

SEG INTERNATIONAL BHD
198501013542 (145998-U)
(Incorporated in Malaysia)

Directors' Report and
Audited Financial Statements
31 December 2019

198501013542 (145998-U)

**SEG International Bhd
(Incorporated in Malaysia)**

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**SEG International Bhd
(Incorporated in Malaysia)****Directors' report**

The directors have pleasure in presenting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

Principal activities

The Company is principally engaged in the businesses of investment holding and provision of management consultancy services, property management, rental of premises, business advisory services and educational and training services.

The principal activities and other information relating to the subsidiaries are disclosed in Note 17 to the financial statements.

Results

	Group RM'000	Company RM'000
Profit net of tax	<u>45,112</u>	<u>34,931</u>
Attributable to:		
Equity holders of the Company	45,132	34,931
Non-controlling interests	<u>(20)</u>	<u>-</u>
	<u>45,112</u>	<u>34,931</u>

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

In the opinion of the directors, except as disclosed in the financial statements, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature.

Dividend

The amounts of dividend declared by the Company since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2019:	
Interim single tier dividend of RM0.025 per ordinary share each amounting to RM30,962,866 declared on 19 November 2019 and paid on 12 December 2019	<u>30,963</u>

The directors do not propose any final dividend for the financial year ended 31 December 2019.

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Issue of shares and debentures

The Company did not issue any new shares or debentures during the financial year.

Long-Term Incentive Plan

The Company's Long-Term Incentive Plan ("LTIP") is governed by the By-Laws which were approved by the shareholders on 18 June 2014. The LTIP was implemented on 1 July 2014 and shall be in force for a period of 10 years from the date of implementation. The LTIP comprises the Employees' Share Option Scheme ("ESOS") and Share Grant Plan ("SGP") for the eligible directors and employees of the Company and its subsidiaries ("Eligible Persons"). The SGP is intended to allow the Company to award Performance Share Plan ("PSP") Grant to Eligible Persons. Based on the By-Laws, the ESOS options and/or PSP Grant will only be granted to the Eligible Persons upon the LTIP Committee providing the Eligible Persons written confirmation or notification of the number of ESOS options and/or PSP Grant vested in them. The fulfilment of the stipulated vesting conditions by the Eligible Persons is not sufficient to vest the ESOS options and/or PSP Grant to the Eligible Persons.

During the financial year, no ESOS options and PSP Grants were granted by the Company pursuant to the LTIP.

Details of the LTIP are set out in Note 31(d) to the financial statements.

Treasury shares

There were no repurchase of the Company's issued ordinary shares, nor any resale, cancellation or distribution of treasury shares during the financial year. As at 31 December 2019, the total shares bought back of 26,048,600 are held as treasury shares in accordance with Section 127(4)(b) of the Companies Act 2016. Further relevant details are disclosed in Note 30 to the financial statements.

Directors

The names of the directors of the Company in office since the beginning of the financial year to the date of this report are:

Tan Sri Dato' Seri Megat Najmuddin Bin Dato' Seri Dr. Haji Megat Khas
Tan Sri Clement Hii Chii Kok
Hew Moi Lan
Nicholas Rupert Heylett Bloy
Dato' Seri Mohamed Azahari Bin Mohamed Kamil
Dato' Amos Siew Boon Yeong
Dato Goh Leng Chua
Fua Chye Jin

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Directors (cont'd.)

The names of the directors of the Company's subsidiaries in office since the beginning of the financial year to the date of this report (not including those directors listed above) are:

Chong Poh Yee	
Dato' Pahamin A. Rajab	
Datuk Dr Khairiyah Binti Dato' Abd Muttalib	
Doreen D'orville	
Dr. Tan Saw Poh	
Elaine Chegna Peck Onn	
Kamalam Pillay Rungapadiachy	
Ng Kim Leng	
Ong Lee Aei	
Professor Dr. Azrin Esmady Bin Ariffin	
Professor Dr. Kee Peng Kong	
Savinilorna Payandi-Pillay-Ramen	
Professor Dr. Samiah Yasmin Binti Abdul Kadir	(resigned on 14 August 2019)
Professor Dr. Mohamad Raili Bin Suhaili	(appointed on 14 August 2019)
Helen Ngu Moi Hiong	(resigned on 4 February 2019)
Leong Kam Sun	(resigned on 30 December 2019)
Teng Wai Chong	(resigned on 30 December 2019)

Directors' benefits

Neither at the end of the financial year, nor at any time during that year, did there subsist any arrangement to which the Company was a party, whereby the directors might acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate other than shares issued and awarded under the Company's LTIP.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable by the directors or the fixed salary of full time employees of the Company as disclosed below) by reason of a contract made by the Company or a related corporation with any director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

	Group RM'000	Company RM'000
Fees	266	266
Salaries and other emoluments	664	664
Bonus	87	87
Defined contribution plan	81	81
Estimated money value of benefits-in-kind	56	56
	<u>1,154</u>	<u>1,154</u>

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Indemnity and insurance for directors and officers

The directors and officers of the Group and of the Company are covered under a directors' and officers' liability insurance. The insurance has an aggregate limit of RM10,000,000 against any legal liability, if incurred by the directors and officers of SEG International Bhd ("SEGi") and its subsidiaries in discharging of their duties while holding office for SEGi and its subsidiaries subject to the terms of the policy. The insurance premium for SEGi and its subsidiaries is RM10,000.

Directors' interests

According to the register of directors' shareholdings, the interests of directors in office at the end of the financial year in shares (and options over shares) in the Company and its related corporations during the financial year were as follows:

	1.1.2019	Number of ordinary shares		31.12.2019
		Acquired	Sold	
The Company				
Direct interest				
Tan Sri Clement Hii Chii Kok	396,694,479	-	-	396,694,479
Tan Sri Dato' Seri Megat Najmuddin Bin Dato' Seri Dr. Haji Megat Khas	67,991	-	-	67,991
Hew Moi Lan	969,454	-	(969,454)	-
Dato' Amos Siew Boon Yeong	3,771,428	-	-	3,771,428

	1.1.2019	Number of ordinary shares		31.12.2019
		Acquired	Sold	
The Company				
Indirect interest				
Nicholas Rupert Heylett Bloy ^	856,259,514	-	-	856,259,514
Tan Sri Clement Hii Chii Kok *	459,565,035	-	-	459,565,035

	1.1.2019	Number of options over ordinary shares		31.12.2019
		Granted	Exercise/ Lapsed	
Direct interest				
Hew Moi Lan	306,939	-	-	306,939

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Directors' interests (cont'd.)

- [^] Deemed interests through Pinnacle Heritage Solutions Sdn. Bhd. ("PHS")'s, direct and indirect interest in SEGi shares.
- ^{*} Deemed interests in such SEGi shares held by PHS pursuant to the shareholders' agreement dated 25 April 2012 entered between Tan Sri Clement Hii Chii Kok and PHS for regulating their relationship with one another as shareholders of SEGi.

By virtue of their interests in shares in the Company, Tan Sri Clement Hii Chii Kok and Nicholas Rupert Heylett Bloy are deemed interested in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

Other than as disclosed, none of the other directors in office at the end of the financial year had any interest in shares and options over shares in the Company or its related corporations during the financial year.

Other statutory Information

- (a) Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts; and
 - (ii) to ensure that any current assets which were unlikely to realise their values as shown in the accounting records in the ordinary course of business had been written down to an amount which they might be expected so to realise.
- (b) At the date of this report, the directors are not aware of any circumstances which would render:
 - (i) the amount written off for bad debts or the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; and
 - (ii) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (c) the values attributed to the current assets in the financial statements of the Group and of the Company misleading.
- (d) At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

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Other statutory information (cont'd.)

(e) As at the date of this report, there does not exist:

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

(f) In the opinion of the directors, except as disclosed in the financial statements:

- (i) no contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations when they fall due; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made.

Auditors

The auditors, Ernst & Young PLT, have expressed their willingness to continue in office. Auditors' remuneration are disclosed below:

	Group RM'000	Company RM'000
Auditors' remuneration:		
Ernst & Young PLT	466	120
Other auditors	114	-
	<u>580</u>	<u>120</u>

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2020.



Tan Sri Dato' Seri Megat Najmuddin
Bin Dato' Seri Dr. Haji Megat Khas



Tan Sri Clement Hil Chii Kok

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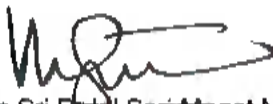
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Statement by directors

Pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Dato' Seri Megat Najmuddin Bin Dato' Seri Dr. Haji Megat Khas and Tan Sri Clement Hii Chii Kok, being two of the directors of SEG International Bhd, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 14 to 115 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia, so as to give a true and fair view of the financial positions of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board in accordance with a resolution of the directors dated 28 April 2020.



Tan Sri Dato' Seri Megat Najmuddin
Bin Dato' Seri Dr. Haji Megat Khas



Tan Sri Clement Hii Chii Kok

Statutory declaration

Pursuant to Section 251(1)(b) of the Companies Act 2016

I, Chong Poh Yee, being the officer primarily responsible for the financial management of SEG International Bhd, do solemnly and sincerely declare that the accompanying financial statements set out on pages 14 to 115 are in my opinion correct, and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
the abovenamed Chong Poh Yee at
Kuala Lumpur in the Federal Territory
on 28 April 2020.



Chong Poh Yee
(MIA member no. 7620)

Before me,



Lot 1.08, Tingkat 1,
Bangunan KWSP, Jln Raja Laut
50350 Kuala Lumpur
Tel: 019 6680745

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**Independent auditors' report to the members of
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Report on the audit of the financial statements

Opinion

We have audited the financial statements of SEG International Bhd, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 14 to 115.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and of their financial performance and their cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and other ethical responsibilities

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

Key Audit Matters

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

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**Independent auditors' report to the members of
SEG International Bhd (cont'd.)
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Key Audit Matters (cont'd.)

We have fulfilled the responsibilities described in the *Auditors' responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis of our audit opinion on the accompanying financial statements.

Impairment of (i) goodwill and (ii) investment in subsidiaries

(i) Goodwill

(Refer to summary of significant accounting policies in Note 2.4(b), significant accounting judgements, estimates and assumptions in Note 3(b)(i) and disclosure of goodwill in Note 16(a) to the financial statements)

As at 31 December 2019, the carrying amount of goodwill recognised by the Group stood at RM27,521,000, which represents 11% of the Group's total non-current assets and 8% of the Group's total assets. This goodwill mainly relates to three subsidiaries principally engaged in the educational activities. The Group is required to perform annual impairment test of the cash generating units (CGUs) or groups of CGUs to which this goodwill has been allocated. The Group estimated the recoverable amount of its CGUs or groups of CGUs to which the goodwill is allocated based on value in use (VIU) calculations using cash flows projections.

We consider this impairment test to be an area of audit focus due to the significance of the amount, the complexity of the assessment process and the significant management judgement and assumptions involved. Specifically, we focus on the evaluation of the assumptions on expected revenue growth, discount rate and terminal growth rate.

(ii) Investment in subsidiaries

(Refer to summary of significant accounting policies in Note 2.4(a), significant accounting judgements, estimates and assumptions in Note 3(b)(ii) and disclosure of investment in subsidiaries in Note 17 to the financial statements)

As at 31 December 2019, the carrying amount of investment in subsidiaries stood at RM78,770,000, which represents 39% of the Company's total non-current assets and 30% of the Company's total assets.

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**Independent auditors' report to the members of
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Key Audit Matters (cont'd.)

Impairment of (i) goodwill and (ii) investment in subsidiaries (cont'd.)

(ii) Investment in subsidiaries (cont'd.)

The history of continued losses and the depleting shareholders' fund reported by certain subsidiaries indicated that the carrying amount of the investment in subsidiaries may be impaired. Accordingly, the Company carried out impairment testing on these investment in subsidiaries by estimating the recoverable amount using VIU calculations.

Similarly, we focused on impairment assessment of investment in subsidiaries as the impairment testing relies on VIU calculations using a five-year cash flow projection.

In addressing these areas of focus, we performed, among others, the following procedures:

- (a) obtained an understanding of the relevant internal process in estimating the recoverable amount of the CGUs or groups of CGUs;
- (b) evaluated the basis of preparing cash flow projection taking into consideration the assessment of management's historical budgeting accuracy; and
- (c) together with EY valuation specialist, evaluated the methodology applied and management's key assumptions used which comprise discount rate, forecast annual growth rates and terminal growth rate by making comparisons to historical trends, internal and external market data.

We have also evaluated the adequacy of the Group's and of the Company's disclosures of each key assumption on which the Group and the Company have based their cash flow projection. Key assumptions are those to which the recoverable amount is most sensitive, as disclosed in Notes 16(a) and 17(b) to the financial statements.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the directors' report (but does not include the financial statements of the Group and of the Company and our auditors' report thereon), which we obtained prior to the date of this auditors' report, and the annual report which is expected to be made available to us after the date of this auditors' report.

