PEGASUS HEIGHTS BERHAD

ANNUAL REPORT 2019

Artist's Impression


Artist's Impression


Artist's Impression


Artist's Impression

EXPERIENCE **THE LIFESTYLE**

SHOPPING REDESCOVERED

Centerpoint Seremban is a new exciting retail and lifestyle mall designed to provide great exposure for retailers and convenience to shoppers, Centerpoint Seremban facilitates multiple vehicular ingress/egress with two drop-off points to ensure a hassle-free entry to the mall.

Centerpoint Seremban is strategically located in the central business district of Seremban in one of the most vibrant hubs of the city, and is also the only shopping mall in Ampangan. It's an exciting place for the whole family to shop.

- Entertainment
- Leisure
- Lifestyle
- Dining

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PEGASUS HEIGHTS BERHAD

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KEDAI AYAMAS CENTERPOINT SEREMBAN SHOPPING MALL

Lot G-07, Jalan Dato Siamang Gagap,
70100 Seremban, Negeri Sembilan

PEGASUS HEIGHTS BERHAD – NEW BEGINNINGS

Pegasus Heights Berhad ("Pegasus Heights") is reinventing itself as the premier mall owner and operator. The new management team is driving the revival of our core asset, Centerpoint Seremban Mall. Pegasus Heights aims to contribute to the local community and provide visitors and shoppers with a refreshing and exciting destination within Seremban town.

Pegasus Heights was incorporated on 1st August 1974 and has 3 core operations:

- Owner and operator of Centerpoint Seremban Mall
- Trading activities
- Project Management Consultancy for property development and marketing events

Apart from the mall enhancement and upgrading program, Pegasus Heights has embarked on a complementary strategy to enter into food and beverage franchise operations. This will contribute positively to increasing footfall in the mall, occupancy rates and rental yields.

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CORPORATE INFORMATION

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

Dato' Sri Lee See Yang
Executive Director

Toh Hong Chye
Executive Director

Chin Pak Loong
Executive Director

Andrew Ho Tho Kong
Independent Non-Executive Director

Low Yen Hoon
Independent Non-Executive Director

AUDIT COMMITTEE
Andrew Ho Tho Kong
Chairman

Low Yen Hoon
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

NOMINATION COMMITTEE
Low Yen Hoon
Chairperson

Andrew Ho Tho Kong
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

REMUNERATION COMMITTEE
Low Yen Hoon
Chairperson

Andrew Ho Tho Kong
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

SHARE ISSUANCE SCHEME ("SIS") COMMITTEE
Toh Hong Chye
Chairman

Dato' Sri Lee See Yang
Member

Tiew Chee Ming
Member

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Main Market Of Bursa Malaysia
Securities Berhad
Stock Code : 4464

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David Lai & Tan

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Tel : (603) 2181 3553
Website : www.pegasusheights.com

PRINCIPAL BANKERS
CIMB Bank Berhad
Public Bank Berhad
OCBC Bank (Malaysia) Berhad

CORPORATE STRUCTURE

PEGASUS HEIGHTS BERHAD

PEGASUS HEIGHTS BERHAD & GROUP OF COMPANIES

- 100% **Consistent Harvest Sdn Bhd**
- 100% **Pegasus Heights F&B Sdn Bhd**
- 100% **Naim Indah Marketing Sdn Bhd**
- 100% **Naim Indah Properties Sdn Bhd**
- 100% **CPL Solutions Sdn Bhd** *(formerly known as Pegasus Heights Constructions Sdn Bhd)*
- 100% **Pegasus Food Court Sdn Bhd**
- 100% **PHB Capital Sdn Bhd**

CHAIRMAN'S NOTE

PEGASUS HEIGHTS – THE REINVENTION

Pegasus Heights has embarked on reinventing Pegasus and its subsidiaries (collectively referred to as "the Group") as it put in place its strategy to rebuild Centerpoint Seremban Mall ("Centerpoint") as the preferred shopping destination; as well as broaden its earnings base.

The turning point for Centerpoint was 2018, as occupancy rates jumped significantly from 15.1% at the beginning of the year to 65.3% at the year end. Building on the momentum, Centerpoint continued to improve its occupancy rate achieving 75.4% at end of 2019, during a time when online retail and shopping gained higher adoption, coupled with continued competition from surrounding shopping malls.

During the year, Pegasus commenced its food and beverage ("F&B") franchise and licensing business with the opening of first F&B business – Container Kebab. Results have been encouraging and the Group is optimistic that the F&B business will be one of the growth pillars for the Group. To this end, we are in the process of securing more F&B franchises to enlarge the current portfolio.

The final piece has been identified which rejuvenate the Project Management Consultancy ("PMC") Segment. The Group completed the acquisition of an architectural business from ChinPakLoong Architect ("CPLA") in January of 2020. With the acquisition, the PMC segment will be reinvigorated with their strong track record, project pipeline and human capital. In addition, it will enable the PMC division to broaden its earnings base and increase the quality and sustainability of the Group's earnings.

I would like to thank the management team for all their hard work in executing the strategy and Board of Directors for their guidance. I urge them to persevere during 2020 amidst the current global pandemic and economic uncertainty; and to continue to push forward to greater excellence. I would also wish to extend my sincere appreciation to all valued shareholders for their continued support and confidence in Pegasus Heights.

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

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT REVIEW

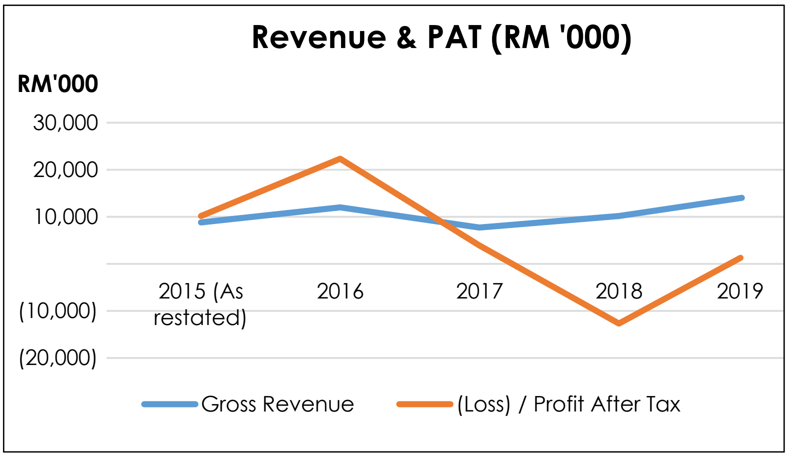
The economic environment during the year was challenging as Malaysia's Growth Domestic Product ("GDP") recorded the slowest pace of growth since 2008 financial crisis. Malaysia's GDP recorded a growth of 4.3% in 2019, a decline of 0.4% compared to 2018 which recorded a growth of 4.7%. Amidst the challenging backdrop, Pegasus worked to put in place its corporate strategy which has started to yield results.

Financial Results and Key Performance Indicators	2015 (As restated) RM'000	2016 RM'000	2017 RM'000	2018 RM'000	2019 RM'000
Revenue	8,855	12,015	7,740	10,179	14,240
(Loss) / Profit before tax	(158)	3,277	(3,551)	(21,571)	(13,878)
Profit / (Loss) after tax	1,362	10,334	(3,801)	(22,851)	(13,914)
Basic Earnings / (Loss) per share (sen)	0.18	1.20	(0.44)	(1.44)	(0.30)
Total assets	103,019	126,607	124,885	114,733	146,088
Total equity	63,834	75,007	72,683	93,751	138,884
Net asset per share	0.07	0.09	0.08	0.05	0.02

Revenue and Profit

Despite the challenging economic environment and competition from online retailers, the Group managed to improve revenue by 39.9%. The increase was predominantly from the strong turnaround in rental income and also improvement in trading revenue.

Centerpoint saw a significant jump in revenue, 77.2% for the full year, as occupancy rates and rental yield continue to improve during the year to 75.4% as at the end of 2019 vs 65.3% in 2018. Trading revenue also improved during the year with revenue increasing 21.2%



Stripping out the fair value loss on investment properties of RM 10.0 million in 2018, the Group's loss after tax increased slightly from RM12.9 to RM 13.9 mainly due to higher repair and maintenance, refurbishment and marketing cost which amounted to RM 5.2 million compared to RM 3.1 million in 2018. Management remains focused on realising the value of Centerpoint via investing in enhancements. Results to date have been positive and the Group is committed to unlock the full potential of Centerpoint.

Business Segments

By Segments	Gross Revenue			(Loss) / Profit Before Tax		
	FY 2019 RM'000	FY 2018 RM'000	Changes (%)	FY 2019 RM'000	FY 2018 RM'000	Changes (%)
Rental Income	5,625	3,175	77.2	(6,774)	(14,940)	(54.7)
Trading	8,305	6,854	21.2	(9)	49	-
Project Management Consultancy ("PMC")	-	150	-	-	(66)	-
Holding company	310	-	-	(7,095)	(6,614)	6.2
Total	**14,240**	**10,179**	**39.9**	**(13,878)**	**(21,571)**	**(35.7)**

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Centerpoint Seremban Mall is a lifestyle mall located in the central business district of Seremban and is the only shopping mall in Ampangan District.

During the year under review, the mall has undergone further refurbishment and repair work. There were also more aggressive marketing and promotional events undertaken to promote and attract prospective tenants for the mall.

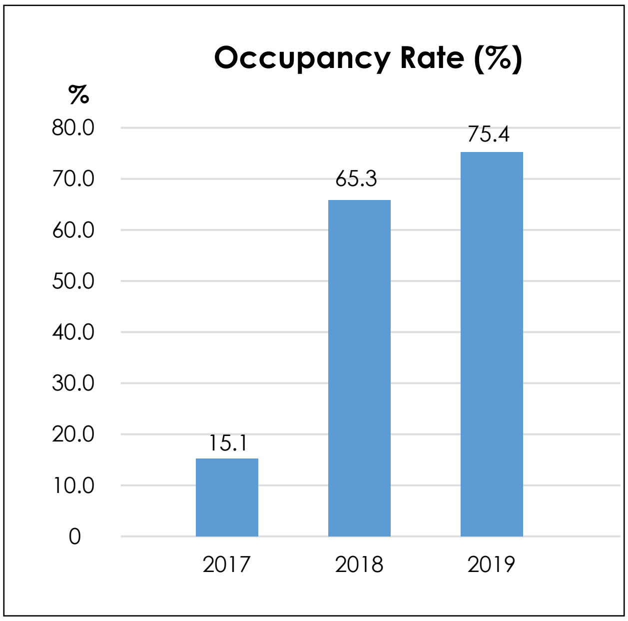
Rental income increased 77.2% from RM 3.2 million to RM 5.6 million as occupancy and rental rates increased. The repair and maintenance and refurbishment work coupled with increased marketing efforts of Centerpoint Seremban Mall resulted in the significant increase in rental income and occupancy rates.

Location	33, Jalan Dato Siamang Gagap, Betaria Business Centre, 70100 Seremban, Negeri Seremban
Title	Leasehold
Tenure	99 years expiring on 8 Jan 2093
Usable Area	480,261.9 sq ft
Net Lettable Area	203,764 sq ft
Car Park	564 bays
Valuation 2019	RM110 million
Tenants	49
Occupancy rate	75.4% (2019)

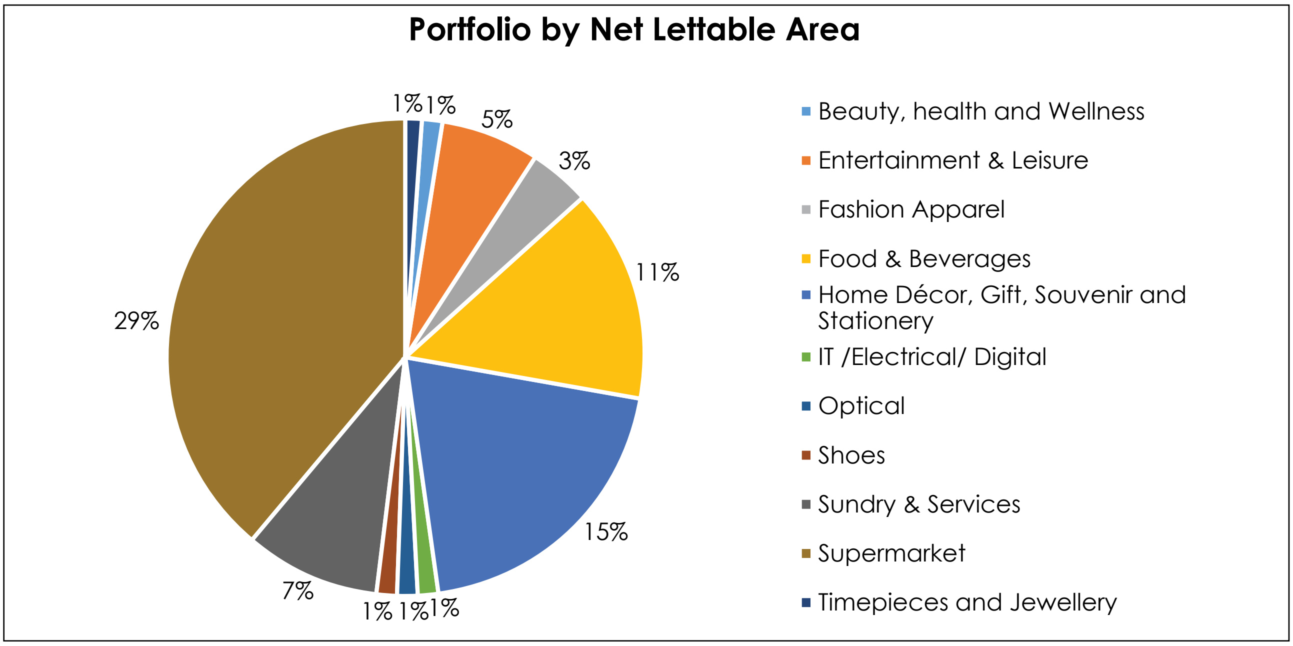
Trading revenue was the biggest revenue contributor of the Group. Our trading segment is involved in trading of home appliances. Together with higher rental income, total Group revenue increased 39.9% for FY 2019.

Contribution from the PMC division was minimal as the management was rebuilding the business and putting in place a sustainable business model capable of delivering quality earnings.

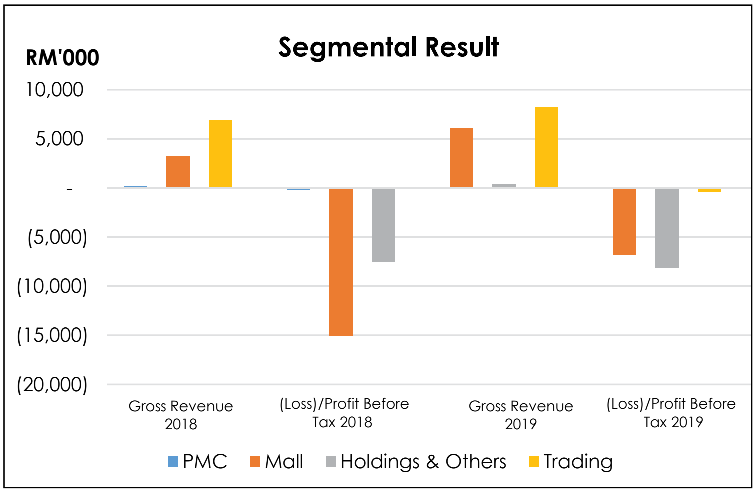
To this end, the Group completed the acquisition of an architectural business from ChinPakLoong Architect ("CPLA") in the first quarter of 2020. The acquisition comes with a profit guarantee of RM 2 million for the next two years. With the acquisition, the PMC division will be able to provide professional architectural and interior design services; including consultancy, advisory and other ancillary services relating to design and fit out. This segment is expected to be one of the growth drivers for the Group going forward.



MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



Holding company cost was also affected by the one-time charge of RM 4.7 million and RM 3.6 million arising from the employee share option charge in FY 2019 and FY 2018 respectively. Stripping out the employee share option charge, holding company cost declined by 22.1%.



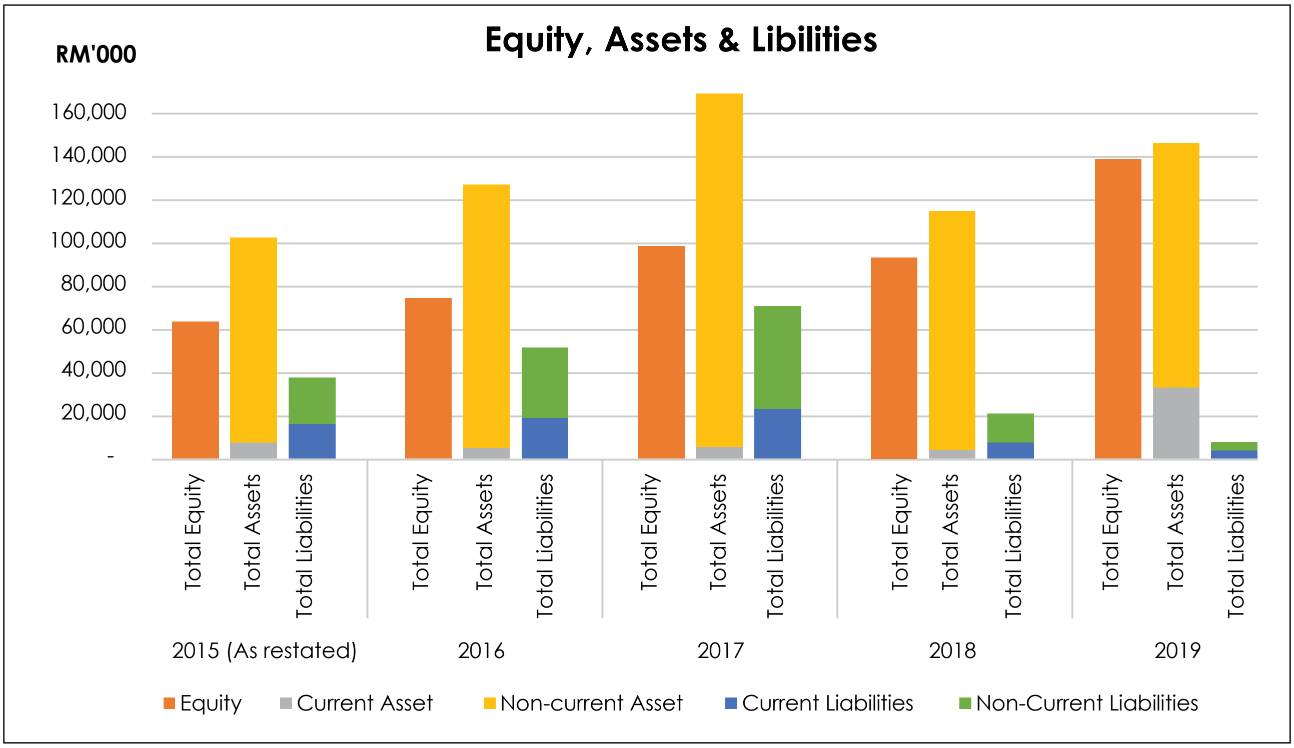
<u>Financial Capital</u>

The overall financial position of the Group improved in the year under review. In spite of the losses incurred; the Group's equity position improved following the completion of the rights issue exercise in June 2019. The Group's rights issue was oversubscribed and the full amount of RM 53.97 million was raised.

As result of the capital exercise, total assets for the Group increased by 27.3% to RM146.1 million, while total liabilities decreased by 65.7% to RM7.2 million. This has resulted in total equity improving by 48.1% to RM138.9 million as at the end of FY 2019. Total cash in the Group amounted to RM 24.5 million as at the end of FY 2019.

The Group is in a strong financial position to look for new business opportunities as well as weather the current economic situation domestically and globally.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)



RISK ASSESSMENT

The management has performed a risk assessment, reviewed and assessed key risk areas which may affect the Group's strategic priorities. A summary of the risks are as follows:

No	Risk Areas	Details
1	Market Risk	External factors such as increase in online retail, globalization, domestic and global economic conditions, competition from other malls, political changes and corporate and public reputation.
2	Competition	Higher e-commerce adoption has enabled more retailers, including mom and pop retailers, to leverage technology and thus minimizing the need to have a physical store. This represents the biggest competition risk to the mall. Apart from e-commerce, the surrounding malls within a 2km radius are key competitors. These malls provide shoppers with alternative shopping destinations. The Group is cognizant of this and is constantly looking at putting in new attractions to ensure that shopping experience is enhanced. This will help to increase shopper and tenant reliance to the Mall.
3	Operational Risk	Operational risk arises from failure of internal processes, operational procedures or external events. The risk is mitigated by having standard operating procedures that are adhered to and reviewed on a regular basis, as well as updated to address new developments. Internal audit is carried out by conducting half yearly reviews on various standard operating procedures to ensure the policies and procedures are complied with accordingly.

