to credit risk except for financial guarantees provided to banks for banking facilities granted to certain subsidiary companies. There was no indication that any subsidiary company would default on repayment as at the end of the reporting period.

Financial guarantee

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM23,176,000 (2016: RM23,726,000), representing the outstanding borrowing facilities as at the end of the reporting period. The Company monitors the results of these subsidiary companies regularly and repayments made by the subsidiary companies.

The Group's major concentration of credit risk relating to the amount(s) owing by 1 (2016: 2) customer(s) which constituted the entire trade receivables at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group or the Company will encounter difficulty in meeting its financial obligations as they fall due. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's and the Company's funding requirements and liquidity risk is managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group					
2017					
Non-derivative financial liabilities					
Term loans	2,091	7,854	7,826	17,771	17,588
Finance lease liabilities	268	75	-	343	321
Bank overdraft	3,016	-	-	3,016	3,016
Amount owing to a former Director	-	16,181	-	16,181	16,181
Trade payables	150	-	-	150	150
Other payables	12,691	-	-	12,691	12,691
	18,216	24,110	7,826	50,152	49,947
2016					
Non-derivative financial liabilities					
Term loans	1,964	13,238	7,572	22,774	18,075
Finance lease liabilities	157	399	10	566	520
Bank overdraft	2,880	-	-	2,880	2,880
Amount owing to a former Director	-	13,018	-	13,018	13,018
Trade payables	137	-	-	137	137
Other payables	14,675	-	-	14,675	14,675
	19,813	26,655	7,582	54,050	49,305

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM'000	1 - 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Company				
2017				
Non-derivative financial liabilities				
Term loans	-	5,717	5,717	5,246
Finance lease liabilities	11	223	234	234
Amount owing to a former Director	-	6,170	6,170	6,170
Other payables	654	-	654	654
Amount owing to subsidiary companies	309	-	309	309
Financial guarantee liabilities*	15,358		15,358	-
	16,332	12,110	28,442	12,613
2016				
Non-derivative financial liabilities				
Term loans	-	5,384	5,384	4,930
Finance lease liabilities	125	294	419	388
Amount owing to a former Director	-	2,948	2,948	2,948
Other payables	1,192	-	1,192	1,192
Amount owing to subsidiary companies	84	-	84	84
Financial guarantee liabilities*	16,025	-	16,025	-
	17,426	8,626	26,052	9,542

* *Based on the maximum amount that can be called for under the financial guarantee contract.*

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

The corporate guarantees are financial guarantees given to banks for credit facilities granted to subsidiary companies.

The maximum amount of the financial guarantees issued to the banks for subsidiary companies' borrowings is limited to the amount utilised by the subsidiary companies, amounting to RM15 million as at 31 December 2017 (2016: RM16 million). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

Financial guarantees have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) Market risks

(a) Interest rate risk

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	2017 RM'000	2016 RM'000
Group		
Fixed rate instruments		
Financial assets	253	251
Financial liabilities	(321)	(520)
	(68)	(269)
Floating rate instruments		
Financial liabilities	(20,604)	(20,955)
Company		
Fixed rate instruments		
Financial liabilities	(234)	(388)
Floating rate instruments		
Financial liabilities	(5,246)	(4,930)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/ decreased the Group's and the Company's profit before tax by RM206,040 and RM52,460 (2016: RM209,550 and RM49,300) respectively, arising mainly as a result of lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

The carrying amounts of the financial liabilities of the Group at the reporting date reasonably approximate their fair values except as follows:

2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carryin amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
Financial liabilities										
Term loans	-	-	-	-	-	17,628	-	17,628	17,628	17,588
Finance lease liabilities	-	-	-	-	-	332	-	332	332	321
Amount owing to a former director	-	-	-	-	-	16,181	-	16,181	16,181	16,181
	-	-	-	-	-	34,141	-	34,141	34,141	34,090
Company										
Financial liabilities										
Term loans	-	-	-	-	-	5,246	-	5,246	5,246	5,246
Finance lease liabilities	-	-	-	-	-	241	-	241	241	234
Amount owing to a former director	-	-	-	-	-	6,170	-	6,170	6,170	6,170
	-	-	-	-	-	11,657	-	11,657	11,657	11,650

