PEGASUS HEIGHTS BERHAD

ANNUAL
REPORT
2018

Artist's Impression


CENTERPOINT SEREMBAN

ENTERTAINMENT, FASHION, LEISURE AND DINING

CENTERPOINT *SEREMBAN*

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. It 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.

LEASING INQUIRIES: **+60 111 9300 000**

PEGASUS HEIGHTS BERHAD

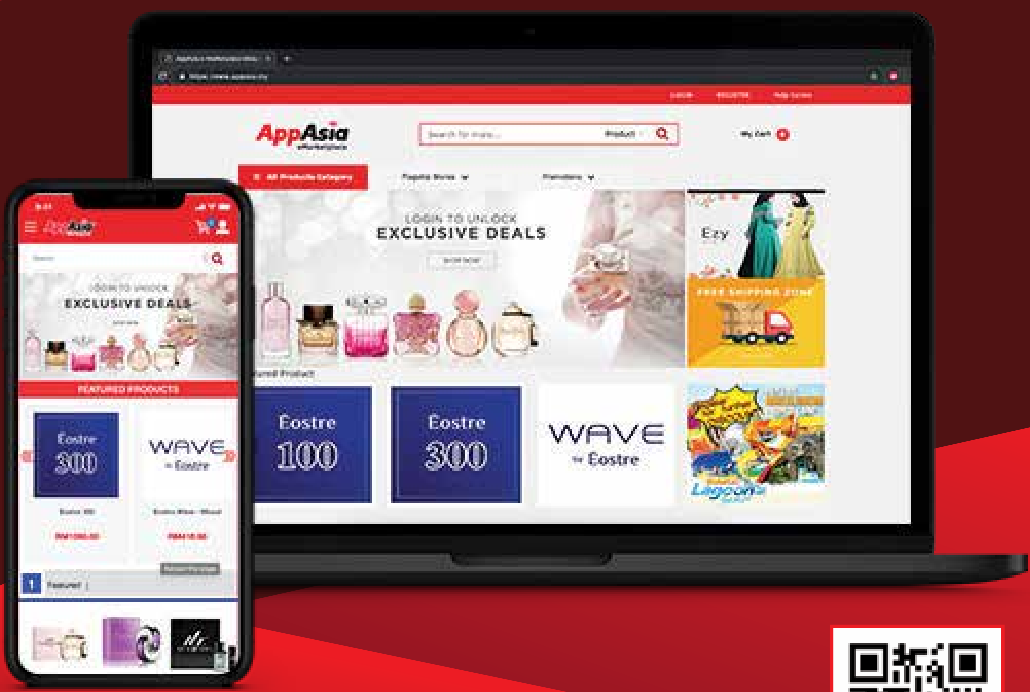
1-40-1, Menara Bangkok Bank,
Berjaya Central Park, No. 105 Jalan Ampang,
50450, Kuala Lumpur.
Tel: +603-2181 3553
Email: info@pegasusheights.com

MALL ADDRESS:

Centerpoint Seremban,
33, Jalan Dato Siamang Gagap,
Betaria Business Centre,
70100 Seremban, Negeri Sembilan.
Tel: +606-763 9889 | Fax: +606-763 9998
Email: info@centerpointseremban.com

AppAsia
eMarketplace
www.AppAsia.my

- Mobile Credit Top-up
- Secure Online Payment
- 7 Days Return Policy
- Customer Rebates



PEGASUS HEIGHTS BERHAD – NEW BEGINNINGS

Pegasus Heights Berhad ("Pegasus") 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 aims to contribute to the local community and provide visitors and shoppers with a refreshing and exciting destination within Seremban town.

Pegasus 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 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.

CONTENTS

2	CORPORATE PROFILE
3	CORPORATE STRUCTURE
4	MANAGEMENT DISCUSSION AND ANALYSIS
8	SUSTAINABILITY REPORT
11	DIRECTORS' PROFILE
15	PROFILES OF KEY SENIOR MANAGEMENT
16	CORPORATE GOVERNANCE OVERVIEW STATEMENT
18	CORPORATE GOVERNANCE STATEMENT
36	STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL
39	AUDIT COMMITTEE REPORT
41	ADDITIONAL COMPLIANCE INFORMATION
43	STATEMENT OF DIRECTORS' RESPONSIBILITY
44	DIRECTORS' REPORT
49	STATEMENT BY DIRECTORS
49	STATUTORY DECLARATION
50	INDEPENDENT AUDITORS' REPORT
54	STATEMENTS OF FINANCIAL POSITION
56	STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
57	STATEMENTS OF CHANGES IN EQUITY
59	STATEMENTS OF CASH FLOWS
61	NOTES TO THE FINANCIAL STATEMENTS
129	LIST OF PROPERTY
130	ANALYSIS OF SHAREHOLDINGS
132	NOTICE OF FORTY-FOURTH ANNUAL GENERAL MEETING
	PROXY FORM ENCLOSED

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

Andrew Ho Tho Kong
Independent Non-Executive Director

Alice Lim Hui Chee
Independent Non-Executive Director

AUDIT COMMITTEE

Andrew Ho Tho Kong
Chairman

Alice Lim Hui Chee
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

NOMINATION COMMITTEE

Alice Lim Hui Chee
Chairman

Andrew Ho Tho Kong
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

REMUNERATION COMMITTEE

Alice Lim Hui Chee
Chairman

Andrew Ho Tho Kong
Member

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar
Member

SHARE ISSUANCE SCHEME COMMITTEE

Toh Hong Chye
Chairman

Dato' Sri Lee See Yang
Member

Tiew Chee Ming
Member

STOCK EXCHANGE LISTING

Main Market Of Bursa Malaysia
Securities Berhad
Stock Code : 4464

REGISTERED OFFICE

Suite 10.02 Level 10
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : (603) 2298 0263
Fax : (603) 2298 0268

AUDITORS

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

COMPANY SECRETARIES

Tan Tong Lang
(MAICSA No. 7045482)
Thien Lee Mee
(LS0009760)

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd (formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Tel : (603) 7841 8088
Fax : (603) 7841 8100

PRINCIPAL SOLICITOR

David Lai & Tan

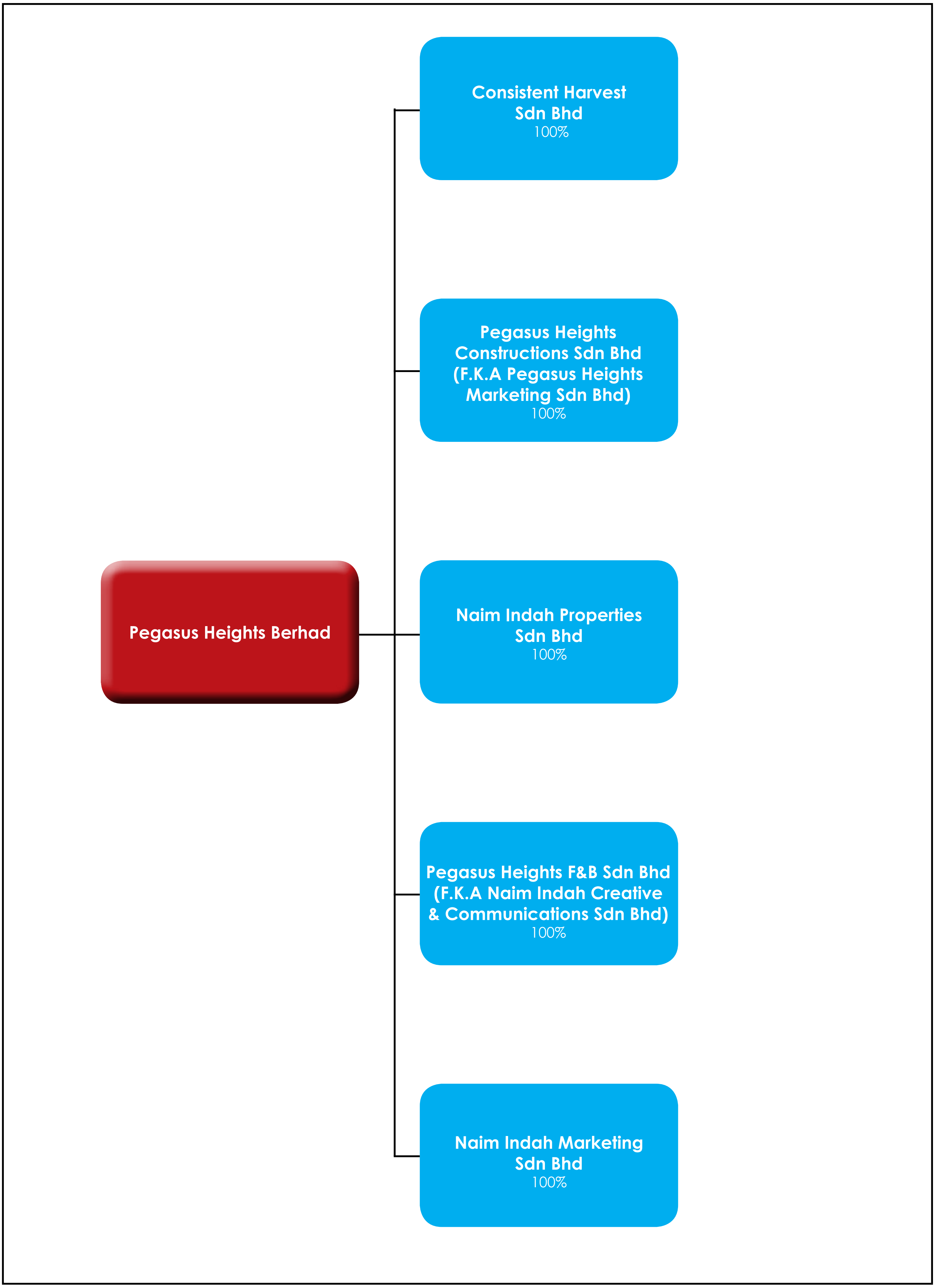
PRINCIPAL PLACE OF BUSINESS

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

PRINCIPAL BANKERS

CIMB Bank Berhad
Public Bank Berhad
RHB Bank Berhad

CORPORATE STRUCTURE



MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

The year in review proved to be a challenging environment with the change in the ruling government after six decades. Malaysia's GDP recorded a growth of 4.7%, a decline of 1.2% compared to 2017 which recorded a growth of 5.9%. The combination of the global trade uncertainty between China and the United States couple with the impending Brexit and change in the Malaysian government policy has resulted in a more cautious market.

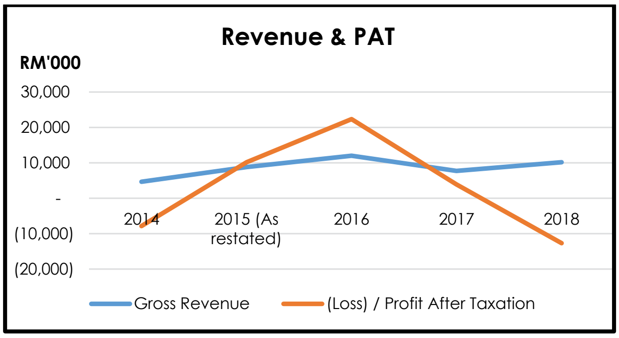
Financial Results and Key Performance Indicators	2014 RM'000	2015 (As restated)	2016 RM'000	2017 RM'000	2018 RM'000
Revenue	4,690	8,855	12,015	7,740	10,179
Profit before tax	(12,556)	(158)	3,277	(3,551)	(21,571)
(Loss) / Profit after taxation	(12,556)	1,362	10,334	(3,801)	(22,851)
Basic (Loss) / Earnings per share (sen)	(1.73)	0.18	1.20	(0.44)	(1.44)
Total asset	74,650	103,019	126,607	124,885	114,733
Total equity	53,988	63,834	75,007	72,683	93,751
Net asset per share	0.07	0.07	0.09	0.08	0.05

Revenue and Profits

Amidst the backdrop of a challenging environment, the group managed to improve revenue by 31.5%. This was due to the addition of trading activity in the electrical and electronic sector and a significant uplift in revenue contribution from the core asset, Centerpoint Seremban Mall.

Management has continued to focus on realizing the value of Centerpoint Seremban Mall by increasing occupancy at the mall and footfalls thus translating into higher rental income and yields. Occupancy as at the end of 2018 hit 65.3%, a significant increase from 15.1% in 2017 as a result of the new management team's efforts to reinvigorating the performance of its core assets.

The Group's loss after tax increased significantly from RM 3.8 million to RM 22.9 million largely due to the one-time asset impairment charge of RM 10.0 million for Centerpoint Seremban Mall, an employee share option charge of RM 3.6 million and asset upgrading and maintenance expenses of RM 3.1 million. In spite of the one-time charges, the capital structure of the Group has been enhanced with total equity increasing 29% in 2018.



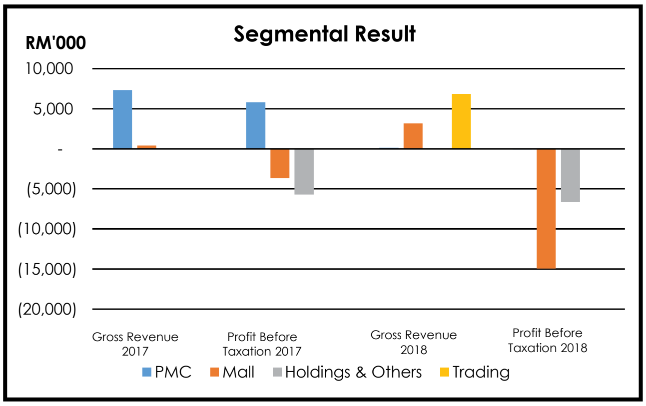
MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Business Segments

By Segments	Gross Revenue FY 2018 RM'000	Gross Revenue FY 2017 RM'000	Gross Revenue Changes (%)	Loss Before Taxation FY 2018 RM'000	Loss Before Taxation FY 2017 RM'000	Loss Before Taxation Changes (%)
Project Management Consultancy ("PMC")	150	7,340	(97.9)	(66)	5,357	-
Mall Rental Income	3,174	400	693.5	(14,940)	(3,408)	338
Trading	6,854	-	-	49	-	-
Holding company	-	-	-	(6,614)	(5,500)	20.3
Total	**10,179**	**7,740**	**31.5**	**(21,571)**	**(3,551)**	**507.5**

Revenue contribution profile showed a structural shift as the new management's strategy started to take effect. Rental income increased 693.5% from RM 0.4 million to RM 3.2 million as occupancy and rental rates increased. The asset enhancement and upgrading coupled with increased marketing efforts of Centerpoint Seremban Mall resulted in the significant increase in rental income. The asset enhancement includes an ice-skating rink which is the first in the neighborhood. In addition, we have also added a multi-purpose event and exhibition hall which commenced operations in the first quarter of 2019.