No	Risk Areas	Details
4	Tenant Risk	Centerpoint faces the risk of non-renewal of tenancies, cancellation of tenancies and the risk of letting out available space. We are subject to the following: • Tenants may choose not to renew or lack the financial capacity to renew • Existing tenants may be facing financial crunch and may choose to close down operations • We may experience a delay to let vacant space which will affect rental income and occupancy rates • We may have to accept terms which are less favorable than the terms of the current tenancies due to market competition The occurrence of any of these events will adversely impact our rental income and occupancy rates. To mitigate this risk, we are currently in the phase to rejuvenate the mall by improving occupancy rate and quality of tenants concurrently. However, given current market conditions, the rental rates may not be optimal, which will have an impact on rental income.
5	Credit and Financial Risk	Timely and regular payment collections from tenants and customers is critical to ensure the financial sustainability of the Group. Current we have in place a credit policy. Collections are constantly monitored, and processes are administered to ensure credit risk exposure is minimized. This includes a stringent credit evaluation process for all new customers and regular review of credit profile for existing customers.
6	Fraud Risk	Fraud risk arises from potential intentional deception from stakeholders, with a purpose to gain an unjust advantage from the Group. The risk could negatively impact the financial position and reputation of the Group. A clear standard operating procedures will help to provide 'check and balance' for the Group's operations.
7	Security Risk	Risk involving the safety and security of all operational units. • Shopper security and safety is paramount to the Group. We have in place a security workforce from a reputable security company. We also have an in-house security department to oversee the mall security and safety. • The mall also performs regular cleaning and sanitizing procedures to ensure cleanliness of the mall and safeguarding the health of the tenants, shoppers and visitors. • Surveillance and alarm systems have also been installed through the mall to provide additional monitoring throughout the day.
8	Human Resource Risk	Risk of high turnover or loss of talent and manpower which will may affect the Group. Our human resource department is constantly looking to strengthen the team. This includes ensuring sufficient staff welfare and benefits which will help in staff retention and attracting new talent. In addition, we perform annual reviews of every employee and provide training to enhance skill sets of our workforce.

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

PROSPECTS

The current corona virus pandemic has turned out to be the black swan for 2020. The global pandemic may potentially cause a global recession. The pandemic which started in China in January has since spread throughout the world. Malaysia has not been spared, with the new government implemented movement restrictions measures, under Movement Control Order ("MCO") which commenced 18 March 2020. This was replaced by Conditional Movement Control Order ("CMCO") for the period between 4 May 2020 and 9 June 2020, and Recovery Movement Control Order ("RMCO") for the period between 10 June 2020 and 31 August 2020. The MCO caused all non-essential business to close for a period of 47 days. As the number of daily and active cases of Covid-19 abated, the government has relaxed several movement restrictions measures under CMCO and RMCO. During the CMCO period, most business activities were allowed to resume their operations (except for the business sectors listed on the prohibited activities list), subject to compliance with the standard operating procedures imposed by the government. The implementation of RMCO further reduced the list of prohibited activities as the government allowed more business sectors to resume their operations.

The effects of the movement restrictions measures imposed by the government is still being digested and the full impact is unknown. Coupled with the change of government in March, the outlook is further clouded. However, Pegasus is confident of being able to weather this black swan event given its strong balance sheet position.

Nevertheless, the Group remains highly cautious as it will take some time before the Malaysia economy returns to the new normal post the movement restrictions period. In addition, global factors are likely to have an impact on the speed and extent of recovery in the Malaysia economy.

In 2020, total rental income may come under pressure arising from the closure of businesses during the movement restrictions period in Malaysia. Post movement restrictions period, rental income may also be impacted as economic activity may take some time to return to normal.

Since the beginning of first quarter of 2020, we started operating another two food and beverage franchise outlets in our mall, namely A Plus Nasi Lemak House and Ayamas. This brings the F&B franchises with the Group to a total of three outlets.

The additional food and beverage franchise outlets are expected to increase the overall attractiveness of the Mall as a shopping destination and are expected to contribute positively towards the overall rental yields for the Mall going forward. However, due to the movement restrictions imposed in Malaysia resulted from the global pandemic, the full contribution from the F&B operations is most likely to be seen from 2021 onwards. The Group is closely monitoring and assessing the market conditions for our future expansion plan in F&B franchise business.

For the trading segment, the Group remains optimistic as we expand our customer base with revenue gaining traction.

We remain cautiously optimistic on the PMC segment following the acquisition of CPLA. There is a RM 2 million profit guarantee which provides a backstop for this segment. Given the track record, coupled with the ability of the PMC segment to broaden its business to other business including interior design and fit out, we expect this segment to be one of the growth drivers for the Group. Nevertheless, in view of the pandemic, the Group expects that the full year contribution from this segment will only be realized in the coming years.

ACKNOWLEDGEMENT

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

TOH HONG CHYE
EXECUTIVE DIRECTOR

Sustainability Statement

Pegasus Heights growth strategy is centered around economic, environmental and social needs of our stakeholders to ensure sustainability of the Group's business. The information in this report provides an overview of our sustainability practices for the financial year ended 2019.

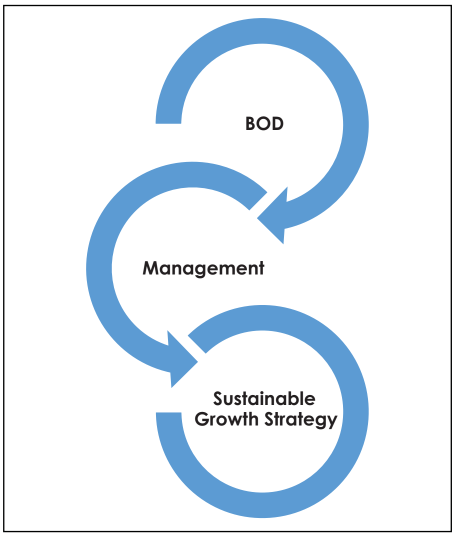
Our Commitment

We remain committed in ensuring our business activities are performed with high standards of social and environmental conduct to maximize long-term value creation for all stakeholders. This includes ensuring assets under our portfolio and our businesses are carried out in a manner that generates positive environmental outcomes in creating a desirable shopping destination, best business practices and supporting our local businesses and communities.

Our commitment extends to the day-to-day operations with high work ethics and values to achieve short and long-term goals. This includes engaging actively with our business partners and employees.

Governance Structure

Our Board of Directors set out the overall business strategy and its performance. The management team is tasked with executing the strategy in a sustainable manner. This process is continuously being monitored and refined as we strive towards achieving our economic, environmental and social goals.



Stakeholders' Engagement

Pegasus Heights constantly engages with stakeholders to obtain their feedback to develop a wholistic strategy in enhancing the value of the group and achieving our overall sustainable growth strategy. We have taken various initiatives to actively engage with our stakeholders by creating multiple effective communication channels that facilitates the communication between our stakeholders.

This has enabled us to identify and understand our stakeholders' needs and concerns, leading to more effective growth strategies. Our stakeholders who have direct or indirect involvement with the Group are identified in the table below:

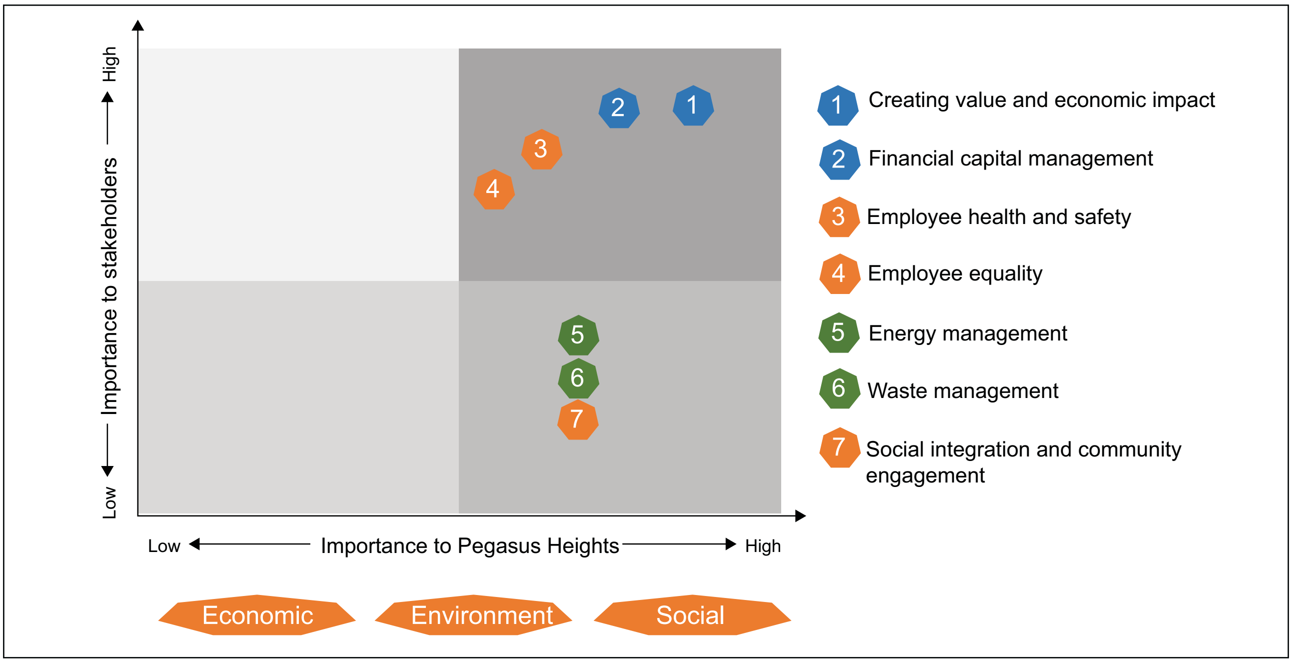
Stakeholders	Forms of Engagement	Frequency	Engagement focus/ objectives
Shopper	• Shopping events • Feedback form • Social media engagement • Concierge services	Ongoing	• Meeting shopping needs • Quality of services and facilities • Comfortable shopping environment • Safety and accessibility
Customers, Tenants and Prospects	• Direct meeting and email exchanges • Site visits • Regular feedback meetings	Ongoing	• Collaboration in marketing and promotional events • Good property maintenance • Product quality assurance and deliverability

SUSTAINABILITY REPORT
(Cont'd)

Stakeholders	Forms of Engagement	Frequency	Engagement focus/ objectives
Employees	• Meeting and discussion • Training • Annual performance review • Annual dinner	Annually/ Quarterly	• Career progression • Employee development • Compensation and benefits
Suppliers	• Meetings • Complaints or feedbacks • Whistle blowing	Ongoing	• Sound payments practices
Investment Community	• Annual General Meeting or Extraordinary Meeting • Circulars • Company's website • Advertisement of notice	Ongoing	• Investor engagement • Timely and transparent reporting • Performance and financial results • Business operations
Regulatory Compliances Officers	• Site visit • Meetings	Annually	• Safety assurance on premises and equipment • Renewal of certification
Local Community	• Festive events	Ongoing	• Lifestyle enhancements

Materiality

Understanding our economic, environmental and social priority is important for the effective implementation of our sustainability strategy. The materiality matrix below presented the key sustainability matters on varying level of importance and prioritisation to Pegasus Heights and our stakeholders, based on materiality assessment conducted in the year.



Economic

Creating Value and Economic Impact

The success of our business is linked to the prosperity of local communities and our tenants. We strive to create an environment that enables our tenants to be successful, thus increase value to our stakeholders. We are constantly seeking to improve our business performance and have enlarged our business portfolio to include food and beverage franchise businesses. This has enhanced the tenant mix in the mall and generated increased shopper traffic to the mall.

We have also continued to invest in upgrades as well as repairs and maintenance of the common areas, facilities and car park. These continuous investments are done with a view to enhance the shopping environment and provide a sustainable operating platform for our tenants' businesses.

Pegasus Heights supports the community through the provision of a mall in Seremban. One of our growth strategies is to provide customers with vibrant and relevant tenancy mix, offering a wide range of retail brands and eateries. This helps stimulate the local economy via employment opportunities and outsourcing of various operations such as cleaning, maintenance and construction projects to local companies thus spreading the economic effects.

In view of the recent COVID-19 outbreak since January 2020 and the following implementation of the Movement Control Order ("MCO") in Malaysia, Pegasus Heights offered a conditional rental rebate to our tenants, for the period from April 2020 to June 2020. The rental rebate subject to terms and condition is expected to ease the short-term impact to our tenants during the MCO period, and support their long-term sustainability.

Financial Capital Management

At Pegasus Heights, we recognize the importance of sustainable financial capital management in order to achieve the growth goals. Increasing value for our stakeholders requires a flexible capital management framework. This framework requires an optimization in terms of offering an affordable cost of capital while offering liquidity for asset enhancements and potential expansion. Thus, the business performance must be viewed in a long-term perspective, thereby looking beyond short-term gains (or losses) and focusing on long term stakeholder value creation.

Environment

Energy Management

Energy utilization and optimization is a key focus of Pegasus Heights. Lower energy consumption has a twin positive effect on the environment and increased profitability, as energy costs are a major component of operating cost.

We have commenced replacing traditional light bulbs with LED light bulbs throughout the mall. LED light bulbs not only consume significantly less energy than traditional light bulbs, it also last longer. In addition, as part of the mall enhancement program, we have upgraded all our escalators with motion sensors to reduce the overall energy consumption. The installation of motion sensors has reduced approximately 5% of electrical usage in our mall. In order to minimise our carbon footprint arising from the large amount of energy consumed by air conditioning, the capacity in which the air conditioners run at depends on the crowd and weather. That means the visitors can enjoy the same level of comfort while energy consumption is kept at the most efficient level.

Waste Management

In support of the government's efforts to eliminate single-use plastics, we will be embarking on a program to educate our visitors and tenants on reducing and managing waste. We encourage tenants in our mall to minimize the usage of single-use plastics and/or replaced with biodegradable options.

In March 2020, we have placed four sets of recycling bins in our mall to separate and manage waste accordingly. Paper and paperboard waste generated from our mall is collected at a designated location within the mall and later recycled through our appointed waste collector.

SUSTAINABILITY REPORT
(Cont'd)

Social

Employee Equality

We subscribe to the principle of equal opportunity as regards to our hiring and promotion procedures. As an equal opportunity employer, we do not discriminate prospect employees and we endeavor to give everyone an equal chance which is based purely on performance and merit. All of our employees have equal opportunity to attend trainings that help to strengthen their knowledge and skills in their respective field. As at the end of 2019, approximately half of our employees are women.

New Year Fireworks Display - 2020

Employee Health and Safety

Ensuring the health and safety of our visitors, tenants and employees is a top priority of Pegasus Heights. We undertake measures to ensure that our customers, tenants and employees are safe and taken care of at our premises. The Management has in place, adequate safety and health measures to avoid any potential safety hazards at our mall. We periodically review the procedures to comply with all relevant Acts and regulations under the Department of Occupational Safety and Health ("DOSH") and make the necessary changes, if needed, to mitigate any long term risk. Apart from regular maintenance work on our mall, periodical inspection of lifts, escalators, fire system, electrical switch gears and other electrical equipment are also carried out regularly.

Employees involved in maintenance of our mall are required to attend refresher training programs conducted by Bomba and DOSH on safety and health regulations. Fire drills are also conducted regularly with the respective mall stakeholders.

The safety aspect is paramount when we prepare for the commencement of Asset Enhancement Initiatives, renovation or routine maintenance works. As a safety procedure, we ensure that all contractors and their workers go through safety briefings before any renovation and fit out works are allowed to commence. Regular on-site meetings and inspection are held to discuss the progress and related issues with the tenants and contractors to ensure safety and compliance.

Following the COVID-19 outbreak in January 2020, we implemented several precautionary measures to prevent the coronavirus disease to spread further and to proactively protect the health and safety of our employees. The measures we implemented as of March, include screening all visitors' body temperature at our mall's entrance, provision of sanitizers to our shoppers, hourly sanitization throughout the mall (e.g. toilets, lifts, floors, doors, glass panels and hand rail for escalators) and it is compulsory for our employees to wear mask at all time during working hours. Visitors are also required to scan our QR code for contact tracing prior to entering the mall. In cases where visitors failed to scan the QR code, we will record their name and contact number. Going forward we have implemented flexible work plan where non-essential employees can work from home when they are not needed to be in office to help reduce unnecessary movement of staff and conduct.

Social Integration and Community Engagement

Apart from generating economic activity in the local community, we are constantly enhancing attractions within the mall to provide increased variety to our visitors and tenants, thus increasing the footfall to the mall. During the year, we unveiled a 3D arts gallery in our mall to provide added attraction to our shoppers.

We also actively participate and collaborate with government agencies, private organization, businesses and charity organization to organize events within the community. There are various events organized in conjunction with the festivals celebrated, providing our tenants and visitors with increased attractions.

We ushered in the New Year with a buffet dinner for our shoppers, which was followed by a fireworks display which lasted approximately 30 minutes. The event was attended by YB Dr Mohamad Rafie B Abdul Malek, Timbalan Pengarah JBPM Negeri, Tuan Abd Rahman B Ali and MPKK Dun Ampangan.

During Chinese New Year celebration, we organized (Chap Goh Mei) together with senior citizens from old folks' home including Pusat Jagaan House of Megaways, Pusat Jagaan Warga Tua Mercy, Pusat jagaan Harian Warga Tua Seremban, Persatuan Kebajikan Perlindungan Jothiviyasar and Pertubuhan Kebajikan Kanak-Kanak Seremban.


Chinese New Year Dinner - 2020

DIRECTORS' PROFILE

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR
Independent Non-Executive Chairman
Aged 67, Male, Malaysian

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar ("Dato' Abdel Aziz") was appointed to the Board on 7 October 2014 as Executive Chairman of the Company and subsequently redesignated as Non-Independent Non-Executive Chairman on 1 July 2016. On 4 July 2018, he redesignated from Non-Independent Non-Executive Chairman to Independent Non-Executive Chairman.

He is the member of the Audit Committee, Remuneration Committee and Nomination Committee.

Dato' Abdel Aziz is currently serving on the Board of Air Asia Group Berhad as a Non-Independent Non-Executive Director. He is also the Chairman of the Risk Management Committee and a member of the Audit Committee and Nomination and Renumeration Committee of Air Asia Group Berhad. 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 Air Asia Group 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 Air Asia Group 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 has 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 within the past five years other than traffic offences, if any and has not been imposed any penalty by the relevant regulatory bodies during the financial year.

Dato' Abdel Aziz attended five (5) Board meetings of the Company held during the financial year ended 31 December 2019. As at the date of this Annual Report, Dato' Abdel Aziz holds 37,736,000 ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

DATO' SRI LEE SEE YANG
Executive Director
Aged 50, Male, Malaysian

Dato' Sri Lee See Yang ("Dato' Sri Lee") was appointed as Executive Director of the Company on 16 October 2017. He also a member of the Share Issuance Scheme Committee.

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 had 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 any directorship in other public listed 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 other than traffic offences, if any and has not been imposed any penalty by the relevant regulatory bodies during the financial year.

Dato' Sri Lee attended five (5) Board meetings of the Company held during the financial year ended 31 December 2019. As at the date of this Annual Report, Dato' Sri Lee holds direct shareholdings of 861,218,532 ordinary shares and indirect shareholdings of 50,500,000 ordinary shares which held by his spouse in the Company.

TOH HONG CHYE
Executive Director
Aged 45, Male, Malaysian

Mr. Toh Hong Chye ("Mr. Toh") was appointed as Executive Director on 9 November 2017. He is the Chairman of the Share Issuance Scheme Committee.

Mr. Toh holds a Master 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.

Mr. Toh attended all six (6) Board meetings of the Company during the financial year ended 31 December 2019. As at the date of this Annual Report, Mr. Toh holds 822,735,784 ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

CHIN PAK LOONG
Executive Director
Aged 44, Male, Malaysian

Mr. Chin Pak Loong was appointed as an Executive Director on 13 January 2020. He has been registered with the Board of Architects Malaysia as a graduate architect since 2003, a professional architect since 2012 and professional interior designer since 2010. In addition, he is also a corporate member of Malaysian Institute of Architects since 2017 and council member 2018 to 2020, corporate member of Association of Consulting Architects Malaysia since 2012 and professional member of Malaysian Green Building Confederation since 2013. He is also REKA International Design Awards (RIDA) Chairman for 2019.