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

2016	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carryin amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
Group										
Financial liabilities										
Term loans	-	-	-	-	-	18,108	-	18,108	18,108	18,075
Finance lease liabilities	-	-	-	-	-	512	-	512	512	520
Amount owing to a former director	-	-	-	-	-	13,018	-	13,018	13,018	13,018
	-	-	-	-	-	31,638	-	31,638	31,638	31,613
Company										
Financial liabilities										
Term loans	-	-	-	-	-	4,930	-	4,930	4,930	4,930
Finance lease liabilities	-	-	-	-	-	404	-	404	404	388
Amount owing to a former director	-	-	-	-	-	2,948	-	2,948	2,948	2,948
	-	-	-	-	-	8,282	-	8,282	8,282	8,266

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

29. Operating leases

The future minimum lease payments payable under non-cancellable operating leases are:

	Group	
	2017 RM'000	**2016 RM'000**
Not later than one year	952	1,251

30. Contingent liabilities

	Company	
	2017 RM'000	**2016 RM'000**
Unsecured		
Performance guarantee extended by subsidiary companies to third parties	60	60
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary company	15,359	16,025

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

31. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

	Group	
	2017 RM'000	2016 RM'000
Total loans and borrowings	20,925	21,475
Less: Deposits, bank and cash balances	(1,210)	(328)
Net debts	19,715	21,147
Total equity	72,683	75,007
Gearing ratio	27%	28%

There were no changes in the Group's approach to capital management during the financial year.

32. Significant and Subsequent Events

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year:

(a) The Company and Lagenda Erajuta Sdn. Bhd. ("Lagenda") had on 7 November 2017 mutually agreed to cease the letter of award for project management consultancy for the mixed commercial development at Mukim Klang, Selangor due to the delay in obtaining approval for the land transfer and changing in land usage status from the local authorities.

(b) On 9 November 2017, the company announced the proposal to undertake debt restructuring exercises and submitted the plan to Bursa Malaysia Securities Berhad ("Bursa") on 13 November 2017.

The debt restructuring exercises comprise the following;

(i) Proposed creditor capitalisation

Proposed settlement of debt owing to certain creditors of Consistent Harvest Sdn. Bhd., a wholly-owned subsidiary company of the Company, via the issuance of 130,676,712 new ordinary shares in the Company;

(ii) Proposed debt capitalisation

Proposed settlement of debt owing to a former Director of the Company and a party connected with him, namely Dato' Sri Siaw Swee Hin and Mutiara Management Sdn. Bhd. respectively, via the issuance of 338,241,690 settlement shares;

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017 (CONT'D)

32. Significant and Subsequent Events (Cont'd)

(b) On 9 November 2017, the company announced the proposal to undertake debt restructuring exercises and submitted the plan to Bursa Malaysia Securities Berhad ("Bursa") on 13 November 2017. (Cont'd)

(iii) Proposed private placement

Proposed private placement of new shares, representing not more than 30% of the enlarged number of issued shares of the Company.

(iv) Proposed by-laws amendments

Proposed amendments to the by-laws governing the existing share issuance scheme of the Company.

On 8 January 2018, Bursa approved the above plan subject to inter alia, the following conditions:

(i) The Company or its advisor must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the debt restructuring exercises;

(ii) The Company and the advisor to inform Bursa upon completion of the debt restructuring exercises;

(iii) The Company and the advisor to furnish Bursa with a certificate true copy of the resolutions passed by the shareholders approving the debt restructuring exercises; and

(iv) The Company and TA Securities to furnish Bursa with a written confirmation of its compliance with the terms and conditions of Bursa's approval once the debt restructuring exercises completed.

On 27 January 2018, the debt restructuring exercises were approved by the shareholders at the Extraordinary General Meeting.

On 30 January 2018, the Company completed the creditor capitalisation and debt capitalisation via issuance of 468,918,402 units of ordinary shares of RM27,619,294.

On 21 March 2018, the Company raised RM10,210,086 by issuance of 283,613,500 units shares through private placement.

33. Comparative Figures

The financial statements of the Group and of the Company for the financial year ended 31 December 2016 were audited by another auditor who expressed an unmodified opinion on those statements on 18 April 2017.

34. Date of Authorisation for Issue

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 25 April 2018.