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

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**Independent auditors' report to the members of
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Information other than the financial statements and auditors' report thereon (cont'd.)

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

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

When we read the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors of the Company and take appropriate action.

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

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**Independent auditors' report to the members of
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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**Independent auditors' report to the members of
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Auditors' responsibilities for the audit of the financial statements (cont'd.)

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

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

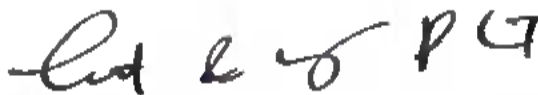
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law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

Report on other legal and regulatory requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 17 to the financial statements.

Other matters

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



Ernst & Young PLT
202006000003 (LLP0022760-LCA) & AF 0039
Chartered Accountants

Kuala Lumpur, Malaysia
28 April 2020



H'ng Boon Keng
No. 03112/08/2020 J
Chartered Accountant

SEG International Bhd
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Statements of comprehensive income
For the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Revenue	4	243,972	252,410	60,366	61,902
Cost of services	5	(83,671)	(85,389)	(17,493)	(22,844)
Gross profit		160,301	167,021	42,873	39,058
Interest income	6	1,112	944	3,292	1,799
Other income	7	8,055	8,839	1,684	1,874
Distribution expenses		(11,111)	(9,651)	(293)	(205)
Administrative expenses		(50,955)	(60,969)	(3,200)	(3,042)
Other expenses		(48,627)	(56,309)	(1,591)	(3,583)
Operating profit		58,775	49,875	42,765	35,901
Finance costs	8	(9,138)	(2,094)	(7,636)	(2,192)
Profit before tax	9	49,637	47,781	35,129	33,709
Income tax expense	12	(4,525)	(5,660)	(198)	(5)
Profit for the year		45,112	42,121	34,931	33,704
Other comprehensive (loss)/income:					
Items that cannot be reclassified to profit or loss:					
Fair value loss through other comprehensive income ("FVOCI") equity instruments		(80)	(90)	-	-
Item that can be reclassified to profit or loss:					
Foreign currency translation reserve		(84)	596	-	-
Other comprehensive (loss)/income, net of tax		(164)	506	-	-
Total comprehensive income for the year		44,948	42,627	34,931	33,704

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Statements of comprehensive Income
For the financial year ended 31 December 2019 (cont'd.)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit attributable to:					
Equity holders of the Company		45,132	42,158	34,931	33,704
Non-controlling interests		(20)	(37)	-	-
		<u>45,112</u>	<u>42,121</u>	<u>34,931</u>	<u>33,704</u>
Total comprehensive Income					
attributable to:					
Equity holders of the Company		44,968	42,664	34,931	33,704
Non-controlling interests		(20)	(37)	-	-
		<u>44,948</u>	<u>42,627</u>	<u>34,931</u>	<u>33,704</u>
Earnings per share attributable					
to equity holders of the Company					
- Basic	13	3.64 sen	3.40 sen		
- Diluted	13	<u>3.64 sen</u>	<u>3.40 sen</u>		

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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Statements of financial position
As at 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Assets					
Non-current assets					
Property, plant and equipment	15	92,092	103,010	6,407	6,436
Intangible assets	16	27,524	27,527	-	-
Investment in subsidiaries	17	-	-	78,770	78,615
Other investment	18	740	820	-	-
Receivables	20	1,350	1,815	21,772	21,772
Right-of-use assets	21	122,856	-	92,228	-
Deferred tax assets	28	7,522	9,692	1,573	1,573
		<u>252,084</u>	<u>142,864</u>	<u>200,750</u>	<u>108,396</u>
Current assets					
Inventories	19	95	102	-	-
Receivables	20	31,101	22,572	39,318	41,327
Tax recoverable		1,152	7,021	-	821
Other financial asset	22	273	269	273	269
Deposits, cash and bank balances	23	58,692	53,669	25,502	20,127
		<u>91,313</u>	<u>83,633</u>	<u>65,093</u>	<u>62,544</u>
Total assets		<u>343,397</u>	<u>226,497</u>	<u>265,843</u>	<u>170,940</u>
Equity and liabilities					
Current liabilities					
Borrowings	25	9,000	9,636	9,000	9,000
Lease liabilities	21	23,283	-	13,540	-
Payables	26	56,696	58,137	26,415	20,865
Contract liabilities	27	29,687	31,623	-	-
Provisions	24	619	-	-	-
Current tax liabilities		255	464	198	-
		<u>119,540</u>	<u>99,860</u>	<u>49,153</u>	<u>29,865</u>
Net current (liabilities)/assets		(28,227)	(16,227)	15,940	32,679

SEG International Bhd
(Incorporated in Malaysia)

Statements of financial position
As at 31 December 2019 (cont'd.)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current liabilities					
Borrowings	25	16,250	25,881	16,250	25,250
Lease liabilities	21	109,945	-	85,257	-
Contract liabilities	27	1,306	909	-	-
Payables	26	2,671	4,060	2,324	1,068
Deferred tax liabilities	28	1,253	4,327	-	-
		<u>131,425</u>	<u>35,177</u>	<u>103,831</u>	<u>26,318</u>
Total liabilities		<u>250,965</u>	<u>135,037</u>	<u>152,984</u>	<u>56,183</u>
Net assets		<u>92,432</u>	<u>91,460</u>	<u>112,859</u>	<u>114,757</u>
Equity attributable to equity holders of the Company					
Share capital	29	147,707	147,707	147,707	147,707
Treasury shares	30	(37,486)	(37,486)	(37,486)	(37,486)
Reserves	31	(16,769)	(17,761)	2,638	4,536
		<u>93,452</u>	<u>92,460</u>	<u>112,859</u>	<u>114,757</u>
Non-controlling interests		<u>(1,020)</u>	<u>(1,000)</u>	<u>-</u>	<u>-</u>
Total equity		<u>92,432</u>	<u>91,460</u>	<u>112,859</u>	<u>114,757</u>
Total equity and liabilities		<u>343,397</u>	<u>226,497</u>	<u>265,843</u>	<u>170,940</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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SEG International Bhd
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Consolidated statement of changes in equity
For the financial year ended 31 December 2019

		Non-distributable					Attributable to equity holders of the Company			Total equity
		Fair value reserve of financial assets at FVOCI	Exchange translation reserve	Share-based payment reserve	Accumulated losses			Non-controlling interests		
Group	Note	Share capital (Note 29)	Treasury shares (Note 30)	Share-based payment reserve (Note 31(d))	Accumulated losses (Note 31(a))	Share-based payment reserve (Note 31(d))	Exchange translation reserve (Note 31(c))	Share-based payment reserve (Note 31(d))	Total equity	
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
At 1 January 2019		147,707	(37,486)	(120)	93	1,991	(19,725)	(1,000)	91,460	
Effect of adoption of MFRS 16	2.2	-	-	-	-	-	(12,991)	-	(12,991)	
At 1 January 2019 (restated)		147,707	(37,486)	(120)	93	1,991	(32,716)	(1,000)	78,469	
<hr/>										
Profit for the year		-	-	-	-	-	45,132	(20)	45,112	
Other comprehensive income/(loss) for the year, net of tax:										
Fair value loss on financial assets		-	-	(80)	-	-	(80)	-	(80)	
Foreign currency translation		-	-	-	(84)	-	(84)	-	(84)	
<hr/>										
Total comprehensive income for the year		-	-	(80)	(84)	-	45,132	(20)	44,948	
<hr/>										
Transactions with owners:										
- Share-based payment	31(d)	-	-	-	-	(22)	-	(22)	(22)	
- Dividend	14	-	-	-	-	-	(30,963)	-	(30,963)	
<hr/>										
At 31 December 2019		147,707	(37,486)	(200)	9	1,969	(18,547)	(1,020)	92,432	

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SEG International Bhd
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Consolidated statement of changes in equity
For the financial year ended 31 December 2019 (cont'd.)

		Non-distributable					Attributable to equity holders of the Company		Total equity
		Share capital (Note 29)	Treasury shares (Note 30)	Fair value reserve of financial assets at FVOCI (Note 31(b))	Exchange translation reserve (Note 31(c))	Share-based payment reserve (Note 31(d))	Accumulated losses (Note 31(a))	Non-controlling interests	
Group	Note	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2018		147,503	(37,486)	(30)	(503)	1,763	(27,824)	(963)	82,460
Profit for the year		-	-	-	-	-	42,158	(37)	42,121
Other comprehensive income/(loss) for the year, net of tax:									
Fair value loss on financial assets		-	-	(90)	-	-	-	(90)	(90)
Foreign currency translation		-	-	-	596	-	-	596	596
Total comprehensive income for the year		-	-	(90)	596	-	42,158	(37)	42,627
Transactions with owners:									
- Share-based payment	31(d)	204	-	-	-	228	-	432	432
- Dividend	14	-	-	-	-	-	(34,059)	-	(34,059)
At 31 December 2018		147,707	(37,486)	(120)	93	1,991	(19,725)	(1,000)	91,460

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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SEG International Bhd
(Incorporated in Malaysia)

Statement of changes in equity
For the financial year ended 31 December 2019

Company	Note	<----- Non-distributable ----->			Distributable	Total equity
		Share capital (Note 29) RM'000	Treasury shares (Note 30) RM'000	Share-based payment reserve (Note 31(d)) RM'000	Retained profits (Note 31(a)) RM'000	
At 1 January 2019		147,707	(37,486)	1,991	2,545	114,757
Effect of adoption of MFRS 16		-	-	-	(5,844)	(5,844)
At 1 January 2019 (restated)		147,707	(37,486)	1,991	(3,299)	108,913
Total comprehensive income for the year		-	-	-	34,931	34,931
Transactions with owners:						
- Share-based payment	31(d)	-	-	(22)	-	(22)
- Dividends	14	-	-	-	(30,963)	(30,963)
At 31 December 2019		147,707	(37,486)	1,969	669	112,859
At 1 January 2018		147,503	(37,486)	1,763	2,900	114,680
Total comprehensive income for the year		-	-	-	33,704	33,704
Transactions with owners:						
- Share-based payment	31(d)	204	-	228	-	432
- Dividends	14	-	-	-	(34,059)	(34,059)
At 31 December 2018		147,707	(37,486)	1,991	2,545	114,757

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

SEG International Bhd
(Incorporated in Malaysia)
Statements of cash flows
For the financial year ended 31 December 2019

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Profit before tax		49,637	47,781	35,129	33,709
Adjustments for:					
Impairment loss of investment in subsidiaries	9, 17	-	-	-	1,190
Allowance for ECL on:					
- trade receivables	9, 20(c)	(1,205)	2,685	-	-
- amount due from a subsidiary	9, 20(b)	-	-	-	619
Unwinding of discount on amount due from a subsidiary	6	-	-	-	(86)
Unrealised foreign currency exchange loss	9	130	808	-	485
Dividend income	4	(58)	(46)	(35,664)	(34,211)
Interest income	6	(1,112)	(944)	(3,292)	(1,713)
Reversal of allowance for ECL on amounts due from a subsidiary	7	-	-	-	(150)
Gain on disposal of property, plant and equipment	7, 9	(33)	(33)	*	-
Interest expense	8	9,138	2,094	7,636	2,192
Bad debts written off	9	-	6,256	-	43
Bad debts written back	7, 9	-	-	-	(597)
Depreciation of right-of-use assets	9,21(a)	21,714	-	13,556	-
Depreciation of property, plant and equipment	9, 15	11,625	12,196	136	161
Impairment loss of property, plant and equipment	9, 15	926	-	-	-
Property, plant and equipment written off	9, 15	479	6	-	-
Amortisation of development costs	9, 16(b)	3	17	-	-
Loss on disposal of subsidiaries	9, 17(a)	-	356	-	*
Share-based payment expense		(22)	432	(22)	432
Operating cash flows before changes in working capital		91,222	71,608	17,479	2,074
<u>Changes in working capital</u>					
Decrease in inventories		7	7	-	-
(Increase)/Decrease in trade and other receivables		(6,989)	(21,007)	(479)	196
(Decrease)/Increase in trade and other payables		(4,453)	7,397	16	27
Decrease in amount due from subsidiaries		-	-	10,980	8,402
Cash generated from operations		79,787	58,005	27,996	10,699

SEG International Bhd
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Statements of cash flows**For the financial year ended 31 December 2019 (cont'd.)**

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash generated from operations (cont'd.)		79,787	58,005	27,996	10,699
Interest paid		(1,654)	(2,094)	(1,646)	(2,112)
Net taxes refunded/(paid)		231	(3,335)	821	499
Net cash generated from operating activities		78,364	52,576	27,171	9,086
Cash flows from investing activities					
Interest received		1,112	975	1,077	939
Dividend received		58	46	35,664	34,211
Proceeds from disposal of property, plant and equipment		45	82	-	-
Purchase of property, plant and equipment		(4,962)	(3,629)	(107)	(35)
Net cash inflows for disposal of subsidiaries	17(a)	-	3	-	*
(Placement)/Withdrawal of other investments		(4)	7,573	(6)	7,573
Net cash (used in)/generated from investing activities		(3,751)	5,050	36,628	42,688
Cash flows from financing activities					
Repayment of hire purchase and finance lease payables		(1,035)	(1,067)	-	-
Payment of principal portion of lease liabilities		(28,592)	-	(18,461)	-
Repayment of term loan		(9,000)	(9,000)	(9,000)	(9,000)
Dividend paid		(30,963)	(77,396)	(30,963)	(77,396)
Withdrawal of deposits with licensed banks and financial institutions with maturity of more than three months		3,537	1,078	3,542	1,083
Net cash used in financing activities		(66,053)	(86,385)	(54,882)	(85,313)
Net increase/(decrease) in cash and cash equivalents		8,560	(28,759)	8,917	(33,539)
Cash and cash equivalents at beginning of year		45,002	73,761	11,610	45,149
Cash and cash equivalents at end of year	23	53,562	45,002	20,527	11,610

* Less than RM1,000

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

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**SEG International Bhd
(Incorporated in Malaysia)**

**Notes to the financial statements
For the financial year ended 31 December 2019**

1. Corporate information

SEG International Bhd ("SEGi" or "The Company") is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company is located at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and provision of management consultancy services, property management, rental of premises, business advisory services, educational and training services. The principal activities of the subsidiaries are disclosed in Note 17.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 28 April 2020.

2. Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia. At the beginning of the current financial year, the Group and the Company adopted new and amended MFRS which are mandatory for financial periods beginning on or after 1 January 2019 as described fully in Note 2.2.

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Ringgit Malaysia ("RM") and all values are rounded to the nearest thousand ('000) except when otherwise indicated.

SEG International Bhd
(Incorporated in Malaysia)

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except on 1 January 2019, the Group and the Company adopted the following new and amended MFRSs mandatory for annual financial periods beginning on or after 1 January 2019.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 9 Prepayment Features with Negative Compensation	1 January 2019
MFRS 16 Leases	1 January 2019
Amendments to MFRS 119 Plan Amendment, Curtailment or Settlement	1 January 2019
Amendments to MFRS 128 Long-term Interests in Associates and Joint Ventures	1 January 2019
Annual Improvements to MFRS Standards 2015 - 2017 Cycle	1 January 2019
IC Interpretation 23 Uncertainty over Income Tax Treatment	1 January 2019

The adoption of the above MFRS and Amendments to MFRS did not have any significant effect on the financial performance or position of the Group and of the Company except as discussed below:

MFRS 16 Leases

MFRS 16 supersedes MFRS 117 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the statement of financial position.

Lessor accounting under MFRS 16 is substantially unchanged from MFRS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in MFRS 117. Therefore, MFRS 16 does not have an impact for leases where the Group and the Company are the lessor.

The Group and the Company adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying MFRS 117 and IFRIC 4 at the date of initial application.

SEG International Bhd
(Incorporated in Malaysia)

2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The Group and the Company have lease contracts for various items of property and other equipment. Before the adoption of MFRS 16, the Group and the Company classified each of its leases at the inception date as either finance lease or an operating lease. Refer to Note 2.18 for the accounting policy prior to 1 January 2019.

Upon adoption of MFRS 16, the Group and the Company applied a single recognition and measurement approach for all leases except for short-term leases and leases of low-value assets. Refer to Note 2.18 for the accounting policy beginning 1 January 2019. The standard provides specific transition requirements and practical expedients, which have been applied by the Group and the Company.

Leases previously classified as operating leases

The Group and the Company recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. In some leases, the right-of-use assets were recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

The Group and the Company also applied the available practical expedients wherein they:

- used a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on its assessment of whether leases are onerous immediately before the date of initial application;
- applied the short-term leases exemptions to leases with lease term that ends within 12 months of the date of initial application;
- excluded the initial direct costs from the measurement of the right-of-use assets at the date of initial application; and
- used hindsight in determining the lease term where the contract contained options to extend or terminate the lease.

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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The effect of adoption MFRS 16 as at 1 January 2019 are, as follows:

		As at 31 December 2018 RM'000	MFRS 16 adjustments RM'000	As at 1 January 2019 RM'000
Group				
Non-current assets				
Property, plant and equipment	(a)	103,010	(4,888)	98,122
Right-of-use assets	(a)	-	136,786	136,786
		<u>103,010</u>	<u>131,898</u>	<u>234,908</u>
Non-current liabilities				
Lease liabilities	(b)	-	125,073	125,073
Borrowings	(b)	25,881	(631)	25,250
		<u>25,881</u>	<u>124,442</u>	<u>150,323</u>
Current liabilities				
Lease liabilities	(b)	-	20,464	20,464
Provisions	(c)	-	619	619
Borrowings	(b)	9,636	(636)	9,000
		<u>9,636</u>	<u>20,447</u>	<u>30,083</u>
Profit attributable to:				
Equity holders of the Company		42,664	(12,991)	29,673
Non-controlling interests		(37)	-	(37)
	(d)	<u>42,627</u>	<u>(12,991)</u>	<u>29,636</u>

SEG International Bhd
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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The effect of adoption MFRS 16 as at 1 January 2019 are, as follows: (cont'd.)

	Note	As at 31 December 2018 RM'000	MFRS 16 adjustments RM'000	As at 1 January 2019 RM'000
Company				
Non-current assets				
Right-of-use assets	(a)	-	105,784	105,784
Non-current liabilities				
Lease liabilities	(b)	-	98,797	98,797
Current liabilities				
Lease liabilities	(b)	-	12,831	12,831
Profit attributable to:				
Equity holders of the Company	(d)	33,704	(5,844)	27,860

Based on the above, as at 1 January 2019:

- (a) Right-of-use assets were recognised and presented separately in the statements of financial position. This includes the leasehold property of RM4,800,000 was reclassified from Property, plant and equipment.
- (b) Lease liabilities were recognised and included under financial liabilities. This includes the hire purchase recognised previously under borrowings amounted to RM1,267,000 that was reclassified to lease liabilities.
- (c) The provision of dismantling costs is recognised as part of the right-of-use assets.
- (d) Retained earnings and non-controlling interests decreased due to the net impact of these adjustments.

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2. Summary of significant accounting policies (cont'd.)

2.2 Changes in accounting policies (cont'd.)

MFRS 16 Leases (cont'd.)

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments as at 31 December 2018, as follows:

	Group RM'000	Company RM'000
Assets		
Operating lease commitments as at 31 December 2018	163,603	138,775
Less :		
Commitments relating to leases of low value assets	(179)	-
	<u>163,424</u>	<u>138,775</u>
Weighted average incremental borrowing rate as at 1 January 2019	5.4%	5.4%
Discounted operating lease commitments as at 1 January 2019	133,524	111,628
Add:		
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	10,746	-
Lease liabilities as at 1 January 2019	<u>144,270</u>	<u>111,628</u>

2.3 Standards issued but not yet effective

The standards and interpretations that are issued but not yet effective up to the date of issuance of the Group's and of the Company's financial statements are disclosed below. The Group and the Company intend to adopt these standards, if applicable, when they become effective.

Description	Effective for annual periods beginning on or after
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 29, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
Amendments to MFRS 101 Definition of Material	1 January 2020
Amendments to MFRS 108 Definition of Material	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of Liabilities as Current or Non-current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

**SEG International Bhd
(Incorporated in Malaysia)**

2. Summary of significant accounting policies (cont'd.)

2.3 Standards issued but not yet effective (cont'd.)

The above standards and interpretations do not have impact on the financial statements of the Group and the Company.

2.4 Subsidiaries and basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of such investments, the difference between net disposal proceeds and their carrying amounts is recognised in profit or loss.

(b) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the reporting date. The Group controls an investee if, and only if, the Group has:

- (i) power over the investee (such as existing rights that give it the current ability to direct the relevant activities of the investee);
- (ii) exposure, or rights, to variable returns from its investment with the investee; and
- (iii) the ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (i) the contractual arrangement(s) with the other vote holders of the investee;
- (ii) rights arising from other contractual arrangements; and
- (iii) the Group's voting rights and potential voting rights.

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2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income ("OCI") are attributed to the owners of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies to be in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

**SEG International Bhd
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2. Summary of significant accounting policies (cont'd.)

2.4 Subsidiaries and basis of consolidation (cont'd.)

(b) Basis of consolidation (cont'd.)

Business combinations and goodwill (cont'd.)

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units ("CGU") that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.7(c).

Goodwill and fair value adjustments which arose on acquisitions of foreign operation before 1 January 2006 are deemed to be assets and liabilities of the Company and are recorded in RM at the rates prevailing at the date of acquisition.

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2. Summary of significant accounting policies (cont'd.)

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and is presented separately in the consolidated statement of comprehensive income and within equity in the consolidated statement of financial position, separately from equity attributable to owners of the Company.

Changes in the Company owners' ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.6 Current versus non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- (i) expected to be realised or intended to be sold or consumed in normal operating cycle;
- (ii) held primarily for the purpose of trading;
- (iii) expected to be realised within twelve months after the reporting period; or
- (iv) cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- (i) it is expected to be settled in normal operating cycle;
- (ii) it is held primarily for the purpose of trading;
- (iii) it is due to be settled within twelve months after the reporting period; or
- (iv) there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

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2. Summary of significant accounting policies (cont'd.)

2.7 Foreign currency

(a) Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia (RM), which is also the Company's functional currency.

(b) Foreign currency transactions

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the reporting date. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items denominated in foreign currencies measured at fair value are translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

Exchange differences arising on the translation of non-monetary items carried at fair value are treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognised in OCI or profit or loss are also recognised in OCI or profit loss, respectively).

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2. Summary of significant accounting policies (cont'd.)

2.7 Foreign currency (cont'd.)

(c) Foreign operations

The assets and liabilities of foreign operations are translated into RM at the rate of exchange ruling at the reporting date and income and expenses are translated at exchange rates at the dates of the transactions. The exchange differences arising on the translation are taken directly to other comprehensive income. On disposal of a foreign operation, the cumulative amount recognised in other comprehensive income and accumulated in equity under foreign currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Research and development costs

All research costs are recognised in the profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditures which do not meet these criteria are expensed off when incurred.

Development costs, considered to have finite useful lives, are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years. Impairment is assessed whenever there is an indication of impairment and the amortisation period and method are also reviewed at least at each reporting date.

2. Summary of significant accounting policies (cont'd.)

2.9 Property, plant and equipment

Property, plant and equipment are stated at cost, net of accumulated depreciation and accumulated impairment losses, if any. Such cost includes the cost of replacing part of the plant and equipment if the recognition criteria are met. When significant parts of plant and equipment are required to be replaced at intervals, the Group and the Company depreciate them separately based on their specific useful lives. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred. The present value of the expected cost for the decommissioning of an asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Freehold land has an infinite useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets, at the following annual rates:

Leasehold land	over the lease term of 779 years
Buildings	2%
Computer hardware and software	15% - 33%
Fixtures, fittings and office equipment	10% - 20%
Library books and manuals	10% - 20%
Motor vehicles	20%

Capital work-in-progress are not depreciated as these assets are not yet available for use.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

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2. Summary of significant accounting policies (cont'd.)

2.10 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's CGU to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. A long term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

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2. Summary of significant accounting policies (cont'd.)

2.10 Impairment of non-financial assets (cont'd.)

Goodwill is tested for impairment annually as at 31 December 2019 and also when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

2.11 Inventories

Inventories are valued at lower of cost and net realisable value.

Cost is determined using the weighted average method. Cost includes the cost of purchases and incidentals in bringing the inventories to their present location and condition.

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

2.12 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term deposits which have a maturity of three months or less, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's and of the Company's cash management.

2.13 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. When the Group expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognised as a separate asset, but only when the reimbursement is virtually certain. The expense relating to a provision is presented in profit or loss net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, when appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2. Summary of significant accounting policies (cont'd.)

2.14 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

(a) Financial assets

(i) Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through profit or loss ("FVTPL") and fair value through other comprehensive income ("FVOCI").

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15.

In order for a financial asset to be classified and measured at amortised cost, it needs to give rise to cash flows that are 'solely payment of principal and interest ("SPPI")' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Group and the Company's business model for managing financial assets refers to how they manage their financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, such as the date that the Group and the Company commit to purchase or sell the asset.

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(ii) Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost (debt instruments);
- Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments);
- Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments);
- Financial assets at fair value through profit or loss.

Financial assets at amortised cost

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

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

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

The Group and the Company's financial assets at amortised cost include trade and other receivables and deposits, cash and bank balances.

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial Instruments (cont'd.)