He holds the Certificate of Registration for Architectural Consultancy Practice, Certificate of Professional Architect and the Certificate of Interior Designer (Licenses). These Licenses are renewable on an annual basis and expiring on every year end (i.e. 31 December). He has close to 2 decades of experience in architectural and interior design. He began his career with Overman and Zuideveld Architects Pty Ltd, Australia as a Design Architect in 2000. In 2001, he joined Prima Principia (M) Sdn Bhd (in collaboration with L.C. Ng Architects) as a Design Director, and joined Positive Trend Sdn Bhd (in collaboration with B+N Retail Group) as a Senior Project and Design Architect in the following year.

In 2004, he co-founded RDA Harris Space Sdn Bhd, a subsidiary of RDA Harris Architects Sdn Bhd and was appointed as an Associate Director/Managing Director. He later left his position in RDA Harris Space Sdn Bhd and co-founded MAA Space Sdn Bhd, a subsidiary of Arkitek MAA Sdn Bhd in 2007 and was appointed as a Managing Director. He relinquished his position as the Managing Director in MAA Space Sdn Bhd with effect from 1 November 2013 and founded CPLA and Inplusout Design and Build Sdn Bhd (principally involved in design and build project) in 2012 and 2013, respectively.

Mr. Chin Pak Loong 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 other than traffic offences, if any and has not been imposed any penalty by the relevant regulatory bodies during the financial year.

Mr. Chin Pak Loong do not attend any Board meetings of the Company during the financial year ended 31 December 2019 in view of his appointment on 13 January 2020. As at the date of this Annual Report, Mr. Chin Pak Loong holds 2,105,263,143 ordinary shares in the Company.

ANDREW HO THO KONG
Independent Non-Executive Director
Aged 54, Male, Malaysian

Mr. Andrew Ho Tho Kong ("Mr. Andrew Ho"), was appointed to the Board on 30 April 2018.

Mr. Andrew Ho is the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

He has extensive experience with over 25 years in accounting, investment banking and private equity. Currently he is a Partner at Nautilus Capital Asia, a boutique corporate advisory house providing advisory services for initial public offerings (IPOs), buyouts, mergers and acquisitions, and fund raising.

Prior to founding Nautilus Capital Asia, he was the Acting CEO for Maybank Private Equity in 2012. Before his tenure with Maybank Private Equity, Andrew was a Director with Kenanga Investment Bank, from 2008 to 2011, where he headed the Private Equity Department and subsequently, the investment banking office.

Mr. Andrew Ho's experience extends to Venture Capital, with particular focus in the technology sector in the region. He served as Senior Vice President with Malaysia Venture Capital Company (MAVCAP). In addition, during his employment with the UEM Group from 2001-2007, he was attached to Optixlab, the private equity division for the UEM Group. While in the UEM Group he was also involved in Business Development with Time Engineering where he was primarily responsible for overseeing overseas acquisitions and partnerships for the group, and had oversight of the technology business strategy within the UEM Group companies.

Mr. Andrew Ho honed his financial advisory and investment skills in Singapore where he graduated with an Accountancy degree from National University of Singapore in 1989 and began his career with Arthur Andersen in Singapore. He is a Chartered Accountant of Singapore, Chartered Financial Analyst (CFA) and a member of the Institute of Corporate Directors Malaysia (ICDM).

Due to his industry experience, Mr. Andrew Ho is actively involved in numerous global volunteer programs administered by the CFA Institute; and also serves as a founding committee member of the National University of Singapore (NUS) Kuala Lumpur Alumni.

He does not hold any directorship in other public listed company.

Mr. Andrew Ho 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 within the past five years other than traffic offences, if any and has not been imposed any penalty by the relevant regulatory bodies during the financial year.

He attended all six (6) Board meetings of the Company held during the financial year ended on 31 December 2019. As at the date of this Annual Report, he does not hold any ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

LOW YEN HOON
Independent Non-Executive Director
Aged 35, Female, Malaysian

Ms. Low Yen Hoon ("Ms. Low") was appointed to the Board on 1 July 2019 as Independent Non-Executive Director of the Company. Ms. Low is a Chartered Accountant, a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

Ms. Low is the Chairperson of the Nomination Committee and Remuneration Committee and a member of the Audit Committee of the Company.

She has over ten (10) years of experience in accounting and auditing, having worked in several audit firms such as Douglas Loh & Associates and K-Konsult Corporation Sdn Bhd.

Ms. Low 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 within the past five years other than traffic offences, if any and has not been imposed any penalty by the relevant regulatory bodies during the financial year.

Ms. Low attended all three (3) Board meeting of the Company held during the financial year ended 31 December 2019 in view of her appointment as Independent Non-Executive Director on 1 July 2019. As at the date of this Annual Report, she does not hold any shares in the Company.

PROFILES OF KEY SENIOR MANAGEMENT

MANDY TOH GUAT KHEM
Director of Subsidiary / General Manager

Ms. Mandy Toh Guat Khem ("Ms. Mandy Toh"), an Australian, female, aged 56, was appointed as Director of Consistent Harvest Sdn Bhd and oversees the business operations of the Company. 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).

Ms. Mandy Toh is the sister of Mr. Toh Hong Chye, Executive Director of Pegasus Heights Berhad. As at the date of this Annual Report, she 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
Group Accountant

Mr. Tiew Chee Ming ("Mr. Tiew"), a Malaysian, Male, age 31 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 Accounts Manager which in charge of the financial department and later promoted to Group Accountant.

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.

As at the date of this Annual Report, he does not hold any shares in the Company.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

INTRODUCTION

The Board of Directors ("**the Board**") of Pegasus Heights 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 is prepared in compliance with Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and it is meant to be read together with the Corporate Governance Statement and Corporate Governance Report. The Corporate Governance Report provides details on how the Company has applied each practices as set out in the Code for the financial year ended 31 December 2019, a copy of which is available on the Company's website

The Board will continue to take measures to improve compliance with the principles and recommended best practices in the ensuing years.

PRINCIPAL A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Board has considered and discussed a wide range of matters during the financial year ended 31 December 2019, 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.

In order to ensure orderly and effective discharge of the above functions and responsibilities of the Board, the Board has established various committees where specific powers of the Board are delegated to the relevant Board Committees.

The Board has a formal schedule of matters reserved for deliberation as set out below, to ensure good governance is in place for the Group:-

a) Conflict of interest issues relation to a substantial shareholder or a Director including approving related party transactions
b) Material acquisition and disposition of assets not in the ordinary course of business including significant capital expenditures
c) Strategic investments, mergers and acquisitions and corporate exercises
d) Limits of authority
e) Treasury policies
f) Risk management policies
g) Key human resource issues
h) Business plans

II. BOARD COMPOSITION

The Board recognises the benefits of having a diverse Board to ensure that the mix and profiles of the Board members in terms of age, ethnicity and gender to provide the necessary range of perspectives, experience and expertise required to achieve effective stewardship and management. The Board believes that a truly diverse and inclusive Board will leverage on different thought, perspective, cultural and geographical background, age, ethnicity and gender which will ensure that the Group has a competitive advantage.

II. BOARD COMPOSITION (Cont'd)

In evaluating the suitability of individual Board members, the Nomination Committee ("NC") takes into account several factors, including skills, knowledge, expertise, experience, professionalism and time commitment to effectively discharge his or her role as a Director, contribution, background, character, integrity and competence. In the case of candidates for the position of Independent Non-Executive Directors, the NC will evaluate the candidates' ability to discharge their responsibilities and should bring in their independent judgement, provide constructive challenge, strategic guidance, offer specialist advice and impartiality.

The Board currently has one (1) female Director, and with the current composition, the Board feels that its members have the necessary knowledge, experience, diverse range of skills and competence to enable them to discharge their duties and responsibilities effectively. Moving forward, the Board, being in line with the national target of having 30% women on the boards of listed issuers, will maintain a register of potential directors which include high-calibre female candidates and appoint them when the need arise.

III. REMUNERATION

The Board has delegated to the Remuneration Committee ("RC") the responsibility to formulate and review the remuneration for the Directors of the Company to ensure the same remain competitive, appropriate, and in line with the prevalent market practices.

The Board carries out a remuneration review for its employees including that of Senior Management, with the view to ensure that the Group continues to retain and attract the best talents in the industry. The proposed salary structure was considered by the RC and subsequently approved by the Board for implementation.

Despite not formalising any remuneration policy, the Group has an internal policy which is catered to meet the intended outcome. The internal policy of the Group helps the Directors to take into account the demands, complexities and performance of the Group when determining the remuneration of Directors and senior management.

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

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.

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.

Annually, the composition of the AC is reviewed by the NC and recommended to the Board for its approval. With the view to maintain an independent and effective AC, the NC ensures that only Independent Non-Executive Directors who have the appropriate level of expertise and experience and have the strong understanding of the Group's business would be considered for membership on the AC.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

PRINCIPAL B: EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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 Board will continue to drive a proactive risk management approach and ensure that the Group's employees have a good understanding of the application of risk management principles in order to work 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.

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

I. COMMUNICATION 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.

II. CONDUCT OF GENERAL MEETINGS

The Group's AGM is an important means of communicating with its shareholders. To ensure effective participation of an engagement with the shareholders at the AGM of the Group, all members of the Board would be present at the meeting to respond to questions raised by shareholders and proxies. In addition, the Chairman of the Board would chair the AGM in an orderly manner and encourage the shareholders and proxies to speak at the meeting. The overall performance of the Group would be presented at the meeting.

In line with good governance practices, the notice of the AGM would be issued at least 28 days before the AGM date. Shareholders whom are not able to attend the AGM are also encouraged to deposit their proxy form as a means of remote voting. The Group will continue to enhance the quality of engagement with its shareholders to facilitate further participations by shareholders at the AGM of the Group.

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

1. Board of Directors

Pegasus Heights 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**")
(iii) Audit Committee ("**AC**")
(iv) Share Issuance Scheme ("**SIS**") Committee

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 16 to page 20 of this Annual Report.

2. Separation of position of the Chairman and Executive Directors

The Board has established clear roles and responsibilities in discharging its fiduciary and leadership functions. The roles of the Chairman and Executive Directors 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, an Independent Non-Executive Chairman, 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 responsibilities, 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 oversee 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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

2. Separation of position of the Chairman and Executive Directors (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 six (6) times during the financial year ended 31 December 2019. The attendance of each Director at the Board Meeting held during the financial year ended 31 December 2019 is as follow:-

Directors	Number of meetings attended	%
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	5/6	83%
Dato' Sri Lee See Yang	5/6	83%
Toh Hong Chye	6/6	100%
Andrew Ho Tho Kong	6/6	100%
Low Yen Hoon (appointed on 1 July 2019	3/3	100%
Alice Lim Hui Chee (resigned on 1 July 2019)	2/3	67%
Lim Teck Seng (resigned on 21 March 2019)	1/1	100%

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 MMLR of 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.

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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

5. Continuous Development of the Board (Cont'd)

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

Directors	Programmes attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	• CG Advocacy Programme - Cyber Security in the Boardroom • ICDM – The Role of The Nomination & Remuneration Committee In Human Capital Management • ICDM – Breakfast Series – Companies of The Future – The Role for Boards
Dato' Sri Lee See Yang	• Latest Updates on Tax Audit & Investigation
Toh Hong Chye	• Special Voluntary Disclosure Programme – 5 Things Accountants Shall Do For Tax Payers • Latest on Employers' Tax Obligations in 2019 • Annual report – What a Director Must Know • Latest Updates on Tax Audit & Investigations
Andrew Ho Tho Kong	• The Role of The Board in Risk Management of Legal Issues During Mergers and Acquisitions • Standard 1300 & How Does It Add Value to Your Organisation • Risk Management Committee
Low Yen Hoon	• BCSD Malaysia Breakfast Talk Series #3: Sustainability & Business • Updates on MFRS 15 & 16 • Account for Business Combination & Subsequent Goodwill Maintenance • Mandatory Accreditation Programme • Latest Service Tax Updates for Service Sector Including Preparation For Digital and Foreign Service Provider Registration • Withholding Tax in Malaysia – Principles and Latest Developments • Audit Oversight Board Conversation with Audit Committees

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 45 to page 46 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 2019:-

Director	Designation
Low Yen Hoon (Appointed on 1 July 2019)	Chairperson
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Andrew Ho Tho Kong	Member
Alice Lim Hui Chee (Resigned on 1 July 2019)	Chairperson

During the financial year ended 31 December 2019, 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 composition of the Board and Board Committees with regards to the mix of skills, independence and diversity in accordance with its policy.

(b) Assessed and reviewed the independence and continuing independence of the Independent Directors.

(c) Assessed the effectiveness and performance of the Board and its committees. This is carried out through a self-assessment document that is completed by each Director. The assessment criteria include the following:-

- Board composition
- Board process
- Performance of Board Committees
- Information provided to the Board
- Role of the Board in strategy and planning
- Risk management framework
- Accountability and standard of conduct of Directors

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

6. Board Committees (Cont'd)

NC (Cont'd)

(d) Reviewed and assessed on behalf of the Board the training record and needs of each Director, and proposed training courses to meet any shortfall or gaps in knowledge.

(e) Determined the Directors who stand for re-election and re-appointment by rotation.

(f) Reviewed the term of office and performance of the AC and each of its members to ascertain that the AC and its member have carried out their duties in accordance with the AC's Terms of Reference

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

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 2019:-

Director	Designation
Low Yen Hoon (Appointed on 1 July 2019)	Chairperson
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Andrew Ho Tho Kong	Member
Alice Lim Hui Chee (Resigned on 1 July 2019)	Chairperson

During the financial year ended 31 December 2019, 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 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/

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

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, 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.

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 Ethics 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 behavior 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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

8. Code of Conduct and Code of Ethics (Cont'd)

Notices on the closed period for trading in the Company's shares are sent to Directors and 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/.

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 Secretaries

The Board is assisted by qualified and competent Company Secretaries play 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. 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 Secretaries 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. They have also attended the relevant continuous professional development programmes as required by the Companies Commission of Malaysia or the Malaysian Institute of Chartered Secretaries and Administrators for practising company secretaries. The Board is satisfied with the performance and support rendered by the Company Secretaries in discharging its functions.

In addition, the Company Secretaries are 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 scope 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) Independent Non-Executive Chairman, two (2) Independent Non-Executive Directors, and two (2) Executive Directors. 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 16 to page 20 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**").

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

4. Gender Diversity

While the Board of Directors acknowledge 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 Ms Low Yen Hoon as an Independent Non-Executive Director of the Company on 1 July 2019 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.

During the financial year, the Board had appointed one Director, namely Ms Low Yen Hoon. Details of her appointment are set out below:-

Name of Director	Identified Through
Ms Low Yen Hoon	Recommended by Management

Despite the above mentioned Director being appointed based on the recommendation by the Management, the NC is responsible for assessing the suitability of the above mentioned Director for appointment and opined that the Director recommended by the Management is of suitable calibre and have the necessary knowledge, experience, diverse range of skills and competence to enable her to discharge their duties and responsibilities effectively.

6. Chairman of the NC

The NC is led by Ms Low Yen Hoon, 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 Nomination Committee with relevant information of the Group's needs, allowing them to source for suitable candidates when the need arises.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

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.

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 include 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 Nomination 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

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/her 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.

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 remuneration of the Board (on named basis) and top two (2) 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 2019 are set out below:-

	COMPANY				**Total**
	Fees RM	**Salaries RM**	**SIS RM**	**others RM**	
Toh Hong Chye	-	594,103.40	1,088,000.00	-	1,682,103.40
Dato' Sri Lee See Yang	-	594,103.40	1,088,000.00	3,212.53	1,685,315.93
Lim Teck Seng (Resigned on 21/03/2019)	-	45,216.14	-	-	45,216.14
Executive Directors	-	1,233,422.94	2,176,000.00	3,212.53	3,412,635.47
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	36,000.00	-	-	21,000.00	57,000.00
Andrew Ho Tho Kong	24,000.00	-	-	19,000.00	43,000.00
Low Yen Hoon (Appointed on 01/07/2019)	9,000.00	-	-	9,000.00	18,000.00
Alice Lim Hui Chee (Resigned on 01/07/2019)	9,048.39	-	-	10,000.00	19,048.39
Independent Non-Executive Directors	78,048.39	-	-	59,000.00	137,048.39

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

	GROUP				Total
	Fees RM	Salaries RM	SIS RM	others RM	
Toh Hong Chye	-	844,465.10	1,088,000.00	275.00	1,932,740.10
Dato' Sri Lee See Yang	-	844,465.10	1,088,000.00	3,212.53	1,935,677.63
Lim Teck Seng (Resigned on 21/03/2019)	-	45,216.14	-	-	45,216.14
Executive Directors	-	1,734,146.34	2,176,000.00	3,487.53	3,913,633.87
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	36,000.00	-	-	21,000.00	57,000.00
Andrew Ho Tho Kong	24,000.00	-	-	19,000.00	43,000.00
Low Yen Hoon (Appointed on 01/07/2019)	9,000.00	-	-	9,000.00	18,000.00
Alice Lim Hui Chee (Resigned on 01/07/2019)	9,048.39	-	-	10,000.00	19,048.39
Independent Non-Executive Directors	78,048.39	-	-	59,000.00	137,048.39

Remuneration Bands	**Number of Key Senior Management**
Below RM50,000	-
RM 50,001- RM100,000	-
RM100,001- RM150,000	1
RM200,000 above	1

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**
Andrew Ho Tho Kong	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Low Yen Hoon (Appointed on 1 July 2019)	Member
Alice Lim Hui Chee (Resigned on 1 July 2019)	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.

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

I. AC (Cont'd)

The AC 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.

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 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.

For the financial year ended 31 December 2019, 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	128,000	86,500
Non-Audit:		
Review of the Statement on Risk Management and Internal Control	5,500	5,500
Total Non-audit fees	**5,500**	**5,500**

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 45 to page 46 of this Annual Report.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

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

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 2019 was S F Chang Corporate Services Sdn Bhd, which reported directly to the AC as specified in the Terms of Reference of the AC. The Internal Auditors carries out is function in accordance with the approved annual Internal Audit Plan approved by the AC. S F Chang Corporate Services Sdn Bhd has approximately 3 audit personnel assisting the person responsible for the internal audit. Details on the person responsible for the internal audit are set out below:-

Name	:	Chang Siew Foong
Qualification	:	FCCA CA (M)
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 Statement on Risk Management and Internal Control on page 42 to page 44 and the Management Discussion and Analysis on page 4 to page 10 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.

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

I. Communication with stakeholders (Cont'd)

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.

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 2019.

The Statement is made by the Board of Directors pursuant to Paragraph 15.26(b) of the MMLR of Bursa Securities 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 code.

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)

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, S F Chang Corporate Services 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 previous Internal Auditors in the previous 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 Building Maintenance Management of Group's subsidiary, namely for Consistent Harvest Sdn Bhd and Human Resources Division at HQ.

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 on 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;
- 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 2019 was RM16,500.00.

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 2019.

Their review was performed in accordance with Audit and Assurance Practice Guide (AAPG) 3: Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants. Based on external auditor review, nothing has come to their attention that causes them to believe that this statement is not prepared, in all respects, in accordance with the disclosures required by Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

Conclusion

The Board is of the view that the risk management and internal control system in place for the year under review and up to the date of issuance of the financial statements is adequate and effective to safeguard the shareholders' investment, the interests of customers, regulators and employees, and the Group's assets. The Board has received assurance from the Executive Director that, to the best of their knowledge, the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

During the financial year under review, the Board is satisfied that no material losses, deficiencies or errors were arising from any inadequacy or failure of the Group's internal control system that will require disclosure in the Annual Report.

The Board will continue to take measures to strengthen the system of internal control maintained by the Group and ensure shareholders' investment and the Group's assets are consistently safeguarded.

This Statement on Risk Management and Internal Control was approved by the Board on 22 May 2020.

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 current composition of Audit Committee comprises three (3) members, all of whom are Independent Non-Executive Directors.

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

Andrew Ho Tho Kong	Chairman, Independent Non-Executive Director
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member, Independent Non-Executive Chairman
Low Yen Hoon (Appointed on 1 July 2019)	Member, Independent Non-Executive Director
Alice Lim Hui Chee (Resigned on 1 July 2019)	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 2019 are set out below:

Name	**Designation**	**Meetings Attended**
Andrew Ho Tho Kong (Chairman of the Committee)	Independent Non-Executive Director	5/5
Low Yen Hoon	Independent Non-Executive Director	2/2[1]
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Independent Non-Executive Chairman	4/5
Alice Lim Hui Chee	Independent Non-Executive Director	2/3[2]

1 Low Yen Hoon has attended all the AC meetings since she was appointed on 1 July 2019.
2 Only 3 meetings held prior to her cessation.