Trading revenue was the biggest revenue contributor of the Group. Together with increased rental income, total Group revenue increased 31.5% for FY 2018.

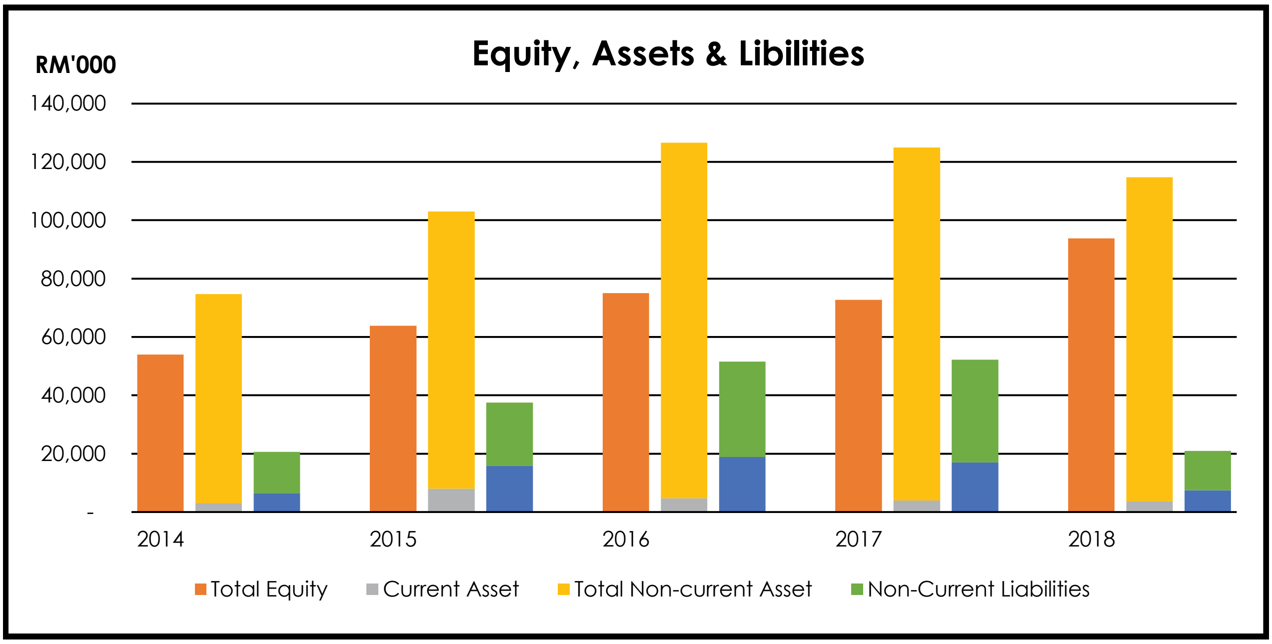


Contribution from PMC showed a significant decline and recorded a revenue of RM 150,000 compared to RM 7.34 million in FY 2017. This is a direct effect of the current soft property sector which has proved to be very challenging.

All segments recorded a loss except for the trading division which made a marginal profit. Rental income was affected by the one-time charge of RM 10 million for fair value loss of investment properties and also upgrading expenses which amounted to RM 3.1 million. Excluding the one time charges, loss before tax declined by half to RM 1.8 million.

Holding company cost was also affected by the one-time charge of RM 3.6 million arising from the employee share option expenses. Stripping out the one-time charge, holding company cost declined 47.1%.

MANAGEMENT DISCUSSION AND ANALYSIS
(Cont'd)

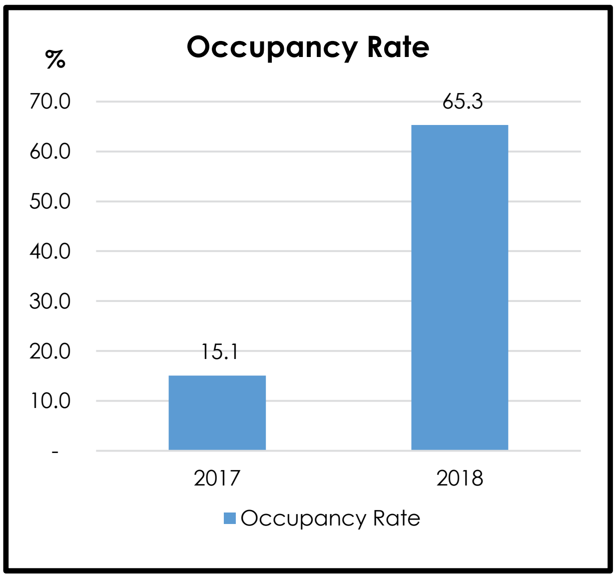


Total assets for the group declined mainly due to the fair value loss of investment properties of RM 10.0 million on Centerpoint Seremban Mall. In spite of that, the net tangible asset of the group rose 29.0% due to efforts taken to strengthen the balance sheet of the group. Total group borrowing declined 33.0% from RM 20.6 million in FY 2017 to RM 13.8 million in FY 2018.

CENTERPOINT SEREMBAN MALL

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

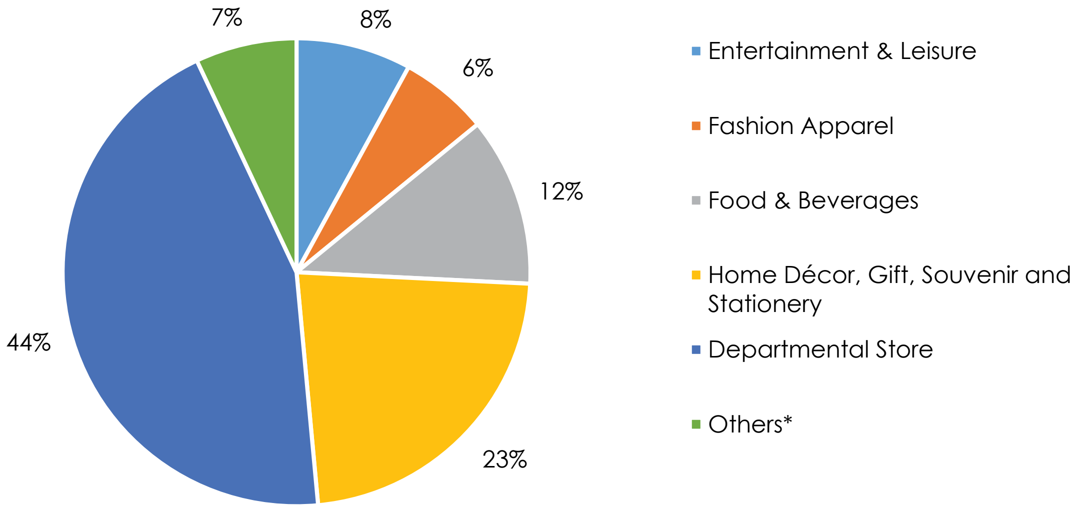
During the year under review, the mall underwent a round of major tenancy remixing to refresh its offerings of daily shopping, services, entertainment and F&B. In addition, a major asset enhancement and upgrading is current in progress to cater to the changes in market place and consumer taste.



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 2018	RM110 million
Tenants	40
Occupancy rate	65.3% (2018)

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

Portfolio by Net Lettable Area



* Others : Beauty, Health, IT, Electrical, Optical, Timepieces and Jewellery

BUSINESS RISK

Credit

The Group has established a credit policy with procedures and collection process policies to ensure proper monitoring processes are in place to mitigate the risks. The Group has in place a credit evaluation process of all customers. This includes an analysis of customers' ability and background as part of the risk management process.

Competition

Centerpoint Seremban Mall is a sub-regional shopping mall in downtown Seremban. Currently there are four other malls within a 2km radius - Aeon Seremban 2, Seremban Prima, Palm Mall and Terminal 1. These malls provide shoppers with alternative shopping destinations. As such the Group is cognizant of this and is constantly looking at putting in new attractions to ensure the shopping experience is enhanced. This will help increase and retain visitor and shopper traffic to the mall.

Another potential source of competition is e-commerce which has enabled small retailers to leverage technology, by passing the need to have a physical store. This makes it more important to focus on marketing and promotional events to increase shopper and tenant stickiness to the Mall.

PROSPECTS

The Group is cautiously optimistic that the current direction and strategy will yield positive results. The asset enhancement and upgrading program has already shown results with occupancy rates reaching 65% as at the end of 2018. Going forward the focus will be to improve the tenant mix thus better catering to the surrounding neighborhood needs. To this end we are expanding our business portfolio to include food franchise businesses; both local and international. This will add to the overall attractiveness of the Mall as a shopping destination. The increase in shopper experience will go towards increasing overall rental yields for the Mall.

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 REPORT

Sustainability Statement

Pegasus Heights is committed to a growth strategy that incorporates environmental and social needs of our stakeholders to ensure sustainability for the future generations.

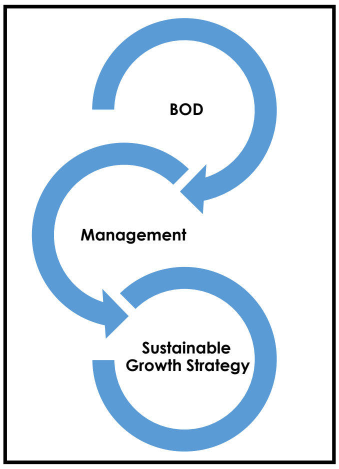
Our Commitment

We have started to implement our sustainability strategy with the change in management team at the beginning of 2018. Central to this is ensuring our business activities are performed to high standards of social and environmental conduct to maximize long-term value creation for all stakeholders. This includes ensuring that the asset under our portfolio and our businesses are carried out in a manner that generates positive environmental outcomes in creating a desirable shopping destination.

Our commitment extends to guiding 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 financial, environmental and social goals.



Stakeholders' Engagement

Pegasus Heights recognizes that stakeholders' engagement and their feedback is central in enhancing the value of our organization 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 will enable 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	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
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

Stakeholders	Forms of Engagement	Frequency	Engagement focus/ objectives
Investment Community	• Annual General Meeting or Extraordinary Meeting • Announcements to Bursa • 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 • Renewal of certification	Annually	• Safety assurance on premises and equipment

Organizational Capital

The success of our business is linked to the prosperity of local communities and our tenants. We strive to create environments that enable success to increase value for our tenants. We seek to improve the tenant's businesses by carrying out on-going programs including mall upgrading to ensure that our mall is well maintained and comfortable. We also invest extensively in the repair and maintenance of the common areas, facilities and car park areas. These investments are done with a view to enhance the shopping environment and provide a sustainable operating platform for the tenants' businesses.

Financial Capital

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.

Human Capital

Equal Opportunities

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 based either on race or gender 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 2018, 37% of our employees are women.

Safety and Health

Ensuring the health and safety of our visitors, tenants and employees is a top priority at 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 at our mall are required to attend refresher training programs conducted by Bomba and DOSH on safety and health will. 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.

SUSTAINABILITY REPORT
(Cont'd)

Social Relationship Capital

Local Economy

Pegasus Heights supports the community through the 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.

Community

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. To this end, we have introduced a new leisure activity to the surrounding communities via the construction of the only synthetic ice-skating rink in Seremban town, on the ground floor of the mall. In addition, as part of the mall enhancement, we have commenced work on building a multi-purpose event hall which will cater to weddings and various festive events. The multi-purpose hall was completed in the of first quarter 2019.

During the year we also organized various events in conjunction with the festivals celebrated providing our tenants and visitors increased attractions.

Environment Capital

Energy Management

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

We have commenced replacing the lighting with LED light bulbs throughout the whole mall. LED lights 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 reducing the overall energy consumption.

Waste Management

We will be embarking on a program to educate our visitors and tenants on reducing and managing waste. We will be discussing with our tenants on introducing recyclable bags/containers for purchases in retail outlet and takeaways in restaurants as well as encouraging shoppers to bring their reusable shopping bags and containers. We will also look at introducing the recycling three bin system so that the waste can be separated and managed accordingly.

DIRECTORS' PROFILE

DATO' ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR
Independence Non-Executive Chairman
Aged 66, 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 Audit 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 is currently the Executive Chairman of VDSL Technology Sdn Bhd. He also served as the Chairman of Performance and Artistes Rights Malaysia Sdn Bhd (PRISM), a collection society for performers of recorded music, and the Academy of Malaysian Music Industry Association (PAIMM) for more than 10 years until end of 2012 and January 2011, respectively.

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

He does not have any family relationship with any major shareholders of the Company, has no conflict of interests with the Company, has not been convicted of any offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Dato' Abdel Aziz attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2018. As at the date of this Annual Report, Dato' Abdel Aziz holds 9,434,000 ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

Dato' Sri Lee See Yang
Executive Director
Aged 49, 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 offence within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Dato' Sri Lee attended all five (5) Board meetings of the Company held during the financial year ended 31 December 2018. As at the date of this Annual Report, Dato' Sri Lee holds direct shareholdings of 159,054,633 ordinary shares and indirect shareholdings of 10,000,000 ordinary shares which held by his spouse in the Company.

TOH HONG CHYE
Executive Director
Aged 43, 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 Degree in Business Administration in Finance from the International Islamic University Malaysia. He is also a Chartered Accountant, a fellow member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

In 2002, Mr. Toh began his own career and set up H.C. Toh & Co, a non-audit firm, involving in company secretary, accounting and business advisory to companies from various industries. His experience covers audit and assurance engagements, corporate reporting and compliance, taxation and wide-ranging overseas exposures. He was 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 five (5) Board meetings of the Company during the financial year ended 31 December 2018. As at the date of this Annual Report, Mr. Toh holds 163,683,946 ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

Andrew Ho Tho Kong
Independent Non-Executive Director
Aged 53, 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 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 and also a Chartered Financial Analyst (CFA).

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 and has not been imposed any penalty by the relevant regulatory bodies during the financial year 201 He was attended all three (3) Board meetings of the Company held during the financial year ended on 31 December 2018 in view of his appointment as Independent Non-Executive Director on 30 April 2018. As at the date of this Annual Report, he does not hold any ordinary shares in the Company.

DIRECTORS' PROFILE
(Cont'd)

Alice Lim Hui Chee
Independent Non-Executive Director
Aged 33, Female, Malaysian

Ms. Alice Lim Hui Chee ("Ms. Alice Lim") was appointed to the Board on 6 June 2018 as Independent Non-Executive Director of the Company. She is Chairperson of Nomination and Remuneration Committee and serves as a member of the Audit Committee.

She graduated from the University of Malaya with a Literally Legum Baccalaureus degree in the year 2010. She was admitted to the Malaysia Bar in the year 2011 as an Advocate & Solicitor of High Court of Malaya and joined Messrs. Soo Thien Ming & Nashrah, Petaling Jaya branch as a legal assistant in May 2011. Currently, she is a senior lawyer of the firm.

