

THIS CIRCULAR/STATEMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in doubt as to the course of action to be taken, you should consult your stockbroker, bank manager, solicitor, accountant or other professional advisers immediately.

Bursa Malaysia Securities Berhad ("**Bursa Securities**") did not peruse the contents of Part B of this Circular/Statement pertaining to the Proposed Share Buy-Back (as defined herein) as it is an exempt document pursuant to Practice Note 18 of the Main Market Listing Requirements of Bursa Securities. Bursa Securities takes no responsibility for the contents of this Circular/Statement, makes no representation as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Circular/Statement.



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

PART A

CIRCULAR TO SHAREHOLDERS IN RELATION TO THE:-

- I. PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF PEGASUS HEIGHTS BERHAD ("PHB" OR THE "COMPANY") PURSUANT TO SECTION 116 OF THE COMPANIES ACT 2016 ("PROPOSED CAPITAL REDUCTION"); AND**
- II. PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS ACTIVITIES OF PHB AND ITS SUBSIDIARIES TO INCLUDE THE MONEYLENDING BUSINESS ("PROPOSED DIVERSIFICATION")**

PART B

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED SHARE BUY-BACK")

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Adviser for Part A

UOB Kay Hian

UOB KAY HIAN SECURITIES (M) SDN BHD

Registration No. 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The notice of extraordinary general meeting of PHB ("**EGM**"), which will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m. or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof, and the Proxy Form are enclosed herein.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the Proxy Form must be lodged with the Share Registrar of the Company, GAP Advisory Sdn Bhd at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM or at any adjournment thereof. Alternatively, individual shareholders may choose to submit an electronic Proxy Form using the RPV facilities at <https://agm.digerati.com.my/Pegasus-online> or e-mail to support@digerati.com.my, no later than Wednesday, 28 June 2023 at 11.30 a.m or at any adjournment of the virtual meeting. The lodging of the Proxy Form shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Proxy Form : Wednesday, 28 June 2023 at 11.30 a.m
Date and time of the EGM : Friday, 30 June 2023 at 11.30 a.m.

This Circular is dated 8 June 2023

DEFINITIONS

Except where the context otherwise requires, the following definitions shall apply throughout this Circular/Statement:-

Act	: Companies Act 2016
Board	: Board of Directors of PHB
Bursa Securities	: Bursa Malaysia Securities Berhad
Circular	: This circular to shareholders of PHB dated 8 June 2023 in relation to the Proposed Capital Reduction and Proposed Diversification
Director(s)	: Director(s) of PHB shall have the meaning given in Section 2(1) of the Capital Markets And Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:- <ol style="list-style-type: none">i. a director of the listed issuer, its subsidiary or holding company; orii. a chief executive of the listed issuer, its subsidiary or holding company
EGM	: Extraordinary general meeting of the Company
Exempt Authorised Nominee	: An authorised nominee defined under the Central Depositories Act which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act
FPE	: Financial period ended/ ending
FYE	: Financial year ended/ ending
License	: Moneylending license (License No. WL7429/14/01-2/180824) issued by the Ministry under the Moneylenders Act
Listing Requirements	: Main Market Listing Requirements of Bursa Securities
LPD	: 30 May 2023, being the latest practicable date prior to the printing and despatch of this Circular
Ministry	: Ministry of Housing and Local Government
Moneylenders Act	: Moneylenders Act 1951 [Act 400]
NA	: Net assets attributable to the owners of PHB
PHB or the Company	: Pegasus Heights Berhad
PHB Capital	: PHB Capital Sdn Bhd
PHB Group or the Group	: PHB and its subsidiaries, collectively
PHB Share(s) or Share(s)	: Ordinary share(s) of PHB
Proposals	: Proposed Capital Reduction and Proposed Diversification, collectively

DEFINITIONS

Proposed Capital Reduction	: Proposed reduction of the issued share capital of PHB pursuant to Section 116 of the Act
Proposed Diversification	: Proposed diversification of the existing business activities of PHB Group to include the moneylending business
Proposed Share Buy-Back	: Proposed authority for the Company to purchase up to 10% of the total number of issued PHB Shares in accordance with Section 127 of the Act and the requirement of Bursa Securities and/ or any other relevant authority
RM and sen	: Ringgit Malaysia and sen, respectively
Statement	: This statement to shareholders of PHB dated 8 June 2023 in relation to the Proposed Share Buy-Back
Substantial Shareholder(s)	: A person who has interest or interests in one or more voting Shares in the Company and the nominal amount of that Share, or aggregate of the nominal amount of those shares, is not less than 5% of the aggregate of the nominal amount of all the voting Shares in the Company
UOBKH or the Adviser	: UOB Kay Hian Securities (M) Sdn Bhd
Treasury Shares	: Purchased PHB Shares which will be retained as treasury shares (as defined in Section 127(4)(b) of the Act)

All references to "**you**" in this Circular/Statement are made to shareholders who are entitled to attend and vote at the EGM.

Unless specifically referred to, words denoting incorporating the singular shall, where applicable include the plural and vice versa and words denoting incorporating the masculine gender shall where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular/Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day and date in this Circular/Statement shall be a reference to Malaysian time and date, respectively, unless otherwise specified. Any discrepancy in the figures included in this Circular/Statement between the amounts stated, actual figures and the totals thereof are due to rounding adjustments.

TABLE OF CONTENTS

	PAGE
PART A: PROPOSED CAPITAL REDUCTION AND PROPOSED DIVERSIFICATION	
EXECUTIVE SUMMARY	1
1. INTRODUCTION	2
2. DETAILS OF THE PROPOSED CAPITAL REDUCTION	3
3. DETAILS OF THE PROPOSED DIVERSIFICATION	3
4. RATIONALE AND JUSTIFICATION	5
5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS	7
6. RISK FACTORS	10
7. FINANCIAL EFFECTS	12
8. APPROVALS REQUIRED	13
9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM	14
10. DIRECTORS' STATEMENT AND RECOMMENDATION	14
11. ESTIMATED TIMEFRAME FOR COMPLETION	14
12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION	14
13. EGM	14
14. FURTHER INFORMATION	15
PART B: PROPOSED SHARE BUY-BACK	
1. INTRODUCTION	16
2. PROPOSED SHARE BUY-BACK	16
3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK AUTHORITY	19
4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK	19
5. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS	21
6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK	23
7. IMPLICATIONS IN RELATION TO THE MALAYSIAN'S RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS	24
8. HISTORICAL SHARE PRICES	24
9. APPROVAL REQUIRED FOR THE PROPOSED SHARE BUY-BACK	24

TABLE OF CONTENTS

	PAGE
PART B: PROPOSED SHARE BUY-BACK (CONT'D)	
10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM	25
11. DIRECTORS' STATEMENT AND RECOMMENDATION	25
12. EGM	25
13. FURTHER INFORMATION	26
APPENDIX: FURTHER INFORMATION	
NOTICE OF EGM	ENCLOSED
PROXY FORM	ENCLOSED

PART A

**CIRCULAR TO SHAREHOLDERS IN RELATION TO THE PROPOSED CAPITAL REDUCTION AND
PROPOSED DIVERSIFICATION**

EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposals. You are advised to read this Circular in its entirety for further details of the Proposals and not to rely solely on this Executive Summary in forming a decision on the Proposals before voting at the EGM.

Key information	Description	Reference to Circular
Summary	(i) Proposed reduction of RM180.0 million of the issued share capital of the Company pursuant to Section 116 of the Act	Section 2
	(ii) Proposed diversification of the existing business activities of PHB Group to include the moneylending business	Section 3
Rationale and justification	(i) Proposed Capital Reduction will eliminate PHB's accumulated losses via reduction and cancellation of the current issued share capital of the Company	Section 4
	(ii) Proposed Diversification provides an additional stream to PHB Group to improve its financial performance as well as to increase shareholders' value	
Risk factors	PHB Group is subject to risks inherent in the the moneylending industry which include, but not limited to, credit and financing risks, risk of non-renewal, revocation or suspension of the License which may impact the moneylending business	Section 6
Approvals required	The Proposals are subject to the following:-	Section 8
	(i) the approvals of the shareholders of PHB at the forthcoming EGM; and (ii) the sanction from the High Court of Malaya pursuant to Section 116 of the Act for the Proposed Capital Reduction The Proposals are not inter-conditional and are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company	
Interested parties	None of the Directors, major shareholders of PHB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals	Section 9
Board's recommendation	The Board recommends that you vote in favour of the resolutions pertaining to the Proposals at the EGM	Section 10

Registered Office

E-10-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

8 June 2023

Board of Directors

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar (*Independent Non-Executive Chairman*)
Dato' Sri Lee See Yang (*Executive Director*)
Toh Hong Chye (*Executive Director*)
Chin Pak Loong (*Executive Director*)
Andrew Ho Tho Kong (*Independent Non-Executive Director*)
Low Yen Hoon (*Independent Non-Executive Director*)

To: The shareholders of PHB

Dear Sir/ Madam,

- I. PROPOSED CAPITAL REDUCTION; AND**
- II. PROPOSED DIVERSIFICATION**

1. INTRODUCTION

On 8 May 2023, UOBKH had, on behalf of the Board, announced that the Company proposes to undertake the following:-

- (i) a reduction of the issued share capital of PHB pursuant to Section 116 of the Act; and
- (ii) diversification of the existing business activities of PHB Group to include the moneylending business.