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.

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 2019 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;

AUDIT COMMITTEE REPORT
(Cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE (Cont'd)

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

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

(viii) 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);

(ix) 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;

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

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

INTERNAL AUDIT FUNCTION

The Group's internal audit function is outsourced to a professional consulting firm to assist the Audit Committee in reviewing the state of the systems of internal control maintained by the management. 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 Building Maintainance management of Centerpoint Seremban Mall and Human Resources Division. Review was conducted based upon interviews with respective key personnel, ascertain whether proper controls are in place, perform testing on randomly selected transactions and identify improvement areas based on interviews, where applicable.

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 2019, an internal audit plan was 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 Committee verified and confirmed that during the financial year ended 31 December 2019, a total of 740,000,000 SIS options were allocated to the eligible directors and employees of the Group.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds from Rights Issue

On 26 June 2019, the Rights issue was completed subsequent to the listing of 5,396,975,598 new ordinary shares on the Main Market of Bursa Securities. Following of the completion of the Rights issue, the utilization of the proceeds as at 8 May 2019 is shown below:

Utilisation Purposes	Proposed Utilisation	Actual Utilisation	Deviation	Balance Utilisation	Timeframe for the utilisation (from the date of listing of the Placement shares)
	RM'000	RM'000	RM'000	RM'000	
F&B Service business	2,700	1,402	-	1,298	Within 6 months
Promotion, Upgrade and maintenance of Centerpoint Seremban	19,600	17,570	-	2,030	Within 12 months
Repayment of bank borrowings	16,000	13,500	-	2,500	Within 12 months
Working capital	14,883	4,383	-	10,500	Within 12 months
Expenses in relation to the proposals	787	787	-	-	Within 2 weeks

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. On 13 March 2020, the Company had announced to extend the SIS for another five (5) years until 28 May 2025 in accordance with the terms of the By-Laws.

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	At 1 January 2019 '000	Granted '000	Exercised '000	Adjusted '000	Lapsed '000	At 31 December 2019 '000
18 August 2015	RM0.072	10,150	-	-	3,350	-	13,500
19 July 2018	RM0.016	237,700	-	50,000	61,941	-	249,641
28 August 2019	RM0.006	-	740,000	-	-	-	740,000
		247,850	740,000	50,000	65,291	-	1,003,141

Material Contracts Involving Directors' and Major Shareholders' Interests

There were no material contracts entered into by the Company and its subsidiary companies involving the interests of Directors and major shareholders.

ADDITIONAL COMPLIANCE INFORMATION
(Cont'd)

Recurrent Related Party Transaction

Details of transactions with related parties undertaken by the Group during the financial year ended 31 December 2019 are as follows:-

Transacting Party	The Company	Type of recurrent transactions	Transacted value during the financial year
Richmond Virginia Tobacco Sdn Bhd	PHB Group	Rental of Office Premises from Richmond Virginia Tobacco Sdn Bhd	RM130,464

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.

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 for the financial year ended 31 December 2019, 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 2019.

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 9 to the financial statements.

Financial Results

	Group RM'000	Company RM'000
Loss for the financial year	13,914	102,889
Attributable to:		
Owners of the parent	13,914	102,889

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:

(i) 50,000,000 new ordinary shares at a weighted average exercise price of RM0.0217 per ordinary share for total consideration of RM1,085,000 from the exercise of employees' share options.

(ii) 5,396,975,598 new ordinary shares for a consideration of RM53,969,756 at issue price of RM0.01 per rights share on the basis of three (3) rights shares and two (2) warrants.

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

There was no issuance of debentures during the financial year.

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 and extended for another 5 years until 28 May 2025 in accordance with the terms of the By-Laws.

The main features of the SIS are disclosed in Note 17(a) to the financial statements.

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

Date of Offer	Exercise Price	At 1.1.2019 '000	Granted '000	Adjusted '000	Lapsed '000	Exercised '000	At 31.12.2019 '000
		← Number of Options over Ordinary Shares →					
18 August 2015	RM0.10	10,150	-	3,350	-	-	13,500
19 July 2018	RM0.02	237,700	-	61,941	-	(50,000)	249,641
28 August 2019	RM0.01	-	740,000	-	-	-	740,000

Warrants 2019/2022

The Warrants were constituted by the Deed Poll dated 7 May 2019 ("Deed Poll").

On 21 June 2019, the Company issued 3,597,983,635 warrants at an issue price of RM0.01 per Rights Share on the basis of three (3) rights shares and two (2) warrants for every one (1) existing ordinary shares held by the entitled shareholders of the Company.

Each warrant carries the entitlement, at any time during the exercise period, to subscribe for one (1) new ordinary share in the Company at the exercise price of RM0.01 per ordinary share, subject to adjustments in accordance with the provisions of the Deed Poll which is to be satisfied in cash. Any warrant not exercised during the exercise period will lapse and thereafter ceases to be valid for any purpose. The exercise period of the warrant will expire on 20 June 2022.

	At 1.1.2019 '000	Issued '000	Exercised '000	Expired '000	At 31.12.2019 '000
Number of unexercised warrants	-	3,597,984	-	-	3,597,984

DIRECTORS' REPORT
(CONT'D)

Directors

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

Dato' Sri Lee See Yang*	
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	
Toh Hong Chye*	
Andrew Ho Tho Kong	
Low Yen Hoon	(Appointed on 1 July 2019)
Chin Pak Loong *	(Appointed on 13 January 2020)
Alice Lim Hui Chee	(Resigned on 1 July 2019)

* *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:

Toh Guat Khem*
Tiew Chee Ming
Lee Wilson#

\# *Resigned during the financial year*
* *Appointed during the financial year*

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' 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 1.1.2019 '000	**Bought '000**	**Sold '000**	**At 31.12.2019 '000**
Interests in the Company				
Direct Interest				
Dato' Sri Lee See Yang	109,055	752,164	-	861,219
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	9,434	28,302	-	37,736
Toh Hong Chye	116,026	706,710	-	822,736
Indirect Interest				
Dato' Sri Lee See Yang*	10,000	40,500	-	50,500

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

Directors' Interests (Cont'd)

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: (Cont'd)

	Number of Options over Ordinary Shares				
	At 1.1.2019 '000	Grant '000	Lapsed '000	Exercised '000	At 31.12.2019 '000
Interests in the Company					
Direct Interest					
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	10,000	3,300	-	-	13,300
Toh Hong Chye	90,000	199,700	-	-	289,700
Dato' Sri Lee See Yang	90,000	183,200	-	(50,000)	223,200

	Number of Warrants				
	At 1.1.2019 '000	Bought '000	Sold '000	Expired '000	At 31.12.2019 '000
Direct Interest					
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	-	18,868	-	-	18,868
Toh Hong Chye	-	439,368	-	-	439,368
Dato' Sri Lee See Yang	-	458,109	-	-	458,109
Indirect Interest					
Dato' Sri Lee See Yang*	-	27,000	-	-	27,000

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

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 26 and 30 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 30 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.

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 million and RM5,840 respectively. No indemnity was given to or insurance effected for auditors of the Company.

DIRECTORS' REPORT
(CONT'D)

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 all known bad debts had been written off and that adequate allowance had been made for doubtful debts; 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 render the amounts written off for bad debts 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 9 to the financial statements.

Auditors

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

The details of auditors' remuneration are set out in Note 26 to the financial statements.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 22 May 2020.

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 60 to 136 are drawn up in accordance with Malaysian Financial Reporting Standards, International 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 2019 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 22 May 2020.

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, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements set out on pages 60 to 136 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 22 May 2020.)

TOH HONG CHYE

Before me,

MOHAN A.S. MANIAM (W710)
COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD
[Registration No.: 197401002677 (19727-P)]
(Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pegasus Heights Berhad, which comprise the statements of financial position as at 31 December 2019 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 60 to 136.

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 2019, and of their financial performance and their cash flows for financial year then ended in accordance with Malaysian Financial Reporting Standards, International 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 Responsibilities

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 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.

Key Audit Matters	How we addressed the key audit matters
Fair value assessment on investment property As disclosed in Note 2(c) and 5 to the financial statements, the Group's investment properties are stated at fair values. As at 31 December 2019, the carrying amount of the investment properties represents approximately 75% of the Group's total assets. The Group uses external independent valuers to determine fair values of the investment properties. According to the appraisal performed by the professional valuer, the fair value of investment properties was valued at RM110 million as at 31 December 2019. 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: • assessed and discussed with management their process for reviewing the work of the independent valuer. • evaluated the objectivity, independence and capabilities of the professional valuer. • assessed the appropriateness of the valuation model, property related data, including estimates used by the professional valuer. • assessed the reasonableness of the assumptions used in the valuation and judgements made. • reviewed and assessed the appropriateness and adequacy of the disclosures in the financial statements.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD (CONT'D)
[Registration No.: 197401002677 (19727-P)]
(Incorporated in Malaysia)

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 Malaysian Financial Reporting Standards, International 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.

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 these 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.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF PEGASUS HEIGHTS BERHAD (CONT'D)
[Registration No.: 197401002677 (19727-P)]
(Incorporated in Malaysia)

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

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 (Cont'd):

- 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.

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

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

YEOH AIK CHUAN
Approved Number: 02239/07/2020 J
Chartered Accountant

KUALA LUMPUR

22 May 2020

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Non-Current Assets					
Property, plant and equipment	4	1,546	1,044	29	425
Investment properties	5	110,000	110,000	-	-
Deferred expenses	6	1,208	-	-	-
Intangible assets	7	386	-	-	-
Right-of-use assets	8	342	-	226	-
Investment in subsidiary companies	9	-	-	29,464	52,263
Deferred tax assets	10	2	-	-	-
Amount due from a subsidiary company	11	-	-	10,074	-
		113,484	111,044	39,793	52,688
Current Assets					
Inventories	12	17	6	-	-
Trade receivables	13	5,794	1,543	-	846
Other receivables	14	1,176	1,134	418	218
Amount due from subsidiary companies	11	-	-	4,798	58,821
Tax recoverable		-	2	-	-
Fixed deposits with licensed banks	15	13,640	255	13,595	-
Cash and bank balances		11,977	749	11,781	115
		32,604	3,689	30,592	60,000
Total Assets		146,088	114,733	70,385	112,688

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019 (CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Equity					
Share capital	16	164,302	130,114	164,302	130,114
Reserves	17	28,598	3,739	28,598	3,739
Accumulated losses		(54,016)	(40,102)	(124,873)	(21,984)
Total Equity		138,884	93,751	68,027	111,869
Non-Current Liabilities					
Borrowings	18	-	9,904	-	-
Finance lease liabilities	19	-	138	-	138
Lease liabilities	20	96	-	56	-
Deferred tax liabilities	10	3,502	3,502	-	-
		3,598	13,544	56	138
Current Liabilities					
Trade payables	21	120	39	-	-
Other payables	22	2,295	3,389	226	416
Amount due to subsidiary companies	11	-	-	1,995	188
Amount due to a Director	23	6	-	-	-
Provision for taxation		13	19	-	-
Borrowings	18	1,072	3,914	-	-
Finance lease liabilities	19	-	77	-	77
Lease liabilities	20	100	-	81	-
		3,606	7,438	2,302	681
Total Liabilities		7,204	20,982	2,358	819
Total Equity and Liabilities		146,088	114,733	70,385	112,688

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 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	24	14,240	10,179	-	150
Cost of sales		(13,432)	(10,021)	-	(216)
Gross profit/(loss)		808	158	-	(66)
Other income		462	441	412	17
Administrative expenses		(8,999)	(6,206)	(27,472)	(3,336)
Other expenses		(5,269)	(13,896)	(4,736)	(3,585)
Net impairment loss on financial assets		(111)	(927)	(71,084)	-
Loss from operations		(13,109)	(20,430)	(102,880)	(6,970)
Finance costs	25	(769)	(1,141)	(9)	(7)
Loss before tax	26	(13,878)	(21,571)	(102,889)	(6,977)
Taxation	27	(36)	(1,280)	-	-
Net loss for the financial year, representing total comprehensive loss for the financial year		(13,914)	(22,851)	(102,889)	(6,977)
Loss for the financial year attributable to:					
Owners of the parent		(13,914)	(22,851)	(102,889)	(6,977)
Total comprehensive loss attributable to:					
Owners of the parent		(13,914)	(22,851)	(102,889)	(6,977)
Loss per share (sen)					
Basic	28(a)	(0.30)	(1.44)		
Diluted	28(b)	(0.28)	(1.37)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to Owners of the Company						
	Non-distributable			Distributable			
Group	Share Capital RM'000	SIS Options Reserve RM'000	Warrants Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
At 1 January 2019	130,114	3,739	-	(40,102)	93,751	-	93,751
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(13,914)	(13,914)	-	(13,914)
Transaction with owners:							
- Issuance of ordinary shares:							
- right issues	53,970	-	-	-	53,970	-	53,970
- share issuance expenses	(744)	-	-	-	(744)	-	(744)
- Warrant reserve arising from right issue	(20,868)	-	20,868	-	-	-	-
- SIS options to employees:							
- exercised	745	(745)	-	-	-	-	-
- lapsed	-				-	-	-
- vested	-	4,736	-	-	4,736	-	4,736
- share issued pursuant to to SIS	1,085	-	-	-	1,085	-	1,085
	34,188	3,991	20,868	-	59,047	-	59,047
At 31 December 2019	164,302	7,730	20,868	(54,016)	138,884	-	138,884
At 1 January 2018	89,789	273	-	(17,370)	72,692	(9)	72,683
Net loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(22,851)	(22,851)	-	(22,851)
Transaction with owners:							
- Debts and creditors capitalisation	27,619	-	-	-	27,619	-	27,619
- Private placement	12,706	-	-	-	12,706	-	12,706
- SIS options to employees:							
- lapsed	-	(127)	-	119	(8)	-	(8)
- vested	-	3,593	-	-	3,593	-	3,593
	40,325	3,466	-	119	43,910	-	43,910
Disposal of subsidiary	-	-	-	-	-	9	9
At 31 December 2018	130,114	3,739	-	(40,102)	93,751	-	93,751

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

	Attributable to Owners of the Company				
	Non-distributable			Distributable	
	Share Capital RM RM'000	SIS Options Reserve RM RM'000	Warrants Reserve RM RM'000	Accumulated Losses RM RM'000	Total Equity RM RM'000
At 1 January 2019	130,114	3,739	-	(21,984)	111,869
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(102,889)	(102,889)
Transaction with owners:					
- Issuance of ordinary shares					
- right issues	53,970	-	-	-	53,970
- share issuance expenses	(744)	-	-	-	(744)
- Warrant reserve arising from right issue	(20,868)	-	20,868	-	-
- SIS options to employees:					
- exercised	745	(745)	-	-	-
- vested	-	4,736	-	-	4,736
- share issued pursuant to to SIS	1,085	-	-	-	1,085
	34,188	3,991	20,868	-	59,047
At 31 December 2019	164,302	7,730	20,868	(124,873)	68,027
At 1 January 2018	89,789	273	-	(15,126)	74,936
Loss for the financial year, representing total comprehensive loss for the financial year	-	-	-	(6,977)	(6,977)
Transaction with owners:					
- Debts and creditor capitalisation	27,619	-	-	-	27,619
- Private placement	12,706	-	-	-	12,706
- SIS options to employees:					
- lapsed	-	(127)	-	119	(8)
- vested	-	3,593	-	-	3,593
	40,325	3,466	-	119	43,910
At 31 December 2018	130,114	3,739	-	(21,984)	111,869

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Operating Activities					
Loss before tax		(13,878)	(21,571)	(102,889)	(6,977)
Adjustments for:					
Amortisation of:					
- deferred expenses		292	-	-	-
- intangible assets		9	-	-	-
- right-of-use assets		67	-	63	-
Bad debts written off		1	7	-	-
Deposits paid written off		36	70	-	70
Deposits received written off		(24)	(50)	(1)	-
Depreciation of property, plant and equipment		159	184	14	125
Fair value loss on investment property		-	10,000	-	-
Impairment losses on:					
- investment in subsidiary companies		-	-	24,799	-
- amount due from subsidiary companies		-	-	71,084	-
- trade receivables		111	141	-	-
Interest expense		769	1,141	(9)	7
Interest income		(396)	(10)	(300)	(3)
(Gain)/Loss on disposal of:					
- subsidiary companies		-	(215)	-	(1)
- property, plant and equipment		6	42	4	44
Other payables written off		-	-	(18)	-
Property, plant and equipment written off		-	500	-	498
Reversal of impairment loss on:					
- trade receivables		-	(1,209)	-	-
- amount due from subsidiaries company		-	-	-	(3)
Reversal of other payables		(18)	(55)	-	-
Share options to employees		4,736	3,585	4,736	3,585
Written off other receivables		-	30	-	30
Operating loss before working capital changes		(8,130)	(7,410)	(2,517)	(2,625)
Changes in working capital:					
Inventories		(11)	(6)	-	-
Receivables		(4,381)	977	646	1,141
Payables		(1,025)	(1,387)	(171)	(235)
		(5,417)	(416)	475	906
Cash used in operations		(13,547)	(7,826)	(2,042)	(1,719)
Interest paid		(769)	(1,141)	9	(7)
Tax paid		(42)	(8)	-	-
		(811)	(1,149)	9	(7)
Net cash used in operating activities		(14,358)	(8,975)	(2,033)	(1,726)

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash Flows From Investing Activities					
Advances to subsidiary companies		-	-	(25,328)	(19,575)
Additions of deferred expenses		(1,500)	-	-	-
Additions of intangible assets		(395)	-	-	-
Additions of right-of-use assets		(60)	-	-	-
Purchase of property, plant and equipment	4(b)	(1,161)	(853)	(16)	(223)
Interest income received		396	10	300	3
Net cash outflow from disposal of subsidiary companies	9(d)	-	(1)	-	(1)
Proceeds from disposal of property, plant and equipment		205	296	105	290
Pledged deposit with a licensed bank		(13,385)	(2)	(13,595)	-
Investment in subsidiary companies		-	-	(2,000)	-
Net cash used in investing activities		(15,900)	(550)	(40,534)	(19,506)
Cash Flows From Financing Activities					
(Repayment to)/Advances from a former Director	29	-	(1,503)	-	8,508
Repayment of term loans	29	(10,902)	(1,440)	-	-
Repayment of finance lease liabilities	29	-	(346)	-	(259)
Repayment of lease liabilities	29	(79)	-	(78)	-
Proceeds from issuance of rights issue	16	53,226	-	53,226	-
Proceeds from exercise of SIS options	16	1,085	-	1,085	-
Proceeds from private placement	16	-	12,706	-	12,706
Net cash from financing activities		43,330	9,417	54,233	20,955
Net increase/(decrease) in cash and cash equivalents		13,072	(108)	11,666	(277)
Cash and cash equivalents at beginning of the financial year		(2,167)	(2,059)	115	392
Cash and cash equivalents at end of the financial year		10,905	(2,167)	11,781	115
Cash and cash equivalents at end of the financial year comprise:					
Cash and bank balances		11,977	749	11,781	115
Fixed deposits with licensed banks	15	13,640	255	13,595	-
Bank overdrafts	18	(1,072)	(2,916)	-	-
		24,545	(1,912)	25,376	115
Less: Fixed deposits pledged with licensed bank		(13,640)	(255)	(13,595)	-
		10,905	(2,167)	11,781	115

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (CONT'D)

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash outflows for leases as a lessee					
Included in net cash used in operating activities					
Payment of relating to short-term leases	26	132	-	130	-
Interest paid in relation to lease liabilities	25	11	-	9	-
Included in net cash from financing activities					
Payment of lease liabilities	29	79	-	78	-
		222	-	217	-

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 10.02, Level 10, The Gardens 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 9. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year other than the changes as disclosed in Note 9.

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards 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.

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 MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 16	Leases
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement
Amendments to MFRS 128	Long–term interest in Associates and Joint Ventures
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvements to MFRSs 2015 – 2017 Cycle	Amendments to MFRS 3 Amendments to MFRS 11 Amendments to MFRS 112 Amendments to MFRS 123

The adoption of the new and amendments to MFRSs did not have any significant impact on the financial statements of the Group and the Company, except for:

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases*

MFRS 16, which upon the effective date will supersede MFRS 117 *Leases*, IC Interpretation 4 *Determine whether an Arrangement contains a Lease*, IC Interpretation 115 *Operating Leases – Incentives* and IC Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

As a result of the adoption of MFRS 16, the existing requirements for a lessee to distinguish between finance leases and operating leases under the MFRS 117 Leases are no longer required. MFRS 16 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 ("ROU") 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 ROU 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.