Ms. Alice Lim's portfolio focuses on conveyancing area. She has a vast and wide experience in handling different types of conveyancing matters including but not limited to the matters in relation to corporate commercial, corporate finance as well as real estate.

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

She does not have any family relationship with any other Director and/or major shareholders of the Company, has no conflict of interest with the Company, has not been convicted of any offense within the past five years and has not been imposed any penalty by the relevant regulatory bodies during the financial year 2018.

Ms. Alice Lim attended two (2) Board meeting of the Company held during the financial year ended 31 December 2018 in view of her appointment as Independent Non-Executive Director on 6 June 2018. 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 Australian, female, aged 55, 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 2018.

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

TIEW CHEE MING
ACCOUNTS MANAGER

Mr. Tiew Chee Ming ("Mr. Tiew"), a Malaysian, Male, age 30 graduated from the Association of Chartered Certified Accountants (ACCA) in year 2014. Mr. Tiew is a Chartered Accountant, a member of the Association of Chartered Certified Accountants and a member of the Malaysian Institute of Accountants.

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

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

He has not been convicted of any offence within the past 5 years, other than traffic offences, if any and has not been imposed by any public sanctions or penalty by relevant regulatory bodies during the financial year 2018.

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

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

BOARD LEADERSHIP AND EFFECTIVENESS

The Board has considered and discussed a wide range of matters during the financial year ended 31 December 2018, including strategic decisions and reviewing of risk associated matters in the business. The Board is aware that decisions made for the business of the Group would affect a broad range of our stakeholders. While the Board seeks to ensure that the decisions were taken in a way that was fair and consistent with the Group's values, the Board also recognised the importance of balancing these with the need to support the long-term future of the business.

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

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

EFFECTIVE AUDIT AND RISK MANAGEMENT

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

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

The AC with the assistance of the Internal Audit had undertaken a thorough review of the Tenancy Management within the Group to ensure that appropriate controls and effective management process are in place.

CORPORATE GOVERNANCE OVERVIEW STATEMENT
(Cont'd)

EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

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

Further details pertaining to the activities undertaken by the AC can be obtained in the AC report set out on page 39 to page 40 of this Annual Report.

INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

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

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

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

PRELUDE

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

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

- Board Leadership and Effectiveness
  (page 18 to page 32)
- Effective Audit and Risk Management
  (page 33 to page 34)
- Integrity in Corporate Reporting and Meaningful Relationship with Stakeholders.
  (page 35)

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

CORPORATE GOVERNANCE STATEMENT

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 STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

1. Board of Directors (Cont'd)

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

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

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

The profile of each Director is presented on page 11 to page 14 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 responsibility, amongst others, includes the following:-

a) Leadership of the Board;

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

c) Facilitating the effective contribution of all Directors;

d) Conducting the Board's function and meetings;

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

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

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

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

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

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

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

4. Commitment of the Board (Cont'd)

The Board met five (5) times during the financial year ended 31 December 2018. The attendance of each Director at the Board Meeting held during the financial year ended 31 December 2018 is as follow:-

Directors	Number of meetings attended	%
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	5/5	100%
Dato' Sri Lee See Yang	5/5	100%
Toh Hong Chye	5/5	100%
Andrew Ho Tho Kong (appointed on 30 April 2018)	3/3	100%
Alice Lim Hui Chee (appointed on 6 June 2018)	2/2	100%
Lim Teck Seng (appointed on 3 July 2018 and resigned on 21 March 2019)	2/2	100%
Low Tuck Meng (resigned on 30 April 2018)	2/2	100%
Chua Eng Chin (resigned on 30 April 2018)	2/2	100%
Dato' Chiong Miaw Thuan (resigned on 6 June 2018)	3/3	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 Main Market Listing Requirements ("**MMLR**") of Bursa Malaysia Securities Berhad ("**Bursa Securities**") allow a Director to sit on the board of a maximum of five listed issuers. Such notification is expected to include an indication of time that will be spent on the new appointment. At present, all Directors of the Company have complied with the MMLR where they do not sit on the board of more than five (5) listed issuers.

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

5. Continuous Development of the Board

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

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

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

Directors	Date	Programmes attended
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	12 November 2018	Understanding Artificial Inteligence, Machine Intelligence and machine learning, blockchain and 5G network
	-	30% club business leaders roundtable meeting and 30% club board mentoring scheme event
Toh Hong Chye	6&7 September 2018	Practical Approach to Accounting for Financial Instruments: Applying MFRS9 and MFRS132
	13 Feb 2018	Application, Disclosure and Reporting Expectation for Principle A, B & C
Andrew Ho Tho Kong	13 – 16 May 2018	71st CFA Institute Annual Conference
	13 September 2018	Impact of Fintech and the Emerging Landscape

Saved as disclosed above, other Directors of the company were not able to select any suitable training programmes to attend during the financial year due to overseas travelling and their busy work. However, they have constantly been updated with relevant reading materials and technical updates, which will enhance their knowledge and equip them with the necessary skills to effectively discharge their duties as Directors of the company.

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

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

6. Board Committees

<u>AC</u>

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 39 to page 40 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.

<u>NC</u>

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 2018:-

Director	Designation
Alice Lim Hui Chee (Appointed on 6 June 2018)	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Andrew Ho Tho Kong (Appointed on 30 April 2018)	Member
Dato' Chiong Miaw Thuan (Resigned 6 June 2018)	Chairman
Chua Eng Chin (Resigned on 30 April 2018)	Member

During the financial year ended 31 December 2018, 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

(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.

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

6. Board Committees (Cont'd)

NC (Cont'd)

(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 2018:-

Director	Designation
Alice Him Hui Chee (Appointed on 6 June 2018)	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Andrew Ho Tho Kong (Appointed on 30 April 2018	Member
Dato' Chiong Miaw Thuan (Resigned on 6 June 2018)	Chairman
Chua Eng Chin (Resigned on 30 April 2018)	Member

During the financial year ended 31 December 2018, 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.

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.

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

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

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

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

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

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 plays a vital role in advising the Board in relation to the Group's constitution, policies, procedures and compliance with the relevant regulatory requirements, codes, guidance and legislations. 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.

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

I. Board Responsibilities (Cont'd)

10. Company Secretaries (Cont'd)

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

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

II. Board Composition

1. Composition and Diversity

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

As at the date of this Statement, the Board consists of one (1) 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 11 to page 14 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 none (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.

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

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**").

4. Gender Diversity

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

Nonetheless, the Board has appointed Ms Alice Lim Hui Chee as an Independent Non-Executive Director of the Company on 6 June 2018 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 three Directors, namely Mr Andrew Ho Tho Kong, Ms Alice Lim Hui Chee and Mr Lim Teck Seng. Details of their appointment are set out below:-

Name of Director	**Identified Through**
Mr Andrew Ho Tho Kong	Recommended by Management
Ms Alice Lim Hui Chee	Recommended by Management
Mr Lim Teck Seng	Recommended by Management

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

II. Board Composition (Cont'd)

5. Identifying Suitable Candidates (Cont'd)

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

6. Chairman of the NC

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

7. Annual Evaluation

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration

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

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

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

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.

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

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 2018 are set out below:-

Company						
	Fees RM	**Salaries* RM**	**SIS RM**	**Benefit in kind RM**	**others RM**	**Total**
Toh Hong Chye	-	459,550.00	1,341,000.00	5,800.00	923.00	1,807,273.00
Dato' Sri Lee See Yang	-	439,950.00	1,341,000.00	-	923.00	1,781,873.00
Low Tuck Meng (Resigned on 30 April 2018)	-	135,079.00	-	-	33,748.00	168,827.00
Lim Teck Seng (Appointed on 3 July 2018)	-	99,724.00	-	3,967.00	462.00	104,153.00
Executive Directors	**-**	**1,134,303.00**	**2,682,000.00**	**9,767.00**	**36,056.00**	**3,862,126.00**
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	20,000.00	-	5,158.00	-	10,000.00	35,158.00
Andrew Ho Tho Kong (Appointed on 30 April 2018)	12,050.00	-	-	-	8,000.00	20,050.00
Dato' Chiong Miaw Thuan (Resigned on 6 June 2018)	15,600.00	-	-	-	2,000.00	17,600.00
Alice Lim Hui Chee (Appointed on 6 June 2018)	10,250.00	-	-	-	4,000.00	14,250.00
Independent Non-Executive Directors	**57,900.00**	**-**	**5,158.00**	**-**	**24,000.00**	**87,058.00**

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

A. BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

III. Remuneration (Cont'd)

Group						
	Fees RM	Salaries* RM	SIS RM	Benefit in kind RM	others RM	Total
Toh Hong Chye	-	459,550.00	1,341,000.00	5,800.00	923.00	1,807,273.00
Dato' Sri Lee See Yang	-	439,950.00	1,341,000.00	-	923.00	1,781,873.00
Low Tuck Meng (Resigned on 30 April 2018)	-	135,079.00	-	-	33,748.00	168,827.00
Lim Teck Seng (Appointed on 3 July 2018)	-	99,724.00	-	3,967.00	462.00	104,153.00
Executive Directors	-	**1,134,303.00**	**2,682,000.00**	**9,767.00**	**36,056.00**	**3,862,126.00**
Abdel Aziz @ Abdul Aziz Bin Abu Bakar	20,000.00	-	5,158.00	-	10,000.00	35,158.00
Andrew Ho Tho Kong (Appointed on 30 April 2018)	12,050.00	-	-	-	8,000.00	20,050.00
Dato' Chiong Miaw Thuan (Resigned on 6 June 2018)	15,600.00	-	-	-	2,000.00	17,600.00
Alice Lim Hui Chee (Appointed on 6 June 2018)	10,250.00	-	-	-	4,000.00	14,250.00
Independent Non-Executive Directors	**57,900.00**	**-**	**5,158.00**	**-**	**24,000.00**	**87,058.00**

* Salaries including all statutory payments.

Remuneration Bands	Number of Key Senior Management
Below RM50,000	-
RM 50,001- RM100,000	1
RM100,001- RM150,000	-
RM150,001- RM200,000	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
Alice Him Hui Chee (Appointed on 6 June 2018)	Chairman
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	Member
Andrew Ho Tho Kong (Appointed on 30 April 2018	Member
Dato' Chiong Miaw Thuan (Resigned on 6 June 2018)	Chairman
Chua Eng Chin (Resigned on 30 April 2018)	Member

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT
(Cont'd)

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

I. AC (Cont'd)

For the financial year ended 31 December 2018, 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	124,000	85,000
Non-Audit:		
Review of the Statement on Risk Management and Internal Control	5,000	5,000
Total Non-audit fees	5,000	5,000

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

Further information on the roles and responsibilities of the AC may be found in the AC Report on page 39 to page 40 of this Annual Report.

II. Risk Management and Internal Control Framework

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

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

The Group has outsourced the internal audit function as being the most cost effective means of implementing an internal audit function. The independent third party service provider of the internal audit services for the financial year ended 31 December 2018 was GovernanceAdvisory.com Sdn Bhd, which reported directly to the AC as specified in the Terms of Reference of the AC. The Internal Auditor carries out is function in accordance with the approved annual Internal Audit Plan approved by the AC. GovernanceAdvisory.com Sdn Bhd has approximately for 10 audit personnel assisting the person responsible for the internal audit. Details on the person responsible for the internal audit are set out below:-

Name	:	Jason Tee
Qualification	:	Associate member of the Institute of Internal Auditors Malaysia and B.C. (Hons) in Accounting.
Independence	:	Does not have any family relationship with any director and/or major shareholder of the Company
Public Sanction or penalty	:	Has no convictions for any offences within the past 5 years, other than traffic offences, if any and has not been imposed any public sanction or penalty by the relevant regulatory bodies during the financial year.

Further information may be found in the Statement on Risk Management and Internal Control on page 36 to page 38 and the Management Discussion and Analysis on page 4 to page 7 of this Annual Report.

C. INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. Communication with stakeholders

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

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

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

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

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 2018.

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

Board's Responsibilities

The Board of Directors recognises the importance of sound internal control for good corporate governance. The Board affirms its overall responsibility for the Group's system of internal control, which include the establishment of an appropriate control environment and framework as well as reviewing the adequacy and integrity of those systems. However, the Board noted that such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives and only can provide reasonable, but 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.

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

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

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

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.

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 at http://www.pegasusheights.com.

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

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 2018 was RM10,000.00.

Review of this Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the External Auditors have reviewed this Statement for inclusion in the Annual Report of the Group for the year ended 31 December 2018.

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 is made in accordance with the resolution of the Board dated 2 April 2019.

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 (Appointed on 30 April 2018)	Chairman, Independent Non-Executive Director
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	Member, Independent Non-Executive Chairman
Alice Lim Hui Chee (Appointed on 6 June 2018)	Member, Independent Non-Executive Director
Chua Eng Chin (Resigned on 30 April 2018)	Chairman, Independent Non-Executive Director
Dato' Chiong Miaw Thuan (Resigned on 6 June 2018)	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 2018 are set out below:

Name	Designation	Meetings Attended
Andrew Ho Tho Kong (Chairman of the Committee)	Independent Non-Executive Director	3/3[1]
Alice Lim Hui Chee	Independent Non-Executive Director	2/2[2]
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	IndependentNon-Executive Chairman	5/5
Dato' Chiong Miaw Thuan	Independent Non-Executive Director	1/1[3]
Chua Eng Chin	Independent Non-Executive Director	2/2[4]

[1] Andrew Ho Tho Kong has attended all the AC meetings since he was appointed on 30 April 2018
[2] Alice Lim Hui Chee has attended all the AC meetings since she was appointed on 6 June 2018.
[3] Dato' Chiong Miaw Thuan has attended all the AC meetings prior to her resignation.
[4] Chua Eng Chin has attended all the AC meetings prior to his resignation.

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 http://www.pegasusheights.com.

AUDIT COMMITTEE REPORT
(Cont'd)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE

A brief summary and an overview of the activities of the Audit Committee in discharging their duties and responsibilities during the financial year ended 31 December 2018 are as follows:-

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

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

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

(iv) reviewed the proposed audit fees for External Auditors;

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

(vi) 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;

(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 tenancy management of Centerpoint Seremban Mall. 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 2018, 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 2018, a total of 238,000,000 SIS options were allocated to the eligible directors and employees of the Group.

ADDITIONAL COMPLIANCE INFORMATION

Utilisation of Proceeds from Private Placement

On 3 July 2018, the Company had completed its Private Placement not more than 30% of the enlarged number of issued Pegasus Heights Berhad's Shares following its listing and quotation of 403,613,500 new ordinary shares on the Main Market of Bursa Malaysia Securities Berhad.