Further details of the Proposals are set out in the ensuing sections of this Circular.

THE PURPOSE OF THIS CIRCULAR IS TO PROVIDE YOU WITH THE RELEVANT INFORMATION ON THE PROPOSALS AND TO SEEK YOUR APPROVAL FOR THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM. THE NOTICE OF THE EGM AND THE PROXY FORM ARE ENCLOSED TOGETHER WITH THIS CIRCULAR.

YOU ARE ADVISED TO READ AND CAREFULLY CONSIDER THE CONTENTS OF THIS CIRCULAR TOGETHER WITH THE APPENDIX CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTIONS PERTAINING TO THE PROPOSALS TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED CAPITAL REDUCTION

The Proposed Capital Reduction entails the reduction of RM180.0 million of the issued share capital of the Company pursuant to Section 116 of the Act which is lost and unrepresented by available assets. The corresponding credit of RM180.0 million arising from the Proposed Capital Reduction will be utilised to eliminate the accumulated losses of the Company while the balance, if any, will be credited to the retained earnings account of the Company which may be utilised in such manner as the Board deems fit, as permitted by the relevant and applicable laws, the Listing Requirements as well as the Company's constitution.

As at the LPD, the total issued share capital of PHB is RM210.18 million comprising of 10,821,177,771 PHB Shares. For illustrative purposes, the pro forma effects of the Proposed Capital Reduction on the accumulated losses of the Company and the Group based on the latest audited consolidated financial statements of PHB Group for the FYE 31 December 2022 are set out below:-

	<-----Audited as at 31 December 2022----->	
	Company RM'000	Group RM'000
Accumulated losses	(157,502)	(85,057)
Add: Credit arising from the Proposed Capital Reduction	180,000	180,000
(Less): Estimated expenses for the Proposals	(150)	(150)
Retained earnings	22,348	94,793

The accumulated loss position was mainly due to operational losses suffered by the Company from FYE 31 December 2017 until FYE 31 December 2022 amounting to RM142.61 million, which includes RM75.44 million incurred on net impairment loss on investment in subsidiaries.

An order by the court will be sought to sanction the Proposed Capital Reduction pursuant to Section 116 of the Act after receipt of approval from the shareholders of the Company at the EGM.

The effective date of the Proposed Capital Reduction will be the date of lodgement of the sealed court order of the High Court of Malaya for the Proposed Capital Reduction with the Registrar of Companies pursuant to Section 116(6) of the Act.

3. DETAILS OF THE PROPOSED DIVERSIFICATION

At present, PHB Group is principally involved in property management (leasing out of commercial properties), project management consultancy for property development and marketing events, trading of home appliances and investment holding. The key financial performance of the Group for the past 3 financial years is as follows:-

	<-----Audited FYE 31 December----->		
	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	61,921	26,761	16,063
Property management	4,939	5,638	7,331
Project management consultancy	7,526	4,676	3,676
Trading	48,141	15,048	2,887
Investment holding and others	1,315	1,399	2,169
(Loss) attributable to shareholders	(7,228)	(19,175)	(4,638)

Over the financial years under review, PHB Group had mainly relied on the trading segment, which was impacted by declining consumer demand coupled with the Russia-Ukraine conflict that has created much disruption to the global supply chain, thereby leading to rising cost of production. On the other hand, the property management division had shown signs of improvement following the transition to endemic phase, leading to an increase in occupancy rate, enhanced tenant mix and rental yield for the Group's Centerpoint Seremban Mall. Despite so, the Board has been on the constant lookout for other suitable opportunities to further improve the Group's financial performance.

On 27 September 2019, the Group incorporated PHB Capital which is principally involved in moneylending services and currently holds the License issued by the Ministry under the Moneylenders Act. The License has a validity period from 19 August 2022 to 18 August 2024 and is renewable once every 2 years. The renewal application shall be made at least 60 days before the expiry date of the License. The License allows PHB Capital to undertake any business relating to moneylending activities.

The Group has invested RM10.0 million as initial outlay to set up the moneylending business. The financial performance of PHB Capital since incorporation is set out below:-

	←-----Audited FYE 31 December-----→			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Revenue	-	-	162	389
(Loss) after tax	(7)	(104)	(217)	(54)

In view of the Group's loss-making position and the intention to scale-up its moneylending activities, the Board expects that the moneylending business may contribute more than 25% of the total net profit of the Group or cause a diversion of more than 25% of its NA moving forward. Accordingly, the Board proposes to seek approval from the shareholders of PHB for the Proposed Diversification pursuant to Paragraph 10.13(1) of the Listing Requirements.

3.1 Key management personnel

At this juncture, the moneylending business of the Group will be led by the Company's Executive Director, namely Toh Hong Chye as the key personnel to spearhead the initiative for the moneylending business and to oversee the moneylending business. The profile of Toh Hong Chye is set out below:-

Toh Hong Chye, is a Malaysian aged 48. He was appointed as the Executive Director of the Company on 9 November 2017. He obtained his Association of Chartered Certified Accountants ("**ACCA**") professional qualification in 2000. He is a registered member and a certified Chartered Accountant of the Malaysian Institute of Accountants since 2002. He is a fellow of the ACCA since 2005. He was conferred with a Master Degree in Business Administration in Finance from the International Islamic University Malaysia in 2006.

He began his career as an Audit Assistant when he joined Lau Choo Seng & Co in 1997. In 2000, he joined B.L. Tan & Co as an Audit Supervisor. In 2002, Toh Hong Chye founded his own firm, namely H.C. Toh & Co, a non-audit firm, which provides professional services involving company secretary, accounting and business advisory to companies from various industries.

He has over 20 years of experience in 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 include merger and acquisition and corporate debt restructuring exercises undertaken by private and public listed companies. He also sits on the board of directors of AppAsia Berhad and Sinmah Capital Berhad as an executive director. In view of his past corporate experience as well as being a certified Chartered Accountant himself, he was then appointed as the executive director of PHB Capital in 2019 to oversee the business development as well as the strategic risk and risk management of PHB Capital.

The public listed companies which had successfully completed their corporate exercises with the involvement of Toh Hong Chye are set out below:-

Name of Company	Corporate exercise	Brief description	Year of completion
Sinmah Capital Berhad	Disposal	Disposal of SM Broilers Sdn Bhd for a disposal consideration of RM2.9 million	2022
Sinmah Capital Berhad	Capital reduction	Reduce RM88.0 million of the issued share capital pursuant to Section 116 of the Act	2022
Pegasus Heights Berhad	Acquisition	Acquisition of ChinPakLoong Architect for a purchase consideration of RM16.0 million	2020
AppAsia Berhad	Capital reduction	Reduce RM120.0 million of the issued share capital pursuant to Section 116 of the Act	2019
Sersol Berhad	Capital reduction	Reduce RM16.0 million of the issued share capital pursuant to Section 116 of the Act	2019

He is currently assisted by 2 administrative staffs who are responsible of handling bookkeeping tasks. The Group has no immediate plans to employ additional staff as the present experience level of personnel is sufficient to oversee the moneylending business operation. Depending on factors such as potential future business expansion, the Group may employ additional staff with the relevant experiences when the need arises.

4. RATIONALE AND JUSTIFICATION

4.1 Proposed Capital Reduction

The Proposed Capital Reduction will eliminate PHB's accumulated losses via reduction and cancellation of the current issued share capital of the Company to more accurately reflect the value of the underlying assets and the financial position of the Company and enhance the financial profile of PHB Group with its bankers, customers, suppliers, investors, and other stakeholders of PHB Group following the elimination of the accumulated losses.

4.2 Proposed Diversification

Currently, the Group derives most of its revenue from the trading and property management segments. To diversify its earnings base, PHB Group is constantly looking for opportunities to venture into other revenue-generating businesses. Even though the moneylending business is perceived to have a low barrier of entry and is competitive, the Board has decided to venture into it after considering the favourable outlook of the loan market with sustained loan growth. Further, the Group can generate profit without any long gestation period in view of the potential profit margins to be derived from interest charges, which are capped at a maximum of 12% and 18% (per annum) for secured and unsecured loans respectively as permitted by Section 17A of the Moneylenders Act.

The expected return from the moneylending business very much depends on the financing schemes specifically tailored to each customer, in which the financial terms will be curated according to their viability and credibility. As such, the Board is unable to estimate the profit margin to be derived from this business as it is still in the midst of finalising its product portfolio. For information, the profit margins of existing business segments are set out below:-

	←-----Audited FYE 31 December 2022-----→		
	Revenue RM'000	Profit/ (Loss) after tax RM'000	Profit margin %
Property management	7,331	529	7.2
Project management consultancy	3,676	(1,822)	(49.6)
Trading	2,887	(391)	(13.5)
Investment holdings and others	2,169	(2,607)	(120.1)

Notwithstanding the Proposed Diversification, the Board intends to continue with the existing principal activities in the same manner and it will review the business operations from time to time with the intention to further improve the Group's financial performance. Following the resumption of economic activities after COVID-19 pandemic, the Group decided to channel its focus towards improving the occupancy rate of the Centerpoint Seremban Shopping Mall, as well as to enhance the tenant mix and hence rental yield from the property management segment. For now, the management has secured a new anchor tenant to commence operations in the second quarter of 2023.