(a) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets at fair value through OCI (debt instruments)

The Group and the Company measure debt instruments at FVOCI if both of the following conditions are met:

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

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group's and the Company's debt instruments at fair value through OCI includes investments in quoted equity shares included under other non-current financial assets.

Financial assets designated at fair value through OCI (equity instruments)

Upon initial recognition, the Group and the Company can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under MFRS 132 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial Instruments (cont'd.)

(a) Financial assets (cont'd.)

(ii) Subsequent measurement (cont'd.)

Financial assets designated at fair value through OCI (equity instruments)
(cont'd.)

Unquoted shares in Malaysia previously classified as available-for-sale financial assets is now classified and measured as fair value through OCI. The Group and the Company elected to classify irrevocably its non-listed equity investments under this category as it intends to hold these investments for the foreseeable future. There was no impairment losses recognised in profit or loss for these investments in prior periods.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at fair value through OCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes investment security under other financial asset.

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial instruments (cont'd.)

(a) Financial assets (cont'd.)

(III) Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (such as removed from the statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group and the Company have transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

When the Group and the Company have transferred their rights to receive cash flows from an asset or have entered into a 'pass-through' arrangement, they evaluate if and to what extent they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the asset is recognised to the extent of the Group's and of the Company's continuing involvement in the asset. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial Instruments (cont'd.)

(b) Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's and the Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

(ii) Subsequent measurement

Loans and borrowings

After initial recognition, trade and other payables, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in profit or loss.

(iii) Derecognition

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

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2. Summary of significant accounting policies (cont'd.)

2.14 Financial instruments (cont'd.)

(c) Offsetting of financial instruments

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

2.15 Impairment of financial assets

The Group and the Company recognise an allowance for expected credit losses ("ECLs") for all debt instruments carried at amortised cost and fair value through OCI. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group and the Company expect to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

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

Other financial assets including investment securities, short-term deposits and cash and cash equivalents are placed with reputable financial institutions. The Group and the Company consider these counterparties have a low risk of default and a strong capacity to meet contractual cash flows, and are of low credit risk. The impairment provision is determined based on the 12-month ECL.

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2. Summary of significant accounting policies (cont'd.)

2.15 Impairment of financial assets (cont'd.)

The Group and the Company consider a financial asset in default when contractual payments are 30 to 180 days past due. However, in certain cases, the Group and the Company may also consider a financial asset to be in default when internal or external information indicates that the Group and the Company are unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group and the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

2.17 Employee benefits

(a) Short term benefits

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

(b) Defined contribution plans

The Group and the Company participate in the national pension schemes as defined by the laws of the countries in which it has operations. The Malaysian companies in the Group and the Company make contributions to the Employees Provident Fund ("EPF") in Malaysia, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

2. Summary of significant accounting policies (cont'd.)

2.17 Employee benefits (cont'd.)

(c) Employee share option plans

The Company implemented its Long Term Incentive Plan ("LTIP") on 1 July 2014, which comprises of the Employees' Share Option Scheme ("ESOS") and Share Grant Plan ("SGP") for the eligible directors and employees of the Company and its subsidiaries. Employees of the Group and the Company receive remuneration in the form of share options as consideration for services rendered.

Equity-settled transactions

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the options at the date on which the options are granted using an appropriate valuation model. This cost is recognised in profit or loss, with a corresponding increase in the employee share option reserve over the vesting period. The cumulative expense recognised at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of options that will ultimately vest. The charge or credit to profit or loss for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

No expense is recognised for options that do not ultimately vest, except for options where vesting is conditional upon a market or non-vesting condition, which are treated as vested irrespective of whether or not the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied. The employee share option reserve is transferred to retained profits upon expiry of the share options. When the options are exercised, the employee share option reserve is transferred to share capital if new shares are issued, or to treasury shares if the options are satisfied by the reissuance of treasury shares.

2.18 Leases

Effective after to 1 January 2019

The Group and the Company assess at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) As lessee

The Group and the Company apply a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group and the Company recognise lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

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2. Summary of significant accounting policies (cont'd.)

2.18 Leases (cont'd.)

Effective after to 1 January 2019 (cont'd.)

(a) As lessee (cont'd.)

(i) Right-of-use assets

The Group and the Company recognise right-of-use assets at the commencement date of the lease. Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Property	1 to 8 years
Plant & equipment	2 to 5 years

If ownership of the leased asset transfers to the Group and the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in Note 2.10 impairment of non-financial assets.

(ii) Lease liabilities

At the commencement date of the lease, the Group and the Company recognise lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and the Company and payments of penalties for terminating the lease, if the lease term reflects the Group and the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

2. Summary of significant accounting policies (cont'd.)

2.18 Leases (cont'd.)

Effective after to 1 January 2019 (cont'd.)

(a) As lessee (cont'd.)

(ii) Lease liabilities (cont'd.)

In calculating the present value of lease payments, the Group and the Company use their incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are included in financial liabilities in Note 35.

(ii) Short-term leases and leases of low-value assets

The Group and the Company apply the short-term lease recognition exemption to its short-term leases such as those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. The assessment of whether an underlying asset is of low value is performed on an absolute basis and is not affected by the size, nature or circumstances of the lessee. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which the Group and the Company do not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statements of comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2. Summary of significant accounting policies (cont'd.)

2.18 Leases (cont'd.)

Effective prior to 1 January 2019

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

As lessee

A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group and the Company are classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statement of profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group and the Company will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

2.19 Ordinary share capital and share Issuance expenses

An equity instruments is any contract that evidences a residual interest in the assets of the Group and of the Company after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

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2. Summary of significant accounting policies (cont'd.)

2.20 Treasury shares

The Company's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Company and no dividends are allocated to them respectively.

2.21 Revenue from contracts with customers and other income

Revenue from contracts with customers is recognised when control of the services or goods are transferred to the customer at an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those services or goods.

The Group and the Company satisfy a performance obligation and recognise revenue over time if the Group's and the Company's performance:

- do not create an asset with an alternative use to the Group and the Company and have an enforceable right to payment for performance completed to-date; or
- create or enhance an asset that the customer controls as the asset is created or enhanced; or
- provide benefits that the customer simultaneously receives and consumes as the Group and the Company perform.
- for performance obligations where any one of the above conditions is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

Revenue from contracts with customers and other income are measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The followings describes the performance obligations in contracts with customers:

(a) Educational services

Educational services revenue comprise:

- (i) Tuition fees
Tuition fees are recognised over a period of time when the services are rendered.

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2. Summary of significant accounting policies (cont'd.)

2.21 Revenue from contracts with customers and other income (cont'd.)

(a) Educational services (cont'd.)

(ii) Facility fees

In the previous financial years, the Group recognised student's facility fees at a point in time. During the current financial year, the Group changed the accounting policy whereby the student's facility fees are recognised over a period of time when the services are rendered in accordance to the new standard.

(iii) Administration fees

Administration fees from application services are recognised when the services are rendered at a point in time.

(b) Sale of goods

Sales are recognised net of returns and trade discount when the services or goods are rendered at a point in time.

(c) Management fee

Management fees are recognised when services are rendered.

(d) Rental income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of comprehensive income due to its operating nature.

(e) Dividend income

Dividend income is recognised when the Group's and the Company's right to receive the payment is established, which is generally when shareholders approve the dividend.

(f) Interest income

Interest income recognised on an accrual basis that reflects the effective yield of the asset.

2. Summary of significant accounting policies (cont'd.)

2.21 Revenue from contracts with customers and other income (cont'd.)

(g) Contract liabilities arising from revenue recognition

A contract liability is recognised if a payment is received or a payment is due (whichever is earlier) from a customer before the Group and the Company transfer the related goods or services. Contract liabilities are recognised as revenue when the Group and the Company perform under the contract such as transfers control of the related goods or services to the customer.

(h) Cost to obtain a contract

The Group pays agent commission to its agent for certain contracts that they obtain for number of students recruited. The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, sales commissions are immediately recognised as an expense.

2.22 Income taxes

(a) Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date in the countries where the Group and the Company operate and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

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2. Summary of significant accounting policies (cont'd.)

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be recovered.

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2. Summary of significant accounting policies (cont'd.)

2.22 Income taxes (cont'd.)

(b) Deferred tax (cont'd.)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

2.23 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the statement of financial position of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

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2. Summary of significant accounting policies (cont'd.)

2.24 Segment reporting

Segment reporting in the financial statements are presented on the same basis as it is used by management internally for evaluating operating segment performance and in deciding how to allocate resources to operating segments. Operating segments are distinguishable components of the Group that engage in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing performance, and for which discrete financial information is available.

All transactions between operating segments are conducted based on mutually agreed allocation bases, with intra-segment revenue and costs being eliminated. Income and expenses directly associated with each segment are included in determining business segment performance.

2.25 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

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2. Summary of significant accounting policies (cont'd.)

2.25 Fair value measurement (cont'd.)

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Quoted (unadjusted) prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

For the purpose of fair value disclosures, the Group and the Company have determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

2.26 Financial guarantee contracts

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

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

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2. Summary of significant accounting policies (cont'd.)

2.27 Government grants

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. Where the grant related to an asset, the fair value is recognised as deferred capital grant in the statement of financial position by deducting the grant in arriving at the carrying amount of assets when the asset is ready for its intended use.

When loans or similar assistance are provided by governments or related institutions, with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as a government grant. The loan or assistance is initially recognised and measured at fair value and the government grant is measured as the difference between the initial carrying value of the loan and the proceeds received. The loan is subsequently measured as per the accounting policy in Note 2.14(b).

3. Significant accounting estimates and judgements

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

(a) Critical judgements made in applying accounting policies

In the process of applying the Group's and the Company's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognised in the financial statements:

(i) Determining the lease term of contracts with renewal and termination options as lessee

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

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3. Significant accounting estimates and judgements (cont'd.)

(a) Critical judgements made in applying accounting policies (cont'd.)

(i) Determining the lease term of contracts with renewal and termination options as lessee (cont'd.)

The Group and the Company apply judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group and the Company reassess the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate such as the construction of significant leasehold improvements or significant customisation to the leased asset.

The Group and the Company included the renewal period as part of the lease term for leases with shorter non-cancellable period such as three to five years. The Group and the Company typically exercise its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available.

(b) Key sources of estimation uncertainty

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

Impairment of goodwill and investment in subsidiaries

(i) Goodwill

Goodwill represents the excess of the cost of business combination over the Group's share in the net fair value of the acquired subsidiary's identifiable assets, liabilities and contingent liabilities. Goodwill is measured at cost less accumulated impairment losses.

Goodwill is tested for impairment annually and at other times when such indicators exist. This requires an estimation of the value-in-use of the cash-generating units ("CGU") to which goodwill is allocated.

(ii) Investment in subsidiaries

The Company reviews its investment in subsidiaries when there are indicators of impairment. Impairment is measured by comparing the carrying amount of an investment with its recoverable amount. Significant estimation is required in determining the recoverable amount.

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3. Significant accounting estimates and judgements (cont'd.)

(b) Key sources of estimation uncertainty (cont'd.)

(ii) Investment in subsidiaries (cont'd.)

When value-in-use calculation are undertaken, management must estimate the expected future cash flows from the asset and choose a suitable discount rate in order to calculate the present value of those cash flows. Further details of goodwill and investment in subsidiaries are disclosed in Note 16(a) and Note 17(b) respectively.

(iii) Estimating the incremental borrowing rate to measure lease liabilities

The Group and the Company cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group and the Company would have to pay to borrow over a similar term, and the funds necessary to obtain an asset of a similar value to the right-of-use assets in a similar economic environment. The IBR therefore reflects what the Group and the Company 'would have to pay', which requires estimation when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group and the Company estimates the IBR using observable inputs such as market interest rates when available and is required to make certain entity-specific estimates.