The Private Placement has raised total proceeds RM12,706,000 and the fund utilisation are stated below:

Utilisation Purposes	Proposed Utilisation	Actual Utilisation	Deviation	Balance Utilisation	Timeframe for the utilisation
	RM'000	RM'000	RM'000	RM'000	
Repayment to other creditors	2,334	2,335	-	-	Within 6 months
Repayment of bank borrowings	4,705	4,705	-	-	Within 12 months
Event, marketing and upkeep and enhancement expenses for the Shopping Mall	1,320	1,320	-	-	Within 12 months
Working capital	3,957	3,998	41	-	Within 12 months
Expenses in relation to the proposals	390	349	(41)	-	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.

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 2018 '000**	**Granted '000**	**Exercised '000**	**Lapsed '000**	**At 31 December 2018 '000**
18 August 2015	RM0.10	33,650	-	-	(23,500)	10,150
19 July 2018	RM0.02	-	238,000	-	(300)	237,700
		33,650	238,000	-	(23,800)	247,850

ADDITIONAL COMPLIANCE INFORMATION
(Cont'd)

Material Contracts Involving Directors' and Major Shareholders' Interests

Save as disclosed below, there were no material contracts entered into by the Company and its subsidiary companies involving the interests of Directors and major shareholders:-

a) Sale and Purchase Agreement dated 3 August 2018 entered into by the Company and Yong Yen Sing for the sale and entire issued and paid-up of Angkasa Lampiran Sdn Bhd held by the Company to Yong Yen Sing; and

b) Sale and Purchase Agreement dated 31 December 2018 entered into by the Company and Chew Teck Meng for the sale of entire issued and paid-up capital of Jernih Makmur Sdn Bhd held by the Company to Chew Teck Meng.

Recurrent Related Party Transaction

Details of transactions with related parties undertaken by the Group during the financial year ended 31 December 2018 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	RM76,104

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 2018, 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 2018.

Principal Activities

The principal activities of the Company are investment holding and provision of management and administrative services.

The principal activities of its subsidiary companies are disclosed in Note 6 to the financial statements.

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

Financial Results

	Group RM'000	Company RM'000
Loss for the financial year	22,851	6,977
Attributable to:		
Owners of the parent	22,851	6,977

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:

(a) 403,613,500 new ordinary shares for a consideration of RM12,706,086 through private placement.

(b) 130,676,712 new ordinary shares for a consideration of RM7,696,858, satisfied by way of capitalisation of creditor.

(c) 338,241,690 new ordinary shares for a consideration of RM19,922,435, satisfied by way of debt capitalisation.

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

DIRECTORS' REPORT
(CONT'D)

Options Granted Over Unissued Shares

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

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

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

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

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

Date of Offer	Exercise Price	Number of Options over Ordinary Shares At 1.1.2018 '000	Granted '000	Lapsed '000	At 31.12.2018 '000
18 August 2015	RM0.10	33,650	-	(23,500)	10,150
19 July 2018	RM0.02	-	238,000	(300)	237,700

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	(Appointed on 30 April 2018)
Alice Lim Hui Chee	(Appointed 6 June 2018)
Lim Teck Seng	(Appointed on 3 July 2018; Resigned on 21 March 2019)
Chua Eng Chin	(Resigned on 30 April 2018)
Low Tuck Meng	(Resigned on 30 April 2018)
Dato' Chiong Miaw Thuan	(Resigned on 6 June 2018)

* *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*
Siaw Swee Woon #
Tiew Chee Ming*

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' REPORT
(CONT'D)

Directors' Interests

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

	Number of Ordinary Shares			
	At 1.1.2018 '000	Bought '000	Sold '000	At 31.12.2018 '000
Interests in the Company				
Direct Interest				
Dato' Sri Lee See Yang	20,000	89,055	-	109,055
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	9,434	-	-	9,434
Toh Hong Chye	-	116,026	-	116,026
Indirect Interest				
Dato' Sri Lee See Yang*	10,000	-	-	10,000

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

	Number of Options over Ordinary Shares			
	At 1.1.2018 '000	Bought '000	Sold '000	At 31.12.2018 '000
Interests in the Company				
Direct Interest				
Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	10,000	-	-	10,000
Toh Hong Chye	-	90,000	-	90,000
Dato' Sri Lee See Yang	-	90,000	-	90,000

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

Directors' Benefits

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

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

DIRECTORS' REPORT
(CONT'D)

Indemnity and Insurance Costs

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

Other Statutory Information

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

(i) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that 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 6 to the financial statements.

Auditors' Remuneration

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

Auditors

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

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 23 April 2019.

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 54 to 128 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 2018 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 23 April 2019.

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 54 to 128 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 23 April 2019)

TOH HONG CHYE

Before me,

COMMISSIONER FOR OATHS

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Pegasus Heights Berhad, which comprise the statements of financial position as at 31 December 2018 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 54 to 128.

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 2018, and of their financial performance and their cash flows for financial year then ended in accordance with Malaysian Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Requirements

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

Key Audit Matters

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

INDEPENDENT AUDITORS' REPORT

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

Key Audit Matters (Cont'd)

Key Audit Matters	How we addressed the key audit matters
Fair value assessment on investment property As disclosed in Note 2(d) and 5 to the financial statements, the Group's investment properties are stated at fair values. As at 31 December 2018, the carrying amount of the investment properties represents approximately 96% 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 revised from RM120 million as at 31 December 2017 to RM110 million as at 31 December 2018. The valuation process involved significant judgements in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the capitalisation rate, terminal yield, discount rate, net initial yield, replacement cost and price of comparable plots.	We performed the following audit procedures: We assessed and discussed with management their process for reviewing the work of the independent valuer. We evaluated the objectivity, independence and capabilities of the professional valuer. We assessed the appropriateness of the valuation model, property related data, including estimates used by the professional valuer. We assessed the reasonableness of the assumptions used in the valuation and judgements made. We reviewed and assessed the appropriateness and adequacy of the disclosures in the financial statements.

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.

INDEPENDENT AUDITORS' REPORT

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

Other Matters

1. As stated in Notes 2(a) to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2018 with a transition date of 1 January 2017. These standards were applied retrospectively by Directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2017 and 1 January 2017, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2017 and related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2018 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2018 do not contain misstatements that materially affect the financial position as of 31 December 2018 and financial performance and cash flows for the financial year then ended.

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

UHY
Firm Number: AF 1411
Chartered Accountants

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

KUALA LUMPUR

23 April 2019

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Note	Group 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	Company 31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current Assets							
Property, plant and equipment	4	1,044	971	1,630	425	919	1,482
Investment properties	5	110,000	120,000	120,000	-	-	-
Investment in subsidiary companies	6	-	-	-	52,263	52,263	52,263
Deferred tax assets	7	-	-	250	-	-	250
		111,044	120,971	121,880	52,688	53,182	53,995
Current Assets							
Inventories	8	6	-	-	-	-	-
Trade receivables	9	1,543	2,306	3,869	846	2,152	2,985
Other receivables	10	1,134	389	530	218	151	176
Amount due from subsidiary companies	11	-	-	-	58,821	31,672	25,940
Tax recoverable		2	9	-	-	-	-
Fixed deposit with a licensed bank	12	255	253	251	-	-	-
Cash and bank balances		749	957	77	115	392	22
		3,689	3,914	4,727	60,000	34,367	29,123
Total Assets		114,733	124,885	126,607	112,688	87,549	83,118
Equity							
Share capital	13	130,114	89,789	86,346	130,114	89,789	86,346
Reserves	14	3,739	273	3,280	3,739	273	3,280
Accumulated losses		(40,102)	(17,370)	(14,613)	(21,984)	(15,126)	(16,050)
Equity attributable to owners of the parent		93,751	72,692	75,013	111,869	74,936	73,576
Non-controlling interests		-	(9)	(6)	-	-	-
Total Equity		93,751	72,683	75,007	111,869	74,936	73,576

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018 (CONT'D)

		Group			Company		
	Note	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Non-Current Liabilities							
Borrowings	15	9,904	16,522	17,034	-	5,246	4,930
Finance lease liabilities	16	138	293	385	138	223	279
Amount due to a former Director	17	-	16,181	13,018	-	6,170	2,948
Deferred tax liabilities	7	3,502	2,251	2,251	-	-	-
		13,544	35,247	32,688	138	11,639	8,157
Current Liabilities							
Trade payables	18	39	150	137	-	-	-
Other payables	19	3,389	12,691	14,675	416	654	1,192
Amount due to subsidiary companies	11	-	-	-	188	309	84
Provision for taxation		19	4	44	-	-	-
Bank overdraft	15	2,916	3,016	2,880	-	-	-
Borrowings	15	998	1,066	1,041	-	-	-
Finance lease liabilities	16	77	28	135	77	11	109
		7,438	16,955	18,912	681	974	1,385
Total Liabilities		20,982	52,202	51,600	819	12,613	9,542
Total Equity and Liabilities		114,733	124,885	126,607	112,688	87,549	83,118

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM'000	RM'000	RM'000	RM'000
Revenue	20	10,179	7,740	150	7,230
Cost of sales		(10,021)	(3,718)	(216)	(1,442)
Gross profit/(loss)		158	4,022	(66)	5,788
Other income		441	351	17	45
Administrative expenses		(6,206)	(5,940)	(3,336)	(5,195)
Other expenses		(13,896)	(374)	(3,585)	(177)
Net impairment loss on financial assets		(927)	5	-	11
(Loss)/Profit from operations		(20,430)	(1,936)	(6,970)	472
Finance costs	21	(1,141)	(1,615)	(7)	(339)
Share of results of associate company		-	-	-	-
(Loss)/Profit before tax	22	(21,571)	(3,551)	(6,977)	133
Taxation	23	(1,280)	(250)	-	(250)
Net(loss)/profit for the financial year, representing total comprehensive loss for the financial year		(22,851)	(3,801)	(6,977)	(117)
Loss for the financial year attributable to:					
Owners of the parent		(22,851)	(3,798)	(6,977)	(117)
Non-controlling interests		-	(3)	-	-
		(22,851)	(3,801)	(6,977)	(117)
Total comprehensive loss attributable to:					
Owners of the parent		(22,851)	(3,798)	(6,977)	(117)
Non-controlling interests		-	(3)	-	-
		(22,851)	(3,801)	(6,977)	(117)
Loss per share(sen)					
Basic	24(a)	(1.44)	(0.44)		
Diluted	24(b)	(1.37)	(0.44)		

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

Group	Share Capital RM'000	Share Premium RM'000	SIS Options Reserve RM'000	Accumulated Losses RM'000	Total RM'000	Non-Controlling Interests RM'000	Total Equity RM'000
	Attributable to Owners of the Company						
	Non-distributable			Distributable			
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
At 1 January 2017	86,346	1,891	1,389	(14,613)	75,013	(6)	75,007
Net profit for the financial year, representing total comprehensive income for the financial year	-	-	-	(3,798)	(3,798)	(3)	(3,801)
Transaction with owners:							
Exercise of SIS Options	1,300	252	(252)	-	1,300	-	1,300
SIS options to employees							
- lapsed	-	-	(1,041)	1,041	-	-	-
- vested	-	-	177	-	177	-	177
	1,300	252	(1,116)	1,041	1,477	-	1,477
Transition in accordance with Section 618(2) of the Companies Act, 2016	2,143	(2,143)	-	-	-	-	-
At 31 December 2017	89,789	-	273	(17,370)	72,692	(9)	72,683

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

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

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows From Operating Activities				
(Loss)/Profit before tax	(21,571)	(3,551)	(6,977)	133
Adjustments for:				
Bad debts written off	7	-	-	-
Deposits paid written off	70	-	70	-
Deposits received written off	(50)	(279)	-	-
Depreciation of property, plant and equipment	184	539	125	483
Fair value loss on investment property	10,000	-	-	-
Impairment loss on:				
- amount due from subsidiary companies	-	-	-	11
- trade receivables	141	5	-	-
Interest expense	1,141	1,615	7	339
Interest income	(10)	(7)	(3)	-
(Gain)/Loss on disposal of:				
- Subsidiary companies	(215)	-	(1)	-
- Property, plant and equipment	42	(63)	44	(45)
Property, plant and equipment written off	500	-	498	-
Reversal of impairment loss on amount due from subsidiaries companies	-	-	(3)	-
Reversal of other payables	(55)	-	-	-
Share options to employees	3,585	177	3,585	177
Written off other receivables	30	-	30	-
Operating (loss)/profit before working capital changes	(6,201)	(1,564)	(2,625)	1,098
Changes in working capital:				
Inventories	(6)	-	-	-
Receivables	(232)	1,699	1,141	858
Payables	(1,387)	(1,692)	(235)	(538)
	(1,625)	7	906	320
Cash (used in)/generated from operations	(7,826)	(1,557)	(1,719)	1,418
Interest paid	(1,141)	(1,292)	(7)	(16)
Tax paid	(8)	(49)	-	-
	(1,149)	(1,341)	(7)	(16)
Net cash (used in)/from operating activities	(8,975)	(2,898)	(1,726)	1,402

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

		Group		Company	
	Note	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Cash Flows From Investing Activities					
Advances to subsidiary companies		-	-	(19,575)	(5,518)
Purchase of property, plant and equipment	4(b)	(853)	(4)	(223)	(1)
Interest income received		10	7	3	-
Net cash outflow from disposal of subsidiary companies	6(c)	(1)	-	(1)	-
Proceeds from disposal of property, plant and equipment		296	187	290	126
Pledged deposit with a licensed bank		(2)	(2)	-	-
Net cash (used in)/from investing activities		(550)	188	(19,506)	(5,393)
Cash Flows From Financing Activities					
(Repayment to)/Advances from a former Director	26	(1,503)	3,163	8,508	3,222
Repayment of term loans	26	(1,440)	(810)	-	(7)
Repayment of finance lease liabilities	26	(346)	(199)	(259)	(154)
Proceeds from exercise of SIS options	26	-	1,300	-	1,300
Proceeds from private placement	13	12,706	-	12,706	-
Net cash from financing activities		9,417	3,454	20,955	4,361
Net (decrease)/increase in cash and cash equivalents		(108)	744	(277)	370
Cash and cash equivalents at beginning of the financial year		(2,059)	(2,803)	392	22
Cash and cash equivalents at end of the financial year		(2,167)	(2,059)	115	392
Cash and cash equivalents at end of the financial year comprise:					
Cash and bank balances		749	957	115	392
Fixed deposits with a licensed bank		255	253	-	-
Bank overdrafts		(2,916)	(3,016)	-	-
		(1,912)	(1,806)	115	392
Less: Fixed deposit pledged with a licensed bank		(255)	(253)	-	-
		(2,167)	(2,059)	115	392

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 Garden South Tower, Mid Valley City, Lingkaran Syed Putra, 59200 Kuala Lumpur.