On the other hand, the Board anticipates that the economic environment for the project management consultancy and tradings segments will likely remain competitive and challenging due to prevailing uncertainties. In an effort to turn around the business, the Group embarked on cost cutting measures, such as prudent cash flow management, optimisation of current human resources and enhancement of management expertise to refine its operational efficiency. Additionally, the Board had also taken steps to improve delivery time and customer satisfaction to maintain its market presence.

In respect of the moneylending business, the Group intends to fund the operations through internally generated funds and bank borrowings. In view of the higher loans' growth as disclosed in **Section 5.3** of this Circular, the Group believes that the moneylending business can facilitate and bridge the financing needs for both small medium enterprises ("**SMEs**") and non-SMEs in Malaysia. Further, with the long processing periods and strict lending requirements of the banks as well as the economic growth of Malaysia, the Board believes that the moneylending business in Malaysia could be a viable business for the Group to venture into as there is demand by both individuals and corporations for financing from non-bank financial service providers (such as licensed moneylenders) for various reasons such as personal financing, business start-up and expansion, project financing and others.

The Board is of the view that the moneylending business provides an additional stream to PHB Group to improve its financial performance as well as to increase shareholders' value.

5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS

5.1 Overview and outlook of the Malaysian economy

The global gross domestic product ("GDP") growth in 2022 moderated to 3.4% reflecting the economic slowdown in advanced economies as well as emerging market and developing economies (EMDEs). Despite the softened global growth, Malaysia's economy recorded a strong growth of 8.7% in 2022, exceeding the initial projection of 6.5% - 7%, whereby real output value reached above the pre-pandemic level. The commendable performance was driven by domestic demand and improved labour market in line with the transition to the endemic phase. These resulted from an increase in economic activities which include household spending, investment and tourism. Subsequently, encouraging expansion in all economic sectors primarily the services and manufacturing have also provided continuous impetus to the significant economic growth in 2022. Furthermore, the growth was attributed to robust external demand, especially among Malaysia's major trading partners.

In 2023, global growth is expected to further soften at 2.9% on the back of persistent pressures such as inflation, tightening global financial conditions and economic deceleration among major economies. Meanwhile, Malaysia's economic growth is projected to moderate amid the signs of weakness in the global growth momentum. The growth will be mainly supported by steady domestic demand primarily private expenditure as well as initiatives under the Budget 2023 and development expenditure under the Twelfth Malaysia Plan, 2021 – 2025 (12MP). However, a slowdown in external demand is expected to moderate exports growth, particularly in the electrical and electronic (E&E) products and major commodities.

On the supply side, all economic sectors are expected to remain in the positive growth trajectory in 2023, driven by the services and manufacturing sectors. Other sectors, namely agriculture, mining and construction are also expected to grow further in line with the improvement in economic activities. However, downside risks such as prolonged geopolitical conflict, climate-related disasters and persistently high inflation are expected to further hampering the global economic growth, hence, affecting Malaysia's performance. Overall, the nation's GDP is forecast to grow approximately 4.5% in 2023.

(Source: Updates on Economic & Fiscal Outlook and Revenue Estimates 2023, Ministry of Finance of Malaysia)

5.2 Introduction to moneylending

Moneylending is a form of informal financing and has played an important role in facilitating private sector growth and the livelihood of communities that fall beyond the reach of the formal financial system. The industry exists in almost all countries and has a significant positive impact on a nation's macro and socio-economic indicators.

Money lenders offer faster and hassle free financing compared with commercial banks. The main differences however, are the source of funds for credit provision and the inability of money lenders to collect deposits. Unlike commercial banks that generally lend money from the funds collected from depositors, licensed money lenders offer loans out of their own capital at a rate capped by the Moneylenders Act. This distinction determines the amount of profit each business is able to make and the risk exposure to its respective shareholders. Money lenders face 100% credit risk on their capital contribution whereas shareholders of commercial banks are partially shielded because loanable funds are provided using deposits, from clients and not the bank's capital.

(Source: "Market-Based Approach for Moneylending in Malaysia" by Adelene Teo, Southeast Asia Network for Development (SEANET) Perspective Issue No. 9)

In 1951, the licensing system for money lending was established to protect the interest of borrowers. The money lending industry in Malaysia is tightly regulated by the Moneylenders Act. The Moneylenders Act and regulations underwent two major amendments in 2003 and in 2011 to curb illegal money lending and to further protect the interest of borrowers. To participate in legitimate money lending, application for a license is required by the Ministry of Housing and Local Government. Under the ministry, a specific section is tasked to monitor the licensing together with the enforcement of money lending activities according to the Moneylenders Act.

(Source: "Licensed Moneylending Industry as an Alternative Financial Service in Malaysia", Journal of Wealth Management & Financial Planning, Volume 6/June 2019)

Following amendments to the Moneylenders Act and regulations, processes such as licensing applications, maintenance and renewal requirements for money lending became more stringent. Since 2011, new license applications (to become a money lender) require a high amount of paid-up capital of at least RM2,000,000 to file an application for a license and must show a profit of RM500,000 for the three consecutive years to renew a license. Additionally, advertising activities have been restricted and money lenders are required to submit a statutory declaration signed by a police officer.

Amendments made to the Moneylenders Act also empowered the Royal Malaysian Police with enforcement authority. These powers were further increased in the 2011 revision. The police are now authorised to investigate oral and written complaints and examine any person deemed to have violated the Moneylenders Act. Authorisation has also been granted to the police to inspect or search premises without a warrant, to seize movable properties and business documents without the owner's permission and to access computerised data from any person to assist with its investigations. Any person arrested for committing or attempting to commit offences under the Moneylenders Act would be dealt with in accordance to the provision of the Criminal Procedure Code.

(Source: "Market-Based Approach for Moneylending in Malaysia" by Adelene Teo, Southeast Asia Network for Development (SEANET) Perspective Issued No. 9)

The Moneylenders Act in Malaysia is comprehensive in listing out the responsibility of borrowers to be vigilant in taking out personal loans with or without collateral. The interest rate for personal loans with collateral is 12% per annum and 18% per annum for those without collateral. In addition, licensed money lending businesses must abide by three important requirements under the Moneylenders Act 1951, that is, have a valid operating license, permanent account books and updated borrowers' statements.

Section 15 of the Moneylenders Act clearly states that only those with a money lending license can lend money for the purpose of money lending. The duration of the license is two years and application for renewal must be submitted to the Ministry of Housing and Local Government, 60 days prior to the expiration date. A valid license should be displayed in a prominent location in the moneylender's office for ease of borrowers' viewing.

Under Section 18 of the Moneylenders Act, money lenders are obligated to keep an original copy of money lending contracts and accounts in permanent books. The contracts must be stamped and attested by the Ministry of Housing and Local Government's approved attestors. A copy is to be given to the borrowers.

(Source: "Licensed Moneylending Industry as an Alternative Financial Service in Malaysia", Journal of Wealth Management & Financial Planning, Volume 6/June 2019)

5.3 Overview and outlook of the moneylending market in Malaysia

Credit to the private non-financial sector grew by 4.7% in the fourth quarter (3Q 2022: 5.3%) on an annual basis. This moderation was due to the lower growth in outstanding loans (4.7%; 3Q 2022: 5.7%), while the growth in outstanding corporate bonds continued to increase to 4.6% (3Q 2022: 4.0%).

Outstanding business loans grew by 3.3% (3Q 2022: 4.8%) as the growth in loan repayments continued to remain strong, outpacing that of loan disbursements, particularly for non-SMEs. Despite slower growth in loan applications, loan disbursements growth was sustained (12.0%; 3Q 2022: 18.0%), particularly for working capital loans as firms continued to draw down on their existing credit facilities. Investment-related loans also remained forthcoming, particularly for the purchase of nonresidential properties in the wholesale and retail trade, and manufacturing sectors.

For households, outstanding loans expanded by 5.5% (3Q 2022: 6.2%), amid the relatively slower growth in loan disbursements and sustained growth in loan repayments. The more moderate growth in disbursements (10.3%; 3Q 2022: 48.1%) was reflective of the lower growth in loan applications, particularly for the purchase of houses. Loan disbursements for the purchase of cars also grew at a slower pace following the lapse in sales tax relief on new vehicles in June.

Against the backdrop of continued positive growth prospects for the Malaysian economy, the Monetary Policy Committee ("MPC") further adjusted the degree of monetary accommodation by increasing the OPR by 25 basis points at the November 2022 meeting to 2.75%. The adjustment was meant to pre-emptively manage the risk of excessive demand on price pressures consistent with the recalibration of monetary policy settings that balances the risks to domestic inflation and sustainable growth.

At the subsequent meeting in January 2023, the MPC kept the OPR unchanged at 2.75%. The decision allows the MPC to assess the impact of the cumulative past OPR adjustments, given the lag effects of monetary policy on the economy. At the current OPR level, the stance of monetary policy remains accommodative and supportive of economic growth.

(Source: Quarterly Bulletin in the Fourth Quarter of 2022, Bank Negara Malaysia)

5.4 Prospects of PHB Group

There are borrowers who may not have access to credit facilities from banks due to strict lending requirements imposed by such banks. In view of this, the Board believes that the Group is able to grow the moneylending business after considering the demands from individuals and businesses for financing from non-bank financial service providers for various reasons such as personal financing, business start-up and expansion, project financing and others.