The ROU 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.

As permitted by the transitional provision of MFRS 16, the Group has elected to adopt a simplified transition approach where cumulative effects of initial application are recognised on 1 January 2019 as an adjustment to the opening balance of retained earnings.

For leases that were classified as finance lease under MFRS 117, the carrying amounts of the ROU asset and the lease liability at 1 January 2019 are determined to be the same as the carrying amount of the lease asset and lease liability under MFRS 117 immediately before that date.

The Group has also applied the following practical expedients when applying MFRS 16 to lease previously classified as operating lease under MFRS 117:

- The Group does not apply the standard to leases which lease terms end within 12 months from 1 January 2019.
- No adjustments are made on transition for leases for which the underlying assets are of low value.
- Excluded initial direct costs from measuring the ROU assets at the date of initial application.

As a result, motor vehicles under property, plant and equipment classification and have been reclassified to ROU assets on 1 January 2019 for the Group and the Company respectively.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

MFRS 16 *Leases* (Cont'd)

Impact arising from the adoption of MFRS 16 on the financial statements:

Statement of Financial Position

	As at 31.12.2018 RM'000	MFRS 16 adjustments RM'000	As at 1.1.2019 RM'000
Group			
Property, plant and equipment	1,044	(289)	755
Right-of-use assets	-	289	289
Finance lease payables	215	(215)	-
Lease liabilities	-	215	215
Company			
Property, plant and equipment	425	(289)	136
Right-of-use assets	-	289	289
Finance lease payables	215	(215)	-
Lease liabilities	-	215	215

The weighted average incremental borrowing rate applied to lease liabilities on 1 January 2019 was ranging from 2.51% to 2.63% per annum.

Standards issued but not yet effective

The Group and the Company have not applied the following new MFRSs, interpretation and amendments to MFRSs 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
Amendment to References to the Conceptual Framework in MFRS Standards		1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7	Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 and 108	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current	1 January 2022
Amendment to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Deferred until further notice

The Group and the Company intend to adopt the above MFRS when they become effective.

The initial application of the above-mentioned MFRSs are not expected to have any significant impacts on the financial statements of the Group and the Company.

2. Basis of Preparation (Cont'd)

(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.

(c) 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.

<u>Determining the lease term of contracts with renewal and termination options – Group as lessee</u>

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to.

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 / amortisation of property, plant and equipment and right-of-use ("ROU") asset (Notes 4 and 8)</u>

The Group regularly review the estimated useful lives of property, plant and equipment and ROU assets 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Valuation of investment properties

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The investment properties of the Group are held to earn rental income or for capital appreciation or both. For the financial year ended 31 December 2019, the Group engaged independent valuation specialist to determine fair value of such investment properties. The fair value was determined using investment approach and/or sales comparison approach. By using investment approach, the sales comparison approach is used as a check.

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

Determination of transaction prices

The Group is required to determine the transaction price in respect of each of its contracts with customers. In making such judgment the Group assesses the impact of any variable consideration in the contract, due to discounts or penalties, the existence of any significant financing component and any non-cash consideration in the contract.

There is no estimation required in determining the transaction price, as revenue from sale of goods are based on invoiced values or retail price. Discounts are not considered as they are not only given in rare circumstances.

Impairment of investment in subsidiary companies

The Company reviews its investments in subsidiary companies when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant judgement is required in determining the recoverable amount. Estimating the recoverable amount requires the Company to make an estimate of the expected future cash flows from the cash-generating units and also to determine a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount at the reporting date for investments in subsidiary companies is disclosed in Note 9.

Provision for expected credit loss of financial assets at amortised cost

The Group review the recoverability of its receivables at each reporting date to assess whether an impairment loss should be recognised. The impairment provisions for receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The carrying amounts at the reporting date for receivables are disclosed in Notes 11, 13 and 14 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 17(a).

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Inventories valuation

Inventories are measured at the lower of cost and net realisable value. The Group estimates the net realisable value of inventories based on an assessment of expected sales prices. Demand levels and pricing competition could change from time to time. If such factors result in an adverse effect on the Group's products, the Group might be required to reduce the value of its inventories. Details of inventories are disclosed in Note 12.

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 2019, the Group has tax payable and recoverable of RM13,000 and Nil (2018: RM19,000 and RM2,000) respectively.

Discount rate used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation, particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

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 2019 (Cont'd)

3. Significant Accounting Policies

(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 combination 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 MFRS 9 Financial Instruments, 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(m)(i) to the financial statements on impairment of non-financial assets.

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.

3. Significant Accounting Policies

(a) Basis of consolidation (Cont'd)

(ii) 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.

(iii) 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(m)(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(m)(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 2019 (Cont'd)

3. Significant Accounting Policies

(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 equipments	25%
Electrical fittings	10%
Furniture and fittings	10%
Motor vehicles	20%
Office and kitchen equipments	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*

Policy applicable from 1 January 2019

(i) <u>As lessee</u>

The Group and the Company recognise a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(m)(i) to the financial statements.

3. Significant Accounting Policies (Cont'd)

(c) *Leases* (Cont'd)

Policy applicable from 1 January 2019 (Cont'd)

(i) As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated useful lives of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Motor vehicles	20%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the respective Group entities' incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group and the Company are reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group or the Company changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

(ii) As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. 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.

If the lease arrangement contains lease and non-lease components, the Group and the Company apply MFRS 15 Revenue from Contracts with Customers to allocate the consideration in the contract based on the stand-alone selling price.

The Group and the Company recognise assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group and the Company use the interest rate implicit in the lease to measure the net investment in the lease.

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "Other income". 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.

3. Significant Accounting Policies (Cont'd)

(c) *Leases* (Cont'd)

Policy applicable before 1 January 2019

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.

<u>As lessee</u>

(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.

(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.

<u>As lessor</u>

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.

3. Significant Accounting Policies (Cont'd)

(d) Investment properties

Investment properties (including right-of-use assets held by lessee), 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.

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) Intangible assets

Intangible assets with finite useful lives are capitalised at cost less accumulated amortisation and accumulated impairment losses. Amortisation is calculated using the straight-line basis over their contractual periods. The principal annual amortisation rates are:

Franchise and license	5 years

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Intangible assets are tested for impairment whenever indication of impairment exists. See Note 3(m)(i) on impairment of non-financial assets.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(f) Deferred expenses

Deferred expenditures are expenditure incurred in securing the project for franchise in Seremban Centre Point, Seremban, Negeri Sembilan that includes costs of consultation, power supply and interior fixtures, furniture and equipment.

The deferred expenditure is amortised over three years

(g) Financial assets

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

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at FVTPL, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition. Trade and other receivables and amount due from subsidiary companies are recognised at financial assets at amortised costs.

The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

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 where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

(h) Financial liabilities

Financial liabilities are recognised when, and only when, the Group and the Company become a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

3. Significant Accounting Policies (Cont'd)

(h) Financial liabilities (Cont'd)

A financial liability is derecognised when the obligation under the liability 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.

The Group and the Company classify their financial liabilities at initial recognition, into amortised costs.

Subsequent to initial recognition, financial liabilities are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the amortisation process.

The Group and the Company's financial liabilities designated as amortised cost comprise trade and other payables and borrowings.

A financial liability is derecognised when the obligation under the liability 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.

(i) Inventories

Inventories comprises consumable stocks.

Inventories are stated at the lower of cost and net realisable value.

Cost of finished goods comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

(j) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(k) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs when the guaranteed debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, 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 initially recognised less when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15 Revenue from Contracts with Customers.

Liabilities arising from financial guarantees are presented together with other provisions.

(l) 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.

(m) Impairment of assets

(i) Non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, investment properties measured at fair value) 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.

3. Significant Accounting Policies (Cont'd)

(m) Impairment of assets (Cont'd)

(i) Non-financial assets (Cont'd)

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

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

For trade receivables, other receivables, and inter-company balances, the Group and the Company apply a simplified approach in calculating ECLs. Therefore, the Group and the Company do not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group and the Company have established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(n) 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.

(o) 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.

(p) 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.

3. Significant Accounting Policies (Cont'd)

(p) Employee benefits (Cont'd)

(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.

(q) Revenue recognition

(i) Revenue from contracts with customers

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from the following major sources:

(a) Sale of goods

Revenue from sale of goods is recognised when control of the products has transferred, being the products are delivered to the customer. Revenue is recognised based on the price specified in the contract, net of the rebates, discounts and taxes.

A receivable is recognised by the Group when the goods are delivered as this represents the point in time at which the right to consideration is unconditional, because only the passage of time is required before payment is due. No element of financing is deemed present as the revenue recognised with a credit term of 30 to 90 days, which is consistent with market practice.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

3. Significant Accounting Policies (Cont'd)

(q) Revenue recognition (Cont'd)

(i) Revenue from contracts with customers (Cont'd)

(b) 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.

(c) Sales of food and beverages and rendering of services

Revenue is recognised at a point in time upon delivery of products or performance of services, and customer acceptance, if any.

The revenue is net of discount and/or any portion that are allocated to the free food, beverage or merchandise to be rewarded.

(ii) Revenue from other sources

(a) 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.

(b) Interest income

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

(r) 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, until such time as the assets are substantially ready for their intended use or sale. 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.

3. Significant Accounting Policies (Cont'd)

(s) 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.

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.

(t) 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.

(u) 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.

4. Property, Plant and Equipment

Group 2019	**Computer equipment RM'000**	**Electrical fittings RM'000**	**Furniture and fittings RM'000**	**Motor vehicles RM'000**	**Office and kitchen equipments RM'000**	**Renovation RM'000**	**Total RM'000**
Cost							
At 1 January 2019	94	53	236	597	908	98	1,986
Effect of adopting MFRS 16	-	-	-	(315)	-	-	(315)
At 1 January 2019, restated	94	53	236	282	908	98	1,671
Additions	210	47	16	459	26	403	1,161
Disposals	-	-	-	(278)	-	-	(278)
At 31 December 2019	304	100	252	463	934	501	2,554
Accumulated depreciation							
At 1 January 2019	67	2	229	65	483	96	942
Effect of adopting MFRS 16	-	-	-	(26)	-	-	(26)
At 1 January 2019, restated	67	2	229	39	483	96	916
Charge for the financial year	18	7	2	63	5	64	159
Disposals	-	-	-	(67)	-	-	(67)
At 31 December 2019	85	9	231	35	488	160	1,008
Carrying amount							
At 31 December 2019	219	91	21	428	446	341	1,546

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

Group 2018	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 2018	698	57	407	963	549	623	3,297
Additions	15	53	4	593	426	2	1,093
Disposals	-	-	-	(959)	-	-	(959)
Written off	(619)	(57)	(175)	-	(67)	(527)	(1,445)
At 31 December 2018	94	53	236	597	908	98	1,986
Accumulated depreciation							
At 1 January 2018	544	18	277	547	507	433	2,326
Charge for the financial year	24	2	2	139	17	-	184
Disposals	-	-	-	(621)	-	-	(621)
Written off	(501)	(18)	(50)	-	(41)	(337)	(947)
At 31 December 2018	67	2	229	65	483	96	942
Carrying amount							
At 31 December 2018	27	51	7	532	425	2	1,044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

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

Company 2019	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 2019	23	3	5	447	-	-	478
Effect of adopting MFRS 16	-	-	-	(315)	-	-	(315)
At 1 January 2019, restated	23	3	5	132	-	-	163
Additions	16	-	-	-	-	-	16
Disposals	-	-	-	(128)	-	-	(128)
At 31 December 2019	39	3	5	4	-	-	51
Accumulated depreciation							
At 1 January 2019	12	-	-	41	-	-	53
Effect of adopting MFRS 16	-	-	-	(26)	-	-	(26)
At 1 January 2019, restated	12	-	-	15	-	-	27
Charge for the financial year	6	-	-	8	-	-	14
Disposals	-	-	-	(19)	-	-	(19)
At 31 December 2019	18	-	-	4	-	-	22
Carrying amount							
At 31 December 2019	21	3	5	-	-	-	29

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

Company 2018	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 2018	629	57	176	795	67	527	2,251
Additions	13	3	4	443	-	-	463
Disposals	-	-	-	(791)	-	-	(791)
Written off	(619)	(57)	(175)	-	(67)	(527)	(1,445)
At 31 December 2018	23	3	5	447	-	-	478
Accumulated depreciation							
At 1 January 2018	497	18	50	395	35	337	1,332
Charge for the financial year	16	-	-	103	6	-	125
Disposals	-	-	-	(457)	-	-	(457)
Written off	(501)	(18)	(50)	-	(41)	(337)	(947)
At 31 December 2018	12	-	-	41	-	-	53
Carrying amount							
At 31 December 2018	11	3	5	406	-	-	425

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

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

(a) Assets held under finance leases

The carrying amount of property, plant and equipment of the Group acquired under finance lease liabilities as disclosed in the Note 19 to the financial statements are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Motor vehicles	-	289	-	289

Following the adoption of MFRS 16 on 1 January 2019, the Group had reclassified the carrying amount of leased assets to ROU assets (Note 8).

(b) Purchase of property, plant and equipment

The aggregate cost of the property, plant and equipment of the Group and of the Company during the financial year under lease arrangement and cash payments are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Aggregate costs	1,161	1,093	16	463
Less: Finance lease financing	-	(240)	-	(240)
Cash payments	1,161	853	16	223

5. Investment Properties

	Group	
	2019 RM'000	**2018 RM'000**
At 1 January	110,000	120,000
Fair value adjustment	-	(10,000)
At 31 December	110,000	110,000
Included in the above are:		
At fair value		
Leasehold land	30,630	30,630
Building	79,370	79,370
	110,000	110,000

5. Investment Properties (Cont'd)

(a) Fair value basis of investment properties

The investment properties are valued annually at their fair value based on market values determined by independent qualified valuers amounting to RM110 million (2018: RM110 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 investment properties was valued using investment approach, based on the gross rental income receivable and taking into consideration the outgoings such as quit rent and assessment, utilities, repair and maintenance including other general expenses. The fair value are within level 3 of the fair value hierarchy.

The Group measures fair values using the fair value hierarchy that reflects the significance of the inputs used in making the measurements. The following table provides the fair value measurement hierarchy of the Group's investment properties:

	Level 2 RM'000	Level 3 RM'000	Total RM'000
2019			
Investment properties	-	110,000	110,000
2018			
Investment properties	-	110,000	110,000

Fair value reconciliation of investment properties measured at Level 3:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	110,000	120,000
Fair value adjustment	-	(10,000)
At 31 December	110,000	110,000

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

5. Investment Properties (Cont'd)

(a) Fair value basis of investment properties (Cont'd)

Description of valuation techniques used and key inputs to valuation on investment properties measured at Level 3:

Property category	Valuation technique	Significant unobservable inputs	Range 31.12.2019	Range 31.12.2018	Inter-relation-ship
Commercial properties	Investment method (2018: Investment method)	Estimated rental (RM/psf/month)	2/10	4/5	Higher the estimated rental, higher the fair value
		Void rate %	5	5	Higher the range of inputs, lower the fair value
		Discount rate %	6	6	Higher the range of inputs, lower the fair value

Investment method entails the capitalisation of the net rent from a property. Net rent is the residue of gross annual rent less annual expenses (outgoings) required to sustain the rent with allowance for void and management fees.

(b) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RM110 million (2018: RM110 million) have been pledged to secured borrowing facilities granted to the Group.

(c) Income and expenses recognised in profit or loss

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

	Group 2019 RM'000	Group 2018 RM'000
Rental income	5,402	3,175
Direct operating expenses:		
- Income generating investment properties	5,160	2,956

6. Deferred Expenses

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost		
At 1 January	-	-
Additions	1,500	-
At 31 December	1,500	-
Accumulated amortisation		
At 1 January	-	-
Charge for the financial year	292	-
At 31 December	292	-
Carrying amount	1,208	-

Deferred expenses represent landlord's contribution for tenants' work and amortised according to the terms of tenancy agreements. Their amortisation charge are recognised in the statements profit or loss under the "Administrative Expenses" line item.

7. Intangible Assets

	Group	
	2019	**2018**
	RM'000	**RM'000**
Cost		
At 1 January	-	-
Additions	395	-
At 31 December	395	-
Accumulated amortisation		
At 1 January	-	-
Charge for the financial year	9	-
At 31 December	9	-
Carrying amount	386	-

Intangible assets represent franchise and license arrangements. Their amortisation charge are recognised in the statements profit or loss under the "Administrative Expenses" line item.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

7. Intangible Assets (Cont'd)

The Group tests the cash generating unit ("CGU") for impairment annually or more frequently if there are indications that CGU might be impaired.

(i) Key Assumptions Used In Value-In-Use ("VIU") Calculations:

The recoverable amount of the CGU is determined based on VIU calculations. VIU is calculated based on financial budgets covering 5-year period. The following describes each key assumption on which management has based its cash flow projections for VIU calculations:

(i) Budgeted gross margin and growth rate

The basis used to determine the value assigned to the budgeted gross margins and growth rate is the average gross margin and average growth rate achieved in the years before the budgeted year and adjusted for expected efficiency improvements.

(ii) Discount rate

The discount rates used reflects specific risks relating to the CGU. The significant post-tax discount rates, applied to cash flows, used for identified CGUs was 3%. (31.12.2018: Nil).

(ii) Impairment

The Group continues to carry out impairment assessment on goodwill and no further impairment on intangible assets is necessary as the recoverable amounts of the respective CGU is assessed to be higher than the carrying value of the CGU.

8. Right-of-Use Assets

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Motor vehicles				
Cost				
At 1 January	-	-	-	-
Effect of adopting MFRS 16	315	-	315	-
At 1 January 2019, restated	315	-	315	-
Additions	120	-	-	-
At 31 December	435	-	315	-
Accumulated amortisation				
At 1 January	-	-	-	-
Effect of adopting MFRS 16	26	-	26	-
At 1 January 2019, restated	26	-	26	-
Charge for the financial year	67	-	63	-
At 31 December	93	-	89	-
Carrying amount				
At 31 December	342	-	226	-

8. Right-of-Use Assets (Cont'd)

(i) The carrying amount of right-of-use assets of the Group and of the companies acquired under lease liabilities as disclosed in the Note 19 to the financial statements are:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Motor vehicles	342	-	226	-

(ii) Addition of right-of-use assets

The aggregate cost of the right-of-use assets of the Group and of the Company during the financial year under lease arrangement and cash payment are as follows:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Aggregate costs	120	-	-	-
Less: Lease financing	(60)	-	-	-
Cash payments	60	1,161	-	-

9. Investment in Subsidiary Companies

	Company	
	2019 RM'000	**2018 RM'000**
In Malaysia:		
At cost		
Unquoted shares	49,085	47,085
Quasi loans	18,500	18,500
	67,585	65,585
Less: Accumulated impairment losses	(38,121)	(13,322)
	29,464	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.

Movements in the allowance for impairment losses are as follows:

	Company	
	2019 RM'000	**2018 RM'000**
At 1 January	13,322	56,420
Impairment loss recognised	24,799	-
Disposal of subsidiary companies	-	(43,098)
At 31 December	38,121	13,322

The impairment loss was recognised in administrative expenses in the statements of profit or loss and other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

9. Investment in Subsidiary Companies (Cont'd)

(a) Details of the subsidiary companies are as follows

Name of company	Principal place of business/ Country of incorporation	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
Consistent Harvest Sdn. Bhd.	Malaysia	100	100	Property management.
CPL Solutions Sdn. Bhd. (f.k.a Pegasus Heights Constructions Sdn. Bhd.)	Malaysia	100	100	Property development and investment holding.
Naim Indah Properties Sdn. Bhd.	Malaysia	100	100	Property management, and renting property. property.
Pegasus Heights F&B Sdn. Bhd.	Malaysia	100	100	Food and beverage related activities.
Naim Indah Marketing Sdn. Bhd.	Malaysia	100	100	Wholesale of household appliance.
Pegasus Food Court Sdn. Bhd.	Malaysia	100	-	Food caterer/hawkers and food and beverage in market s providing food and beverage in market stalls/hawkers.
PHB Capital Sdn. Bhd.	Malaysia	100	-	Dormant.
NAIMKBB Berhad ^	Malaysia	-	100	Striking off during the financial year.

^ *Striking off completed on 18 January 2019*

(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.

9. Investment in Subsidiary Companies (Cont'd)

(b) Kewangan Bersatu Berhad ("KBB") (Cont'd)

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.

(iii) 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.

(iv) 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 ("CCM") 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. On 26 December 2018, NAIMKBB Berhad have been struck off from the register by CCM pursuant to the provisions conferred by Section 308(4) of the Companies Act, 2016.