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

2. Basis of Preparation

(a) Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 2016 in Malaysia. These are Group's and Company's first financial statements prepared in accordance with MRFSs and MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards has been applied. Consequently, the Group and the Company has consistently applied the accounting policies used in the preparation of its opening MFRS statement of financial position as at 1 January 2017 and throughout the periods presented, as if these policies had always been in effect.

In the previous financial years, the financial statements of the Group and the Company were prepared in accordance with Financial Reporting Standards ("FRSs").

The transition to MFRSs does not have financial impact to the financial statements of the Group and of the Company.

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 9	Financial Instruments (IFRS 9 issued by IASB in July 2014)
MFRS 15	Revenue from Contracts with Customer
IC Interpretation 22	Foreign Currency Transaction and Advance Consideration
Amendments to MFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to MFRS 4	Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contract
Amendments to MFRS 15	Clarifications to MFRS 15
Amendments to MFRS 140	Transfers of Investment Property
Annual Improvement to MFRSs 2014 - 2016 Cycle	Amendments to MFRS 1 Amendment to MFRS 128

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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:

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

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the financial statements.

The accounting policies that relate to the recognition, classification, measurement and derecognition of financial instruments and impairment of financial assets are amended to comply with the provisions of this Standard, while the hedge accounting requirements under this Standard are not relevant to the Group and to the Company.

The Group and the Company applied MFRS 9 retrospectively, and have elected not to restate the comparative periods in the financial year of initial adoption as permitted under MFRS 9 transitional provision.

(a) Classification of financial assets and liabilities

MFRS 9 contains three principal classification categories for financial assets: measured at amortised cost ("AC"), fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") and replaces the existing MFRS 139 Financial Instruments: Recognition and Measurement categories of loans and receivables, held-to-maturity and available-for-sale. Classification under MFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flows characteristics.

(b) Impairment

MFRS 9 requires impairment assessments to be based on an Expected Credit Loss ("ECL") model, replacing the incurred loss model under MFRS 139. The Group and the Company require to record ECL on all of its debt instruments, loans and receivables, either on a 12-months or lifetime basis. The Group and the Company applied the simplified approach and record lifetime expected losses on all receivables. Based on readily information as at the date of this report, the Group and the Company do not expect any significant increase in impairment losses.

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Adoption of new and amended standards (Cont'd)

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

(c) Effects of changes in classification and measurement of financial assets on 1 January 2018.

	As at 31.12.2017 RM'000	Reclassification to MFRS 9 Amor tised costs RM'000
Group		
Financial assets		
Loans and receivables		
Trade receivables	2,306	2,306
Other receivables	286	286
Fixed deposits with a licensed bank	253	253
Cash and bank balances	957	957
	3,802	3,802
Company		
Financial assets		
Loans and receivables		
Trade receivables	2,152	2,152
Other receivables	96	96
Cash and bank balances	392	392
	2,640	2,640

(ii) MFRS 15 *Revenue from Contracts with Customers*

MFRS 15 establishes a five-step model that will apply to recognition of revenue arising from contracts with customers, and provide a more structured approach in measuring and recognising revenue. Revenue is recognised when a customer obtains control of a good or service, at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The adoption of MFRS 15 has no material financial impact other than the disclosures made in the financial statements.

There is no financial impact on the financial statement of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective

The Group and the Company have not applied the following new 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
MFRS 16	Leases	1 January 2019
IC Interpretation 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to MFRS 9	Prepayment Features with Negative Compensation	1 January 2019
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128	Long–term interest in Associates and Joint Ventures	1 January 2019
Annual Improvements to FRSs 2015 – 2017 Cycle:		
• Amendments to MFRS 3		1 January 2019
• Amendments to MFRS 11		1 January 2019
• Amendments to MFRS 112		1 January 2019
• Amendments to MFRS 123		1 January 2019
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 101	Definition of Material	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendment to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an investor and its Associate or Joint Venture	Deferred unti l further notice

Note:

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

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 except as mention below:

<u>MFRS 16 Leases (effective for annual period beginning on or after on 1 January 2019)</u>

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

2. Basis of Preparation (Cont'd)

(a) Statement of compliance (Cont'd)

Standards issued but not yet effective (Cont'd)

MFRS 16 Leases (effective for annual period beginning on or after on 1 January 2019) (Cont'd)

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.

(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) Going concern

During the financial year, the Group and the Company incurred a net loss of RM22,851,000 and RM6,977,000 (31.12.2017: RM3,801,000 and RM117,000, 1.1.2017: profit of RM10,334,000 and profit of RM2,000,000) respectively. As at 31 December 2018, the Group's total current liabilities exceeded its total current assets by RM3,749,000 (31.12.2017: RM13,041,000 and 1.1.2017: RM14,185,000).

The management continues to adopt going concern basis in preparing the financial statements in view of the 12-month cash flow forecast prepared by the management and Director's advances of RM2 million subsequent to the financial year end supporting the assertion that the Group and the Company will have sufficient resources to continue as a going concern for a period of at least 12 months from the reporting date.

(d) Significant accounting judgements, estimates and assumptions

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

Judgements

Operating lease commitments – Group as lessor

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

Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

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: (Cont'd)

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

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

<u>Valuation of investment properties</u>

The Group carries its investment properties at fair value, with changes in fair value being recognised in profit or loss. The investment properties of the Group are held to earn rental income or for capital appreciation or both. For the financial year ended 31 December 2018, 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.

<u>Determination of transaction prices</u>

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.

<u>Impairment of trade receivables</u>

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 9, 10 and 11 respectively.

2. Basis of Preparation (Cont'd)

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

Key sources of estimation uncertainty (Cont'd)

Employee share options

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

Income taxes

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

The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2017, the Group has tax payable and recoverable of RM19,000 and RM2,000 (2017: RM4,000 and RM9,000).

3. Significant Accounting Policies

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

(a) Basis of consolidation

(i) Subsidiary companies

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

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(i) Subsidiary companies (Cont'd)

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(k)(i) to the financial statements on impairment of non-financial assets.

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

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

(iii) Disposal of subsidiary companies

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

3. Significant Accounting Policies (Cont'd)

(a) Basis of consolidation (Cont'd)

(iv) Goodwill on consolidation

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

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

(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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

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

(iii) Depreciation

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

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

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

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

(c) Leases

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

<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.

3. Significant Accounting Policies (Cont'd)

(c) Leases (Cont'd)

(ii) Operating leases

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

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

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

<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.

(d) Investment properties

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

(d) Investment properties (Cont'd)

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

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

(e) Financial assets

Policy applicable from 1 January 2018

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.

3. Significant Accounting Policies (Cont'd)

(e) Financial assets (Cont'd)

Policy applicable before 1 January 2018

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

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

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

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

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

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

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

(f) Financial liabilities

Policy applicable from 1 January 2018

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.

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.

3. Significant Accounting Policies (Cont'd)

(f) Financial liabilities (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

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.

Policy applicable before 1 January 2018

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

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

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

(i) Other financial liabilities measured at amortised cost

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(f) Financial liabilities (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

(ii) Financial guarantee contracts

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

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

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

(g) Inventories

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

Inventories comprises consumable stock.

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.

(h) 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.

(i) Financial guarantee contract

Policy applicable from 1 January 2018

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

(i) Financial guarantee contract (Cont'd)

Policy applicable from 1 January 2018 (Cont'd)

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 cumulative amortisation.

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

(j) 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.

(k) Impairment of assets

(i) Non-financial assets

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

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

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

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

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (Cont'd)

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

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

Policy applicable from 1 January 2018

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, contract assets 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.

Policy applicable before 1 January 2018

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

Financial assets carried at amortised cost

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

3. Significant Accounting Policies (Cont'd)

(k) Impairment of assets (Cont'd)

(ii) Financial assets (Cont'd)

Policy applicable before 1 January 2018 (Cont'd)

Financial assets carried at amortised cost (Cont'd)

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

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

(l) 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.

(m) 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.

(n) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

(n) Employee benefits (Cont'd)

(i) Short term employee benefits (Cont'd)

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

(ii) Defined contribution plans

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

(iii) Share-based payment transactions

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

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

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

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

(o) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

3. Significant Accounting Policies (Cont'd)

(o) Revenue recognition (Cont'd)

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

(a) Sale of goods (Cont'd)

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.

(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.

(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.

(p) Borrowing costs

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

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

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

3. Significant Accounting Policies (Cont'd)

(q) 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.

(r) 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.

(s) Contingencies

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

4. Property, Plant and Equipment

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

4. Property, Plant and Equipment

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

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

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

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

(a) Assets held under finance leases

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

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Motor vehicles	289	416	771	289	400	665

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

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

(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 finance lease and cash payments are as follows:

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Aggregate costs	1,093	4	463	1
Less: Finance lease financing	(240)	-	(240)	-
Cash payments	853	4	223	1

5. Investment Properties

		Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
At 1 January	120,000	120,000	91,198
Additions	-	-	17,282
Fair value adjustment	(10,000)	-	11,520
At 31 December	110,000	120,000	120,000
Included in the above are:			
At fair value			
Leasehold land	30,630	30,630	30,630
Building	79,370	89,370	89,370
	110,000	120,000	120,000

(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 (2017: RM120 million). The independent professionally qualified valuers hold recognised relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. The fair value measurements of the investment properties are based on the highest and best use, which does not differ from their actual use. The Group renovated the investment properties and reopened for business at the end of the year 2016 but has not achieved its optimum occupancy rate until year 2017. In the previous financial year, the investment properties was valued using sales comparison approach, sales prices of comparable land and buildings in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square foot of comparable properties. The fair value are within level 2 of the fair value hierarchy. During the financial year, the Group had revised its valuation technique for the investment properties to investment approach. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement was reclassified to level 3.

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:

5. Investment Properties (Cont'd)

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

	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2018			
Investment properties	-	110,000	110,000
31.12.2017			
Investment properties	120,000	-	120,000
1.1.2017			
Investment properties	120,000	-	120,000

Fair value reconciliation of investment properties measured at Level 3:

	Investment properties RM'000
At 1 January 2018	-
Transfer from level 2	120,000
Change in fair value recognised in profit or loss	(10,000)
At 31 December 2018	110,000

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 31.12.2018	Inter-relation-ship
Commercial properties	Investment method	Estimated rental (RM/psf/month)	4/5	Higher the estimated rental, higher the fair value
		Void rate %	5	Higher the range of inputs, lower the fair value
		Discount rate %	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 (31.12.2017: RM120 million, 1.1.2017: RM 120 million) have been pledged to secured borrowing facilities granted to the Group.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

5. Investment Properties (Cont'd)

(c) Income and expenses recognised in profit or loss

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

		Group	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Rental income	3,204	400	131
Direct operating expenses:			
- Income generating investment properties	2,956	2,190	874

6. Investment in Subsidiary Companies

		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
In Malaysia:			
At cost			
Unquoted share	47,085	70,632	70,632
Quasi loans	18,500	38,051	38,051
	65,585	108,683	108,683
Less: Accumulated impairment loss	(13,322)	(56,420)	(56,420)
	52,263	52,263	52,263

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

Movements in the allowance for impairment loss are as follows:

		Company	
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
At 1 January	56,420	56,420	56,420
Disposal of subsidiary companies	(43,098)	-	-
At 31 December	13,322	56,420	56,420

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

6. Investment in Subsidiary Companies (Cont'd)

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

Name of company	Principal placeof business/ Country of incorporation	Effective equity interest 31.12.2018	31.12.2017	1.1.2017	Principal activities
		%	%	%	
Angkasa Lampiran Ceased Sdn. Bhd. *	Malaysia	-	100	100	Property development. operations in the previous financial years.
Consistent Harvest Sdn. Bhd.	Malaysia	100	100	100	Property management.
Jernih Makmur Sdn. Bhd. **	Malaysia	-	100	100	Logging and selling round end timber logs. Ceased operations in the previous financial years.
NAIMKBB Berhad ^	Malaysia	100	100	100	Striking off during the financial year.
Pegasus Heights Constructions Sdn. Bhd. (f.k.a Pegasus Heights Marketing Sdn. Bhd.)	Malaysia	100	100	100	Property development and investment holding.
Naim Indah Properties Sdn. Bhd.	Malaysia	100	100	100	Property management, leasing and renting property.
Naim Indah Marketing Sdn. Bhd. (f.k.a. Naim Indah Energy Sdn. Bhd.)	Malaysia	100	100	100	Renewable energy.
Pegasus Heights F&B Sdn. Bhd. (f.k.a. Naim Indah Creative & Communications Sdn. Bhd.)	Malaysia	100	100	100	Marketing project management consultancy.
Held through Angkasa Lampiran Sdn. Bhd.					
Bitarex Sdn. Bhd. *	Malaysia	-	51	51	Dormant.
Consistent Harvest Properties Sdn. Bhd. *	Malaysia	-	100	100	Leasing and renting property. Ceased operations in the previous financial years.
Ni-Corp Oil & Gas Technology Sdn. Bhd. *	Malaysia	-	100	100	Trading of building materials and rental of machinery. Ceased operations in the previous financial years.

6. Investment in Subsidiary Companies (Cont'd)

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

* *Disposed on 3 August 2018*
** *Disposed on 31 December 2018*
^ *Striking off completed on 30 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.

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.

6. Investment in Subsidiary Companies (Cont'd)

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

(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.

(c) Disposal of subsidiary companies

On 3 August 2018, Pegasus Heights Berhad ("PHB") disposed its 100% equity interest in Angkasa Lampiran Sdn. Bhd. ("ALSB") for total cash consideration of RM300 together with its subsidiary Biratex Sdn. Bhd. ("BSB"), Consistent Harvest Properties Sdn. Bhd. ("CHPSB") and Ni-Corp Oil & Gas Technology Sdn. Bhd. ("NOGT")

On 31 December 2018, PHB disposed its 100% equity interest in Jernih Makmur Sdn. Bhd. ("JMSB") for total cash consideration of RM300.

The effect of disposals of ALSB and JMSB on the financial position of the Group as at 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)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

6. Investment in Subsidiary Companies (Cont'd)

(c) Disposal of subsidiary companies (Cont'd)

	ALSB RM	JMSB RM	Held through ALSB BSB RM	Held through ALSB CHPSB RM	NOGT RM	Total RM
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.