The Group plans to extend the moneylending business to segments (i.e. small medium enterprise and B40 segments) which are underserved by licensed financial institutions. As a new entrant in the moneylending business, the Group will develop its customer base gradually through methods such as providing flexible financing schemes to cater for a broader range of customers and offer moneylending services to those with limited access to banks. The Board is looking to offer financing schemes specifically tailored to each individual and/ or business, in which the financial terms (i.e. secured or unsecured, interest rate, monthly payment, repayment tenure and due date) will be curated according to the viability and credibility of the borrowers' profile.

Premised on the above, the Board believes that despite the current challenging economic environment, the favourable outlook for the loan market in Malaysia will provide opportunities for the Group to grow the moneylending business which is expected to contribute positively to its future earnings.

(Source: Management of PHB)

6. RISK FACTORS

There is no risk factor arising from the Proposed Capital Reduction. However, the risk factors of the Proposed Diversification are as follows:-

6.1 Business risk

The Proposed Diversification is subject to risks inherent in the moneylending industry. Such risks may include, amongst others, general economic downturn and changes in government policies affecting the industry.

Although the Board endeavors to mitigate such risks through the practice of efficient operating procedures and prudent financial management, there is no assurance that the occurrence of such risks would not affect the financial performance of the Group.

6.2 Credit risk

The Group faces credit risk which may have a material effect on the Group's financial results arising from the unsecured lending as well as potential default by the borrowers in making repayments for borrowings granted. Such risks could arise due to the deterioration in credit quality of borrowers or a general deterioration in the local and/ or global economy conditions.

In mitigating such risks, the Group will carry out comprehensive credit assessment to evaluate the creditworthiness of the applicants and establish specific criteria for applicants to meet before lending out the fund. The Moneylenders Act does not impose any limit on the maximum amount of loan which can be granted to a single customer, and the maximum loan amount allowed for individuals and business entities. Nonetheless, the Group will restrict the maximum loanable fund to the borrower based on his or her creditworthiness, and put in place mechanisms (e.g. reminder letters and calls as well as commencing litigation process) to monitor collection and to minimise default risks. Despite of the precautionary steps proposed to be taken by the Group, there is no assurance that the Group will not incur loss attributed to the default risk of the customers.

As at the LPD, the Group has a total number of 3 existing customers with the principal loan sum ranging from RM800,000 to RM4,650,000. Based on the repayment records of the existing customers, there is no default in payment encountered thus far and in the event of any default by the customers, the Group shall entitle to deal with the security(ies) provided by the customers (for secured loan only) and claim for the balance outstanding from the customers.

6.3 Fraud risk

In assessing the credit applications, there can be no absolute assurance that the information furnished by applicants is true as well as correct and any application received is a genuine application. Any forged application or false or fraudulent information furnished by applicants may allow borrowers or fraudsters to exploit cash, products or services provided by the Group, which may cause credit losses to the Group.

To mitigate such risk, the Group will perform credit assessment and approval process by undertaking verification of information furnished by applicants, including performing independent checks with credit reference organisations (e.g. Credit Tip-Off Service (CTOS)) and insolvency search with Department of Insolvency Malaysia.

6.4 Competition risk

Being a new entrant in the moneylending industry, the Group faces competition from, amongst others, existing players especially those large-scale licensed moneylenders and licensed financial institutions. There is no assurance that the Group will be able to compete against current and future competitors or that competitive pressure will not materially and adversely affect the business, operations or financial condition of the Group.

To mitigate such risk, the Group intends to develop its own customer base by extending the moneylending service to any potential borrowers underserved by licensed financial institutions and co-operatives.

6.5 Non-renewal or revocation or suspension of the license risk

The following sections in the Moneylenders Act govern the status of the License:-

Section 5E(1) - an application for renewal of License shall be made by the licensee (i.e. PHB Capital) at least sixty (60) days before the expiry date of the License and such application shall be supported by documents and information as may be required by the Registrar of Moneylenders ("**Registrar**");

Section 5E(2) – notwithstanding Section 5E(1), the Registrar may, subject to a payment of penalty not exceeding RM300.0 imposed on PHB Capital, allow an application for the renewal of the License made after the time specified in Section 5E(1), but no application for such renewal shall be allowed where the application is made after the date of expiry of the License.

Section 5E(3) - if PHB Capital fails to renew the License before the date of expiry of the License, PHB Capital shall not be entitled to make a new application for License within a period of two (2) years from the date of expiry of the License; and

Section 9A – the License may be revoked or suspended for such period as the Registrar thinks fit if PHB Capital:-

- (a) has been carrying on his business, in the opinion of the Registrar, in a manner detrimental to the interest of the borrower or to any member of the public;
- (b) has contravened any of the provisions of the Moneylenders Act or any regulations or rules made under the Moneylenders Act;
- (c) has been licensed as a result of fraud, mistake or misrepresentation in any material particular; or
- (d) has failed to comply with any of the conditions of the licence.

If the License is not renewed or is revoked or suspended by the Registrar, the Group's moneylending business will be disrupted and the financial performance may be adversely affected. In mitigating such risk, the Group endeavours to comply with the relevant regulatory requirements in relation to moneylending business by undertaking periodic review of compliance with the relevant regulatory requirements, including but not limited to the Moneylenders Act.

6.6 Regulatory and economic risk

The moneylending industry in Malaysia is tightly regulated by the Ministry pursuant to the Moneylenders Act.

The interests charged on the loans and the marketing advertisement of the licensed moneylenders are governed under the Moneylenders Act. Any breach of the Moneylenders Act will result in fines or potential revocation of the moneylending licenses. Furthermore, any amendments or changes to the Moneylenders Act as well as the regulatory framework of the Ministry could materially affect the financial and prospects of the Group.

Economic risk such as an economic downturn, unfavourable monetary and fiscal policy changes which give rise to a fluctuation in interest or profit rates, and inflation could also affect moneylending business in Malaysia.

In mitigating such risk, the management will keep abreast with the latest development in the coronavirus situation but there can be no assurance that it will not materially affect the operation and financial performance of the Group.

6.7 Financing risk

The Group may require further funding to expand the moneylending business and such further funding may be derived from internally-generated funds and/or future debt fund-raising exercises which may be subject to interest rate fluctuation. If the Group raises funds from the capital market via issuance of debt securities, the Group will incur fixed interest expense and shall be obligated to repay investors as and when the repayment is due.

Whilst no assurance can be given that the Group will be able to repay all of the borrowings and service for all the finance cost in the future, the Group's ability to make payments on loan principal and to service finance cost depends on the ability to generate sufficient cash in the future, which is subject to many factors beyond the control of the Group.

To mitigate such risk, the Group shall undertake a comprehensive credit assessment to evaluate the creditworthiness of the applicants and period review to identify any non-performing loans.

7. FINANCIAL EFFECTS

7.1 Issued share capital and substantial shareholders' shareholdings

7.1.1 Proposed Capital Reduction

	No. of Shares ('000)	RM'000
Issued share capital	10,821,177	210,176
Reduction pursuant to the Proposed Capital Reduction	-	(180,000)
Resultant share capital	10,821,177	30,176

The Proposed Capital Reduction will not have any effect on the substantial shareholders' shareholdings in the Company as it does not involve any issuance of new Shares.

7.1.2 Proposed Diversification

The Proposed Diversification will not have any effect on the issued share capital and substantial shareholders' shareholdings in the Company as it does not involve any issuance of new Shares.

7.2 NA, NA per Share and gearing level

7.2.1 Proposed Capital Reduction

Based on the latest audited consolidated financial statements of the Group for the FYE 31 December 2022, the pro forma effects of the Proposed Capital Reduction on the NA and gearing level of the Group are set out below:-

	Audited as at 31 December 2022 RM'000	After the Proposed Capital Reduction RM'000
Share capital	210,176	30,176 ^{*1}
Reserves	5,768	5,768
Retained earnings/ (Accumulated losses)	(85,057)	94,793 ^{*2}
Total equity	130,887	130,737
No. of Shares in issue ('000)	10,821,178	10,821,178
NA per Share (RM)	0.01	0.01
Total borrowings (RM'000)	791	791
Gearing level (times)	neg.	neg.

Notes:-

^{*1} After cancellation of RM180.0 million from the share capital of the Company

^{*2} After deducting estimated expenses pertaining to the Proposals of RM0.15 million

7.2.2 Proposed Diversification

Barring any unforeseen circumstances, the Proposed Diversification is not expected to have any immediate material effect on the NA and gearing level of PHB Group for the FYE 31 December 2023. However, the profit contribution arising from the moneylending business may have a positive impact on the NA of the Group moving forward upon commencement.

7.3 Earnings and earnings per Share

The Proposals are not expected to have any material effect on the earnings of PHB Group for the FYE 31 December 2023. However, the Board believes that the Proposed Diversification will contribute positively to the future earnings of the Group.

8. APPROVALS REQUIRED

The Proposals are subject to the following:-

- (i) the approvals of the shareholders of PHB at the forthcoming EGM; and
- (ii) the sanction from the High Court of Malaya pursuant to Section 116 of the Act for the Proposed Capital Reduction.

The Proposals are not inter-conditional and are not conditional upon any other corporate proposals undertaken or to be undertaken by the Company.

9. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS, AND/ OR PERSONS CONNECTED WITH THEM

None of the Directors, major shareholders of PHB and/ or persons connected with them have any interest, whether direct or indirect, in the Proposals.

10. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board, after having considered all aspects of the Proposals, including but not limited to the rationale and justification, future prospects of PHB Group, risk factors and financial effects of the Proposals, is of the opinion that they are in the best interest of the Company.