LIST OF PROPERTY
AS AT 31 DECEMBER 2017

Location of properties	Description/ Existing use	Land Area	Tenure (expiry of lease)	Approximate Age of Property	Date of Revaluation	Net Book Date of Acquisition	Value RM'000
Lot No. 19980 and 19981 in the Municipality and District of Seremban, Negeri Sembilan Darul Khusus	3 ½ Storey shopping complex with basement carpark level together with 2 blocks of double storey commercial buildings	Complex net lettable area of 214,123 square feet and car park of approximately 2 acres	Leasehold (Unexpired period of 76 years)	22 years	28.12.2017	25.08.2003	120,000

ANALYSIS OF SHAREHOLDINGS
AS AT 30 MARCH 2018

SHARE CAPITAL

Total Number of Issued Shares	:	1,628,991,866
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 30 MARCH 2018

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 - 99	383	3.09	16,802	0.00
100 - 1,000	1,766	14.24	1,459,813	0.09
1,001 - 10,000	4,663	37.60	23,914,296	1.47
10,001 - 100,000	4,015	32.38	177,509,162	10.90
100,001 - 81,449,592 *	1,572	12.68	1,231,032,503	75.57
81,449,593 AND ABOVE **	2	0.02	195,059,290	11.97
Total	12,401	100.00	1,628,991,866	100.00

Remark:
* *- Less than 5% of Issued Shares*
** *- 5% and above of Issued Shares*

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows: -

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Sri Lee See Yang	109,054,633	6.69	10,000,000*	0.61
2	Toh Hong Chye	86,004,657	5.28	-	-

* *Deemed Interest by virtue of his spouse's shareholding held pursuant to Sections 8 and 59(11)(c) of the Companies Act, 2016*

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows: -

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	9,434,000	0.58	-	-
2	Dato' Sri Lee See Yang	109,054,633	6.69	10,000,000*	0.61
3	Low Tuck Meng	180,000	0.01	-	-
4	Toh Hong Chye	86,004,657	5.28	-	-
5	Chua Eng Chin	-	-	250,000**	0.02
6	Dato' Chiong Miaw Thuan	-	-	-	-

* *Deemed Interest by virtue of his spouse's shareholding held pursuant to Sections 8 and 59(11)(c) of the Companies Act, 2016*
** *Deemed Interest by virtue of his spouse's shareholding held pursuant to Section 59(11)(c) of the Companies Act, 2016*

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 30 MARCH 2018

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 30 MARCH 2018)

No.	Name of Shareholders	No. of Shares	%
1	Dato' Sri Lee See Yang	109,054,633	6.69
2	Toh Hong Chye	86,004,657	5.28
3	JF Apex Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Rajinder Kaur A/P Piara Singh (Margin)	70,000,000	4.30
4	RHB Capital Nominees (Tempatan) Sdn Bhd Tan Chin Hoong	70,000,000	4.30
5	Voon Brothers Construction Sdn Bhd	61,721,089	3.79
6	Mohd Nazifuddin Bin Mohd Najib	30,000,000	1.84
7	Steady Influx Sdn Bhd	22,767,200	1.40
8	Eakonmech Sdn Bhd	20,955,623	1.29
9	Ong Chiew Kee	16,161,200	0.99
10	TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hon Tian Kok @ William	15,000,000	0.92
11	Wu Hon Pun	12,999,000	0.80
12	Chung Kin Chuan	12,000,000	0.74
13	Yong Siew Geok	11,000,000	0.68
14	Public Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Liaw Tze Shung @ Richard (E-KKU)	10,210,000	0.63
15	Chern Wan Yee	10,000,000	0.61
16	Datin Sri Fong Poh Chee	10,000,000	0.61
17	Lee Hong Poh	10,000,000	0.61
18	RHB Capital Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Low Keng Siong	10,000,000	0.61
19	Tan Chin Yee	10,000,000	0.61
20	Tan Kim Mooi	10,000,000	0.61
21	Yong Gen Wen	10,000,000	0.61
22	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Hud Bin Abu Bakar	9,434,000	0.58
23	Midf Amanah Investment Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Abdel Aziz @ Abdul Aziz Bin Abu Bakar (MGN-AAA0019M)	9,434,000	0.58
24	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chai Hon Wai (8072204)	9,100,000	0.56
25	Yeo Boon Chai	8,613,500	0.53
26	Lim Siao Gia (Lin Xiaojia)	7,000,000	0.43
27	Ng Hong Ming	6,135,000	0.38
28	Wong Sze Chien	6,000,000	0.37
29	Choy Cheng Choong	5,900,000	0.36
30	Lai Kim Lan	5,050,000	0.31