7. Deferred Tax Asset/(Liabilities)

	Group and Company 2018 RM'000	Group and Company 2017 RM'000
Deferred Tax Assets		
At 1 January	-	250
Recognised in profit or loss(Note 23)	-	(250)
At 31 December	-	-
Deferred Tax Liabilities		
At 1 January	2,251	2,251
Recognised in profit or loss(Note 23)	(500)	-
Change in tax rate	1,751	-
At 31 December	3,502	2,251

7. Deferred Tax Asset/(Liabilities) (Cont'd)

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

		Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Deferred tax liabilities	(2,251)	(2,251)	(2,251)
Deferred tax assets	-	-	250

		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Deferred tax liabilities	-	-	-
Deferred tax assets	-	-	250

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

	Fair value of investment properties RM'000
Group	
Deferred tax liabilities	
At 1 January 2018	2,251
Recognised in profit or loss	(500)
Change in tax rate	1,751
At 31 December 2018	3,502
At 1 January 2017/31 December 2017	2,251

	Unutilised tax losses RM'000
Group and Company	
Deferred tax assets	
At 1 January 2018/31 December 2018	-
At 1 January 2017	250
Recognised in profit or loss	(250)
At 31 December 2017	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

7. Deferred Tax Asset/(Liabilities) (Cont'd)

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Unutilised tax losses	65,626	58,570	49,999	49,999
Unutilised capital allowances	227	102	-	-
	65,853	58,672	49,999	49,999

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.

8. Inventories

	Group		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Consumable stock	6	-	-
Recognised in profit or loss			
Inventories recognised as cost of sales	15	-	-

9. Trade Receivables

	Group 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000	Company 31.12.2018 RM'000	Company 31.12.2017 RM'000	Company 1.1.2017 RM'000
Trade receivables						
- Third parties	1,685	3,516	1,215	846	2,152	-
- Related parties	-	-	3,859	-	-	2,985
	1,685	3,516	5,074	846	2,152	2,985
Less: Accumulated impairment losses	(142)	(1,210)	(1,205)	-	-	-
At 31 December	1,543	2,306	3,869	846	2,152	2,985

Trade receivables are non-interest bearing and are generally on 7 to 90 days (2017: 7 to 90 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 31.12.2018 RM'000	Group 31.12.2017 RM'000	Group 1.1.2017 RM'000
At 1 January	1,210	1,205	1,215
Impairment losses written off	(1,209)	-	(10)
Impairment losses recognised	141	5	-
At 31 December	142	1,210	1,205

9. Trade Receivables (Cont'd)

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

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Neither past due nor impaired	247	531	3,864	-	382	2,985
Past due not impaired:						
Less than 30 days	315	123	-	-	120	-
31 to 60 days	85	122	-	-	120	-
61 to 90 days	31	120	4	-	120	-
91 to 120 days	6	1,302	1	-	1,302	-
More than 120 days	859	108	-	846	108	-
	1,296	1,775	5	846	1,770	-
	1,543	2,306	3,869	846	2,152	2,985
Impaired	142	1,210	1,205	-	-	-
	1,685	3,516	5,074	846	2,152	2,985

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

As at 31 December 2018, trade receivables of the Group and of the Company of RM1,296,000 and RM846,000 respectively (31.12.2017: RM1,775,000 and RM1,770,000 respectively, 1.1.2017: RM5,000 and Nil respectively) were past due but not impaired. These relate to a number of independent customers from whom there is no recent history of default.

The trade receivables of the Group that are individually assessed to be impaired amounting to RM142,000 (31.12.2017: RM1,210,000 and 1.1.2017: RM1,205,000) related to customers that are in financial difficulties and have defaulted on payments. These balances are expected to be recovered through the debt recovery process.

10. Other Receivables

	Group			Company		
	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Other receivables	279	167	304	216	-	-
Deposits	31	119	124	-	96	111
Prepayments	44	103	102	2	55	65
GST claimable	780	-	-	-	-	-
	1,134	389	530	218	151	176

11. Amount Due from/(to) Subsidiary Companies

	Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Amount due from subsidiary companies	58,902	33,842	28,099
Less: Accumulated impairment losses	(81)	(2,170)	(2,159)
	58,821	31,672	25,940
Amount due to subsidiary companies	(188)	(309)	(84)

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 subsidiary companies are as follows:

	Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
At 1 January	2,170	2,159	1,507
Impairment losses recognised	-	11	652
Impairment losses written off	(2,089)	-	-
At 31 December	81	2,170	2,159

The impairment losses written off was due to disposal of subsidiary companies as disclosed in Note 6.

12. Fixed Deposit with a Licensed Bank

The fixed deposit amounting to RM255,268 (31.12.2017: RM253,297, 1.1.2017: RM251,175) was pledged with a licensed bank as security for bank guarantee issued.

The effective interest rates of the fixed deposit ranging from 2.65% to 3.25% (31.12.2017: 2.65% to 3.25%, 1.1.2017: 2.65% to 3.25%) per annum and its maturity period ranging from 30 to 365 days (31.12.2017: 30 to 365 days, 1.1.2017: 30 to 365 days).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

13. Share Capital

Group and Company

	Number of shares		Amount	
	2018 '000	**2017 '000**	**2018 RM'000**	**2017 RM'000**
Ordinary shares with no par value				
Issued and fully paid				
At 1 January	876,460	863,460	89,789	86,346
Issuance of shares pursuant to:				
- private placements	403,614	-	12,706	-
- debt and creditor capitalisation	468,917		27,619	
- exercise of SIS options (Note 14(b))	-	13,000	-	1,300
Disposal of subsidiary				
Transition to no-par value regime on 31 January 2017 (Note 14 (a))	-	-	-	2,143
At 31 December	1,748,991	876,460	130,114	89,789

During the financial year, the Company issued:

(a) 403,613,500 new ordinary shares for a consideration of RM12,706,086 through private placement.

(b) 130,676,712 new ordinary shares for a consideration of RM7,696,858, satisfied by way of capitalisation of creditor.

(c) 338,241,690 new ordinary shares for a consideration of RM19,922,435, satisfied by way of debt capitalisation.

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

14. Reserves

		Group and Company		
		31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Non-distributable				
Share premium	(a)	-	-	1,891
SIS options reserve	(b)	3,739	273	1,389
		3,739	273	3,280

14. Reserves (Cont'd)

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

(a) Share premium

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

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

	Group and Company	
	2018	**2017**
	RM'000	**RM'000**
At 1 January	-	1,891
Issuance of share pursuant to:		
- exercise of SIS options	-	252
Transition to nor par-value regime on 31 January	-	(2,143)
At 31 December	-	-

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

(b) SIS options reserve

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

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

The main features of the SIS are as follows:

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

14. Reserves (Cont'd)

(b) SIS options reserve (Cont'd)

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

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

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

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

			Number of Options over Ordinary Shares			
Date of Offer	**Exercise Price**	**Remaining Contractual Life of Options Price**	**At 1.1.2018 '000**	**Granted '000**	**Lapsed '000**	**At 31.12.2018 '000**
18 August 2015	RM0.10	3 years	33,650	-	(23,500)	10,150
19 July 2018	RM0.02	3 years	-	238,000	(300)	237,700

The fair values of share options granted were estimated using a black scholes (2017: binomial model), taking into account the terms and conditions upon which the options were granted. The fair value of the share options measured at grant date and the assumptions used are as follows:

	19 July 2018	**18 August 2015**
Fair value of share options at the grant date (RM)	0.0149	0.0194
Weighted average ordinary share price (RM)	0.0241	0.08
Exercise price of share option (RM)	0.02	0.10
Expected volatility (%)	119	29.60
Expected life (years)	3	5
Risk free rate (%)	3.849	4.02

15. Borrowings

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Secured						
Term loans	10,902	17,588	18,075	-	5,246	4,930
Bank overdrafts	2,916	3,016	2,880	-	-	-
	13,818	20,604	20,955	-	5,246	4,930
Non-current						
Term loans	9,904	16,522	17,034	-	5,246	4,930
Current						
Term loans	998	1,066	1,041	-	-	-
Bank overdrafts	2,916	3,016	2,880	-	-	-
	3,914	4,082	3,921	-	-	-
	13,818	20,604	20,955	-	5,246	4,930

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

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

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

(c) Corporate guarantee by the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

15. Borrowings (Cont'd)

Effective interest rates of the borrowings are as follows:

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	%	**%**	**%**	**%**	**%**	**%**
Term loans	8.49	8.98	8.16	-	9.00	9.00
Bank overdrafts	8.97	8.97	7.72	-	-	-

16. Finance Lease Liabilities

	Group			Company		
	31.12.2018	**31.12.2017**	**1.1.2017**	**31.12.2018**	**31.12.2017**	**1.1.2017**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Minimum lease payments:						
Within one year	86	268	157	86	11	125
Later than one year and not later than five years	143	75	399	143	237	294
Later than five years	-	-	10	-	-	-
	229	343	566	229	248	419
Less: Future finance charges	(14)	(22)	(46)	(14)	(14)	(31)
Present value of minimum lease payments	215	321	520	215	234	388
Present value of minimum lease payments:						
Within one year	77	28	135	77	11	109
Later than one year and not later than five years	138	293	375	138	223	279
Later than five years	-	-	10	-	-	-
	215	321	520	215	234	388

The finance lease liabilities bear interest at rates ranging from 2.51% to 2.63% (31.12.2017: 2.41% to 2.63%, 1.1.2017: 4.57% to 4.97%) per annum.

17. Amount Due to a Former Director

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

18. Trade Payables

The normal trade credit terms of the Group ranged from 30 to 60 days (31.12.2017: 30 to 60 days, 1.1.2017: 30 to 60 days).

19. Other Payables

	Group			Company		
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**	**31.12.2018 RM'000**	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Other payables	1,637	10,856	11,998	231	94	195
Accruals	506	866	1,490	185	560	997
Deposits received	1,246	969	1,187	-	-	-
	3,389	12,691	14,675	416	654	1,192

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

20. Revenue

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Project management consultancy fee	150	7,340	150	7,230
Rental income from investment property	3,175	400	-	-
Trading	6,854	-	-	-
	10,179	7,740	150	7,230

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Timing of revenue recognition:				
At point in time	6,854	-	-	-
Over time	150	7,340	150	7,230
Total revenue from contracts with customers	7,004	7,740	150	7,230

21. Finance Costs

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Interest expenses on:				
Bank overdrafts	162	237	-	-
Term loans	972	1,358	-	323
Finance lease liabilities	7	20	7	16
	1,141	1,615	7	339

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

22. (Loss)/Profit Before Tax

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Auditors' remuneration				
- statutory audit:				
- current year	124	118	85	85
- under/(over) provision in prior year	9	(1)	-	-
- non-statutory audit	5	5	5	5
Bad debt written off	7	-	-	-
Deposits paid written off	70	-	70	-
Depreciation of property, plant and equipment	184	539	125	483
Directors' remuneration	3,851	2,262	3,851	2,262
Deposits received written off	(50)	(279)	-	-
Fair value loss on investment properties	10,000	-	-	-
Gain/(Loss) on disposal of:				
- subsidiary company	-	-	(1)	-
- property, plant and equipment	42	(63)	44	(45)
Impairment loss on amount due from subsidiary companies	-	-	-	11
Impairment loss on trade receivables	141	5	-	-
Interest income	(10)	(7)	(3)	-
Rental expenses:				
- office	130	254	130	254
- premises	15	110	15	110
- equipment	3	7	-	-
- car park	7	24	7	24
Reversal of impairment loss on:				
- trade receivables	(1,068)	-	-	-
- amount due from subsidiary companies			(3)	
Staff costs:				
- share options expenses	3,585	177	3,585	177
- others	419	1,555	277	1,104
Written off other receivables	30	-	30	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

23. Taxation

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Tax expenses recognised in profit or loss:				
Current tax provision	21	4	-	-
(Over)/Under provision in prior years	-	(4)	-	-
	21	-	-	-
Deferred tax:(Note 7)				
Origination and reversal of temporary difference	1,259	250	-	250
Tax expenses for the financial year	1,280	250	-	250

Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated assessable profits for the financial year. Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
(Loss)/Profit before tax	(21,571)	(3,551)	(6,977)	133
At Malaysian statutory tax rate of 24% (2017: 24%)	(5,177)	(852)	(1,674)	32
Expenses not deductible for tax purposes	3,505	1,691	91	156
Income not subject to tax	(27)	(101)		(28)
Utilisation of previously utilised tax losses	(3)	250	-	250
Effect of differential in tax rates on fair value adjustment on investment property	1,751	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	(734)	1,583	(160)
Deferred tax assets not recognised	1,723	-	-	-
(Over)/Under provision of taxation in prior years	8	(4)	-	-
Reversal of deferred tax liabilities	(500)	-	-	-
Tax expenses for the financial year	1,280	250	-	250

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

24. (Loss)/Earnings Per Share

(a) Basic (loss)/earnings per share

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

	Group 2018 RM'000	2017 RM'000
Loss attributable to owners of the parent(RM'000)	(22,851)	(3,798)
Weighted average number of ordinary shares at 1 January (RM'000)	869,194	869,194
Effect of ordinary shares issued during the financial year (RM'000)	720,992	-
Weighted average number of ordinary shares in issue(unit)('000)	1,590,186	869,194
Basic(loss)/earnings per ordinary shares(in sen)	(1.44)	(0.44)

(b) Diluted (loss)/earnings per share

	Group 2018 RM'000	2017 RM'000
Loss attributable to owners of the parent(RM'000)	(22,851)	(3,798)
Weighted average number of ordinary shares in issue (unit) ('000) at 1 January (RM'000)	869,194	869,194
Effect of ordinary shares issued during the financial year (RM'000)	720,992	
Effect of share issuance sheme granted during the financial year (RM'000)	80,999	-
Weighted average number of ordinary shares in issue(unit)('000)	1,671,185	869,194
Basic loss per ordinary shares(in sen)	(1.37)	(0.44)

25. Reconciliation of liabilities arising from financing activities

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

	At 1 January 2018 RM'000	Financing cash flows (i) RM'000	Non-cash changes (ii) RM'000	At 31 December 2018 RM'000
Group				
Bank overdraft	3,016	(100)	-	2,916
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)	-
	37,106	(3,389)	(19,684)	14,033

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

25. Reconciliation of liabilities arising from financing activities (Cont'd)

	At 1 January 2018 RM'000	Financing cash flows (i) RM'000	Non-cash changes (ii) RM'000	At 31 December 2018 RM'000
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 16) and debt capitalisation exercise (Note 13).

26. Related Party Disclosures

(a) Identifying related parties

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

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

(b) Significant related party transactions

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

	Group		Company	
	2018 RM'000	2017 RM'000	2018 RM'000	2017 RM'000
Project management consultancy fee from a company related to a Director*	-	7,330	-	7,230
Loan from a financial institution related to a Director*	-	4,940	-	4,940

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

26. Related Party Disclosures (Cont'd)

(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.