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4. Revenue

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Educational services rendered	242,463	250,737	-	-
Non-educational services rendered	634	603	732	732
Management fee	-	-	5,927	9,527
Rental income	366	402	18,043	17,432
Dividend income	58	46	35,664	34,211
Sale of eyecare and healthcare related products	451	622	-	-
	<u>243,972</u>	<u>252,410</u>	<u>60,366</u>	<u>61,902</u>

Timing of revenue recognition

Goods or services transferred				
- transferred at a point in time	16,714	16,843	42,323	44,470
- transferred over time	227,258	235,567	18,043	17,432
	<u>243,972</u>	<u>252,410</u>	<u>60,366</u>	<u>61,902</u>

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2019 is as follows:

Educational services rendered - Contract liabilities (Note 27)

	Group	
	2019	2018
	RM'000	RM'000
Within one year	29,687	31,623
More than one year	1,306	909
	<u>30,993</u>	<u>32,532</u>

5. Cost of services

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Salaries and related expenses	64,054	67,517	-	-
Other direct costs	19,617	17,872	17,493	22,844
	<u>83,671</u>	<u>85,389</u>	<u>17,493</u>	<u>22,844</u>

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5. Cost of services (cont'd.)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Included in other direct costs are the followings:				
Expense relating to short-term leases of premises	285	-	285	-
Operating lease rentals in respect of leased premises	-	-	-	19,545
Agent fee	13,047	10,657	-	-
Incentive to staff	1,159	1,157	-	-
Students' direct expenses	1,629	1,440	-	-
Sharing and royalty fees	1,348	1,784	-	-
Library, lab and workshop expenses	840	927	-	-
Management fees	-	200	3,652	3,299
Cost of goods sold	188	238	-	-
Depreciation of right-of-use-assets	-	-	13,556	-
Others	1,121	1,469	-	-
	<u>19,617</u>	<u>17,872</u>	<u>17,493</u>	<u>22,844</u>

6. Interest income

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Interest income from:				
Subsidiaries	-	-	2,202	805
Fixed deposits	1,112	944	1,090	908
Unwinding of discount on amount due from a subsidiary	-	-	-	86
	<u>1,112</u>	<u>944</u>	<u>3,292</u>	<u>1,799</u>

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7. Other Income

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Hostel related income		4,331	3,904	-	-
Student deposits forfeited		1,031	1,453	-	-
Gain on disposal of property, plant and equipment	9	33	33	*	-
Fair value gain on other financial assets		-	152	4	152
Laboratory fees		-	33	-	-
Bad debt written back on amounts due to subsidiaries	9	-	-	-	597
Accounting service fees from subsidiaries		-	-	960	960
Reversal of allowance for ECL on amounts due from a subsidiary		-	-	-	150
Others		2,660	3,264	720	15
		<u>8,055</u>	<u>8,839</u>	<u>1,684</u>	<u>1,874</u>

8. Finance costs

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expense on:				
Lease liabilities	7,484	-	5,630	-
Hire purchase liabilities	134	78	-	-
Overdraft	-	-	-	12
Term loan	1,520	2,016	1,520	2,016
Loans from subsidiary companies	-	-	486	164
	<u>9,138</u>	<u>2,094</u>	<u>7,636</u>	<u>2,192</u>

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9. Profit before tax

The following amounts have been included in arriving at profit before tax:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Auditors' remunerations:					
- current year					
- Ernst & Young PLT		411	451	120	120
- overseas member firms of Ernst & Young PLT		37	37	-	-
- other auditors		114	110	-	-
- under provision in prior years					
- Ernst & Young PLT		18	38	-	-
- other auditors		*	4	-	-
Non-audit fees for services rendered by:					
- Ernst & Young PLT		56	79	82	92
- others		101	96	-	-
- under provision in prior years to Ernst & Young PLT		2	7	1	7
Employee benefits expense	10	103,025	107,767	1,751	1,435
Expense related to short-term leases in respect of:					
- premises		303	-	285	-
- hostels		345	-	-	-
- equipments		163	-	-	-
Operating lease rentals in respect of leased:					
- premises		-	27,408	-	19,545
- hostels		-	1,600	-	-
- equipments		-	487	-	-
Foreign currency exchange loss/ (gain):					
- realised		58	29	170	(158)
- unrealised		130	808	-	485
Depreciation and amortisation of:					
- right-of-use assets	21(a)	21,714	-	13,556	-
- property, plant and equipment	15	11,625	12,196	136	161
- development costs	16	3	17	-	-
Gain on disposal of:					
- property, plant and equipment	7	(33)	(33)	*	-
- subsidiaries	17(a)	-	356	-	*

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9. Profit before tax (cont'd.)

The following amounts have been included in arriving at profit before tax: (cont'd.)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Reversal)/Allowance for ECL on:					
- trade receivables	20(c)	(1,205)	2,685	-	-
- amounts due from a subsidiary	20(b)	-	-	-	619
Allowance for impairment loss of:					
- investment in subsidiaries	17(b)	-	-	-	1,190
- property, plant and equipment	15	926	-	-	-
Write offs of:					
- property, plant and equipment	15	479	6	-	-
- bad debts		-	6,256	-	43
Bad debt written back on amounts due to subsidiaries	7	-	-	-	(597)

* Less than RM1,000

10. Employee benefits expense

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Employee benefits expense:	9				
Salaries, wages, bonuses and allowances		88,821	92,697	1,538	1,472
Defined contribution plan		9,494	10,254	153	156
Social security contributions		997	989	2	2
Share-based payment expense		(22)	432	23	(215)
Other benefits		3,735	3,395	35	20
		<u>103,025</u>	<u>107,767</u>	<u>1,751</u>	<u>1,435</u>

Included in employee benefits expense of the Group and of the Company are executive directors' remuneration amounting to RM832,000 (2018: RM803,000) and RM832,000 (2018: RM803,000), respectively as further disclosed in Note 11.

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11. Directors' remuneration

The details of remuneration received and receivable by directors of the Group and the Company during the year are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Executive/Non-Executive:				
Salaries and other emoluments	664	642	664	642
Bonus	87	75	87	75
Defined contribution plan	81	86	81	86
Total executive/Non-Executive directors' remuneration excluding benefits-in-kind	832	803	832	803
Estimated money value of benefits-in-kind	56	31	56	31
Total executive/Non-Executive directors' remuneration including benefits-in-kind	888	834	888	834
Non-executive:				
Fees	266	266	266	266
Total directors' remuneration including benefits-in-kind	1,154	1,100	1,154	1,100

The number of directors of the Group and the Company whose total remuneration during the years fell within the following bands is analysed below:

	Number of directors			
	Group		Company	
	2019	2018	2019	2018
Executive directors:				
RM100,001 – RM150,000	1	1	1	1
RM650,001 – RM700,000	-	1	-	1
RM700,001 – RM750,000	1	-	1	-

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11. Directors' remuneration (cont'd.)

	Number of directors			
	Group 2019	2018	Company 2019	2018
Non-executive directors:				
Below RM50,001	2	2	2	2
RM50,001 – RM100,000	4	4	4	4

12. Income tax expense

The major components of income tax for the years ended 31 December 2019 and 2018 are as follows:

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Current income tax:					
Malaysia income tax		5,783	8,104	198	-
Foreign income tax		222	274	-	-
(Over)/Under provision of Malaysian income tax in respect of prior years		(576)	162	-	5
		<u>5,429</u>	<u>8,540</u>	<u>198</u>	<u>5</u>
Deferred tax:	28				
Origination and reversal of temporary differences		1,070	(2,662)	1,438	-
Over provision in respect of prior years		(1,974)	(218)	(1,438)	-
		<u>(904)</u>	<u>(2,880)</u>	<u>-</u>	<u>-</u>
Income tax expense recognised in profit or loss		<u>4,525</u>	<u>5,660</u>	<u>198</u>	<u>5</u>

Domestic current income tax is calculated at the Malaysia statutory tax rate of 24% (2018: 24%) of the estimated assessable profit for the year.

Taxation for other jurisdictions is calculated at the rates prevailing in the respective jurisdictions.

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12. Income tax expense (cont'd.)

The reconciliations between income tax and the product of accounting profits multiplied by the applicable corporate tax rate for the financial years ended 31 December 2019 and 2018 are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Profit before tax	49,637	47,781	35,129	33,709
Taxation at Malaysian statutory tax rate of 24% (2018: 24%)	11,913	11,467	8,431	8,090
Adjustments:				
Non-deductible expenses	1,101	1,431	115	391
Income not subject to tax	(3,698)	(5,395)	(8,561)	(8,247)
Deferred tax assets not recognised	3,401	3,707	1,959	308
Utilisation of previously unrecognised deferred tax assets	(3,509)	(3,593)	(308)	(542)
Utilisation of current year's allowance for increased export of service	(356)	(214)	-	-
Different tax rate of certain subsidiaries	(1,777)	(1,687)	-	-
(Over)/Under provision in respect of prior years:				
- Income tax	(576)	162	-	5
- deferred tax	(1,974)	(218)	(1,438)	-
Income tax expense recognised in profit or loss	4,525	5,660	198	5

Tax savings during the financial years arising from:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Utilisation of previously unrecognised:				
Tax losses	(3,297)	(3,346)	(308)	(542)
Capital allowance	(212)	(247)	-	-
Utilisation of current year's allowance for increased export of service	(356)	(214)	-	-
	(3,865)	(3,807)	(308)	(542)

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13. Earnings per share

Continuing operations

(a) Basic

Basic earnings per share are calculated by dividing the Group's profit net of tax, attributable to equity holders of the Company of RM45,132,000 (2018: RM42,158,000) by the weighted average number of ordinary shares in issue during the financial year, net of treasury shares, of approximately 1,238,515,000 (2018: 1,238,411,000).

(b) Diluted

Diluted earnings per share are calculated by dividing profit net of tax, attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

The following reflect the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2019	2018
Profit attributable to equity holders of the Company (RM'000)	<u>45,132</u>	<u>42,158</u>
Weighted average number of ordinary shares ('000)	1,238,515	1,238,411
Effect of dilution ('000)		
- Shares Grant Plan ("SGP")	<u>-</u>	<u>653</u>
Weighted average number of ordinary shares for diluted earnings per share ('000)	<u>1,238,515</u>	<u>1,239,064</u>
<u>Basic earnings per share (sen):</u>		
Basic earnings per share for profit for the year, net of tax	<u>3.64</u>	<u>3.40</u>
<u>Diluted earnings per share (sen):</u>		
Diluted earnings per share for profit for the year, net of tax	<u>3.64</u>	<u>3.40</u>

Earnings per share for the preceding financial year have been adjusted for the issuance of bonus shares for comparative purposes.

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13. Earnings per share (cont'd.)

In the current financial year, nil (2018: 1,886,162) share options vested to employees (out of total number of ESOS option of 21,929,000 allocated) under the existing employee share option scheme that have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

For the year ended 31 December 2019 and 31 December 2018, the basic and diluted EPS are the same as the assumed conversion of the share options are anti-dilutive.

14. Dividends

	Company	
	2019	2018
	RM'000	RM'000
Recognised during the financial year:		
<u>In respect of the financial year ended 31 December 2019</u>		
Interim single tier dividend of RM0.0250 per ordinary share paid on 12 December 2019	30,963	-
<u>In respect of the financial year ended 31 December 2018:</u>		
Interim single tier dividend of RM0.0275 per ordinary share paid on 15 November 2018	-	34,059
	<u>30,963</u>	<u>34,059</u>

The directors do not propose any final dividend for the financial year ended 31 December 2019.

15. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Computer hardware and software RM'000	Fixtures, fittings and office equipment RM'000	Library books and manuals RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2019									
Net book value									
At 1 January 2019	4,250	4,888	54,322	1,946	34,563	1,115	1,563	363	103,010
Effect of adoption of MFRS 16 (Note 2.2)	-	(4,888)	-	-	-	-	-	-	(4,888)
At 1 January 2019 (restated)	4,250	-	54,322	1,946	34,563	1,115	1,563	363	98,122
Additions	-	-	-	899	2,897	418	308	2,490	7,012
Reclassification	-	-	-	-	2,853	-	-	(2,853)	-
Disposals	-	-	-	-	(12)	-	-	-	(12)
Impairment	-	-	(926)	-	-	-	-	-	(926)
Written off (Note 9)	-	-	-	-	(479)	*	-	-	(479)
Depreciation charge (Note 9)	-	-	(1,225)	(1,426)	(7,919)	(502)	(553)	-	(11,625)
At 31 December 2019	4,250	-	52,171	1,419	31,903	1,031	1,318	-	92,092
Cost	4,250	-	68,148	17,050	107,700	9,108	4,670	-	210,926
Accumulated depreciation	-	-	(13,051)	(15,631)	(75,797)	(8,077)	(3,352)	-	(115,908)
Accumulated impairment loss	-	-	(2,926)	-	-	-	-	-	(2,926)
Net book value	4,250	-	52,171	1,419	31,903	1,031	1,318	-	92,092

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15. Property, plant and equipment

Group	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Computer hardware and software RM'000	Fixtures, fittings and office equipment RM'000	Library books and manuals RM'000	Motor vehicles RM'000	Capital work-in-progress RM'000	Total RM'000
At 31 December 2018									
Net book value									
At 1 January 2018	4,250	4,894	55,546	2,863	40,189	1,609	1,097	377	110,825
Additions	-	-	-	760	2,224	232	934	286	4,436
Reclassification	-	-	-	14	286	-	-	(300)	-
Disposals	-	-	-	-	(49)	-	-	-	(49)
Written off (Note 9)	-	-	-	-	(5)	(1)	-	-	(6)
Depreciation charge (Note 9)	-	(6)	(1,224)	(1,691)	(8,082)	(725)	(468)	-	(12,196)
At 31 December 2018	4,250	4,888	54,322	1,946	34,563	1,115	1,563	363	103,010
Cost	4,250	4,963	68,148	16,151	102,619	8,690	4,362	363	209,546
Accumulated depreciation	-	(75)	(11,826)	(14,205)	(68,056)	(7,575)	(2,799)	-	(104,536)
Accumulated impairment loss	-	-	(2,000)	-	-	-	-	-	(2,000)
Net book value	4,250	4,888	54,322	1,946	34,563	1,115	1,563	363	103,010

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15. Property, plant and equipment (cont'd.)