Accordingly, the Board recommends that you **VOTE IN FAVOUR** of the resolutions pertaining to the Proposals at the EGM.

11. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances, the Proposed Diversification will take immediate effect upon obtaining the approval from the shareholders at the EGM and subject to all required approvals being obtained, the tentative timetable in relation to the Proposals is as follows:-

Indicative timeframe	Events
30 June 2023	<ul style="list-style-type: none">• Convening of the EGM for the Proposals and the completion of the Proposed Diversification
Mid July	<ul style="list-style-type: none">• Filing of an application to the court for the Proposed Capital Reduction
Early September	<ul style="list-style-type: none">• Receipt of sealed court order from the court and the completion of the Proposed Capital Reduction

12. PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposals, there are no other corporate exercises which have been announced but are pending completion as at the LPD.

13. EGM

The EGM, the notice of which is enclosed in this Circular, will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m. or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolutions to give effect to the Proposals.

If you are unable to attend, participate, speak and vote at the EGM, you may appoint a proxy or proxies to attend, participate, speak and vote on your behalf. In such event, the Proxy Form must be lodged with the Share Registrar of the Company, GAP Advisory Sdn Bhd at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia not less than forty-eight (48) hours before the time appointed for holding the EGM (no later than Wednesday, 28 June 2023 at 11.30 a.m.) or at any adjournment thereof. Alternatively, individual shareholders may choose to submit an electronic Proxy Form using the RPV facilities at <https://agm.digerati.com.my/Pegasus-online> or e-mail to support@digerati.com.my, no later than Wednesday, 28 June 2023 at 11.30 a.m. or at any adjournment of the virtual meeting. The completion, signing and return of the Proxy Form will not preclude you from attending and voting in person, should you subsequently decide to do so.

14. FURTHER INFORMATION

Shareholders are advised to refer to the appendix set out in this Circular for further information.

Yours faithfully,
For and on behalf of the Board of
PEGASUS HEIGHTS BERHAD

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

PART B

STATEMENT TO SHAREHOLDERS IN RELATION TO THE PROPOSED SHARE BUY-BACK



PEGASUS HEIGHTS BERHAD
[Registration No. 197401002677 (19727-P)]

Registered Office:
E-10-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

8 June 2023

Board of Directors:

Dato' Abdel Aziz @ Abdul Aziz Bin Abu Bakar	<i>(Independent Non-Executive Chairman)</i>
Dato' Sri Lee See Yang	<i>(Executive Director)</i>
Toh Hong Chye	<i>(Executive Director)</i>
Chin Pak Loong	<i>(Executive Director)</i>
Andrew Ho Tho Kong	<i>(Independent Non-Executive Director)</i>
Low Yen Hoon	<i>(Independent Non-Executive Director)</i>

To: Our Shareholders

Dear Sir/Madam,

PROPOSED SHARE BUY-BACK

1. INTRODUCTION

PHB had on 26 May 2023 announced to Bursa Securities that it intends to seek shareholders' approval for the Proposed Share Buy-Back at the forthcoming EGM of the Company.

The purpose of this Statement is to provide our shareholders with the relevant information on the Proposed Share Buy-Back and to seek your approval for the ordinary resolution to be tabled at the forthcoming EGM of the Company.

SHAREHOLDERS OF PHB ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED SHARE BUY-BACK TO BE TABLED AT THE EGM.

2. PROPOSED SHARE BUY-BACK

2.1 DETAILS OF THE PROPOSED SHARE BUY-BACK

The Board proposes to seek the authority from the shareholders of the Company to purchase up to ten percent (10%) of the total issued Shares through stockbroker(s) to be appointed at a later date. The Proposed Share Buy-Back is subject to compliance with the Act, the Listing Requirements and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by the relevant authorities.

The Proposed Share Buy-Back shall be effective immediately upon the passing of the ordinary resolution for the Proposed Share Buy-Back at the EGM of the Company and shall be valid until:

- (a) the conclusion of the next AGM of the Company (“**49th AGM**”), following the EGM of the Company, at which the Proposed Share Buy-Back was passed, at which time it will lapse unless an ordinary resolution is passed at the 49th AGM, the authority is renewed, either unconditionally or subject to conditions;
 - (b) the expiration of the period within which the 49th AGM is required by law to be held; or
 - (c) revoked or varied by an ordinary resolution passed by the shareholders in a general meeting;
- whichever occurs first.

2.2 MAXIMUM NUMBER OR PERCENTAGE OF PHB SHARES MAY BE PURCHASED

As at the LPD, the total number of issued shares of the Company is 10,821,177,771 shares.

Based on the assumption that all the outstanding 696,941,000 Share Issuance Scheme (“**SIS**”) Options as at the LPD have been exercised into new PHB Shares, a maximum of 1,151,811,877 PHB Shares may be repurchased, representing ten percent (10%) of the enlarged total number of issued shares of PHB.

2.3 TREATMENT OF PURCHASED SHARES

In accordance with Section 127(4) of the Act, the Company would be able to deal with any of the PHB Shares purchased by the Company in the following manner:

- (a) to cancel the PHB Shares purchased; or
- (b) to retain the PHB Shares purchased as treasury shares; or
- (c) to retain part of the PHB Shares purchased as treasury shares and cancel the remainder of the PHB Shares purchased.

In accordance with Section 127(7) of the Act, where the PHB Shares are held as treasury shares, the Directors of the Company may:

- (a) distribute the PHB Shares as dividends to shareholders;
- (b) resell any of the PHB Shares in accordance with the Listing Requirements;
- (c) transfer any of the PHB Shares for the purposes of or under an employees’ share scheme;
- (d) transfer any of the PHB Shares as purchase consideration;
- (e) cancel any of the PHB Shares; or
- (f) sell, transfer or otherwise use any of the PHB Shares for such other purposes as the minister may by order prescribe.

Immediate announcement(s) and notice(s) will be made to Bursa Securities and the relevant authorities in respect of the Board’s decision on the treatment of the purchased PHB Shares in compliance with the Listing Requirements and the Act.

In accordance with Section 127(8) of the Act, if such purchased PHB Shares were held as treasury shares, it shall not confer:

- (a) the right to attend or vote at meetings and any purported exercise of such rights is void; and
- (b) the right to receive dividends or other distribution, whether cash or otherwise, of the Company’s assets including any distribution of assets upon winding up the Company.

In accordance with Section 127(9) of the Act, if such purchased PHB Shares were held as treasury shares, the Treasury Shares shall not be taken into account in calculating the number or percentage of shares or of a class of shares in the Company for any purposes including, without limiting the generality of this provision, the provisions of any law or requirements of the Constitution of the Company or the Listing Requirements on substantial shareholding, takeovers, notices, the requisitioning of meetings, the quorum for meetings and the result of a vote on resolution(s) at meetings

Nonetheless, Section 127(11) of the Act states that the purchased PHB Shares shall not be taken to prevent:

- (a) an allotment of PHB Shares as fully paid bonus shares in respect of the Treasury Shares; or
- (b) the subdivision or consolidation of Treasury Shares.

2.4 SOURCE OF FUNDS

Pursuant to the Listing Requirements, the Proposed Share Buy-Back must be made wholly out of the retained profits of the Company. Therefore, the maximum amount of funds to be utilised for the Proposed Share Buy-Back shall not exceed the retained profits account of the Company.

Based on the latest audited financial statements of PHB as at 31 December 2022, the Company's audited accumulated losses recorded at RM157,502,000.00.

The Proposed Share Buy-Back will be funded by internally generated funds and/or external borrowings. The amount of internally generated funds and/or external borrowings to be utilised will only be determined later depending on, amongst others, the availability of internally generated funds, actual number of PHB Shares to be purchased and other relevant cost factors. The actual number of PHB Shares to be purchased and/or held and the timing of such purchases will depend on, amongst others, the market conditions and sentiments of the stock market as well as the retained profits and financial resources available to the Company. In the event that the Company purchases and holds its own shares using external borrowings, the Board will ensure that the Company has sufficient funds to repay the external borrowings and that the repayment will not have any material effect on the cash flow of the Group. In addition, the Board will ensure that the Company satisfies the solvency test as stated in Section 112(2) of the Act before execution of the Proposed Share Buy-Back.

The Company will not buy-back its own Shares unless it has recorded retained profits at the Company level.

2.5 PURCHASE/RESALE/TRANSFER PRICE

Pursuant to the Listing Requirements, the purchase price of the PHB Shares cannot be more than 15% above the weighted average market price of PHB Shares for the five (5) market days immediately before the purchase. In the case of a resale and/or transfer of Treasury Shares, the Treasury Shares may be resold and/or transfer on Bursa Securities at a price, which is:

- (a) not less than the weighted average market price of the PHB Shares for the five (5) Market Days immediately before the resale and/or transfer; or
- (b) at a discount of not more than 5% to the weighted average market price of the PHB Shares for the five (5) Market Days immediately before the resale and/or transfer provided that:
 - (i) the resale and/or transfer takes place not earlier than thirty (30) days from the date of purchase; and
 - (ii) the resale and/or transfer price is not less than the cost of purchase of the PHB Shares being resold and/or transferred.