The Registrar has struck the name of the company off the register with effect from 18 January 2019 pursuant to Section 551(3) of the Companies Act, 2016.

(c) Acquisition of subsidiary companies

(i) On 15 July 2019, the Company acquired 1 shares in Pegasus Food Court Sdn. Bhd. ("PFCSB") representing the 100% of the issued and paid-up share capital of for a cash consideration of RM1.

(ii) On 27 September 2019, the Company acquired 250,000 shares in PHB Capital Sdn. Bhd. ("PHBCSB") representing the 100% of the issued and paid-up share capital of for a cash consideration of RM250,000. On 3 December 2019, the Company acquired 1,750,000 additional shares for a cash consideration of RM1,750,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

9. Investment in Subsidiary Companies (Cont'd)

(d) Disposal of subsidiary companies in previous financial year

The effect of disposals of Angkasa Lampiran Sdn Bhd ("ALSB") and Jernih Makmur Sdn. Bhd. ("JMSB") on the financial position of the Group as the date of disposal was as follows:

			Held through ALSB			
	ALSB RM	**JMSB RM**	**BSB RM**	**CHPSB RM**	**NOGT RM**	**Total RM**
Other receivables	2,400	-	-	-	-	2,400
Cash and bank balances	1,481	10	-	2	2	1,495
Trade payables	-	-	-	-	(137,121)	(137,121)
Other payables	(61,091)	(18,060)	(4,034)	(4,249)	(3,943)	(91,377)
Amount due to Directors	(3)	-	-	-	-	(3)
Net liabilities	(57,213)	(18,050)	(4,034)	(4,247)	(141,062)	(224,606)
Less: non-controlling interests	-	-	9,770	-	-	9,770
Total net liabilities disposed	(57,213)	(18,050)	5,736	(4,247)	(141,062)	(214,836)
Gain/(Loss) on disposals	57,513	18,350	(5,736)	4,247	141,062	215,436
Proceeds from disposals	300	300	-	-	-	600
Less: cash and bank balances disposed	(1,481)	(10)	-	(2)	(2)	(1,495)
Net cash (outflows)/ inflow from disposals	(1,181)	290	-	(2)	(2)	(895)

There are no significant restrictions on the ability of the subsidiary companies to transfer funds to the Group in the form of cash dividends or repayment of loans and advances. Generally, for all subsidiary companies which are not wholly-owned by the Company, non-controlling shareholders hold protective rights restricting the Company's ability to use the assets of the subsidiary companies and settle the liabilities of the Group, unless approval is obtained from non-controlling shareholders.

10. Deferred Tax Assets/(Liabilities)

	Group 2019 RM'000	Group 2018 RM'000
Deferred Tax Assets		
At 1 January	-	-
Recognised in profit or loss (Note 27)	(60)	-
At 31 December	(60)	-
Deferred Tax Liabilities		
At 1 January	3,502	2,251
Recognised in profit or loss (Note 27)	58	(500)
Change in tax rate	-	1,751
At 31 December	3,560	3,502

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

	Group 2019 RM'000	Group 2018 RM'000
Deferred tax liabilities	3,502	3,502
Deferred tax assets	(2)	-

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

	Group 2019 RM'000	Group 2018 RM'000
Deferred Tax Assets	(60)	-
Deferred Tax Liabilities	3,560	3,502
	3,500	3,502

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

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

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

	Fair value of investment properties RM'000	Right-of-use assets RM'000	Total RM'000
Group			
Deferred tax liabilities			
At 1 January 2019	3,502	-	3,502
Recognised in profit or loss	21	37	58
At 31 December 2019	3,523	37	3,560
At 1 January 2018	2,251	-	2,251
Recognised in profit or loss	(500)	-	(500)
Change in tax rate	1,751	-	1,751
At 31 December 2018	3,502	-	3,502

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

	Unutilised capital allowance RM'000	Lease liabilities RM'000	Total RM'000
Group			
Deferred tax assets			
At 1 January 2019	-	-	-
Recognised in profit or loss	(23)	(37)	(60)
At 31 December 2019	(23)	(37)	(60)
At 1 January 2018/31 December 2018	-	-	-

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unutilised tax losses	71,193	64,553	52,945	51,220
Unutilised capital allowances	547	334	324	334
	71,740	64,887	53,269	51,554

With effect from year assessment of 2019, unutilised tax losses are allowed to be carried forward up to a maximum of seven (7) consecutive years of assessment under the current tax legislation. The other temporary differences do not expire under current tax legislation. 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.

11. Amount Due from/(to) Subsidiaries Companies

	Company	
	2019	**2018**
	RM'000	**RM'000**
Non-current		
Amount due from a subsidiary company	81,158	-
Less: Accumulated impairment losses	(71,084)	-
	10,074	-
Current		
Amount due from subsidiary companies	4,861	58,902
Less: Accumulated impairment losses	(63)	(81)
	4,798	58,821
Current		
Amount due to subsidiary companies	(1,995)	(188)

Non current

Amount due from a subsidiary company is unsecured, non-trade related, non-interest bearing and are repayable only after a period of 12 months from the end of reporting period.

Current

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

Movements in the allowance for impairment losses of amount due from subsidiaries companies are as follows:

	Company	
	2019	**2018**
	RM'000	**RM'000**
At 1 January	81	2,170
Impairment losses recognised	71,084	-
Impairment losses written off	(18)	(2,089)
At 31 December	71,147	81

During the financial year, the Company has recognised an impairment loss of RM71,084,000 on an amount due from a subsidiary company as the amount may not be recoverable based on management's assessment on the cash flows projections of the subsidiary company.

During the financial year, the impairment losses written off was due to strike off of subsidiary company as disclosed in Note 9(b).

In the previous financial year, the impairment losses written off was due to disposal of subsidiary companies as disclosed in Note 9(d).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

12. Inventories

	Group 2019 RM'000	Group 2018 RM'000
Consumable stocks	17	6
Recognised in profit or loss		
Inventories recognised as cost of sales	163	15

13. Trade Receivables

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade receivables				
- Third parties	6,046	1,685	-	846
Less: Accumulated impairment losses	(252)	(142)	-	-
At 31 December	5,794	1,543	-	846

Trade receivables are non-interest bearing and are generally on 7 to 150 days (2018: 7 to 150 days) term. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

	Group 2019 RM'000	Group 2018 RM'000
At 1 January	142	1,210
Impairment losses written off	(1)	(1,209)
Impairment losses recognised	111	141
At 31 December	252	142

The loss allowance account in respect of trade receivables is used to record loss allowance. Unless the Group and the Company are satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

13. Trade Receivables (Cont'd)

The aged analysis of trade receivables as at the end of the reporting period:

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Neither past due nor impaired	3,200	247	-	-
Past due not impaired:				
Less than 30 days	-	315	-	-
31 to 60 days	1,909	85	-	-
61 to 90 days	685	31	-	-
91 to 120 days	-	6	-	-
More than 120 days	-	859	-	846
	2,594	1,296	-	846
	5,794	1,543	-	846
Impaired	252	142	-	-
	6,046	1,685	-	846

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

As at 31 December 2019, trade receivables of the Group and of the Company of RM2,594,000 and Nil respectively (2018: RM1,296,000 and RM846,000 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 RM252,000 (2018: RM142,000) 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.

14. Other Receivables

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other receivables	85	279	-	216
Deposits	634	31	32	-
Prepayments	456	44	385	2
GST claimable	1	780	1	-
	1,176	1,134	418	218

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

15. Fixed Deposits with Licensed Bank

The fixed deposits with licensed bank of the Group and the Company amounting to RM13,640,059 (2018: RM255,268) and RM13,594,962 (2018: Nil) respectively 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 3.60% (2018: 2.65% to 3.25%) per annum and its maturity period ranging from 30 to 90 days (2018: 30 to 365 days).

16. Share Capital

	Group and Company			
	Number of shares		Amount	
	2019 Unit'000	2018 Unit'000	2019 RM'000	2018 RM'000
Ordinary shares with no par value				
Issued and fully paid				
At 1 January	1,748,991	876,460	130,114	89,789
Issuance of shares pursuant to:				
- right issues	5,396,976	-	53,970	-
- share issuance expenses	-	-	(744)	-
- private placements	-	403,614	-	12,706
- debt and creditor capitalisation	-	468,917	-	27,619
- exercise of SIS options (Note 17(a))	50,000	-	1,085	-
- share issued under SIS (Note 17(a))	-	-	745	-
Warrants reserve arising from right issue	-	-	(20,868)	-
At 31 December	7,195,967	1,748,991	164,302	130,114

During the financial year, the Company issued:

(i) 50,000,000 new ordinary shares at a weighted average exercise price of RM0.0217 per ordinary share for total consideration of RM1,085,000 from the exercise of employees' share options.

(ii) 5,396,975,598 new ordinary shares for a consideration of RM53,969,756 at issue price of RM0.01 per rights share on the basis of three (3) rights shares and two (2) warrants.

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.

17. Reserves

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

		Group and Company	
		2019 RM'000	2018 RM'000
Non-distributable			
SIS options reserve	(a)	7,730	3,739
Warrants reserve	(b)	20,868	-
		28,598	3,739

(a) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

17. Reserves (Cont'd)

The nature of reserves of the Group and of the Company is as follows: (Cont'd)

(a) SIS options reserve (Cont'd)

The main features of the SIS are as follows: (Cont'd)

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 1.1.2019 '000**	**Granted '000**	**Adjusted '000**	**Lapsed '000**	**Exercised '000**	**At 31.12.2019 '000**
18 August - 2015	RM0.10	2 years	10,150	-	3,350	-	-	13,500
19 July - 2018	RM0.02	2 years	237,700	-	61,941	-	(50,000)	249,641
28 August - 2019	RM0.01	4 years	-	740,000	-	-	-	740,000

The fair values of share options granted were estimated using a black scholes (2018: black scholes), 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 28 August 2019	**Option Date 19 July 2018**	**Option Date 18 August 2015**
Fair value of share options at the grant date (RM)	0.0064	0.0149	0.0194
Weighted average ordinary share price (RM)	0.007	0.0241	0.08
Exercise price of share option (RM)	0.01	0.02	0.10
Expected volatility (%)	389	119	29.60
Expected life (years)	4	3	5
Risk free rate (%)	3.433	3.849	4.02

17. Reserves (Cont'd)

The nature of reserves of the Group and of the Company is as follows: (Cont'd)

(b) Warrants reserve

	Group and Company	
	2019	2018
	RM'000	RM'000
At 1 January	-	-
Warrants reserve arising from rights issue	20,868	-
At 31 December	20,868	-

The warrants reserve arose from the allocation of the proceeds received from the renounceable right issue of 5,396,975,598 new ordinary shares of RM0.01 each together with 3,597,983,635 free new detachable warrants at an issue price of RM0.01 per right share on the basis of three (3) right shares and two (2) warrants for every one (1) existing ordinary shares held by the entitled shareholder of the Company. The reserves was arrived based on the theoretical fair value of RM0.0058 per warrant determined based on the black scholes pricing model.

On 25 June 2019, the Company announced that the Exercise of Warrants will be expired on 20 June 2022 ("Maturity Date").

Salient features of the Warrants are as follows:

(i) each Warrant entitles the registered holder thereof ("Warrant holders") to subscribe for one (1) new ordinary share of RM0.10 each in the Company at the exercise price of RM0.01, which may be exercised at any time from the date of issuance to the close of business on the market day immediately preceding the date which is the third (3rd) anniversary from the date of the issuance of Warrants ("Exercise Period");

(ii) any Warrants not exercised during the Exercise Period will thereafter lapse and cease to be valid for any purpose;

(iii) warrant holders must exercise the Warrants in accordance with the procedures set out in the Deed Poll and shares allotted and issued upon such exercise shall rank pari passu in all respects with the then existing shares of the Company, and shall be entitled for any dividends, rights, allotments and/or other distributions after the issue and allotment thereof;

(iv) the Warrant holders are not entitled to any voting rights or to participate in any distribution and/or offer of further securities in the Company until and unless such Warrant holders exercise their warrants for new shares in the Company; and

(v) the Deed Poll and accordingly the Warrants, are governed by and shall be construed in accordance with the laws of Malaysia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

18. Borrowings

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured				
Term loans	-	10,902	-	-
Bank overdrafts	1,072	2,916	-	-
	1,072	13,818	-	-
Non-current				
Term loans	-	9,904	-	-
Current				
Term loans	-	998	-	-
Bank overdrafts	1,072	2,916	-	-
	1,072	3,914	-	-
	1,072	13,818	-	-

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; and

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

(c) Corporate guarantee by the Company.

Effective interest rates of the borrowings are as follows:

	Group		Company	
	2019 %	2018 %	2019 %	2018 %
Term loans	-	8.49	-	-
Bank overdrafts	8.97	8.97	-	-

19. Finance Lease Liabilities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Minimum lease payments:				
Within one year	-	86	-	86
Later than one year and not later than five years	-	143	-	143
	-	229	-	229
Less: Future finance charges		(14)	-	(14)
Present value of minimum lease payments	-	215	-	215
Present value of minimum lease payments:				
Within one year	-	77	-	77
Later than one year and not later than five years	-	138	-	138
	-	215	-	215

The finance lease liabilities bear interest at rates ranging from Nil (2018: 2.51% to 2.63%) per annum.

20. Lease Liabilities

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
At 1 January	-	-	-	-
Effect adoption MFRS 16	215	-	215	-
At 1 January, restated	215	-	215	-
Additions	60	-	-	-
Payments	(79)	-	(78)	-
At 31 December	196	-	137	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

20. Lease Liabilities (Cont'd)

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Minimum lease payments:				
Within one year	108	-	86	-
Later than one year and not later than five years	98	-	57	-
	206	-	143	-
Less: Future finance charges	(10)	-	(6)	-
Present value of minimum lease payments	196	-	137	-
Present as				
Within one year	100	-	81	-
Later than one year and not later than five years	96	-	56	-
	196	-	137	-

The lease liabilities bear interest at rates ranging from 2.56% to 4.77% (2018: Nil) per annum.

21. Trade Payables

The normal trade credit terms of the Group ranged from 30 to 60 days (2018: 30 to 60 days).

22. Other Payables

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Other payables	455	1,637	80	231
Accruals	614	506	146	185
Deposits received	1,226	1,246	-	-
	2,295	3,389	226	416

23. Amount Due to a Director

Amount due to a director is unsecured, interest free and repayable on demand.

24. Revenue

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Food and beverage	310	-	-	-
Project management consultancy fee	-	150	-	150
Rental income from investment property	5,402	3,175	-	-
Trading	8,528	6,854	-	-
	14,240	10,179	-	150
Timing of revenue recognition:				
At point in time	8,838	6,854	-	-
Over time	-	150	-	150
Total revenue from contracts with customers	8,838	7,004	-	150

25. Finance Costs

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Interest expenses on:				
Bank overdrafts	136	162	-	-
Term loans	622	972	-	-
Finance lease liabilities	-	7	-	7
Lease liabilities	11	-	9	-
	769	1,141	9	7

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

26. Loss Before Tax

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

	Group		Company	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Auditors' remuneration				
- statutory audit:				
- current year	128	124	87	85
- (over)/under provision in prior year	(3)	9	-	-
- non-statutory audit	6	5	6	5
Amortisation of:				
- deferred expenses	292	-	-	-
- intangible assets	9	-	-	-
- right-of-use assets	67	-	63	-
Bad debt written off	1	7	-	-
Deposits paid written off	36	70	-	70
Depreciation of property, plant and equipment	159	184	14	125
Directors' remuneration	4,047	3,851	3,546	3,851
Deposits received written off	(24)	(50)	(1)	-
Fair value loss on investment properties	-	10,000	-	-
Gain/(Loss) on disposal of:				
- subsidiary company	-	(215)	-	(1)
- property, plant and equipment	6	42	4	44
Impairment loss on:				
- investment in subsidiary companies	-	-	24,799	-
- amount due from subsidiary companies	-	-	71,084	-
- trade receivables	111	141	-	-
Interest income	(396)	(10)	(300)	(3)
Property, plant and equipment written off	-	500	-	498
Lease expenses relating to short-term leases	132	-	130	-
Rental expenses:				
- office	-	130	-	130
- premises	-	15	-	15
- equipment	-	3	-	-
- car park	-	7	-	7
Reversal of impairment loss on:				
- trade receivables	-	(1,209)	-	-
- amount due from subsidiary companies	-	-	-	(3)
Reversal of other payables	(18)	(55)	-	-
Staff costs:				
- share options expenses	4,736	3,585	4,736	3,585
- others	1,422	419	344	277
Written off other receivables	-	30	-	30

27. Taxation

	Group 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Tax expenses recognised in profit or loss:				
Current tax provision	18	21	-	-
Over provision in prior years	20	-	-	-
	38	21	-	-
Deferred tax: (Note 10)				
(Reversal)/Origination of temporary difference	(2)	1,259	-	-
Tax expenses for the financial year	36	1,280	-	-

Malaysian income tax is calculated at the statutory tax rate of 24% (2018: 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 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 2019 RM'000	Group 2018 RM'000	Company 2019 RM'000	Company 2018 RM'000
Loss before tax	(13,878)	(21,571)	(102,889)	(6,977)
At Malaysian statutory tax rate of 24% (2018: 24%)	(3,331)	(5,177)	(24,693)	(1,674)
Expenses not deductible for tax purposes	1,713	3,505	24,285	91
Income not subject to tax	(11)	(27)	(4)	-
Utilisation of previously utilised tax losses	-	(3)	-	-
Effect of differential in tax rates on fair value adjustment on investment property	-	1,751	-	-
Utilisation of previously unrecognised deferred tax assets	-	-	-	1,583
Deferred tax assets not recognised	1,645	1,723	412	-
Under provision of taxation in prior years	20	8	-	-
Reversal of deferred tax liabilities	-	(500)	-	-
Tax expenses for the financial year	36	1,280	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

28. Loss Per Share

(a) Basic loss per share

The basic loss per share are calculated based on the consolidated loss 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 2019 RM'000	2018 RM'000
Loss attributable to owners of the parent (RM'000)	(13,914)	(22,851)
Weighted average number of ordinary shares at 1 January (Unit'000)	1,748,992	869,194
Effect of ordinary shares issued during the financial year (Unit'000)	2,840,900	720,992
Weighted average number of ordinary shares at 31 December (Unit'000)	4,589,892	1,590,186
Basic loss per ordinary shares (in sen)	(0.30)	(1.44)

(b) Diluted loss per share

	Group 2019 RM'000	2018 RM'000
Loss attributable to owners of the parent (RM'000)	(13,914)	(22,851)
Weighted average number of ordinary shares in issue (unit) ('000) at 1 January (Unit'000)	1,748,992	869,194
Effect of ordinary shares issued during the financial year (Unit'000)	2,840,900	720,992
Effect of share issuance scheme granted during the financial year (Unit'000)	410,918	80,999
Weighted average number of ordinary shares at 31 December (Unit'000)	5,000,810	1,671,185
Basic loss per ordinary shares (in sen)	(0.28)	(1.37)

29. 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 RM'000	Effect of adopting MFRS 16 RM'000	Financing cash flows (i) RM'000	Non-cash changes (ii) RM'000	At 31 December RM'000
2019					
Group					
Borrowings	10,902	-	(10,902)	-	-
Lease liabilities	-	215	(79)	60	196
	10,902	215	(10,981)	60	196
Company					
Lease liabilities	-	215	(78)	-	137
2018					
Group					
Borrowings	17,588	-	(1,440)	(5,246)	10,902
Finance lease liabilities	321	-	(346)	240	215
Amount due to a former Director	16,181	-	(1,503)	(14,678)	-
	34,090	-	(3,289)	(19,684)	11,117
Company					
Borrowings	5,246	-	-	(5,246)	-
Finance lease liabilities	234	-	(259)	240	215
Amount due to a former Director	6,170	-	8,508	(14,678)	-
	11,650	-	8,249	(19,684)	215

(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) Non-cash changes included new finance lease (Note 20) and debt capitalisation exercise (Note 16).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

30. 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 in Notes 11 and 23 to the financial statements, the significant related party transactions of the Group and of the Company are as follows:

	Group		**Company**	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Transactions with company in which certain Directors of the Company have substantial financial interest:				
- Short term lease	130	-	130	-

(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.