Company	Freehold land RM'000	Buildings RM'000	Computer hardware and software RM'000	Fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2019						
Net book value						
At 1 January 2019	4,250	2,047	9	130	-	6,436
Addition	-	-	79	28	-	107
Depreciation charge (Note 9)	-	(77)	(30)	(29)	-	(136)
At 31 December 2019	4,250	1,970	58	129	-	6,407
Cost	4,250	3,877	686	338	441	9,592
Accumulated depreciation	-	(1,907)	(628)	(209)	(441)	(3,185)
Net book value	4,250	1,970	58	129	-	6,407

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15. Property, plant and equipment (cont'd.)

Company	Freehold land RM'000	Buildings RM'000	Computer hardware and software RM'000	Fixtures, fittings and office equipment RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2018						
Net book value						
At 1 January 2018	4,250	2,124	66	122	-	6,562
Addition	-	-	-	35	-	35
Depreciation charge (Note 9)	-	(77)	(57)	(27)	-	(161)
At 31 December 2018	4,250	2,047	9	130	-	6,436
Cost	4,250	3,876	607	308	441	9,482
Accumulated depreciation	-	(1,829)	(598)	(178)	(441)	(3,046)
Net book value	4,250	2,047	9	130	-	6,436

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15. Property, plant and equipment (cont'd.)

- (a) During the financial year, the Group acquired property, plant and equipment at aggregate cost of RM7,012,000 (2018: RM4,436,000) of which RM2,050,000 (2018: RM807,200) were acquired by means of hire purchase.

Net carrying amounts of property, plant and equipment held under hire purchase agreements are as follows:

	Group	
	2019	2018
	RM'000	RM'000
Fixtures, fittings and office equipment	2,180	2,028
Motor vehicles	1,072	1,393
	<u>3,252</u>	<u>3,421</u>

Details of the obligation under hire purchase are disclosed in Note 25(a).

- (b) At the end of the financial year, the carrying amount of the freehold lands and buildings of the Group and of the Company pledged as security for banking facilities amounted to approximately RM41,802,000 (2018: RM42,702,000) and RM6,220,000 (2018: RM6,297,000), respectively.
- (c) During the current financial year, a subsidiary, SEGi Assets Sdn Bhd, recognised an impairment loss of RM926,000 (2018: nil) to write down the carrying value of its building to the estimated fair value of the building.

16. Intangible assets

		Goodwill	Development costs	Total
	Note	RM'000	RM'000	RM'000
Group				
Cost				
At 1 January 2018		35,016	7,045	42,061
Disposal of subsidiaries	17(a)	(257)	-	(257)
At 31 December 2018 / 1 January 2019				
/ 31 December 2019		<u>34,759</u>	<u>7,045</u>	<u>41,804</u>

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16. Intangible assets (cont'd.)

		Goodwill	Development costs	Total
	Note	RM'000	RM'000	RM'000
Accumulated amortisation				
At 1 January 2018		(7,238)	(7,022)	(14,260)
Amortisation	9	-	(17)	(17)
At 31 December 2018		(7,238)	(7,039)	(14,277)
Amortisation	9	-	(3)	(3)
At 31 December 2019		(7,238)	(7,042)	(14,280)
Net carrying amount				
At 31 December 2018		27,521	6	27,527
At 31 December 2019		27,521	3	27,524

(a) Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to the Group's CGU identified from the education segment.

The recoverable amount of the CGU has been determined based on value-in-use calculations using cash flow projections based on financial budget approved by the Board of Directors covering a 5-year period (2018: 5-year period).

The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill:

- (i) There will be no material changes in the structure and principal activities of the Group, the budgeted gross profit margin is based on historical trend of gross margin for the CGU.
- (ii) There will not be any significant increase in the labour costs, adverse changes in the economic conditions or other abnormal factors, which will adversely affect the operations of the CGU.
- (iii) Pre-tax discount rate of 15% (2018: 15%) is applied in determining the recoverable amounts of the CGU. The discount rate was estimated based on the Group's existing weighted average cost of capital.
- (iv) Forecast annual growth rates of 3% - 5% (2018: 3% - 11%) are applied to the five years cash flow projections.

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16. Intangible assets (cont'd.)**(a) Impairment testing of goodwill (cont'd.)**

The following are the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill: (cont'd.)

- (v) Terminal growth rate of 1% (2018: 1%) represents the growth rate applied to extrapolate post-tax cash flow beyond the five year financial budget period.

Sensitivity to changes in assumptions

The management believes that there are no reasonably possible change in any of the above key assumptions which would cause the carrying values of the CGU to materially exceed their recoverable amounts.

(b) Development costs

Development costs refer to costs incurred in study materials developments. As explained in Note 2.8, the useful life of these costs is estimated to be not more than ten years.

The amortisation of development costs is included in the "Administrative expenses" line item in the statements of comprehensive income.

17. Investment in subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Unquoted shares at cost:		
At 1 January	88,446	86,656
ESOS options and PSP Grant shares (forfeited by the Company) / granted to employees of subsidiaries	(44)	647
Capitalisation of capital contribution to a subsidiary*	199	1,643
Disposal of subsidiary during the year	-	(500)
At 31 December	<u>88,601</u>	<u>88,446</u>
Accumulated impairment losses:		
At 1 January	(9,831)	(9,141)
Additions during the financial year (Note 9)	-	(1,190)
Disposal during the year	-	500
At 31 December	<u>(9,831)</u>	<u>(9,831)</u>
	<u>78,770</u>	<u>78,615</u>

* Represents fair value on below market interest loan advance to the subsidiary.

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17. Investment in subsidiaries (cont'd.)

The details of the subsidiaries are as follows:

Name of Company	Effective equity Interest		Principal activities
	2019 %	2018 %	
Incorporated in Malaysia:			
SEGi College (KL) Sdn. Bhd.*	100	100	Provision of professional, commercial and academic education.
PDCE Resources Sdn. Bhd.**	100	100	Provision of professional, commercial and academic education.
SEGi College (PG) Sdn. Bhd.*	100	100	Provision of professional, commercial and academic education.
SEGi College (KD) Sdn. Bhd.*	100	100	Provision of professional, commercial and academic education.
SMRC Learning Alliance Sdn. Bhd.**	100	100	Provision of educational and training services.
SEG Equity Sdn. Bhd.**	100	100	Investment holding.
SEG International Group Sdn. Bhd.**	100	100	Investment holding and provision of training and educational services.
SEGi Campus Sdn. Bhd.**	100	100	Property investment and development.
SEGi Holdings Sdn. Bhd.*	100	100	Investment holding and management consultancy.
Summit Education Sdn. Bhd.**	98.63	98.63	Investment holding and management consultancy.
Summit Early Childhood Edu-Care Sdn. Bhd.**	100	100	Provision of child educational and related services.

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17. Investment in subsidiaries (cont'd.)

The details of the subsidiaries are as follows (cont'd.):

Name of Company	Effective equity interest		Principal activities
	2019 %	2018 %	
Incorporated in Malaysia (cont'd.):			
Agensi Pekerjaan Job Venture Sdn. Bhd.**	100	100	Provision of job placement consultancy services.
PMDC Learning Alliance (EM) Sdn. Bhd.**	100	100	Provision of management consultancy services and investment holding.
Held through subsidiaries:			
SEGi University Sdn. Bhd.*	100	100	Provision of professional, commercial and academic education.
SEGi EyeCare Sdn. Bhd.**	100	100	Provision of eye care and optometry related services.
SMRC Learning Alliance (KL) Sdn. Bhd.**	100	100	Provision of educational and training services.
SEGi College (Sarawak) Sdn. Bhd.**	100	100	Operation of an educational institution for further studies.
SEGi HealthCare Sdn. Bhd.**	100	100	Provision of medical clinic and healthcare services.
IFPA Resources Sdn. Bhd.**	100	100	Provision of financial planning and financial related courses.
SEGi Assets Sdn. Bhd.**	100	100	Property investment and property management.
SEGi-IGS Sdn. Bhd.**	94	94	Provision of educational services.

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17. Investment in subsidiaries (cont'd.)

The details of the subsidiaries are as follows (cont'd.):

Name of Company	Effective equity interest		Principal activities
	2019 %	2018 %	
Incorporated in Malaysia (cont'd.):			
Held through subsidiaries (cont'd.):			
SEGi College (Subang Jaya) Sdn. Bhd.*	100	100	Operation of institute providing educational programmes.
Summit Multimedia Education Sdn. Bhd.**	81.25	81.25	Operation of institute providing educational programmes.
Binary Mark Sdn. Bhd.**	98.63	98.63	Property investment.
SEGi Properties (M) Sdn. Bhd.**	100	100	Investment property holding.
SEGi DentalCare Sdn. Bhd.**	100	100	Provision of dental care and training services.
SEGi EduHub Sdn. Bhd.**	100	100	Property investment and development.
Metromas Realtors Sdn. Bhd.*	100	100	Investment holding and property investment.
Consortium Support Services Sdn. Bhd.**	100	100	Provision of hostels and transportation management.
Milenium Optima Sdn. Bhd.**	100	100	Provision of solutions and e-community management system.
Platinum Icon Sdn. Bhd.**	100	100	Development of software business solutions.
Bumi Intuisi Sdn. Bhd.**	100	100	Software development and provision of total online training solution.

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17. Investment in subsidiaries (cont'd.)

The details of the subsidiaries are as follows (cont'd.):

Name of Company	Effective equity interest		Principal activities
	2019 %	2018 %	
Incorporated in Republic of Mauritius:			
Worldwide Accreditation Ltd.***	100	100	Provision of licensing and accreditation of educational programmes.
Incorporated in Republic of China (Hong Kong):			
Darson Limited**	100	100	Provision of education and recruitment services and other related services.
Karden Limited**	100	100	Provision of education and recruitment services.

* Audited by Ernst & Young PLT, Malaysia.

** Audited by firms of chartered accountants other than Ernst & Young PLT.

*** Audited by member firm of Ernst & Young Global in the respective country.

(a) Disposal of subsidiaries

On 5 September 2018, the Group disposed the following 7 subsidiaries for a cash consideration of RM3,000 to a third party:

- (i) SEGi Diversified Sdn. Bhd.;
- (ii) SEGi Methods Sdn. Bhd.;
- (iii) SEGi Land (M) Sdn. Bhd.;
- (iv) SEGi Youth Training Sdn. Bhd.;
- (v) Pusat Kemahiran Maju Ria Sdn. Bhd.;
- (vi) I-Station Solutions Sdn Bhd.; and
- (vii) Skills Malaysia INVITE Sdn. Bhd.

Upon the disposal, these 7 subsidiaries were deconsolidated from the Group's financial statements since the Group had lost control over these subsidiaries effective on 5 September 2018.

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17. Investment in subsidiaries (cont'd.)

(a) Disposal of subsidiaries (cont'd.)

In the previous financial year, the deconsolidation of these 7 subsidiaries had the following effects:

	Note	Group 2018 RM'000	Company 2018 RM'000
Consideration received		3	*
Less: Net asset		(122)	-
Add : Net liability deconsolidated		20	-
Less: Goodwill	16	(257)	-
Loss on deconsolidation	9	(356)	*
 Cash flows arising from deconsolidation			
Consideration received		3	*
Less: Cash and cash equivalents of deconsolidation		-	-
Net cash inflows on deconsolidation		3	*

* Less than RM1,000

(b) Impairment loss on investment in subsidiaries

During the financial year, the Company has carried out review of recoverable amounts of the investments determined based on value-in-use and the key assumptions used in calculating the recoverable amounts as described below. In the previous financial year, based on the key assumptions applied, the recoverable amount was estimated to be lower than the carrying amount and an impairment loss amounting to RM1,190,000 was recognised and included in other expenses in the profit or loss.

The value-in-use was calculated using cash flow projections based on financial budget approved by the Board of Directors covering a 5 year period (2018: 5 year period).

Key assumptions used in value-in-use calculations are presented below:

- (i) Pre-tax discount rate of 15% (2018: 15%).
- (ii) Revenue annual growth rate of 3% to 5% (2018: 3% to 11%)
- (iii) Terminal growth rate of 1% (2018: 1%) represents the growth rate applied to extrapolate post-tax cash flow beyond the five year financial budget period.

The management believes that there are no reasonably possible change in any of the above key assumptions which would cause the carrying values of the investments to materially exceed their recoverable amounts.

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18. Other Investment

	Group	
	2019	2018
	RM'000	RM'000
Non current:		
Fair value through other comprehensive income		
Quoted equity investments in Malaysia	<u>740</u>	<u>820</u>

The Group designated its investments in quoted shares as equity instruments at fair value through other comprehensive income.