2.6 PURCHASE AND RESALE MADE IN THE PRECEDING TWELVE (12) MONTHS

The Company has not obtained any shareholders' authority to purchase its own shares in the previous twelve (12) months preceding the date of this Statement. The Company does not have any treasury shares and has not resold, transferred, cancelled or distributed any treasury shares as dividends in the same period.

2.7 PUBLIC SHAREHOLDING SPREAD

The Board is mindful of the requirement that any purchase of PHB Shares by the Company must not result in the public shareholding spread of PHB falling below 25% of the total issued shares pursuant to the Listing Requirements.

As at the LPD, the public security holding spread of the Company was 77.55% of its total number of issued shares. The public security holding spread of the Company is expected to be reduced to 75.05% assuming the Proposed Share Buy-Back is implemented in full and none of the outstanding SIS Options are exercised into new PHB Shares. The Company will ensure that the public security holding of at least 25% is maintained prior to any share buy-back exercise.

3. RATIONALE FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-Back is envisaged to potentially benefit PHB Group as follows:

- (a) the Company is able to utilise its surplus financial resources more efficiently and this may help to stabilise the supply and demand of the PHB Shares traded on Bursa Securities and thereby support its fundamental value;
- (b) the PHB Shares purchased can be held as treasury shares and resold on Bursa Securities at a higher price and generate capital gains for the Company without affecting the total number of issued shares of the Company;
- (c) the Treasury Shares can be distributed as share dividends to our shareholders as a reward;
- (d) the Treasury Shares can be re-issued to satisfy the option(s) to subscribe for PHB Share(s) to be granted to the eligible persons under any employees' share scheme; and
- (e) depending on the price paid for the purchase of each share and its impact on earnings of our Group, the purchase of our own shares may strengthen the earnings per share and return of equity of our Company in the event that the PHB Shares purchased are cancelled.

4. POTENTIAL ADVANTAGES AND DISADVANTAGES OF THE PROPOSED SHARE BUY-BACK

4.1 POTENTIAL ADVANTAGES

The potential advantages of the Proposed Share Buy-Back are as follows:

- (a) PHB may be able to stabilise the supply and demand of the PHB Shares traded on Bursa Securities and thereby supporting its fundamental values especially in time of irrational share market movements;
- (b) if the PHB Shares bought back by the Company are cancelled, shareholders are likely to enjoy an increase in the value of their investment in the Company as the net earnings per share of PHB will increase;
- (c) if the PHB Shares bought back are kept as treasury shares, it will give the Directors an option to sell the PHB Shares so purchased at a higher price and therefore make an exceptional gain for the Company. Alternatively, the PHB Shares so purchased can be distributed to shareholders as dividends and serve as reward to the shareholders of the Company; and
- (d) the Proposed Share Buy-Back will allow PHB to utilise its financial resources more efficiently especially where there is no immediate use and this may strengthen the consolidated earnings per share of the Group.

4.2 POTENTIAL DISADVANTAGES

The potential disadvantages of the Proposed Share Buy-Back are as follows:

- (a) any purchase of own ordinary shares will reduce the Company's financial resources and may result in the Company foregoing better investment opportunities that may emerge in future;
- (b) the cashflow of the Company may be affected if the Company decides to utilise bank borrowings to finance the Proposed Share Buy-Back; and
- (c) as any purchase of our own ordinary shares can only be made out of our retained profits, it may result in the reduction of financial resources available for distribution to our shareholders in the immediate future.

The Proposed Share Buy-Back is not expected to have any potential material disadvantage to the Company and our shareholders, as it will be implemented only after careful consideration of the financial resources of the Group and its resultant impact.

Nevertheless, the Board will be mindful of the interest of the Company and our shareholders in undertaking any purchase of our own ordinary shares and in the subsequent resale of Treasury Shares on Bursa Securities, if any.

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5. SHAREHOLDINGS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

5.1 MINIMUM SCENARIO

The table below illustrates the direct and indirect interest of the Directors and substantial shareholders of the Company as at the LPD, assuming that the Proposed of Share Buy-Back Authority is undertaken in full and none of the outstanding SIS Options, which are exercisable as at the LPD, are exercised into new PHB Shares.

	Before Proposed Share Buy-Back ⁽¹⁾				After Proposed Share Buy-Back ⁽²⁾			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Directors</u>								
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	236,000	0.00	-	-	236,000	0.00	-	-
Toh Hong Chye	1,222,735,784	11.30	-	-	1,222,735,784	12.55	-	-
Dato' Sri Lee See Yang	901,218,532	8.33	-	-	901,218,532	9.25	-	-
Chin Pak Loong	305,263,143	2.82	-	-	305,263,143	3.13	-	-
Andrew Ho Tho Kong	-	-	-	-	-	-	-	-
Low Yen Hoon	-	-	-	-	-	-	-	-
<u>Substantial Shareholders</u>								
Toh Hong Chye	1,222,735,784	11.30	-	-	1,222,735,784	12.55	-	-
Dato' Sri Lee See Yang	901,218,532	8.33	-	-	901,218,532	9.25	-	-

Notes:

(1) Based on the total issued shares of 10,821,177,771 PHB Shares.

(2) Excluding a total of 1,082,117,777 PHB Shares, assuming the entire ten percent (10%) of the total number of PHB Shares issued are bought back by the Company and retained as treasury shares.

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5.2 MAXIMUM SCENARIO

The table below illustrates the direct and indirect interest of the Directors and substantial shareholders of the Company as at the LPD, assuming that the Proposed of Share Buy-Back Authority is undertaken in full and all the outstanding SIS Options, which are exercisable as at the LPD, are exercised into new PHB Shares.

	Before Proposed Share Buy-Back ⁽¹⁾				After full exercise of Outstanding SIS Options ⁽²⁾				After full exercise of Outstanding SIS Options and Proposed Share Buy-Back ⁽³⁾			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%	No. of shares	%
<u>Directors</u>												
Dato' Abdel Aziz @ Abdul Aziz bin Abu Bakar	236,000	0.00	-	-	13,536,000	0.12	-	-	13,536,000	0.13	-	-
Toh Hong Chye	1,222,735,784	11.30	-	-	1,512,435,784	13.13	-	-	1,512,435,784	14.59	-	-
Dato' Sri Lee See Yang	901,218,532	8.33	-	-	1,124,418,532	9.76	-	-	1,124,418,532	10.85	-	-
Chin Pak Loong	305,263,143	2.82	-	-	305,263,143	2.65	-	-	305,263,143	2.94	-	-
Andrew Ho Tho Kong	-	-	-	-	-	-	-	-	-	-	-	-
Low Yen Hoon	-	-	-	-	-	-	-	-	-	-	-	-
<u>Substantial Shareholders</u>												
Toh Hong Chye	1,222,735,784	11.30	-	-	1,512,435,784	13.13	-	-	1,512,435,784	14.59	-	-
Dato' Sri Lee See Yang	901,218,532	8.33	-	-	1,124,418,532	9.76	-	-	1,124,418,532	10.85	-	-

Notes:

- (1) Based on the total issued shares of 10,821,177,771 PHB Shares.
- (2) Based on the assumption that all the outstanding 696,941,000 SIS Options have been exercised into new PHB Shares.
- (3) Based on the assumption that all the outstanding 696,941,000 SIS Options have been exercised into new PHB Shares and the Company had purchased a maximum of 1,151,811,887 PHB Shares.

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6. FINANCIAL EFFECTS OF THE PROPOSED SHARE BUY-BACK

The financial effects of the Proposed Share Buy-Back are presented below based on the following assumptions:

- (a) the purchase of own shares of up to ten percent (10%) of the total number of PHB Shares issued is carried out in full; and
- (b) PHB Shares purchased are cancelled.

6.1 TOTAL NUMBER OF ISSUED SHARES

For illustration purposes only, the scenario below shows the movement of the total number of PHB Shares issued as at the LPD upon the implementation of the Proposed Share Buy-Back, assuming that ten percent (10%) of the total number of PHB Shares issued are purchased and cancelled:

	Minimum Scenario	Maximum Scenario
Issued Shares as at the LPD	10,821,177,771	10,821,177,771
Add: Assuming all the outstanding 696,941,000 SIS Options are exercised	-	696,941,000
Enlarge issued Shares	10,821,177,771	11,518,118,771
Less: PHB Shares purchased amounting to ten percent (10%) of the total number of PHB Shares issued pursuant to the Proposed Share Buy-Back	(1,082,117,777)	(1,151,811,877)
Reduced total number of PHB Shares issued in the event that the purchased PHB Shares are cancelled	9,739,059,994	10,366,306,894

6.2 NET ASSETS

The Proposed Share Buy-Back may increase or decrease the net assets per share of PHB Group depending on the purchase price in comparison to the net assets per share of PHB Group at the time that the purchase is made.

6.3 WORKING CAPITAL

The Proposed Share Buy-Back will result in cash outflow, thereby reducing the working capital of the Group, the quantum of which is dependent on the purchase prices of the Shares and the number of Shares repurchased and the funding costs, if any. Nevertheless, the Board will take into consideration the interests of PHB and its shareholders as well as assess the working capital requirements of the Group prior to the Proposed Share Buy-Back.

6.4 EARNINGS

Depending on the number of PHB Shares purchased and the purchase price of the PHB Shares, the Proposed Share Buy-Back may increase the earnings per share of PHB Group. Similarly, on the assumption that the PHB Shares purchased are resold, the extent of the effect on earnings of PHB Group will depend on the actual selling prices, the number of treasury shares resold and the effective gain or interest savings arising.