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

	Group		Company	
	2018 RM'000	**2017 RM'000**	**2018 RM'000**	**2017 RM'000**
Directors				
Executive Directors				
Short-term employee benefits:				
- fees	-	177	-	177
- salaries, bonuses and other benefits	1,072	1,825	1,072	1,825
	1,072	2,002	1,072	2,002
Share options expenses	2,682	106	2,682	106
Benefit-in-kind	10	-	10	-
	3,764	2,108	3,764	2,108
Non-executive Directors				
Short-term employee benefits:				
- fees	58	113	58	113
- salaries and other benefits	24	7	24	7
	82	120	82	120
- Share options expenses	5	34	5	34
	87	154	87	154
Total Directors' remunerations (Note 22)	3,851	2,262	3,851	2,262

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

27. Segment Information

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

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

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

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

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

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

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

27. Segment Information (Cont'd)

(a) Business segment

	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
Group							
2018							
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 after 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 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 2018(Cont'd)

27. Segment Information (Cont'd)

(a) Business segment (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
Group (Cont'd)							
2018 (Cont'd)							
Other non-cash items							
Bad debt written off	-	7	-	-	7	-	7
Deposits received written off	-	(34)	(16)	-	(50)	-	(50)
Deposits paid written off	-	-	70	-	70	-	70
Fair value loss on investment properties	-	10,000	-	-	10,000	-	10,000
Gain on disposal of property, plant 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

27. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group 2017	**Project Management Consultancy RM'000**	**Investment Property RM'000**	**Investment Holding and Others RM'000**	**Total RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Revenue						
External customers	7,340	400	-	7,740	-	7,740
Inter-segment sales	10	-	-	10	(10)	-
Total revenue	7,350	400	-	7,750	(10)	7,740
Results						
Interest income	-	7	-	7	-	7
Finance costs	-	(1,276)	(339)	(1,615)	-	(1,615)
Depreciation	(483)	(56)	-	(539)	-	(539)
Other non-cash items	40	297	(177)	160	-	160
Segment results	5,800	(2,391)	(4,984)	(1,575)	11	(1,564)
Profit/(Loss) before tax	5,357	(3,419)	(5,500)	(3,562)	11	(3,551)
Taxation	-	(250)	-	(250)	-	(250)
Profit/(Loss) after tax	5,357	(3,669)	(5,500)	(3,812)	11	(3,801)
Segment assets	87,548	121,360	1,090	209,998	(85,113)	124,885
Included in the measurement of segment assets are capital expenditure	1	4	-	5	-	5
Segment liabilities	12,612	72,073	2,538	87,223	(35,021)	52,202

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

27. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Group (Cont'd) 2017 (Cont'd)	**Project Management Consultancy RM'000**	**Investment Property RM'000**	**Investment Holding and Others RM'000**	**Total RM'000**	**Eliminations RM'000**	**Consolidated RM'000**
Other non-cash items						
Deposit written off	-	279	-	279	-	279
Gain on disposal of property, plan and equipment	45	18	-	63	-	63
Impairment loss on trade receivables	(5)	-	-	(5)	-	(5)
Share option expenses	-	-	(177)	(177)	-	(177)
	40	297	(177)	160	-	160

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

27. Segment Information (Cont'd)

(a) Business segment (Cont'd)

Major Customers

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

	Revenue 2018 RM'000	Revenue 2017 RM'000	Segment
Customer 1	150	5,400	Project management consultancy
Customer 2	-	1,830	Project management consultancy
Customer 3	3,028	-	Trading
Customer 4	1,117	-	Trading
Customer 5	1,102	-	Trading
	5,397	7,230	

28. Financial Instruments

(a) Classification of financial instruments

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

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

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
31.12.2018			
Financial Assets			
Trade receivables	1,543	-	1,543
Other receivables	310	-	310
Fixed deposit with a licensed bank	255	-	255
Cash and bank balances	749	-	749
	2,857	-	2,857

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Group			
31.12.2018			
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
31.12.2017			
Financial Assets			
Trade receivables	2,306	-	2,306
Other receivables	286	-	286
Fixed deposit with a licensed bank	253	-	253
Cash and bank balances	957	-	957
	3,802	-	3,802
Financial Liabilities			
Trade payables	-	150	150
Other payables	-	12,691	12,691
Amount due to a former Director	-	16,181	16,181
Term loans	-	17,588	17,588
Finance lease liabilities	-	321	321
Bank overdraft	-	3,016	3,016
	-	49,947	49,947
1.1.2017			
Financial Assets			
Trade receivables	3,869	-	3,869
Other receivables	428	-	428
Fixed deposit with a licensed bank	251	-	251
Cash and bank balances	77	-	77
	4,625	-	4,625
Financial Liabilities			
Term loans	-	18,075	18,075
Finance lease liabilities	-	520	520
Bank overdraft	-	2,880	2,880
Amount owing to a former Director	-	13,018	13,018
Trade payables	-	137	137
Other payables	-	14,675	14,675
	-	49,305	49,305

28. Financial Instruments (Cont'd)

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

	Financial assets at amortised cost RM'000	Financial liabilities at amortised cost RM'000	Total RM'000
Company			
31.12.2018			
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

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
31.12.2017			
Financial Assets			
Trade receivables	2,152	-	2,152
Other receivables	96	-	96
Amount due from subsidiary companies	31,672	-	31,672
Cash and bank balances	392	-	392
	34,312	-	34,312
Financial Liabilities			
Other payables	-	654	654
Amount due to a Director	-	6,170	6,170
Amount due to subsidiary companies	-	309	309
Term loans	-	5,246	5,246
Finance lease liabilities	-	234	234
	-	12,613	12,613

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

	Loans and receivables RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
1.1.2017			
Financial Assets			
Trade receivables	2,985	-	2,985
Other receivables	111	-	111
Amount owing by subsidiary companies	25,940	-	25,940
Cash and bank balances	22	-	22
	29,058	-	29,058
Financial Liabilities			
Term loans	-	4,930	4,930
Finance lease liabilities	-	388	388
Amount owing to a Director	-	2,948	2,948
Other payables	-	1,192	1,192
Amount owing by subsidiary companies	-	84	84
	-	9,542	9,542

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

(i) Credit risk (Cont'd)

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.

Financial guarantee

The Company provides financial guarantee to financial institutions for credit facilities granted to certain subsidiary companies. The Company's maximum exposure in this respect is RM 13,818,000 (2017: RM15,358,000), 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 (2017: 2) 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay.

	On demand or within 1 year RM'000	1 - 5 years RM'000	After 5 years RM'000	Total contractual cash flows RM'000	Total carrying amount RM'000
Group					
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
31.12.2017					
Non-derivative financial liabilities					
Trade payables	150	-	-	150	150
Other payables	12,691	-	-	12,691	12,691
Amount due to a former Director	-	16,181	-	16,181	16,181
Term loans	2,091	7,854	7,826	17,771	17,588
Finance lease liabilities	268	75	-	343	321
Bank overdraft	3,016	-	-	3,016	3,016
	18,216	24,110	7,826	50,152	49,947
1.1.2017					
Non-derivative financial liabilities					
Term loans	1,964	13,238	7,572	22,774	18,075
Finance lease liabilities	157	399	10	566	520
Bank overdraft	2,880	-	-	2,880	2,880
Amount owing to a former Director	-	13,018	-	13,018	13,018
Trade payables	137	-	-	137	137
Other payables	14,675	-	-	14,675	14,675
	19,813	26,655	7,582	54,050	49,305

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

	On demand or within 1 year RM'000	**1 - 5 years RM'000**	**Total contractual cash flows RM'000**	**Total carrying amount RM'000**
Company				
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	-
	13,904	143	14,047	215
31.12.2017				
Non-derivative financial liabilities				
Other payables	654	-	654	654
Amount due to a former Director	-	6,170	6,170	6,170
Amount due to subsidiary companies	309	-	309	309
Term loans	-	5,717	5,717	5,246
Finance lease liabilities	11	237	248	234
Financial guarantee liabilities*	15,358	-	15,358	-
	16,332	12,124	28,456	12,613
1.1.2017				
Non-derivative financial liabilities				
Term loans	-	5,384	5,384	4,930
Finance lease liabilities	125	294	419	388
Amount owing to a former Director	-	2,948	2,948	2,948
Other payables	1,192	-	1,192	1,192
Amount owing to subsidiary companies	84	-	84	84
Financial guarantee liabilities*	16,025	-	16,025	-
	17,426	8,626	26,052	9,542

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

The Company provides unsecured financial guarantee to banks in respect of credit facilities granted to certain subsidiary companies and monitors on an ongoing basis the performance of the subsidiary companies. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

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

(ii) Liquidity risk (Cont'd)

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 RM14 million as at 31 December 2018 (31.12.2017: RM15 million, 1.1.2017: RM16 million). The earliest period any of the financial guarantees can be called upon by the financial institutions is within the next 12 months. At end of the financial year, there was no indication that the subsidiary companies would default on repayment.

Financial guarantees have not been recognised since the fair value on initial recognition was deemed not material and the probability of the subsidiary companies defaulting on their credit facilities is remote.

(iii) Market risks

(a) Interest rate risk

The Group's fixed rate deposits placed with licensed banks and borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages the interest rate risk of its deposits with licensed banks by placing them at the most competitive interest rates obtainable, which yield better returns than cash at bank and maintaining a prudent mix of short and long-term deposits.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's and of the Company's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Group			
Fixed rate instruments			
Financial assets	255	253	251
Financial liabilities	(215)	(321)	(520)
	40	(68)	(269)
Floating rate instruments			
Financial liabilities	(13,818)	(20,604)	(20,955)

28. Financial Instruments (Cont'd)

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

(iii) Market risks (Cont'd)

(a) Interest rate risk (Cont'd)

	31.12.2018 RM'000	31.12.2017 RM'000	1.1.2017 RM'000
Company			
Fixed rate instruments			
Financial liabilities	(215)	(234)	(388)
Floating rate instruments			
Financial liabilities	-	(5,246)	(4,930)

Interest rate risk sensitivity analysis

<u>Fair value sensitivity analysis for fixed rate instruments</u>

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.

<u>Cash flow sensitivity analysis for floating rate instruments</u>

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 RM138,180 and Nil (31.12.2017: RM206,040 and RM52,460, 1.1.2017: RM209,550 and RM49,300) respectively, arising mainly as a result of lower interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of short-term receivables and payables, cash and cash equivalents and short-term borrowings approximate their fair value due to the relatively short-term nature of these financial instruments and insignificant impact of discounting.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

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

2018	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carryin amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
31.12.2018										
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 liability										
Finance lease liabilities	-	-	-	-	-	213	-	213	213	215
31.12.2017										
Group										
Financial liabilities										
Term loans	-	-	-	-	-	17,628	-	17,628	17,628	17,588
Finance lease liabilities	-	-	-	-	-	332	-	332	332	321
Amount owing to a former director	-	-	-	-	-	16,181	-	16,181	16,181	16,181
	-	-	-	-	-	34,141	-	34,141	34,141	34,090
Company										
Financial liabilities										
Term loans	-	-	-	-	-	5,246	-	5,246	5,246	5,246
Finance lease liabilities	-	-	-	-	-	241	-	241	241	234
Amount owing to a former director	-	-	-	-	-	6,170	-	6,170	6,170	6,170
	-	-	-	-	-	11,657	-	11,657	11,657	11,650

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

2017	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value	Carryin amount
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000	RM'000	RM'000
1.1.2017										
Group										
Financial liabilities										
Term loans	-	-	-	-	-	18,108	-	18,108	18,108	18,075
Finance lease liabilities	-	-	-	-	-	512	-	512	512	520
Amount owing to a former director	-	-	-	-	-	13,018	-	13,018	13,018	13,018
	-	-	-	-	-	31,638	-	31,638	31,638	31,613
Company										
Financial liabilities										
Term loans	-	-	-	-	-	4,930	-	4,930	4,930	4,930
Finance lease liabilities	-	-	-	-	-	404	-	404	404	388
Amount owing to a former director	-	-	-	-	-	2,948	-	2,948	2,948	2,948
	-	-	-	-	-	8,282	-	8,282	8,282	8,266

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

28. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

The fair value of an asset to be transferred between levels is determined as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments
Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

29. Operating leases

The future minimum lease payments payable under non-cancellable operating leases are:

		Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Not later than one year	-	952	1,251

30. Financial Guarantee

		Company	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Unsecured			
Performance guarantee extended by subsidiary companies to third parties	60	60	60
Corporate guarantees given to licensed banks for banking facilities granted to a subsidiary company	13,818	15,359	16,025

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

31. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants. The gearing ratios at end of the reporting period are as follows:

		Group	
	31.12.2018 RM'000	**31.12.2017 RM'000**	**1.1.2017 RM'000**
Total loans and borrowings	14,033	20,925	21,475
Less: Deposits, bank and cash balances	(1,004)	(1,210)	(328)
Net debts	13,029	19,715	21,147
Total equity	93,751	72,683	75,007
Gearing ratio	14%	27%	28%

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

32. Significant and Subsequent Events

The following significant and subsequent events took place for the Company and its subsidiary companies during and subsequent to the financial year:

(a) On 9 November 2017, the company announced the proposal to undertake debt restructuring exercises and submitted the plan to Bursa Malaysia Securities Berhad ("Bursa") on 13 November 2017.

On 8 January 2018, Bursa approved the above plan subject to inter alia, the following conditions:

(i) The Company or its advisor must fully comply with the relevant provisions under the Main Market Listing Requirements pertaining to the implementation of the debt restructuring exercises;

(ii) The Company and the advisor to inform Bursa upon completion of the debt restructuring exercises;

(iii) The Company and the advisor to furnish Bursa with a certificate true copy of the resolutions passed by the shareholders approving the debt restructuring exercises; and

(iv) The Company and TA Securities to furnish Bursa with a written confirmation of its compliance with the terms and conditions of Bursa's approval once the debt restructuring exercises completed.

On 27 January 2018, the debt restructuring exercises were approved by the shareholders at the Extraordinary General Meeting.

On 30 January 2018, the Company completed the creditor capitalisation and debt capitalisation via issuance of 468,918,402 units of ordinary shares of RM27,619,294.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018(Cont'd)

32. 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) On 9 November 2017, the company announced the proposal to undertake debt restructuring exercises and submitted the plan to Bursa Malaysia Securities Berhad ("Bursa") on 13 November 2017. (Cont'd)

On 31 March 2018, the Company raised RM10,210,086 by issuance of 283,613,500 units shares through private placement.

On 3 July 2018, the Company raised RM2,496,000 by issuance of 120,000,000 units shares through private placement.

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

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

(i) Pegasus and Mercury Securities must fully comply with the relevant provisions under the Listing Requirements pertaining to the implementation of the Proposed Rights Issue;

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

(iii) Pegasus 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) Pegasus 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.