19. Inventories

	Group	
	2019	2018
	RM'000	RM'000
At lower of cost and net realisable value		
Eyecare and health related products	<u>95</u>	<u>102</u>

Inventories represent eyecare and healthcare products for sale stated at lower of cost and net realisable value.

During the financial year, the amount of inventories recognised as an expense in cost of sales of the Group was RM188,000 (2018: RM238,000).

20. Receivables

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Non-current					
Non-trade					
Deposits	(a)	1,350	1,815	-	-
Amount due from a subsidiary	(b)	-	-	21,772	21,772
		<u>1,350</u>	<u>1,815</u>	<u>21,772</u>	<u>21,772</u>
Current					
Trade					
Trade receivables	(c)	24,278	21,943	-	-
Less: Write-off	9	-	(6,256)	-	-
Less: Allowance for ECL		(2,372)	(3,577)	-	-
		<u>21,906</u>	<u>12,110</u>	<u>-</u>	<u>-</u>

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20. Receivables (cont'd.)

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Non-trade					
Other receivables, deposits and prepayments	(a)	9,195	10,462	1,478	986
Amounts due from subsidiaries		-	-	37,840	40,341
Total current trade and other receivables		<u>31,101</u>	<u>22,572</u>	<u>39,318</u>	<u>41,327</u>
Total trade and other receivables (non-current and current)		32,451	24,387	61,090	63,099
Add: Deposits, cash and bank balances	23	58,692	53,669	25,502	20,127
Less: Prepayments		<u>(4,820)</u>	<u>(4,091)</u>	<u>(294)</u>	<u>(403)</u>
Total financial assets carried at amortised cost		<u>86,323</u>	<u>73,965</u>	<u>86,298</u>	<u>82,823</u>

(a) Other receivables, deposits and prepayments

In the previous financial year, included in other receivables are amounts due from a company which a director has interest ("DRC") amounting to RM1,647,851. The amounts arose from cost sharing arrangements between the Group and the DRC and the amounts had been fully recovered subsequent to the year end.

(b) Amounts due from subsidiaries

	Company	
	2019	2018
	RM'000	RM'000
Interest bearing	59,537	62,014
Non-interest bearing	75	99
	<u>59,612</u>	<u>62,113</u>

The amounts due from subsidiaries are non-trade in nature, unsecured and receivable on demand. The interest bearing portion bore an effective interest rate of 1% to 5% (2018: 1% to 5%) per annum.

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20. Receivables (cont'd.)**(b) Amounts due from subsidiaries (cont'd.)**Amount due from subsidiaries that are impaired

The Company applies the simplified approach whereby allowance for impairment are measured at lifetime ECL. Movement in allowance for ECL:

	Company	
	Individually impaired	
	2019	2018
	RM'000	RM'000
Other receivables - nominal amounts	8,297	8,297
Less: Allowance for ECL	(8,297)	(8,297)
	<u>-</u>	<u>-</u>

Movement in allowance for ECL:

		Company	
		2019	2018
	Note	RM'000	RM'000
At 1 January		8,297	8,470
Charge for the year	9	-	619
Write-off		-	(792)
At 31 December		<u>8,297</u>	<u>8,297</u>

Amount due from subsidiaries that are individually determined to be impaired at the reporting date relate to subsidiaries that are in significant financial difficulties and have defaulted on payments. These amount due from subsidiaries are not secured by any collateral or credit enhancements.

(c) Trade receivables

The normal trade credit terms granted by the Group ranged from 30 to 180 days (2018: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case-by-case basis. The Group recognises a loss allowance based on lifetime ECL at each reporting date.

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20. Receivables (cont'd.)

(c) Trade receivables (cont'd.)

Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Neither past due nor impaired	21,906	12,110
Write-off	-	6,256
Impaired	2,372	3,577
	<u>24,278</u>	<u>21,943</u>

Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group. Most of the Group's trade receivables arise from students under the Perbadanan Tabung Pendidikan Tinggi Nasional ("PTPTN") loan scheme.

None of the Group's trade receivables that are neither past due nor impaired have been renegotiated during the financial year.

Trade receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the movement of the allowance for ECL used to record the impairment are as follows:

	Individually Impaired	
	2019	2018
	RM'000	RM'000
Group		
Trade receivables - nominal amounts	2,372	3,577
Less: Allowance for ECL	<u>(2,372)</u>	<u>(3,577)</u>
	<u>-</u>	<u>-</u>

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20. Receivables (cont'd.)

(c) Trade receivables (cont'd.)

Movement in allowance for ECL:

	Note	2019 RM'000	2018 RM'000
At 1 January		3,577	248
Effect of MFRS 9 adoption		-	760
At 1 January, restated		3,577	1,008
(Reversal)/Charge for the year	9	(1,205)	2,685
Write-off		-	(116)
At 31 December		2,372	3,577

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

21. Right-of-use assets and lease liabilities

Group and Company as a Lessee

The Group and the Company have lease contracts for various items of plant, property and equipment used in its operations. Leases of property generally have lease terms between 1 and 8 years, while plant and equipment generally have lease terms between 2 and 5 years. The Group's and the Company's obligations under its leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group and the Company also have certain leases of equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

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21. Right-of-use assets and lease liabilities (cont'd.)

(a) Right-of-use assets

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Note	Property RM'000	Leasehold land and others RM'000	Total RM'000
Group				
At 1 January 2019		-	-	-
Effect of adoption of MFRS 16	2.2	131,436	5,350	136,786
At 1 January 2019 (restated)		131,436	5,350	136,786
Additions		7,784	-	7,784
Depreciation expense	9	(21,590)	(124)	(21,714)
At 31 December 2019		<u>117,630</u>	<u>5,226</u>	<u>122,856</u>
Company				
At 1 January 2019		-	-	-
Effect of adoption of MFRS 16	2.2	105,784	-	105,784
At 1 January 2019 (restated)		105,784	-	105,784
Depreciation expense	9	(13,556)	-	(13,556)
At 31 December 2019		<u>92,228</u>	<u>-</u>	<u>92,228</u>

The leases of properties are mainly used for the Group's education operations and as offices.

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21. Right-of-use assets and lease liabilities (cont'd.)

(b) Lease liabilities

Set out below are the carrying amounts of lease liabilities and the movements during the year:

		Group			Company
		Property	Hire	Total	
	Note	leases	purchase	RM'000	RM'000
		RM'000	RM'000		
		Note 25(a)			
At 1 January 2019		-	-	-	-
Effect of adoption of MFRS 16	2.2	144,270	1,267	145,537	111,628
At 1 January 2019 (As restated)		144,270	1,267	145,537	111,628
Additions during the year		7,784	2,050	9,834	-
Interest expense	8	7,484	-	7,484	5,630
Payments of principal		(28,592)	(1,035)	(29,627)	(18,461)
At 31 December 2019		130,946	2,282	133,228	98,797
Current				23,283	13,540
Non-current				109,945	85,257

The maturity analysis of lease liabilities are disclosed in Note 35.

The following are the amounts recognised in profit or loss:

	Group 2019 RM'000	Company 2019 RM'000
Depreciation expense of right-of-use assets (Note 9)	21,714	13,556
Interest expense on lease liabilities (Note 8)	7,484	5,630
Total amount recognised in profit or loss	29,198	19,186

The future cash outflows relating to leases that have not yet commenced are disclosed in Note 32.

22. Other financial asset

	Group/Company 2019 RM'000	2018 RM'000
Current:		
Fair value through profit or loss		
Investment securities	273	269

Investment securities represent investment in mutual fund.

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23. Deposits, cash and bank balances

		Group		Company	
	Note	2019	2018	2019	2018
		RM'000	RM'000	RM'000	RM'000
Short-term deposits with financial institutions		15,056	7,503	15,056	7,503
Cash and bank balances	(a)	38,506	37,499	5,471	4,107
Fixed deposits with licensed banks	(b)	5,130	8,667	4,975	8,517
		<u>58,692</u>	<u>53,669</u>	<u>25,502</u>	<u>20,127</u>

(a) At reporting date bank balance of the Group and Company, RM19,932,810 (2018: RM18,796,549) and RM5,311,911 (2018: RM4,248,204), respectively are placed under an Automated Sweep Agreement ("Automated Sweep") with licensed banks. The overnight placement of the funds following the Automated Sweep, bears an average interest at 1.4% (2018: 1.4%) per annum.

(b) Fixed deposits with licensed banks of the Group and of the Company amounting to RM5,130,000 (2018: RM5,067,000) and RM4,975,000 (2018: RM4,917,000) respectively are pledged for bank guarantee facilities for lease rental granted to the Group and the Company.

The weighted average effective interest rates ("WAEIR") as at the reporting date and the remaining maturities of the Group's and of the Company's deposits with licensed banks and licensed financial institutions are as follows:

	Group		Company	
	2019	2018	2019	2018
WAEIR (%)	3.08	2.71	3.10	2.72
Average maturities (Months)	<u>1 - 16</u>	<u>1 - 16</u>	<u>1 - 16</u>	<u>1 - 16</u>

For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the reporting date:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Deposits, cash and bank balances	58,692	53,669	25,502	20,127
Less:				
Deposits with licensed banks with maturity of more than three months	<u>(5,130)</u>	<u>(8,667)</u>	<u>(4,975)</u>	<u>(8,517)</u>
Total cash and cash equivalents	<u>53,562</u>	<u>45,002</u>	<u>20,527</u>	<u>11,610</u>

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24. Provisions

	Group	
	2019	2018
	RM'000	RM'000
At January	-	-
Provisions during the year	619	-
At 31 December	<u>619</u>	<u>-</u>

Included in the provisions are provision for the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the use of such assets, which are capitalised and included in right-of-use assets.

25. Borrowings

		Group		Company	
		2019	2018	2019	2018
	Note	RM'000	RM'000	RM'000	RM'000
Non-current:					
Secured					
Hire purchase liabilities	(a)	-	631	-	-
Term loan	(b)	<u>16,250</u>	<u>25,250</u>	<u>16,250</u>	<u>25,250</u>
		<u>16,250</u>	<u>25,881</u>	<u>16,250</u>	<u>25,250</u>
Current:					
Secured					
Hire purchase liabilities	(a)	-	636	-	-
Term loan	(b)	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>	<u>9,000</u>
		<u>9,000</u>	<u>9,636</u>	<u>9,000</u>	<u>9,000</u>
		<u>25,250</u>	<u>35,517</u>	<u>25,250</u>	<u>34,250</u>

(a) Hire purchase liabilities

	Group	
	2019	2018
	RM'000	RM'000
Minimum lease payments:		
- repayable within 1 year	1,072	697
- repayable between 1 year to 5 years	<u>1,372</u>	<u>672</u>
	<u>2,444</u>	<u>1,369</u>
Less: Future finance charges	<u>(162)</u>	<u>(102)</u>
Present value (Note 21(b))	<u>2,282</u>	<u>1,267</u>

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25. Borrowings (cont'd.)**(a) Hire purchase liabilities (cont'd.)**

The net hire purchase liabilities are repayable as follows:

	Group	
	2019	2018
	RM'000	RM'000
Non-current:		
- repayable between 1 year to 5 years	1,312	631
Current:		
- not later than 1 year	970	636
	<u>2,282</u>	<u>1,267</u>

The hire purchase liabilities at the end of the reporting period bore effective interest rates ranging from 4.53% to 9.47% (2018: 4.5% to 6.4%) per annum.

(b) Term Loan

	Group/Company	
	2019	2018
	RM'000	RM'000
Non-current:		
Secured		
- repayable between 1 year to 2 years	9,000	9,000
- repayable between 2 to 5 years	7,250	16,250
	<u>16,250</u>	<u>25,250</u>
Current:		
Secured		
- repayable within 1 year	9,000	9,000
	<u>25,250</u>	<u>34,250</u>

During the current financial year, the term loan bore a weighted average effective interest rate of 5.48% (2018: 5.55%) per annum.

The term loan is secured by the legal mortgage of certain leasehold buildings of the Group as disclosed in the Note 15.

25. Borrowings (cont'd.)

A reconciliation of liabilities arising from financing activities is as follows:

Group	As at 1 January 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As at 1 January 2019 (restated) RM'000	New borrowings RM'000	Cash flows Repayment RM'000	Unwinding interest of lease liabilities RM'000	New leases RM'000	Other RM'000	As at 31 December 2019 RM'000
Term loan:									
Non-current	25,250	-	25,250	-	-	-	-	(9,000)	16,250
Current	9,000	-	9,000	-	(9,000)	-	-	9,000	9,000
	34,250	-	34,250	-	(9,000)	-	-	-	25,250
Hire purchase liabilities:									
(Note 21(b))									
Non-current	631	-	631	1,629	-	-	-	(948)	1,312
Current	636	-	636	421	(1,035)	-	-	948	970
	1,267	-	1,267	2,050	(1,035)	-	-	-	2,282
Property leases:									
(Note 21(b))									
Non-current	-	124,442	124,442	-	-	-	6,505	(22,314)	108,633
Current	-	19,828	19,828	-	(28,592)	7,484	1,279	22,314	22,313
	-	144,270	144,270	-	(28,592)	7,484	7,784	-	130,946
Total liabilities from financing activities	35,517	144,270	179,787	2,050	(38,627)	7,484	7,784	-	158,478

25. Borrowings (cont'd.)

A reconciliation of liabilities arising from financing activities is as follows: (cont'd.)