7. IMPLICATIONS IN RELATION TO THE MALAYSIAN'S RULES ON TAKE-OVERS, MERGERS AND COMPULSORY ACQUISITIONS ("RULES")

Pursuant to Note 9 of Paragraph 4.01 of the Rules which deals with the obligation to make a mandatory offer pursuant to the purchase by a company of its own voting shares states that the Rules (which is in relation to mandatory offers) shall apply to the following persons ("Offeror"):

- (a) a person obtains controls in a company as a result of a buy-back scheme by the company; or
- (b) a person (holding more than 33% but not more than 50% of the voting shares or voting rights of a company), as a result of a buy-back scheme by the company, increase his holding of the voting shares or voting rights of the company by more than 2% in any 6 months period.

However, an exemption from mandatory offer obligation may be granted by the Securities Commission Malaysia ("SC") under Paragraph 4.15 of the Rules subject to the Offeror and its parties acting-in-concert complying with the conditions stipulated in Paragraph 4.15 of the Rules.

The Company intends to implement the Proposed Share Buy-Back in the manner that will not result in any of the shareholders of PHB having to undertake a mandatory offer pursuant to the Rules. In this respect, the Board will be mindful of the requirements of the Rules when implementing the Proposed Share Buy-Back

In the event that PHB decides to purchase its own shares which will result in an obligation for the Offeror and its parties acting-in-concert to undertake a mandatory offer, the relevant parties shall make the necessary application to the SC for a waiver to undertake a mandatory offer pursuant to the Rules.

8. HISTORICAL SHARE PRICE

The monthly highest and lowest prices of PHB shares traded on Bursa Securities for the past twelve (12) months from June 2022 to May 2023 are as follows:

<u>Month</u>	<u>High</u>	<u>Low</u>
2022		
June	0.010	0.005
July	0.010	0.005
August	0.015	0.005
September	0.010	0.005
October	0.010	0.005
November	0.010	0.005
December	0.010	0.005
2023		
January	0.010	0.005
February	0.010	0.005
March	0.010	0.005
April	0.010	0.005
May	0.010	0.005

(Source: www.investing.com)

The last transacted price of PHB shares on LPD, being the latest practicable date prior to the printing of this Statement, was RM0.010.

9. APPROVAL REQUIRED FOR THE PROPOSED SHARE BUY-BACK

The Proposed Share Buy-back is subject to the approval of shareholders of the Company at the forthcoming EGM.

The Proposed Share Buy-Back is not conditional upon any other corporate exercises/schemes or proposal undertaken or to be undertaken by the Company.

10. INTEREST OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED WITH THEM

Save for the inadvertent increase in the percentage of the shareholding and/or voting rights of the shareholders as a consequence of the Proposed Share Buy-Back, none of the Directors, major shareholders of the Company and/or persons connected to them have any direct or indirect interest, in the Proposed Share Buy-Back or resale of Treasury Shares, if any

11. DIRECTORS' STATEMENT AND RECOMMENDATION

The Board having considered all aspects of the Proposed Share Buy-Back is of the opinion that the terms and conditions of the Proposed Share Buy-Back are fair, reasonable and in the best interest of the Company. As such, the Board recommends the shareholders of the Company to vote in favour of the resolution in relation to the Proposed Share Buy-Back to be tabled at the EGM.

12. EGM

The notice of EGM of the Company will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Bank, No. 105 Jalan Ampang, 50450 Kuala Lumpur, Malaysia on Friday, 30 June 2023 at 11.30 a.m., or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification, the resolution to give effect to the Proposed Share Buy-Back.

If you are unable to attend and vote in person at the EGM, you are entitled to appoint a proxy by completing and returning the Proxy Form enclosed in the Circular in accordance with the instructions therein as soon as possible to the Share Registrar of the Company at GAP Advisory Sdn. Bhd. at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia. Alternatively, individual shareholders may choose to submit an electronic Proxy Form using the RPV facilities at <https://egm.digerati.com.my/pegasus-online> or e-mail to support@digerati.com.my, no later than Wednesday, 28 June 2023 at 11.30 a.m.) or at any adjournment of the virtual meeting. Please refer to the Administrative Guide to Shareholders for the procedures to submit the electronic proxy form.

13. FURTHER INFORMATION

Shareholders are advised to refer to the attached Appendix I for further information.

Yours faithfully,
For and on behalf of the Board
PEGASUS HEIGHTS BERHAD

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

FURTHER INFORMATION

1. DIRECTORS' RESPONSIBILITY STATEMENT

This Circular has been seen and approved by the Board, and the Directors collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement herein misleading.

2. CONSENT

UOBKH, being the Adviser for the Proposals, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOBKH has given its written confirmation that there is no situation of conflict of interest that exists or is likely to exist in relation to its role as the Adviser to the Company for the Proposals.

4. MATERIAL CONTRACTS

The Group has not entered into any material contracts (not being contracts entered into in the ordinary course of business) within the past 2 years immediately preceding the LPD.

5. MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at the LPD, the Group is not engaged in any material litigation, claims or arbitration, either as a plaintiff or defendant, and the Board is not aware and has no knowledge of any proceedings pending or threatened against the Group, or of any facts likely to give rise to any proceedings, which may materially or adversely affect the financial position or business of the Group.

6. MATERIAL COMMITMENTS

As at the LPD, there are no material commitments incurred or known to be incurred by the Group, which upon becoming enforceable, may have a material impact on the financial results or position of the Group.

7. CONTINGENT LIABILITIES

As at the LPD, there are no contingent liabilities incurred or known to be incurred, which upon becoming enforceable, may have a material impact on the financial results or position of the Group.

FURTHER INFORMATION

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the Company's registered office at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia during the normal business hours from Monday to Friday (except public holidays) from the date hereof up to the time stipulated for the holding of the EGM:-

- (i) the constitutions of PHB and PHB Capital;
- (ii) the License issued by the Ministry to PHB Capital;
- (iii) the audited consolidated financial statements of PHB Group for the past 3 financial years up to the FYE 31 December 2022 and the latest unaudited consolidated financial statements for the 3-month FPE 31 March 2023; and
- (iv) the letter of consent and declaration of conflict of interest referred to in **Section 2** and **Section 3** hereinabove, respectively.

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Extraordinary General Meeting ("**EGM**") of Pegasus Heights Berhad ("**PHB**" or the "**Company**"), which will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m. or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification the resolutions as set out in this notice.

SPECIAL RESOLUTION

PROPOSED REDUCTION OF THE ISSUED SHARE CAPITAL OF PHB PURSUANT SECTION 116 OF THE COMPANIES ACT 2016 ("ACT") ("PROPOSED CAPITAL REDUCTION")

"**THAT**, subject to all approvals being obtained from the relevant authorities and/ or parties, if applicable, including but not limited to the confirmation by the High Court of Malaya pursuant to Section 116 of the Act, approval be and is hereby given to the Company to implement the Proposed Capital Reduction and reduce the issued share capital of the Company via the cancellation of RM180.00 million of the issued share capital of the Company and that the credit arising from such share capital reduction shall be used to eliminate the accumulated losses of the Company;

THAT, the surplus credit that is in excess of what is required towards offsetting the accumulated losses of the Company after the elimination of the Company's accumulated losses pursuant to the Proposed Capital Reduction, if any, shall be credited to the retained earnings account of the Company which may be utilised in such manner as the board of Directors of PHB ("**Board**") deems fit, as permitted by the relevant and applicable laws, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") as well as the Company's constitution;

AND THAT, the Board be and is hereby authorised to with full powers to take all such steps as they may deem necessary to:-

- (i) assent to any conditions, modifications, variations as may be imposed or permitted by the relevant authorities and/ or the High Court of Malaya;
- (ii) lodge the order of the High Court of Malaya referred to in this Special Resolution with the Registrar of Companies on such date the Board may determine; and
- (iii) approve, sign and execute all documents, do all things and acts as the Board may consider necessary or expedient to implement, finalise and give full effect to the Proposed Capital Reduction in the best interest of the Company with full power to assent to any conditions, variation, modifications and/ or amendments in any manner as may be required by any relevant authorities and/ or the High Court of Malaya, the relevant and applicable laws or deemed necessary or desirable by the Board."

ORDINARY RESOLUTION I

PROPOSED DIVERSIFICATION OF THE EXISTING BUSINESS ACTIVITIES OF PHB AND ITS SUBSIDIARIES TO INCLUDE THE MONEYLENDING BUSINESS ("PROPOSED DIVERSIFICATION")

"**THAT** subject to the approvals of all relevant authorities and/ or parties being obtained, approval be and is hereby given to diversify its existing principal activities to include the moneylending business;

AND THAT the Board be and is hereby authorised to sign and execute all documents, do all acts, deeds and things as may be required to give effect to the Proposed Diversification with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps and do all acts, deeds and things in any manner as it may deem fit or necessary or expedient to implement, finalise and give full effect to the Proposed Diversification."