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.

33. 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 23 April 2019.

LIST OF PROPERTY
AS AT 31 DECEMBER 2018

Location of properties	Description/ Existing use	Land Area	Tenure (expiry of lease)	Approximate Age of Property	Date of Revaluation	Date of Acquisition	Net Book 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 75 years)	23 years	28.12.2018	25.08.2003	110,000

ANALYSIS OF SHAREHOLDINGS
AS AT 25 MARCH 2019

SHARE CAPITAL

Total Number of Issued Shares	:	1,798,991,866
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share held

DISTRIBUTION OF SHAREHOLDINGS AS AT 25 MARCH 2019#

Size of Holding	No. of shareholders	% of shareholders	No. of Shares	% of shares
1 – 99	384	3.13	16,808	0.00
100 - 1,000	1,780	14.52	1,464,319	0.08
1,001 - 10,000	4,591	37.46	23,540,834	1.31
10,001 - 100,000	3,900	31.82	172,768,662	9.60
100,001 – 89,949,592 *	1,600	13.05	1,308,462,664	72.74
89,949,593 AND ABOVE **	2	0.02	292,738,579	16.27
Total	**12,257**	**100.00**	**1,798,991,866**	**100.00**

Remark:

* - Less than 5% of Issued Shares

** - 5% and above of Issued Shares

Pursuant to the Bursa Malaysia Depository Disclosure framework, reports on the list of shareholders and transactions are based on the settlement cycle of 3 trading days after the transaction date. Hence, the distribution of shareholdings which made up to 25 March 2019 was not included the transaction made on 21 March 2019.

SUBSTANTIAL SHAREHOLDERS

The substantial shareholders (holding 5% or more of the issued capital) based on the Register of Substantial Shareholders of the Company and their shareholdings are as follows: -

No.	Name of Substantial Shareholder	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Sri Lee See Yang	159,054,633	8.84	10,000,000*	0.56
2	Toh Hong Chye	163,683,946	9.10	-	-

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

DIRECTORS' SHAREHOLDINGS

The Directors' Shareholdings based on the Register of Directors' Shareholdings of the Company are as follows: -

No.	Name of Director	No. of Shares held Direct	%	No. of Shares held Indirect	%
1	Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	9,434,000	0.52	-	-
2	Dato' Sri Lee See Yang	159,054,633	8.84	10,000,000*	0.56
3	Toh Hong Chye	163,683,946	9.10	-	-
4	Andrew Ho Tho Kong	-	-	-	-
5	Alice Lim Hui Chee	-	-	-	-

* *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 25 MARCH 2019

LIST OF TOP 30 LARGEST SECURITIES ACCOUNTS HOLDERS
(ACCORDING TO THE REGISTER OF DEPOSITORS AS AT 25 MARCH 2019)

No.	Name of Shareholders	No. of Shares	%
1	DATO' SRI LEE SEE YANG	159,054,633	8.8413
2	RHB NOMINEES (TEMPATAN) SDN BHD TOH HONG CHYE	133,683,946	7.4310
3	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD TAN CHIN HOONG	85,000,000	4.7249
4	MOHD NAZIFUDDIN BIN MOHD NAJIB	30,000,000	1.6676
5	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR SATVINDER SINGH (MARGIN)	27,000,000	1.5008
6	LIM SIEW BOEY	24,500,000	1.3619
7	ONG CHIEW KEE	23,661,200	1.3152
8	STEADY INFLUX SDN BHD	22,767,200	1.2656
9	EAKONMECH SDN BHD	20,955,623	1.1649
10	TA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HON TIAN KOK @ WILLIAM	15,000,000	0.8338
11	CIMSEC NOMINEES (ASING) SDN BHD PLEDGED SECURITIES ACCOUNT FOR NG KING KWEE (JLN DEDAP-CL)	14,000,000	0.7782
12	JF APEX NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR RAJINDER KAUR A/P PIARA SINGH (MARGIN)	13,828,100	0.7687
13	CHUNG KIN CHUAN	13,000,000	0.7226
14	WU HON PUN	12,999,000	0.7226
15	YONG SIEW GEOK	11,000,000	0.6115
16	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIAW TZE SHUNG @ RICHARD (E-KKU)	10,610,000	0.5898
17	CHERN WAN YEE	10,000,000	0.5559
18	DATIN SRI FONG POH CHEE	10,000,000	0.5559
19	LEE HONG POH	10,000,000	0.5559
20	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LOW KENG SIONG	10,000,000	0.5559
21	TAN CHIN YEE	10,000,000	0.5559
22	TAN KIM MOOI	10,000,000	0.5559
23	YONG GEN WEN	10,000,000	0.5559
24	THOR POH KEOW	9,897,400	0.5502
25	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR HUD BIN ABU BAKAR	9,434,000	0.5244
26	MIDF AMANAH INVESTMENT NOMINEES (TEMPATAN) SDNBHD PLEDGED SECURITIES ACCOUNT FOR ABDEL AZIZ @ ABDUL AZIZ BIN ABU BAKAR (MGN-AAA0019M)	9,434,000	0.5244
27	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAI HON WAI (8072204)	9,100,000	0.5058
28	LIM SIAO GIA (LIN XIAOJIA)	7,000,000	0.3891
29	QUAH CHOO CHUNN	7,000,000	0.3891
30	NG HONG MING	6,135,000	0.3410

NOTICE OF FORTY-FOURTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Fourth (44th) Annual General Meeting ("**AGM**") of Pegasus Heights Berhad ("the Company") will be held at Level 8, Auditorium, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 1 June 2019 at 12.00 p.m. or at any adjournment thereof for the following purposes:-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2018 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 2 June 2019 until the conclusion of the next AGM of the Company. — ***Ordinary Resolution 1***

3. To re-elect Mr. Toh Hong Chye who is retiring by rotation pursuant to Clause 105 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. Mr. Andrew Ho Tho Kong — ***Ordinary Resolution 3***
   ii. Ms. Alice Lim Hui Chee — ***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. **AUTHORITY TO ALLOT SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016** — ***Ordinary Resolution 6***

   "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("the Act") and subject to the approvals of the relevant governmental/ regulatory authorities, the Directors be and are hereby empowered to issue shares in the capital of the Company from time to time and upon such terms and conditions and for such purposes as the Directors, may in their absolute discretion deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being and that the Directors be and are hereby also empowered to obtain approval from the Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing and quotation of the additional shares so issued and that such authority shall continue to be in force until the conclusion of the next AGM of the Company."

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

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

"THAT subject to the provisions of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements"), approval be and is hereby given for the Proposed Renewal of Existing Shareholder Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature for 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 to Shareholders dated 30 April 2019 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.

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 Shareholders' Mandate."

BY ORDER OF THE BOARD,

Tan Tong Lang (MAICSA 7045482)
Thien Lee Mee (LS0009760)
Company Secretaries

Kuala Lumpur
Dated: 30 April 2019

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

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. Ordinary Resolution 6 - Authority to Allot Shares Pursuant to Sections 75 and 76 of the Companies Act, 2016

The proposed Ordinary Resolution no. 6, if passed, will empower the Directors of the Company to issue and allot new shares at any time to such persons, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

This is the renewal of the mandate obtained from the members at the last Annual General Meeting ("the previous mandate"). The previous mandate was not utilized and accordingly no proceed was raised.

The purpose of this general mandate is for possible fund raising exercises including but not limited to further placement of shares for purpose of funding current and/or future investment projects, working capital, repayment of borrowings and/or acquisitions.

3. Ordinary Resolution 7 - Proposed Renewal 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 Shareholders Mandate are set out in the Circular to Shareholders dated 30 April 2019 of the Company which is dispatched together with the Company's 2018 Annual Report.

Notes:

(1) A member entitled to attend and vote at the meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

(2) The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.

(3) A member may appoint not more than two (2) proxies to attend the meeting. Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.

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

(4) Where a member is an authorised nominee as defined under the Securities Industry (Central Depositories) Act, 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each Securities Account it holds with ordinary shares of the Company standing to the credit of the said Securities Account.

(5) Where a member of the Company is an exempt authorised nominee as defined under the SICDA which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds.

(6) The instrument appointing a proxy must be deposited at the Company's Share Registrar, Boardroom Share Registrars Sdn Bhd (Formerly known as Symphony Share Registrars Sdn Bhd) of Level 6, Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 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 24 May 2019 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.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

(Pursuant to Paragraph 8.27(2) of Main Market Listing Requirements of Bursa Malaysia Securities Berhad)

There is no Director standing for election other than the retiring Directors who are seeking appointment as Directors at the 44th AGM.

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PEGASUS HEIGHTS BERHAD

PEGASUS HEIGHTS BERHAD

(Company No. 19727-P)
(Incorporated in Malaysia)

PROXY FORM

CDS account No.	No. of shares held

I/We .... I.C./Passport/Company No. ....

of ....

being a member/members of PEGASUS HEIGHTS BERHAD hereby appoint ....

……………………………………………………………I.C./Passport/Company No. ....of

....

………............…..of failing

him/her, ………………………………………………………………………………………………….......................……I.C./Passport/Company No.

....of...

……………………………………………………………….. or* the CHAIRMAN

OF THE MEETING* as *my/our Proxy(ies) to vote for *me/us and act on *my/our behalf at the Annual General Meeting of the Company to be held at Level 8, Auditorium, Menara Prudential, No. 10, Jalan Sultan Ismail, 50250 Kuala Lumpur on Saturday, 1 June 2019 at 12.00 p.m. or at any adjournment thereof.

*My/our Proxy(ies) is(are) to vote as indicated below:-

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 2 June 2019 until the conclusion of the next AGM of the Company.		
2	To re-elect Mr. Toh Hong Chye as Director		
3	To re-elect Mr. Andrew Ho Tho Kong as Director		
4	To re-elect Ms. Alice Lim Hui Chee as Director		
5	To appoint Messrs. UHY as Auditors of the Company.		
6	**As Special Business:-** Authority to allot shares pursuant to Sections 75 and 76 of the Companies Act, 2016		
7	Proposed Renewal Shareholders' Mandate		

** Strike out whichever not applicable.*

[Please indicate with (X) in the space provided how you wish your vote to be casted. If no specific direction as to voting is given, the Proxy will vote or abstain at his(her) discretion.]

Dated this ___________ day of _______________2019

Name of Proxy	Proportion of Shares Held
1.	
2.	
Total Number of Shares Held	

____
(Signature(s)/Common Seal of Shareholder)

NOTES:

(1) A member entitled to attend and vote at the meeting is entitled to appoint proxy(ies) (or in case of a corporation, a duly authorised representative) to attend and vote in his stead. A proxy may but need not be a member of the Company.

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Fold this flap for sealing

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AFFIX
STAMP

THE SHARE REGISTRAR
PEGASUS HEIGHTS BERHAD
Boardroom Share Registrars Sdn Bhd
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House, Pusat Dagangan Dana 1
Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan

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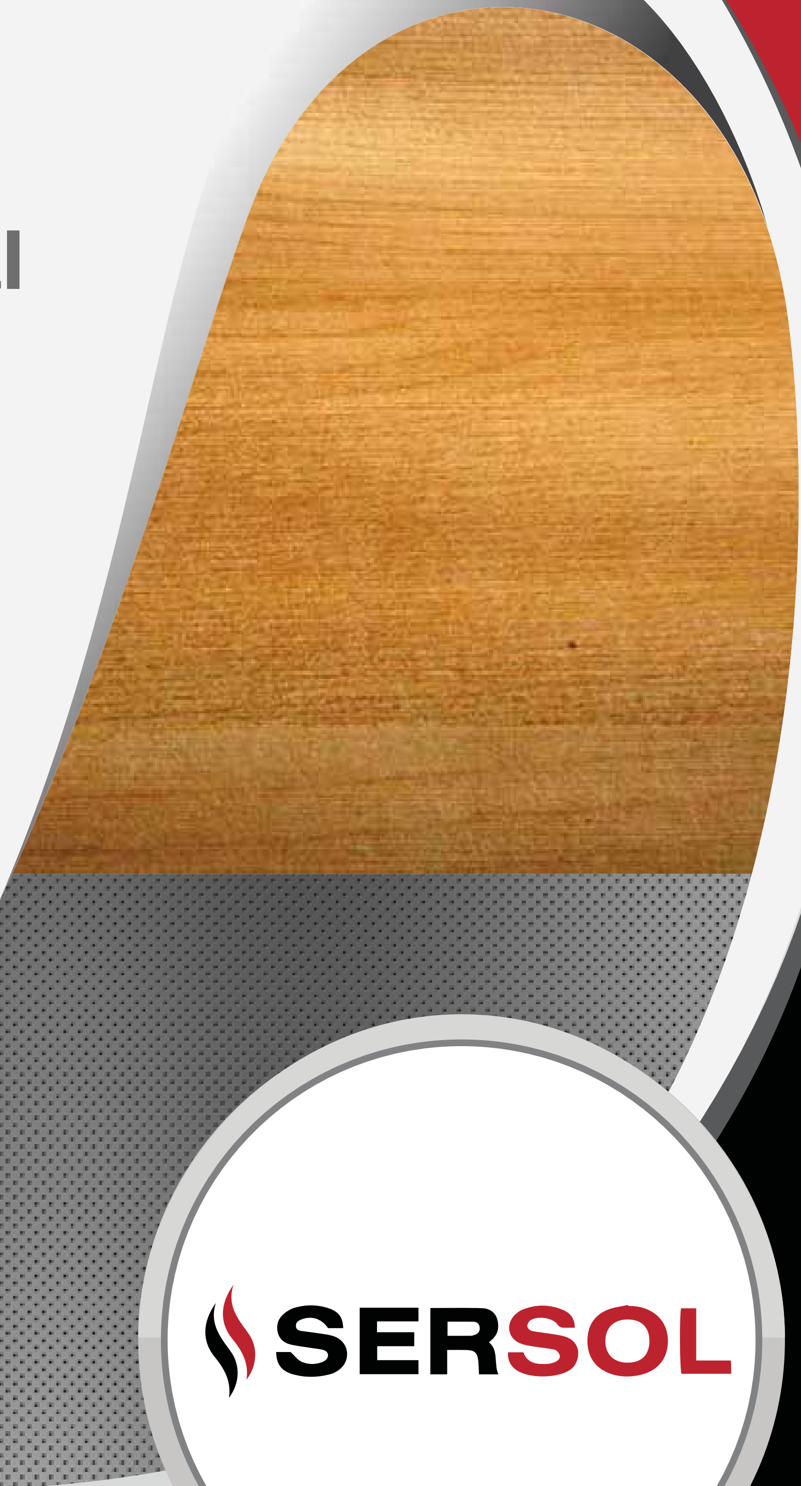

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