30. 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	
	2019 RM'000	**2018 RM'000**	**2019 RM'000**	**2018 RM'000**
Directors				
Executive Directors				
Short-term employee benefits:				
- salaries, bonuses and other benefits	1,734	1,072	1,233	1,072
	1,734	1,072	1,233	1,072
Share options expenses	2,176	2,682	2,176	2,682
Benefit-in-kind	-	10	-	10
	3,910	3,764	3,409	3,764
Non-executive Directors				
Short-term employee benefits:				
- fees	78	58	78	58
benefits	59	24	59	24
	137	82	137	82
- Share options expenses	-	5	-	5
	137	87	137	87
Total Directors' remunerations (Note 26)	4,047	3,851	3,546	3,851

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

30. Related Party Disclosures (Cont'd)

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

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

	Number of Directors	
	Executive	**Non-Executive**
Range of Remuneration		
Below RM 50,000	1	3
RM50,001 – RM100,000	-	1
RM100,001 – RM150,000	-	-
RM150,001 – RM200,000	-	-
RM200,001 – RM400,000	-	-
More than RM400,001	2	-
Total	3	4

31. 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
Trading	Involved in trading of home appliances
Food and beverages	Involved in business of foods and beverage related activities

The management assessed the performance of the reportable segments based on their loss 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.

31. Segment Information (Cont'd)

(a) Business segment

Group 2019 RM'000	Project Management Consultancy RM'000	Investment Property RM'000	Investment Holding and Others RM'000	Trading RM'000	Food and beverage RM'000	Total RM'000	Eliminations RM'000	Consolidated
Revenue								
External customers	-	5,625	-	8,305	310	14,240	-	14,240
Inter-segment sales	-	959	-	-	-	959	(959)	-
Total revenue	-	6,584	-	8,305	310	15,199	(959)	14,240
Results								
Interest income	-	2	394	-	-	396	-	396
Finance costs	-	(759)	(9)	-	(3)	(771)	2	(769)
Depreciation	-	(126)	(15)	-	(18)	(159)	-	(159)
Other non-cash items	-	(387)	(82,168)	-	(23)	(82,578)	77,398	(5,180)
Segment results	-	(5,504)	(2,609)	(9)	(30)	(8,152)	(14)	(8,166)
Loss before tax	-	(6,774)	(84,407)	(9)	(74)	(91,264)	77,386	(13,878)
Taxation	-	(5)	-	(31)	-	(36)	-	(36)
Loss after tax	-	(6,779)	(84,407)	(40)	(74)	(91,300)	77,386	(13,914)
Segment assets	-	115,316	91,326	5,463	1,053	213,158	(67,070)	146,088
Included in measurement of segment assets are capital expenditure	-	213	644	-	304	1,161	-	1,161
Segment liabilities	-	88,160	2,889	5,466	943	97,458	(90,254)	7,204

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

31. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group (Cont'd) 2019 (Cont'd)	Project Management Consultancy RM'000	Investment Property RM'000	Investment Holding and Others RM'000	Trading RM'000	Food and beverage RM'000	Total RM'000	Eliminations RM'000	Consolidated RM'000
Other non-cash items								
Amortisation of :								
- Intangible assets	-	-	-	-	9	9	-	9
- Deferred expenses	-	292	-	-	-	292	-	292
- Right-of-use assets	-	4	63	-	14	81	(14)	67
Bad debt written off	-	1	-	-	-	1	-	1
Deposits received written off	-	(23)	(1)	-	-	(24)	-	(24)
Loss on disposal of property,								-
plant and equipment	-	2	4	-	-	6	-	6
Impairment loss on:								
- investment in subsidiary								
companies	-	-	6,300	-	-	6,300	(6,300)	-
- amount due from								
subsidiary company	-	-	71,084	-	-	71,084	(71,084)	-
- trade receivables	-	111		-	-	111	-	111
Reversal of other payables	-	-	(18)	-	-	(18)	-	(18)
Share option expenses	-	-	4,736	-	-	4,736	-	4,736
	-	387	82,168	-	23	82,578	(77,398)	5,180

31. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group 2018	**Project Management Consultancy RM'000**	**Investment Property RM'000**	**Investment Holding and Others RM'000**	**Trading RM'000**	**Total RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Revenue							
External customers	150	3,175	-	6,854	10,179	-	10,179
Inter-segment sales	-	1,060	-	-	1,060	(1,060)	-
Total revenue	150	4,235	-	6,854	11,239	(1,060)	10,179
Results							
Interest income	-	10	-	-	10	-	10
Finance costs	-	(1,134)	(7)	-	(1,141)	-	(1,141)
Depreciation	-	(60)	(124)	-	(184)	-	(184)
Other non-cash items	4	(10,062)	(4,208)	-	(14,266)	211	(14,055)
Segment results	(70)	(3,693)	(2,522)	49	(6,236)	35	(6,201)
(Loss)/Profit before tax	(66)	(14,939)	(6,861)	49	(21,817)	246	(21,571)
Taxation	-	(1,280)	-	-	(1,280)	-	(1,280)
(Loss)/Profit before tax	(66)	(16,219)	(6,861)	49	(23,097)	246	(22,851)
Segment assets	846	112,856	114,432	334	228,468	(113,735)	114,733
Included in the measurement of segment assets are capital expenditure	-	-	-	-	-	-	-
Segment liabilities	820	79,087	505	312	80,724	(59,742)	20,982

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

31. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group (Cont'd) 2018 (Cont'd)	**Project Management Consultancy RM'000**	**Investment Property RM'000**	**Investment Holding and Others RM'000**	**Trading RM'000**	**Total RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Other non-cash items							
Bad debts written off	-	7	-	-	7	-	7
Bad debts written off	-	(34)	(16)	-	(50)	-	(50)
Deposit written off	-	-	70	-	70	-	70
Fair value loss on investment properties	-	10,000	-	-	10,000	-	10,000
Gain on disposal of property, plan and equipment	-	-	42	-	42	-	42
Gain on disposal of subsidiary companies	(1)	-	-	-	(1)	(214)	(215)
Impairment loss on trade receivables	-	141	-	-	141	-	141
Property, plant and equipment written off	-	3	497	-	500	-	500
Other payables written off	-	(55)	-	-	(55)	-	(55)
Reversal of impairment on amount due from subsidiary companies	(3)	-	-	-	(3)	3	-
Share option expenses	-	-	3,585	-	3,585	-	3,585
Written off other receivables	-	-	30	-	30	-	30
	(4)	10,062	4,208	-	14,266	(211)	14,055

31. Segment Information (Cont'd)

(a) Business segment (Cont'd)

<u>Geographic Information</u>

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

<u>Major Customers</u>

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

	Revenue 2019 RM'000	Revenue 2018 RM'000	Segment
Customer 1	-	150	Project management consultancy
Customer 2	2,783	3,028	Trading
Customer 3	2,378	1,117	Trading
Customer 4	-	1,102	Trading
	5,161	5,397	

32. 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.

Group 2019	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Financial Assets			
Trade receivables	5,794	-	5,794
Other receivables	719	-	719
Fixed deposits with licensed banks	13,640	-	13,640
Cash and bank balances	11,977	-	11,977
	32,130	-	32,130
Financial Liabilities			
Trade payables	-	120	120
Other payables	-	2,295	2,295
Amount due to a Director	-	6	6
Lease liabilities	-	196	196
Bank overdraft	-	1,072	1,072
	-	3,689	3,689

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

Group 2018	**Financial assets at amortised cost RM'000**	**Financial liabilities at amortised cost RM'000**	**Total RM'000**
Financial Assets			
Trade receivables	1,543	-	1,543
Other receivables	310	-	310
Fixed deposits with licensed banks	255	-	255
Cash and bank balances	749	-	749
	2,857	-	2,857
Financial Liabilities			
Trade payables	-	39	39
Other payables	-	3,389	3,389
Term loans	-	10,902	10,902
Finance lease liabilities	-	215	215
Bank overdraft	-	2,916	2,916
	-	17,461	17,461
Company 2019			
Financial Assets			
Other receivables	32	-	32
Amount due from subsidiary companies	14,872	-	14,872
Fixed deposits with licensed banks	13,595	-	13,595
Cash and bank balances	11,781	-	11,781
	40,280	-	40,280
Financial Liabilities			
Other payables	-	226	226
Amount due to subsidiary companies	-	1,995	1,995
Lease liabilities	-	137	137
	-	2,358	2,358

32. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

Company (Cont'd) 2018 (Cont'd)	**Financial assets at amortised cost RM'000**	**Financial liabilities at amortised cost RM'000**	**Total RM'000**
Financial Assets			
Trade receivables	846	-	846
Other receivables	216	-	216
Amount due from subsidiary companies	58,821	-	58,821
Cash and bank balances	115	-	115
	59,998	-	59,998
Financial Liabilities			
Other payables	-	416	416
Amount due to subsidiary companies	-	188	188
Finance lease liabilities	-	215	215
	-	819	819

(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. There are no significant changes as compared to prior periods.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

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.

At each reporting date, the Group and the Company assess whether any if the receivables and contract assets are credit impaired.

The gross carrying amounts of credit impaired trade receivables and contract assets are written off (either partial or full) when there is no realistic prospect of recovery. This is generally the case when the Group or the Company determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. Nevertheless, trade receivables and contract assets that are written off could still be subject to enforcement activities.

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.

There are no significant changes as compared to previous financial year.

<u>Financial guarantee</u>

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 RM1,072,000 (2018: RM13,818,000), 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) due from 3 (2018: 3) customer(s) which constituted the entire trade receivables at the end of the reporting period.

(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.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk

Group	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
2019					
Non-derivative financial liabilities					
Trade payables	120	-	-	120	120
Other payables	2,295	-	-	2,295	2,295
Amount due to a Director	6	-	-	6	6
Lease liabilities	108	98	-	206	196
Bank overdraft	1,072	-	-	1,072	1,072
	3,601	98	-	3,699	3,689
2018					
Non-derivative financial liabilities					
Trade payables	39	-	-	39	39
Other payables	3,389	-	-	3,389	3,389
Term loans	998	4,981	4,923	10,902	10,902
Finance lease liabilities	86	143	-	229	215
Bank overdraft	2,916	-	-	2,916	2,916
	7,428	5,124	4,923	17,475	17,461

Company	On demand or within 1 year RM'000	1 - 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
2019				
Non-derivative financial liabilities				
Other payables	226	-	226	226
Amount due to subsidiary companies 1,995	-	1,995	1,995	
Lease liabilities	86	57	143	137
Financial guarantee liabilities*	1,072	-	1,072	-
	3,379	57	3,436	2,358
2018				
Non-derivative financial liabilities				
Other payables	416	-	416	416
Amount due to subsidiary companies	188	-	188	188
Finance lease liabilities	86	143	229	215
Financial guarantee liabilities*	13,818	-	13,818	-
	14,508	143	14,651	819

** Based on the maximum amount that can be called for under the financial guarantee contract.*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019 (Cont'd)

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

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 RM3 million as at 31 December 2019 (2018: RM14 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.

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.

32. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

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:

	2019 RM'000	**2018 RM'000**
Group		
Fixed rate instruments		
Financial assets	13,640	255
Financial liabilities	(196)	(215)
	13,444	40
Floating rate instruments		
Financial liabilities	(1,072)	(13,818)
Company		
Fixed rate instruments		
Financial assets	13,595	-
Financial liabilities	(137)	(215)
	13,458	(215)
Floating rate instruments		
Financial liabilities	(137)	(215)

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 RM10,720 and Nil (2018: RM138,180 and Nil) 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.

32. Financial Instruments (Cont'd)

(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.

The carrying amounts of the financial liabilities of the Group at the reporting date reasonably approximate their fair values except as follows:

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value					
2019	**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**	**Total fair value RM'000**	**Carrying amount RM'000**
Group										
Financial liabilities										
Lease liabilities	-	-	-	-	-	187	-	187	187	196
Company										
Financial liabilities										
Lease liabilities	-	-	-	-	-	133	-	133	133	137
2018										
Group										
Financial liabilities										
Term loans	-	-	-	-	-	13,253	-	13,253	13,253	10,902
Finance lease liabilities	-	-	-	-	-	213	-	213	213	215
	-	-	-	-	-	13,466	-	13,466	13,466	11,117
Company										
Financial liabilities										
Finance lease liabilities	-	-	-	-	-	213	-	213	213	215

32. 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).

<u>Non-derivative financial instruments</u>

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.

33. Financial Guarantee

	Company	
	2019	**2018**
	RM'000	**RM'000**
Unsecured		
Performance guarantee extended by subsidiary companies to third parties	-	60
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary company	1,072	13,818

34. 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	
	2019	**2018**
	RM'000	**RM'000**
Total loans and borrowings	1,072	14,033
Total lease liabilities	196	-
Less: Deposits, bank and cash balances	(25,617)	(1,004)
Net debts	(24,349)	13,029
Total equity	138,884	93,751
Gearing ratio	N/A	14%

NA – the gearing ratio may not provide a meaningful indicator of the risk of borrowings.

There were no changes in the Group's approach to capital management during the financial year.

35. 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) Proposal to undertake rights issue with warrants

On 15 November 2018, the Company announced the proposal to undertake rights issue with warrants ("rights issue") and submitted the plan to Bursa Malaysia Securities Berhad ("Bursa Securities") on 29 November 2018.

On 14 January 2019, Bursa Securities approved the proposal subject to inter alia the following conditions:

(i) The Company and Mercury Securities Sdn. Bhd. ("Mercury Securities") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue;

(ii) The Company and Mercury Securities to inform Bursa Securities upon the completion of the Proposed Rights Issue;

(iii) The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Rights Issue is completed; and

(iv) The Company to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of Warrants as at the end of each quarter together with a detailed computation of listing fees payable.

35. Significant and Subsequent Events (Cont'd)

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year: (Cont'd)

(a) Proposal to undertake rights issue with warrants (Cont'd)

On 8 March 2019, the rights issue was approved by the shareholders at the Extraordinary General Meeting.

On 14 April 2019, the Company announced the proposal to undertake proposed variation to the exercise price of warrants pursuant to the rights issue up to 5,990,975,598 ordinary shares in the Company together with up to 3,993,983,732 free detachable warrants.

On 21 June 2019, the actual unit raised from rights issue and warrants are 5,396,975,598 and 3,597,983,635 units respectively.

(b) Proposed acquisition of the business of CHINPAKLOONG Architecture

On 31 October 2019, the Company announced the proposed acquisition of the business of CHINPAKLOONG Architecture ("CPLA") from Chin Pak Loong for purchase consideration of RM16 million to be satisfied via issuance of 2,807,017,543 new ordinary shares in the Company at the issue price of RM0.0057per ordinary share and proposed diversification of the business of the Company and its subsidiaries into architect business.

On 1 November 2019, the Company announced that an application to Bursa Securities for the listing of and quotation for the Consideration Shares on the Main Market of Bursa Securities has been submitted.

On 19 December 2019, approval granted by Bursa Securities for the listing and quotation of the Consideration Shares is subject to the following conditions:

(i) The Company and TA Securities Holdings Berhad ("TA Securities") must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the proposed acquisition;

(ii) The Company and TA Securities to inform Bursa upon the completion of the Proposed Acquisition;

(iii) The Company to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Proposed Acquisition is complete;

(iv) Compliance by the Company with the public shareholding spread upon completion of the Proposed Acquisition. In this connection, TA Securities is to furnish a schedule containing the information set out in Appendix 8E, Chapter 8 of the Listing Requirements to Bursa Securities, upon completion of the Proposed Acquisition; and

(v) The Company to furnish Bursa Securities with a certified true copy of the resolution passed by the shareholders in general meeting approving the Proposed Acquisition.

On 26 December 2019, the Company issued the circular to the shareholders.

On 10 January 2020, the Company announced that the resolutions as set in the circular dated 26 December 2019 was duly passed by way of poll voting at the EGM of the Company held on 10 January 2020.

35. Significant and Subsequent Events (Cont'd)

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year: (Cont'd)

(b) Proposed acquisition of the business of CHINPAKLOONG Architecture (Cont'd)

On 21 January 2020, the Company announced that the acquisition has been completed in accordance with the terms and conditions of the business acquisition agreement. A total of 2,807,017,543 new ordinary shares were issued at the price of RM0.0057. The acquisition has a profit guarantee of RM2.0 million per year for the next 2 financial years.

(c) Outbreak of coronavirus pandemic

The Directors of the Company have closely monitored the development of the outbreak of coronavirus pandemic ("COVID-19") infection in Malaysia that may affect the business performance, financial performance and financial position of the Company mainly due to travel and movement restriction and other precautionary measures imposed by relevant local authorities that affected the Company business operations. As at the date of this report, the financial impact of the COVID-19 outbreak to the Company cannot be reasonably estimated due to the inherent unpredictable nature and rapid development relating to COVID-19, the extent of the impact depends on the on-going precautionary measures introduced by each country to address this pandemic and the durations of the pandemic. As such, the Directors of the Company will continue to closely monitor the situations and respond proactively to mitigate the impact on the Group's and the Company's financial performance and financial position.

36. 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 22 May 2020.

LIST OF PROPERTY
AS AT 31 DECEMBER 2019

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 74 years)	25 years	31.12.2019	25.08.2003	110,000

ANALYSIS OF SHAREHOLDINGS
AS AT 2 JUNE 2020

SHARE CAPITAL

Total Number of Issued Shares	:	10,002,985,007
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 2 JUNE 2020

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 – 99	378	2.95	16,364	0.00
100 - 1,000	1,744	13.59	1,421,247	0.01
1,001 - 10,000	4,400	34.28	22,535,839	0.23
10,001 - 100,000	3,873	30.18	172,521,134	1.72
100,001 – 500,149,250 *	2,435	18.97	5,155,518,564	51.54
500,149,251 AND ABOVE **	4	0.03	4,650,971,859	46.50
Total	**12,834**	**100.00**	**10,002,985,007**	**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	Chin Pak Loong	2,105,263,143	21.046	-	-
2	Dato' Sri Lee See Yang	1,021,218,532	10.209	50,500,000*	0.505*
3	RHB Nominees (Tempatan) Sdn. Bhd. Toh Hong Chye	822,735,784	8.225	-	-
4	RHB Capital Nominees (Tempatan) Sdn. Bhd. David Lai & Tan Services Sdn. Bhd.	701,754,400	7.015	-	-

* *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	37,736,000	0.377	-	-
2	Dato' Sri Lee See Yang	1,021,218,532	10.209	50,500,000*	0.505*
3	Toh Hong Chye	822,735,784	8.225	-	-
4	Chin Pak Loong	2,105,263,143	21.046	-	-
5	Andrew Ho Tho Kong	-	-	-	-
6	Low Yen Hoon	-	-	-	-

* *Deemed Interest by virtue of his spouse's shareholding held pursuant to Sections 8 and 59(11)(c) of the Companies Act, 2016*

ANALYSIS OF SHAREHOLDINGS (CONT'D)
AS AT 2 JUNE 2020

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 JUNE 2020)

No.	Name of Shareholders	No. of Shares	%
1	CHIN PAK LOONG	2,105,263,143	21.046
2	DATO' SRI LEE SEE YANG	1,021,218,532	10.209
3	RHB NOMINEES (TEMPATAN) SDN BHD TOH HONG CHYE	822,735,784	8.225
4	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD DAVID LAI & TAN SERVICES SDN. BHD.	701,754,400	7.015
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD TAN CHIN HOONG	427,000,000	4.269
6	NG WAI YUAN	323,560,100	3.235
7	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LIM SIEW BOEY	150,000,000	1.500
8	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATVINDER SINGH (MARGIN)	135,000,000	1.350
9	STEADY INFLUX SDN BHD	91,068,800	0.910
10	OOI CHIENG SIM	89,749,300	0.897
11	OOI CHIENG SIM	89,749,300	0.897
12	PARK AVENUE CONSTRUCTION SDN BHD	89,749,300	0.897
13	RAJANDRAN A/L VISVALINGAM	89,749,300	0.897
14	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAJINDER KAUR A/P PIARA SINGH (MARGIN)	68,812,400	0.688
15	PROGEREX SDN BHD	62,846,600	0.628
16	PROGEREX SDN BHD	62,846,600	0.628
17	THOR POH KEOW	50,538,000	0.505
18	DATIN SRI FONG POH CHEE	50,500,000	0.505
19	A1 CAPITAL SDN BHD	44,911,400	0.449
20	A1 CAPITAL SDN BHD	44,911,400	0.449
21	HLS PROPERTIES SDN BHD	44,911,400	0.449
22	HLS PROPERTIES SDN BHD	44,911,400	0.449
23	HOCK LOK SIEW REALTY SDN BHD	44,911,400	0.449
24	HOCK LAI SIEW REALTY SDN BHD	44,911,400	0.449
25	LAGENDA PERDANA SDN BHD	44,911,400	0.449
26	LIM KEAN WAH	44,911,400	0.449
27	LIM SEOW CHIN	44,911,400	0.449
28	LIM SEOW CHIN	44,911,400	0.449
29	SKYLITECH RESOURCES SDN BHD	44,911,400	0.449
30	SKYLITECH RESOURCES SDN BHD	44,911,400	0.449