ORDINARY RESOLUTION II

PROPOSED AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN ORDINARY SHARES ("PROPOSED SHARE BUY-BACK")

"**THAT** subject to the provisions of the Act, the provisions of the Company's constitution, the Listing Requirements and any other relevant authority or approval for the time being in force or as may be amended from time to time, the Board be and are hereby authorised to make purchases of the Company's shares as may be determined by the Board from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit, necessary and expedient in the interest of the Company, provided that:-

- (a) the aggregate number of ordinary shares which may be purchased and/ or held by the Company as treasury shares shall not exceed ten percent (10%) of the total number of issued shares of the Company at any point in time of the said purchase(s);
- (b) the maximum funds to be allocated by the Company for the purpose of purchasing its ordinary shares shall not exceed the total retained earnings of the Company at the time of purchase; and
- (c) the authority conferred by this resolution shall continue to be in force until:-
 - (i) the conclusion of the next Annual General Meeting ("**AGM**") of the Company following the general meeting at which such resolution was passed at which time the said authority shall lapse unless by an ordinary resolution passed at that meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (ii) the expiration of the period within which the next AGM of the Company is required by law to be held; or
 - (iii) revoked or varied by ordinary resolution passed by the shareholders in general meeting.

whichever occurs first,

but not so as to prejudice the completion of the purchase(s) by the Company before the aforesaid expiry date and in any event, in accordance with the provisions of the guidelines issued by Bursa Securities and/ or any other relevant governmental and/ or regulatory authorities (if any).

THAT upon completion of the purchase by the Company of its own ordinary shares, Board be and are hereby authorised to deal with the ordinary shares purchased in their absolute discretion in the following manner:-

- (a) cancel all the ordinary shares so purchased; and/ or
- (b) retain the ordinary shares so purchased as treasury shares; and/ or
- (c) retain part thereof as treasury shares and cancel the remainder.

AND THAT the Board be and are hereby authorised to take all such steps as are necessary (including the opening and maintaining of depository account(s) under the Securities Industry (Central Depositories) Act, 1991) and enter into any agreements, arrangements and guarantees with any party or parties to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, revaluations, variations and/or amendments (if any) as may be imposed by the relevant authorities from time to time or as the Directors may in their discretion deem necessary and to do all such acts and things as the Directors may deem fit and expedient in the best interests of the Company."

By Order of the Board,
PEGASUS HEIGHTS BERHAD

CHIN WAI YI (MAICSA 7069783) (SSM PC No. 202008004409)
FLORENCE TOH SUE MEI (MAICSA No. 7074778) (SSM PC No. 202108000143)
Company Secretaries

Kuala Lumpur, Malaysia
8 June 2023

Notes:-

1. *The EGM of the Company will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m. or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof (**Please follow the procedures as stipulated in the Administrative Guide**).*
2. *A member of the Company who is entitled to attend, speak and vote at this EGM may appoint a proxy to attend, speak and vote on his(her) behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his(her) proxy without limitation.*
3. *Where a member appoints more than one (1) proxy to attend and vote at the same EGM, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("**SICDA**"), he(she) may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.*
5. *Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) 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.
An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
6. *The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.*
7. *The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited with the Share Registrar of the Company, GAP Advisory Sdn. Bhd. at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia not less than forty eight (48) hours before the time appointed for holding the EGM (no later than Wednesday, 28 June 2023 at 11.30 a.m) or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid.
Alternatively, individual shareholders may choose to submit an electronic Proxy Form using the RPV facilities at <https://agm.digerati.com.my/Pegasus-online> or e-mail to support@digerati.com.my, no later than Wednesday, 28 June 2023 at 11.30 a.m or at any adjournment of the virtual meeting. Please refer to the Administrative Guide to Shareholders for the procedures to submit the electronic proxy form.*
8. *The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Constitution of the Company.*
9. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this EGM.*
10. *Any alteration in the Proxy Form must be initialed.*
11. *Pursuant to Paragrph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolution set out in the Notice of EGM will be put to the vote by poll.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company:-

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/ or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.

Number of Shares Held	
CDS Account No.	

I/We, _____ NRIC/Passport No. _____
 (FULL NAME IN BLOCK LETTERS)

of _____
 (FULL ADDRESS)

contact no. _____ email address _____ being a member/ members **Pegasus Heights Berhad** ("**Pegasus**" or the "**Company**") hereby appoint the person(s) below as my/our proxy(ies) to vote for me/us and on my/our behalf at the Extraordinary General Meeting ("**EGM**") of the Company which will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m., or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof, for the purpose of considering and if thought fit, passing with or without modification the resolutions as set out in this notice.

IMPORTANT NOTE:

Please (i) tick [✓] either **ONE** of the option (a) or (b) for the number of proxy which you wish to appoint, (ii) complete the details of your proxy/proxies and the proportion of your shareholding to be represented (if applicable), (iii) please tick [✓] option (c) if you would like to appoint the Chairman of the EGM as the proxy or failing the proxy to vote on your behalf and (iv) sign or execute this form.

Option	Name of proxy(ies)	NRIC/ Registration No.	Email Address & Phone Number	Proportion shareholding to be represented
(a)	Appoint ONE proxy only (Please complete details of proxy below)			
				100%
(b)	Appoint MORE THAN ONE proxy (Please complete details of proxies below)			
Proxy 1				%
Proxy 2				%
				100%
(c)	The Chairman of the EGM as my/our proxy and/or failing the above proxy to vote for me/us on my/our behalf			

My/our proxy/proxies is/are to vote as indicated below:

Please indicate with an "X" in the appropriate box provided to indicate how you wish your vote to be cast. If you do not indicate how you wish your proxy to vote on the Resolutions, the proxy shall vote at his/her discretion, or abstain from voting as the proxy thinks fit.

NO.	RESOLUTIONS	FOR		AGAINST	
		PROXY 1	PROXY 2	PROXY 1	PROXY 2
Special Resolution	Proposed Capital Reduction				
Ordinary Resolution I	Proposed Diversification				
Ordinary Resolution II	Proposed Share Buy-Back				

Dated this _____ day of _____ 2023

 Signature / Common Seal of Shareholder

Contact No: _____

Fold this flap for sealing

Notes:-

1. *The EGM of the Company will be conducted virtually from the broadcast venue at 1-40-2, Menara Bangkok Bank, Berjaya Central Park, No. 105 Jalan Ampang, 50450 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia on Friday, 30 June 2023, at 11.30 a.m. or immediately following the conclusion of the Forty Eighth Annual General Meeting of the Company to be held on the same day at the same venue at 10.00 a.m. (whichever is later) or any adjournment thereof (**Please follow the procedures as stipulated in the Administrative Guide**).*
2. *A member of the Company who is entitled to attend, speak and vote at this EGM may appoint a proxy to attend, speak and vote on his(her) behalf. A proxy may but need not be a member of the Company, and a member may appoint any person to be his(her) proxy without limitation.*
3. *Where a member appoints more than one (1) proxy to attend and vote at the same EGM, the appointment shall be invalid unless he(she) specifies the proportion of his(her) holdings to be represented by each proxy.*
4. *Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depository) Act, 1991 ("SICDA"), he(she) may appoint one (1) proxy in respect of each security account it holds with ordinary shares of the Company standing to the credit of the said security account.*
5. *Where a member of the Company is an exempt authorised nominee holding ordinary shares in the Company for multiple beneficial owners in one (1) 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. An exempt authorised nominee refers to an authorised nominee defined under the SICDA who is exempted from compliance with the provisions of subsection 25A(1) of SICDA.*
6. *The instrument appointing a proxy shall be in writing by the appointer or an attorney duly authorised in writing or, if the appointer is a corporation, whether under its seal or by an officer or attorney duly authorised.*
7. *The instrument appointing either a proxy, a power of attorney or other authorities, where it is signed or certified by a notary as a true copy shall be deposited with the Share Registrar of the Company, GAP Advisory Sdn. Bhd. at E-10-4, Megan Avenue 1, 189, Jalan Tun Razak, 50400 Kuala Lumpur, W.P. Kuala Lumpur, Malaysia not less than forty eight (48) hours before the time appointed for holding the EGM (Wednesday, 28 June 2023 at 11.30 a.m.) or at any adjournment thereof, and in default the instrument of proxy shall not be treated as valid. Alternatively, individual shareholders may choose to submit an electronic Proxy Form using the RPV facilities at <https://agm.digerati.com.my/Pegasus-online> or e-mail to support@digerati.com.my, no later than Wednesday, 28 June 2023 at 11.30 a.m. or at any adjournment of the virtual meeting. Please refer to the Administrative Guide to Shareholders for the procedures to submit the electronic proxy form.*

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AFFIX
STAMP

The Share Registrar of
PEGASUS HEIGHTS BERHAD
(Registration No. 197401002677 (19727-P))
GAP Advisory Sdn Bhd
E-10-4, Megan Avenue 1
189, Jalan Tun Razak
50400 Kuala Lumpur
W.P. Kuala Lumpur
Malaysia

Fold here

8. *The right of foreigners to vote in respect of deposited securities is subject to Sections 41(1)(e) and 41(2) of the Securities Industry (Central Depositories) Act, 1991; the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 and the Constitution of the Company.*
9. *In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this EGM.*
10. *Any alteration in the Proxy Form must be initialed.*
11. *Pursuant to Paragraph 8.29A(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, all the resolution set out in the Notice of EGM will be put to the vote by poll.*

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/ or representative(s) to attend, speak and vote at the EGM and/ or any adjournment thereof, a member of the Company:-

- (i) consents to the collection, use and disclose of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/ or guidelines (collectively, the "**Purposes**");
- (ii) warrants that the member has obtained the prior consent of such proxy(ies) and/ or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies), and/or representative(s) for the Purposes; and
- (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses, and damages as a result of the member's breach of warranty.