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Third (43rd) Annual General Meeting ("AGM") of Pegasus Heights Berhad *(Formerly known as Naim Indah Corporation Berhad)* ("the Company") will be held at Gallery 1, Level 1, Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 1 June 2018 at 3.00 p.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 together with the Reports of the Directors and Auditors thereon. — ***Please refer to Explanatory Note 1***

2. To approve the payment of Directors' fees and other benefits of up to RM310,000.00 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 2 June 2018 until the conclusion of the next AGM of the Company. — ***Ordinary Resolution 1***

3. To re-elect Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar who retires by rotation pursuant to Article 79 of the Company's Articles of Association and being eligible, offer himself for re-election. — ***Ordinary Resolution 2***

4. To re-elect the following Directors who retire pursuant to Article 86 of the Company's Articles of Association and being eligible, offer themselves for re-election:-

   i. Toh Hong Chye — ***Ordinary Resolution 3***
   ii. Dato' Sri Lee See Yang — ***Ordinary Resolution 4***
   iii. Dato' Chiong Miaw Thuan — ***Ordinary Resolution 5***

5. To appoint Messrs. UHY as Auditors of the Company and to hold office until the conclusion of the next AGM and to authorise the Directors to fix their remuneration. — ***Ordinary Resolution 6***

6. **ORDINARY RESOLUTION**
   AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016 — ***Ordinary Resolution 7***

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company."

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

7. **ORDINARY RESOLUTION**
PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RRPT MANDATE") *Ordinary Resolution 8*

"THAT pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), the Company and/or its subsidiaries ("PHB Group") be and are hereby authorised to enter into any of the recurrent related party transactions of revenue or trading nature as set out in Section 2.3 of the Circular to Shareholders dated 30 April 2018 with the related parties mentioned therein provided that such transactions are:-

(a) undertaken in the ordinary course of business at arm's length basis and on normal commercial terms which are not more favourable to the Related Parties than those generally available to the public;
(b) necessary for the day-to-day operations; and
(c) not to the detriment of the minority shareholders of the Company.

THAT such approval shall continue to be in force until:-

(a) the conclusion of the next Annual General Meeting ("AGM") of the Company following this AGM at which such Shareholders' Mandate is passed, at which it will lapse, unless by an ordinary resolution passed at such AGM, the authority is renewed; or
(b) the expiration of the period within which the next AGM after that date is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
(c) revoked or varied by resolution passed by the shareholders in a general meeting.

whichever is earlier;

AND THAT the Directors of the Company be hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Proposed Shareholders' Mandate."

8. **SPECIAL RESOLUTION 1**
PROPOSED ADOPTION OF THE NEW CONSTITUTION OF THE COMPANY *Special Resolution 1*

THAT subject to the approval of any other parties, if required, approval be and is hereby given for the Company to alter or amend the whole of the existing Memorandum and Articles of Association of the Company by the replacement thereof with a new Constitution of the Company as set out in Part B of the Circular to Shareholders dated 30 April 2018 with immediate effect.

AND THAT the Board be and is hereby authorised to do all such acts, deeds and things as are necessary and/or expedient in order to give full effect to the Proposed Adoption with full powers to assent to any conditions, modifications and/or amendments as may be required by any relevant authorities or third parties to give effect to the Proposed Adoption.

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act 2016 and the Company's Constitution.

BY ORDER OF THE BOARD,

Tan Tong Lang (MAICSA 7045482)
Company Secretary

Kuala Lumpur
Dated: 30 April 2018

Explanatory Notes to Ordinary and Special Business: -

1. Item 1 of the Agenda

This Agenda No. 1 is meant for discussion only as Section 340(1) (a) of the Companies Act, 2016 provide that the audited financial statements are to be laid in the general meeting and do not require a formal approval of the shareholders. Hence, this Agenda item is not put forward for voting.

2. Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution no. 7 under item 6, if passed, will empower the Directors of the Company to issue and allot new shares at any time to such persons, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The mandate now sought is a renewal from previous mandate obtained at the last Annual General Meeting held on 20 June 2017 which will expire at the conclusion of the forthcoming Annual General Meeting. The Company did not issue any new shares based on the previous mandate obtained at the last Annual General Meeting.

With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

3. Proposed Shareholders' Mandate

The proposed Ordinary Resolution no. 8, if passed, will authorise the Company and each of its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature in the ordinary course of business. For further information on the recurrent related party transactions, please refer to the Part A of the Circular to shareholders dated 30 April 2018 enclosed together with the Company's Annual Report 2017.