ANALYSIS OF WARRANTS HOLDINGS
AS AT 2 JUNE 2020

Issued Size : 3,597,983,635
Number of Warrants Holders : 1,860

DISTRIBUTION OF WARRANTS HOLDINGS AS AT 2 JUNE 2020

Size of Holdings	No. of Warrants Holders	% of Warrants Holders	No. of Warrants Holdings	% of Warrants Holdings
1 – 99	11	0.59	558	0.00
100 - 1,000	16	0.86	7,147	0.00
1,001 - 10,000	211	11.34	1,302,543	0.03
10,001 - 100,000	670	36.02	34,473,096	0.96
100,001 - 6,784,519*	948	50.97	2,137,104,400	59.40
6,784,520 AND ABOVE **	4	0.22	1,425,095,891	39.61
Total	**1,860**	**100.00**	**3,597,983,635**	**100.00**

Remark:
* *- Less than 5% of Issued Warrants*
** *- 5% and above of Issued Warrants*

DIRECTORS' INTERESTS IN WARRANTS AS AT 2 JUNE 2020

No.	Name of Directors	No. of Warrant held Direct	%	No. of Warrant held Indirect	%
1	Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	18,868,000	0.524	-	-
2	Dato' Sri Lee See Yang	538,109,266	14.956	-	-
3	Toh Hong Chye	439,367,892	12.212	-	-
4	Chin Pak Loong	-	-	-	-
5	Andrew Ho Tho Kong	-	-	-	-
6	Low Yen Hoon	-	-	-	-

ANALYSIS OF WARRANTS HOLDINGS (CONT'D)
AS AT 2 JUNE 2020

LIST OF TOP 30 LARGEST WARRANTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 2 JUNE 2020)

NO.	NAME OF WARRANTS HOLDERS	NO. OF WARRANTS	%
1	DATO' SRI LEE SEE YANG	538,109,266	14.956
2	RHB NOMINEES (TEMPATAN) SDN BHD TOH HONG CHYE	439,367,892	12.212
3	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD TAN CHIN HOONG	228,000,000	6.337
4	NG WAI YUAN	219,618,733	6.104
5	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD LIM SIEW BOEY	80,000,000	2.223
6	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATVINDER SINGH (MARGIN)	72,000,000	2.001
7	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN SUN PING	60,069,199	1.670
8	OOI CHIENG SIM	59,832,866	1.663
9	OOI CHIENG SIM	59,832,866	1.663
10	PARK AVENUE CONSTRUCTION SDN BHD	59,832,866	1.663
11	RAJANDRAN A/L VISVALINGAM	59,832,866	1.663
12	STEADY INFLUX SDN BHD	45,534,400	1.266
13	PROGEREX SDN BHD	41,897,733	1.164
14	PROGEREX SDN BHD	41,897,733	1.164
15	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAJINDER KAUR A/P PIARA SINGH (MARGIN)	36,656,200	1.019
16	A1 CAPITAL SDN BHD	29,940,933	0.832
17	A1 CAPITAL SDN BHD	29,940,933	0.832
18	HLS PROPERTIES SDN BHD	29,940,933	0.832
19	HLS PROPERTIES SDN BHD	29,940,933	0.832
20	HOCK LOK SIEW REALTY SDN BHD	29,940,933	0.832
21	HOCK LOK SIEW REALTY SDN BHD	29,940,933	0.832
22	LAGENDA PERDANA SDN BHD	29,940,933	0.832
23	LIM KEAN WAH	29,940,933	0.832
24	LIM SEOW CHIN	29,940,933	0.832
25	LIM SEOW CHIN	29,940,933	0.832
26	SKYLITECH RESOURCES SDN BHD	29,940,933	0.832
27	SKYLITECH RESOURCES SDN BHD	29,940,933	0.832
28	DATIN SRI FONG POH CHEE	27,000,000	0.750
29	THOR POH KEOW	24,769,000	0.688
30	LEE HONG SANG	23,357,633	0.649

NOTICE OF FORTY-FIFTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fifth (45th) Annual General Meeting ("AGM") of Pegasus Heights Berhad ("the Company") will be held at Centerpoint Seremban Convention Hall, Lot 2-01, 2-02 and 2-03, 2nd Floor Centerpoint Seremban, Lot 9149, Jalan Dato Siamang Gagap, 70100 Seremban, Negeri Sembilan, Malaysia on Monday, 27 July 2020 at 9.00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2019 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 RM350,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from the conclusion of the 45th AGM until the conclusion of the next AGM of the Company in year 2021. ***Ordinary Resolution 1***

3. To re-elect Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar who is retiring by rotation pursuant to Clause 105(1) of the Company's Constitution and being eligible, has offered himself for re-election. ***Ordinary Resolution 2***

4. To re-elect the following Directors who are retiring pursuant to Clause 114 of the Company's Constitution and being eligible, have offered themselves for re-election:-

    i. Ms. Low Yen Hoon ***Ordinary Resolution 3***
    ii. Mr. Chin Pak Loong ***Ordinary Resolution 4***

5. To re-appoint Messrs. UHY as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration. ***Ordinary Resolution 5***

AS SPECIAL BUSINESS

To consider and if thought fit, with or without modification, to pass the following resolutions-

6. **PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("PROPOSED AMENDMENTS")** ***Special Resolution 1***

    "THAT the proposed amendments to the Constitution of the Company as set out in the Appendix A attached with the Annual Report for the financial year ended 31 December 2019, be approved and adopted AND THAT the Directors and/or Secretary of the Company be authorised to take all steps as are necessary and expedient in order to implement, finalise and give full effect to the said Proposed Amendment for and on behalf of the Company."

7. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** ***Ordinary Resolution 6***

"THAT subject to the Companies Act, 2016 ("the Act"), the Constitution of the Company, the MAIN Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), Additional Temporary Relief Measure to Listed Corporations for COVID-19, issued by Bursa Securities on 16 April 2020 and subject to the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company, at any time to such persons 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 to be issued pursuant to this Resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) at any point in time ("20% General Mandate"); AND THAT the Directors be and are also empowered to obtain approval for the listing and quotation for the additional shares so issued pursuant to the 20% General Mandate on Bursa Securities AND THAT such authority shall continue in force until the conclusion of the next AGM of the Company or at any adjournment thereof."

8. **PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE")** ***Ordinary Resolution 7***

"THAT subject to the provisions of the MMLR of Bursa Securities, approval be and is hereby given for the Proposed Renewal of Shareholders' Mandate of the Company and/or its subsidiaries to enter into and to give effect to the category of the recurrent related party transactions of a revenue or trading nature from time to time with the Related Party as specified in the Circular dated 26 June 2020 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 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 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.

NOTICE OF FORTY-FIFTH ANNUAL GENERAL MEETING (CONT'D)

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 Renewal of Shareholders' Mandate."

9. To transact any other business of which due notices shall have been given in accordance with the Companies Act, 2016.

BY ORDER OF THE BOARD,

TAN TONG LANG (MAICSA 7045482 / SSM PC No. 201908002253)
THIEN LEE MEE (LS0009760 / SSM PC No. 201908002254)
Company Secretaries

Kuala Lumpur
Dated: 26 June 2020

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 one (1) or more proxies to attend the meeting. Where a member appoints two (2) or more 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 appoints more than (1) 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 Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 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 members whose names appear on the Record of Depositors as at 20 July 2020 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 the MMLR of Bursa Securities, all resolutions set out in the Notice of AGM will be put to vote on a poll.

Public Health Precautions and Preventive Measures

In light of the COVID-19 outbreak, we appreciate if all shareholders, proxies and invited guests could take all the necessary precautions and preventive measures as issued by the Ministry of Health when attending the 45th AGM. If you are unwell with sore throat, flu, fever, cough, aches and pains, nasal congestion, runny nose, diarrhoea or shortness of breath, and/or you are under high risk group which is above age of 60, your attendance in person at the 45th AGM will be denied. You are hereby strongly advised and encouraged to submit your Proxy Form prior to the 45th AGM.

To safeguard the health and safety of shareholders, proxies and invited guests who may be attending the 45th AGM in person, the Company will also implement the following precautionary measures for the 45th AGM:-

(a) The Company will limit the number of attendees including invited guests to be physically present at the venue of the 45th AGM to 100 based on the size of the venue. Hence, the total shareholders present in person or by proxy or attorney or authorised representative shall preferably be limited to 85 only or lesser after taking into consideration of the attendance of the Directors, Senior Management, Company Secretary, Poll Administrator, Scrutineers and Auditors. The registration for the 45th AGM shall on first-come-first-serve basis.
(b) Shareholders, proxyholders and corporate representatives ("Participants") will have to go through a compulsory body temperature screening and will be required to provide his/her health declaration via MySejahtera application during the registration process, specifically to facilitate the Company in preventing any potential spread of COVID-19. Any person with a body temperature of above 37.5°C or is experiencing any symptoms of being unwell above, you will NOT be allowed to enter the venue of the 45th AGM.
(c) Wearing a face mask in advance and throughout the 45th AGM proceedings is highly encouraged. Please be informed that the Company will not be providing face masks.
(d) No door gift will be provided to the Members or proxies.

Explanatory Note to ordinary and Special Business: -

1. Item No. 1 of the Agenda – Audited Financial Statements

This Agenda item is meant for discussion only as provision of Section 340(1) (a) of the Act does not require a formal approval of the shareholders and hence, is not put forward for voting.

2. Special Resolution 1 – Proposed Amendments to the Constitution of the Company

The Proposed Amendments to the Constitution of the Company is primarily to provide further clarify on certain terms of the Constitution and provide more flexibility for the Company and to ensure the compliance with the Act, MMLR of Bursa Securities. The Proposed Amendments to be made to the Constitution are listed as per Appendix A attached in the Annual Report for the financial year ended 31 December 2019.

3. Ordinary Resolution 6 - Authority to Allot Shares Pursuant to Sections 75 and 76 of the Act

The proposed Ordinary Resolution 6, the Company wishes to renew the mandate on the authority to allot and issue shares pursuant to Sections 75 and 76 of the Act at the forthcoming 45th AGM of the Company.

The Company had at its 44th AGM held on 1 June 2019, obtained a general mandate pursuant to Sections 75 and 76 of the Act from the shareholders of the Company ("Previous Mandate"). As at the date of this Notice, no new shares in the Company were issued pursuant to the Previous Mandate and no proceeds were raised.

NOTICE OF FORTY-FIFTH ANNUAL GENERAL MEETING (CONT'D)

Bursa Securities has via their letter dated 16 April 2020 granted several additional temporary relief measures to listed corporations, amongst others, an increase in general mandate limit for new issues of securities to not more than 20% of the total number of issued shares of the Company for the time being ("20% General Mandate"). Pursuant to the 20% General Mandate, Bursa Securities has also mandated that the 20% General Mandate may be utilised by a listed corporation to issue new securities until 31 December 2021 and thereafter, the 10% General Mandate will be reinstated ("**Extended Utilisation Period**").

Having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, the Board would like to seek the approval for the 20% General Mandate, inclusive of the Extended Utilisation Period, pursuant to Section 76(4) of the Act, from its shareholders at the forthcoming 45th AGM of the Company.

The Board is of the opinion that this 20% General Mandate is in the best interest of the Company and its shareholders. The 20% General Mandate will provided flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for the purpose of funding its business plans, future investment project(s), working capital and/or acquisitions.

The 20% General Mandate, unless revoked or varied by the Company in general meeting, will expire at the end of the Extended Utilisation Period, i.e. by 31 December 2021.

At this juncture, there is no decision to issue new shares. If there should be a decision to issue new shares after the general mandate is sought, the Company will make an announcement in respect thereof.

4. Ordinary Resolution 7 - Proposed Renewal of Shareholders' Mandate

The proposed Ordinary Resolution no. 7 if passed, will provide a renewal mandate for the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature with Related Parties in the ordinary course of business based on commercial terms which are not more favourable to the Related Parties than those generally available to the public and which are necessary for the Group's day-to-day operations. This mandate shall lapse at the conclusion of the next AGM unless authority for the renewal is obtained from the shareholders of the Company at general meeting.

Further information on the Proposed Renewal of Shareholders' Mandate are set out in the Circular dated 26 June 2020 of the Company.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Listing Requirements of Bursa Securities)

Pursuant to Clause 105(1) of the Company's Constitution, Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar is standing for re-election at the 45th Annual General Meeting of the Company. Details of the Director is set out on pages 16 of this Annual Report.

Pursuant to Clause 114 of the Company's Constitution, Ms. Low Yen Hoon and Mr. Chin Pak Loong are standing for re-election at the 45th Annual General Meeting of the Company. Details of the Directors are set out on pages 18 and 20 of this Annual Report.

APPENDIX A

Proposed Amendments to the Constitution of the Company

The existing Constitution is to be amended by way of alterations, modifications, deletions and/or additions, where necessary, to reflect the proposed amendments thereto. The affected provisions of the existing Clauses are reproduced below with the proposed amendments highlighted alongside the respective Clauses:

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
3(1)	None	3(1)	"Documents" means any document required to be sent under the Listing Requirements to every member.
21	Subject to the Listing Requirement, the Central Depositories Act and or the Rules, and notwithstanding the existence of a resolution pursuant to Section 75 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) months, exceeds ten per cent (10%) of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.	21	Subject to the Listing Requirements and without limiting the generality of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue.

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
62	The Company may alter its share capital by passing a special resolution to: (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived; (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or (d) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its shares capital by the amount of the shares so cancelled.	62	The Company may alter its share capital by passing an **<u>ordinary</u>** resolution to: (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived; (b) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or (c) cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its shares capital by the amount of the shares so cancelled.
100	The instrument appointing a proxy and the power of attorney, or other authority (if any) under which it is signed, or a certified copy of such power or authority by a notary public shall be deposited at the Office or at such other place within Malaysia, as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid, PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.	100	The instrument appointing a proxy and the power of attorney, or other authority (if any) under which it is signed, or a certified copy of such power or authority by a notary public shall be deposited at the Office or at such other place within Malaysia **<u>or by way of electronic means or in such other manner</u>**, as is specific for that purpose in the notice convening the meeting, not less than forty-eight (48) hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument, proposes to vote or, in the case of a poll, not less than twenty-four (24) hours before the time appointed for the taking of the poll, and in default, the instrument of proxy shall not be treated as valid, PROVIDED ALWAYS that the Company may by written notice waive the prior lodgement of the above instrument appointing a proxy and the power of attorney or other authority.

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
190	A notice or other document if served by the Company or the Secretary on any Director in hardcopy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose.	190	(1) A notice or other Documents may also be served by the Company or the Secretary on any Director or members in hard copy, in electronic form or partly in hard copy and partly in electronic form. Notices given in hard copy shall be sent to the Director personally or by post to the address supplied by the Director for such purpose, or if given in electronic form, transmitting to the electronic address provided by the Director for such purpose. (2) A notice or other Documents: (i) served in hard copy shall be served either personally or by sending it through the post in a prepaid letter or wrapper addressed to such Member at his registered address entered in the Register of Members or Record of Depositors; (ii) publishing on a website of the Company provided that a notification of the publication of the notice or document on the website via hard copy or electronic mail or short messaging service has been given in accordance with the provision of the Act and the Listing Requirements; or (iii) using any other electronic communication platform maintained by the Company or third parties that can host the information in a secure manner for access by the Members provided that a notification of the publication or making available of the notice or document on such electronic communication platform via hard copy or electronic mail or short messaging service has been given to the Members accordingly. (3) The contact details of the Members as provided to the Depository shall be deemed as the last known registered address, mail address and contact number provided by the Members to the Company for purposes of communication with the Members.

APPENDIX A (CONT'D)

Clause No.	Existing Clauses	Clause No.	Proposed Clauses
			(4) Any notice or other Documents shall be deemed to be served by the Company to a Member: (i) where the notice or other Documents is sent in hard copy if by post, on the day the prepaid letter, envelope or wrapper containing such notice or documents is posted. In providing service by post, a letter from the Secretary certifying that the letter, envelope or wrapper containing the notice or document was so addressed and posted to the Member shall be sufficient to prove that the letter, envelope or wrapper was so addressed and posted; or (ii) where the notice or other Documents is sent by electronic means: - via electronic mail, at the time of transmission to a Member's electronic mail address, provided that the Company has record of the electronic mail being sent and that no written notification of delivery failure is received by the Company; - via publication on the Company's website, on the date the notice or document is first made available on the Company's website, provided that the notification on the publication of notice or document on website has been given pursuant to this Clause; or - via electronic communication platform maintained by the Company or third parties, on the date the notice or document is first made available thereon provided the notification on the publication or making available of the notice or document on the relevant electronic platform has been given pursuant to this Clause. In the event that service of a notice or other Documents pursuant to this Clause is unsuccessful, the Company must, within two (2) market days from discovery of delivery failure, make alternative arrangements for service by serving the notice or document in hard copy in accordance with third Clause hereof. (5) Where the Company provides its electronic address in a notice calling a meeting, any document or information relating to proceedings at the meeting including the appointment and termination of a proxy may be sent by the Members through electronic means to that address, subject to any conditions or limitations specified in the notice.

PEGASUS HEIGHTS BERHAD

PEGASUS HEIGHTS BERHAD

Registration No. 197401002677 (19727-P))
(Incorporated in Malaysia)

PROXY FORM

CDS account No.	No. of shares held

I/We, ...
(FULL NAME AS PER NRIC/PASSPORT/CERTIFICATE OF INCORPORATION IN CAPITAL LETTERS)

NRIC No./Passport No./Registration No. .... of ....
(FULL ADDRESS)

being a *Member/Members of **PEGASUS HEIGHTS BERHAD (Registration No. 197401002677 (19727-P)**) hereby ....

....

appoint ………………………………….........…...............……… (*NRIC No./Passport No. ....)
(FULL NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

of ……………………………………………………………………………………………….........………………………………..........…..

And* failing him/her * .... (*NRIC No./Passport No. ....
(FULL NAME AS PER NRIC/PASSPORT IN CAPITAL LETTERS)

....) of ....
(FULL ADDRESS)

and* failing him/her *, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us and on my/our behalf at the Forty-Fifth (45th) Annual General Meeting ("AGM") to be held at Centerpoint Seremban Convention Hall, Lot 2-01, 2-02 and 2-03, 2nd Floor Centerpoint Seremban, Lot 9149, Jalan Dato Siamang Gagap, 70100 Seremban, Negeri Sembilan, Malaysia on Monday, 27 July 2020 at 9.00 a.m to vote as indicated below:-

*My/our proxy/proxies shall vote as indicated below:-
(Please indicate with "X" in the space provided below how you wish your vote to be cast on the resolutions specified in the notice of meeting. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion.)

NO.	Ordinary Resolutions		*For	*Against
1	To approve the payment of Directors' fees and other benefits of up to RM350,000 to be divided amongst the Directors in such manner as the Directors may determine for the period commencing from the conclusion of the 45th AGM until the conclusion of the next AGM of the Company in year 2021.	Ordinary Resolution 1		
2	To re-elect Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar as Director	Ordinary Resolution 2		
3	To re-elect Ms. Low Yen Hoon as Director	Ordinary Resolution 3		
4	To re-elect Mr. Chin Pak Loong as Director	Ordinary Resolution 4		
5	To re-appoint Messrs. UHY as Auditors of the Company.	Ordinary Resolution 5		
6	**As Special Business:-** Proposed Amendments to the Constitution of the Company	Special Resolution 1		
7	Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016	Ordinary Resolution 6		
8	Proposed Renewal of Shareholders' Mandate	Ordinary Resolution 7		

** Strike out whichever not applicable.*

Dated this ___________ day of _______________ 2020

	Number of Shares	Percentage
Proxy 1		
Proxy 2		
Total		**100**

____
(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.

(3) A member may appoint one (1) or more proxies to attend the meeting. Where a member appoints two (2) or more 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) here a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoints more than one (1) 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 Share Registrars Sdn Bhd of 11th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim, Seksyen 13, 46200 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 members whose names appear on the Record of Depositors as at 20 July 2020 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 the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all resolutions set out in the Notice of AGM will be put to vote on a poll.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Share Registrar of
PEGASUS HEIGHTS BERHAD
Boardroom Share Registrars Sdn Bhd
11th Floor, Menara Symphony, No. 5, Jalan Prof Khoo Kay Kim,
Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan

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(Registration No. 197401002677 (19727-P))

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No.105, Jalan Ampang 50450 Kuala Lumpur

Tel : +603-2181 3553
Email: info@pegasusheights.com