4. Proposed Adoption of Constitution

The Special Resolution, if passed, will bring the Company's Constitution in line with the enforcement of the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia ("Listing Requirements"), to enhance administrative efficiency. The Proposed Adoption is set out in as set out in Part B of the Circular to shareholders dated 30 April 2018 accompanying the Company's Annual Report for the financial year ended 31 December 2017

NOTICE OF FORTY-THIRD ANNUAL GENERAL MEETING (CONT'D)

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(3) A member may appoint not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.

(4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

(5) Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(6) The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Corporate Services (KL) Sdn Bhd of Lot 6.05, Level 6, KPMG Tower, 8, First Avenue, Bandar Utama, 47800 Petaling Jaya, Selangor Darul Ehsan not less than forty-eight (48) hours before the time fixed for holding the meeting or any adjournment thereof.

(7) Only the member whose names appear on the Record of Depositors as at 25 May 2018 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.

(8) Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 43rd AGM will be put to vote on a poll.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no Director standing for election other than the retiring Directors are seeking appointment as a Director at the Forty-Third 43rd Annual General Meeting.

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PEGASUS HEIGHTS BERHAD

PEGASUS HEIGHTS BERHAD

(Formerly known as Naim Indah Corporation Berhad)
(Company No. 19727-P)
(Incorporated in Malaysia)

PROXY FORM

CDS account No.	No. of shares held

I/We .... I.C./Passport/Company No. ....

of ....

being a member/members of PEGASUS HEIGHTS BERHAD *(Formerly known as NAIM INDAH CORPORATION BERHAD)*

hereby appoint ……………………………………………………………………………………………………… of…………………………

……….........…..of failing

whom, …………………………………………………………………………………………… of ....

……………………………………………………………………... or* the CHAIRMAN OF THE MEETING* as *my/our Proxy(ies) to vote for *me/us and act on *my/our behalf at the Extraordinary General Meeting of the Company to be held at Gallery 1, Level 1 Concorde Hotel Kuala Lumpur, No 2 Jalan Sultan Ismail, 50200 Kuala Lumpur on Friday, 1 June 2018 at 3.00 p.m. or any adjournment thereof *for/against the resolution to be proposed threat.

*My/our Proxy(ies) is(are) to vote as indicated below:-

NO.	Ordinary Resolutions	*For	
1	To approve the payment of Directors' fees and other benefits of up to RM310,000.00 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from 2 June 2018 until the conclusion of the next AGM of the Company.		
2	To re-elect Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar as Director		
3	To re-elect Toh Hong Chye as Director		
4	To re-elect Dato' Sri Lee See Yang as Director		
5	To re-elect Dato' Chiong Miaw Thuan as Director		
6	To appoint Messrs. UHY as Auditors of the Company.		
7	**As Special Business:-** Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
8	Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature		
9	**Special Resolution** Proposed Adoption of New Constitution of the Company		

** Strike out whichever not applicable.*

[Please indicate with (X) in the space provided how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion.]

Dated this ___________ day of ________________2018

Name of Proxy	Proportion of Shares Held
1.	
2.	
Total Number of Shares Held	

____
(Signature(s)/Common Seal of Shareholder)

NOTES:

(1) *A member entitled to attend and vote at the meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.*

(2) *The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.*

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(4) *Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.*

(5) *Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.*

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(7) *Only the member whose names appear on the Record of Depositors as at 25 May 2018 shall be entitled to attend and vote at this meeting or appoint proxy(ies) to attend and vote on their behalf.*

(8) *Pursuant to Paragraph 8.29A of Bursa Malaysia Securities Berhad Main Market Listing Requirements, all resolutions set out in the Notice of 43rd AGM will be put to vote on a poll.*

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AFFIX
STAMP

THE SHARE REGISTRAR
PEGASUS HEIGHTS BERHAD
(FORMERLY KNOWN AS NAIM INDAH CORPORATION BERHAD)
Boardroom Corporate Services (KL) Sdn Bhd of
Lot 6.05, Level 6
KPMG Tower
8, First Avenue
Bandar Utama
47800 Petaling Jaya
Selangor Darul Ehsan

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PEGASUS HEIGHTS BERHAD (19727-P)

1-40-1, Menara Bangkok Bank, Berjaya Central Park,
No.105, Jalan Ampang 50450 Kuala Lumpur
Tel : +603-2181 3553 Fax : +603-2181 6688