Company	As at 1 January 2019 RM'000	Effect of adoption of MFRS 16 RM'000	As at January 2019 (restated) RM'000	Cash flows Repayment RM'000	Unwinding Interest of lease liabilities RM'000	Other RM'000	As at 31 December 2019 RM'000
Term loan:							
Non-current	25,250	-	25,250	-	-	(9,000)	16,250
Current	9,000	-	9,000	(9,000)	-	9,000	9,000
	<u>34,250</u>	<u>-</u>	<u>34,250</u>	<u>(9,000)</u>	<u>-</u>	<u>-</u>	<u>25,250</u>
Lease liabilities: (Note 21)							
Non-current	-	98,797	98,797	-	-	(13,540)	85,257
Current	-	12,831	12,831	(18,461)	5,630	13,540	13,540
	<u>-</u>	<u>111,628</u>	<u>111,628</u>	<u>(18,461)</u>	<u>5,630</u>	<u>-</u>	<u>98,797</u>
Total liabilities from financing activities	<u>34,250</u>	<u>111,628</u>	<u>145,878</u>	<u>(27,461)</u>	<u>5,630</u>	<u>-</u>	<u>124,047</u>

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25. Borrowings (cont'd.)

Group	1 January 2018 RM'000	New borrowings RM'000	Cash flows Repayment RM'000	Other RM'000	31 December 2018 RM'000
Term loan:					
Non-current	34,250	-	-	(9,000)	25,250
Current	9,000	-	(9,000)	9,000	9,000
	<u>43,250</u>	<u>-</u>	<u>(9,000)</u>	<u>-</u>	<u>34,250</u>
Hire purchase liabilities:					
Non-current	539	728	-	(636)	631
Current	988	79	(1,067)	636	636
	<u>1,527</u>	<u>807</u>	<u>(1,067)</u>	<u>-</u>	<u>1,267</u>
Total liabilities from financing activities	<u>44,777</u>	<u>807</u>	<u>(10,067)</u>	<u>-</u>	<u>35,517</u>
Company					
Term loan:					
Non-current	34,250	-	-	(9,000)	25,250
Current	9,000	-	(9,000)	9,000	9,000
Total liabilities from financing activities	<u>43,250</u>	<u>-</u>	<u>(9,000)</u>	<u>-</u>	<u>34,250</u>

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26. Payables

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Non-current					
Non-trade					
Deposits		2,671	4,060	2,324	1,068
Current					
Trade					
Trade payables	(a)	260	87	-	-
Non-trade					
Other payables and accruals		56,436	58,050	1,382	2,749
Amounts due to subsidiaries	(b)	-	-	25,033	18,116
		<u>56,436</u>	<u>58,050</u>	<u>26,415</u>	<u>20,865</u>
		<u>56,696</u>	<u>58,137</u>	<u>26,415</u>	<u>20,865</u>
Total trade and other payables (current and non-current)		59,367	62,197	28,739	21,933
Add: Borrowings	25	25,250	35,517	25,250	34,250
Add: Lease liabilities	21(b)	133,228	-	98,797	-
Total financial liabilities carried at amortised cost		<u>217,845</u>	<u>97,714</u>	<u>152,786</u>	<u>56,183</u>

(a) Trade payables

The normal trade credit terms granted to the Group ranged from 30 to 90 days (2018: 30 to 90 days).

(b) Amounts due to subsidiaries

The amounts due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. The foreign currency exposure profile of the amounts due to the subsidiaries of the Company at the end of the reporting period is as follow:

	Company	
	2019 RM'000	2018 RM'000
United States Dollar ("USD")	<u>4,075</u>	<u>4,134</u>

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27. Contract liabilities

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	32,532	-
Adjustment on initial application of MFRS 15	-	24,289
At 1 January (restated)	32,532	24,289
Deferred during the year	195,982	181,591
Recognised as revenue during the year	(197,521)	(173,348)
At 31 December	30,993	32,532
Fees received in advance		
Current	29,687	31,623
Non-current	1,306	909
	30,993	32,532

In the prior year, contract liabilities were referred as fees received in advance and included in payables as disclosed in Note 26.

28. Deferred tax assets/(liabilities)

Deferred tax as at 31 December relates to the following:

	As at 1 January 2018 RM'000	Recognised in profit or loss RM'000	As at 31 December 2018 RM'000	Recognised in profit or loss RM'000	As at 31 December 2019 RM'000
Group					
Deferred tax assets					
Unabsorbed capital allowances	1,119	(590)	529	638	1,167
Unused tax losses	2,194	79	2,273	(1,555)	718
Other temporary differences	3,646	3,244	6,890	(1,253)	5,637
	6,959	2,733	9,692	(2,170)	7,522
Deferred tax liability					
Property, plant and equipment	(4,346)	19	(4,327)	3,074	(1,253)
	2,613	2,752	5,365	904	6,269

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28. Deferred tax assets/(liabilities) (cont'd.)

Deferred tax as at 31 December relates to the following:

	As at 1 January 2018 RM'000	Recognised in profit or loss RM'000	As at 31 December 2018 RM'000	Recognised in profit or loss RM'000	As at 31 December 2019 RM'000
Company					
Deferred tax assets					
Unabsorbed capital allowances	741	(345)	396	771	1,167
Unused tax losses	1,139	341	1,480	(771)	709
	<u>1,880</u>	<u>(4)</u>	<u>1,876</u>	<u>-</u>	<u>1,876</u>
Deferred tax liability					
Property, plant and equipment	(307)	4	(303)	-	(303)
	<u>1,573</u>	<u>-</u>	<u>1,573</u>	<u>-</u>	<u>1,573</u>

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Presented after appropriate offsetting as follows:				
Deferred tax assets	7,522	9,692	1,573	1,573
Deferred tax liability	(1,253)	(4,327)	-	-
	<u>6,269</u>	<u>5,365</u>	<u>1,573</u>	<u>1,573</u>

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

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Unused tax losses	41,816	41,817	1,594	1,283
Unabsorbed capital allowances	4,346	3,694	-	-
Unutilised tax credit	748	748	-	-
Other deductible temporary differences	11,963	13,063	6,569	-
	<u>58,873</u>	<u>59,322</u>	<u>8,163</u>	<u>1,283</u>

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28. Deferred tax assets/(liabilities) (cont'd.)

The above deferred tax assets have not been recognised due to uncertainty of its recoverability.

The availability of unutilised tax losses for offsetting against future taxable profits of a subsidiary in Malaysia is subject to no substantial changes in the shareholding of the subsidiary under the Income Tax Act 1967 and guidelines issued by the tax authority. With effect from year of assessment (YA) 2019, unutilised business losses arising from a YA is allowed to only be carried forward from YA 2018 for utilisation up to 7 consecutive YAs from that YA. In addition, any accumulated unabsorbed business losses brought forward from YA 2018 shall be allowed to be utilised for 7 consecutive YAs (i.e. until YA 2025).

29. Share capital

	Group/Company			
	2019	2018	2019	2018
	'000	'000	RM'000	RM'000
Ordinary shares:				
Issued and fully paid-up				
Ordinary shares	1,264,563	1,264,246	147,707	147,503
New shares issued under the employee share option scheme	-	317	-	204
At 31 December	<u>1,264,563</u>	<u>1,264,563</u>	<u>147,707</u>	<u>147,707</u>

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

30. Treasury shares

There were no new treasury shares which were purchased in the previous and current financial year. Details of the balance of the treasury shares are as follows:

	No of shares	Cost of shares RM'000
At 31 December 2018/1 January 2019/31 December 2019	<u>26,048,600</u>	<u>37,486</u>

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31. Reserves

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
(Accumulated losses)/					
Retained profits	(a)	(18,547)	(19,725)	669	2,545
Fair value reserve of					
financial assets at					
FVOCI	(b)	(200)	(120)	-	-
Exchange translation					
reserve	(c)	9	93	-	-
Share-based payment					
reserve	(d)	1,969	1,991	1,969	1,991
		<u>(16,769)</u>	<u>(17,761)</u>	<u>2,638</u>	<u>4,536</u>

(a) Retained profits

The Company may distribute dividends out of its entire retained profits as at 31 December 2019 and 31 December 2018 under the single tier system.

(b) Fair value reserve of financial assets at FVOCI

The fair value reserve of financial assets at FVOCI represents the cumulative fair value changes, net of tax, of debt instruments at fair value through OCI until they are disposed of or impaired.

(c) Exchange translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

(d) Share-based payment reserve

Share-based payment reserve represents the equity-settled share options granted (refer definition of grant date below) to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options and is reduced upon the expiry or exercise of the share options.

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31. Reserves (cont'd.)

(d) Share-based payment reserve (cont'd.)

According to MFRS 2, a grant date is the date at which the entity and another party (including an employee) agree to a share-based payment arrangement, being when the entity and the counterparty have a shared understanding of the terms and conditions of the arrangement. At the grant date the entity confers on the counterparty the right to equity instruments of the entity, provided the specified vesting conditions, if any, are met. If that agreement is subject to an approval process (for example, by shareholders) grant date is the date when approval is obtained. Hence, under the MFRS 2, an option is granted upon share option contract being entered, regardless whether at the material time the option has yet vested on the employee.

The movements in share-based payment reserve of the Group and of the Company are as follows:

	Group/Company RM'000
At 1 January 2018	1,763
Share-based payment expense during the year	376
Under provision of share-based payment expense in prior years	56
PSP Grant granted	(204)
At 31 December 2018	1,991
Share-based payment expense during the year	224
Over provision of share-based payment expense in prior years	(246)
At 31 December 2019	1,969

(i) The main features of the Company's Employee Share Option Scheme ("ESOS") are outlined below:

- The maximum number of new ordinary shares in the Company which may be issued upon the exercise of the ESOS shall not exceed 15% of the issued and paid-up share capital (excluding treasury shares, if any) of the Company at any point of time throughout the duration of the ESOS.
- Full-time executives of the Group and executive directors of the Company in employment with the Company and its subsidiary companies which are not dormant shall be eligible to participate in the ESOS.

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31. Reserves (cont'd.)

(d) Share-based payment reserve (cont'd.)

- (i) The main features of the Company's Employee Share Option Scheme ("ESOS") are outlined below: (cont'd.)
- The maximum number of options that may be offered to an Eligible Person shall be determined at the discretion of the Long Term Incentive Plan ("LTIP") Committee after taking into consideration, amongst others and where relevant, the performance, contribution, employment grade, seniority and length of service of the Eligible Person, subject to the following:
 - The executive directors and senior management do not participate in the deliberation or discussion of their own allocation;
 - The allocation to an Eligible Person, who either individually or collectively, through persons connected to the Eligible Person, holds 20% or more of the issued and paid-up share capital of the Company (excluding treasury shares, if any), must not exceed 10% of the new shares available under the LTIP; and
 - Not more than 60% of the new shares available under the LTIP shall be allocated in aggregate to the executive directors and senior management of the Company and its subsidiaries.

The option price shall be the five-day weighted average market price of the Company's shares immediately preceding the date of the offer, with a discount of not more than 10% or such other percentage of discount as may be permitted by Bursa Securities and/or any other relevant authorities from time to time at the LTIP Committee's discretion or the par value of the shares of the Company, whichever is the higher.

The ESOS shall be in force for a period of 10 years from the effective date (1 July 2014) for the implementation of the ESOS.

Details of the ESOS options granted in accordance to MFRS 2 are as follows:

As at 31 December 2019, the Company has an allocation of 22 million (2018: 25 million) ESOS options that are made available to eligible employees of the Group. The vesting of these allocations to the employees are subject to certain vesting conditions and the sole discretion of the LTIP Committee.

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31. Reserves (cont'd.)**(d) Share-based payment reserve (cont'd.)**

- (i) The main features of the Company's Employee Share Option Scheme ("ESOS") are outlined below (cont'd.):

Details of the ESOS options granted in accordance to MFRS 2 are as follows (cont'd.):

The following table illustrates the movements in the allocations of share options during the financial year:

	ESOS option allocations and grant	
	2019 '000	2018 '000
At 1 January	24,965	28,488
Granted in accordance to MFRS 2	-	12,825
Vested during the year	-	(1,886)
Forfeited during the year	(3,036)	(14,462)
At 31 December	<u>21,929</u>	<u>24,965</u>

The fair value of share options granted as at the grant date, is determined using the Binomial option pricing model, taking into account the terms and conditions upon which the options were granted. The inputs to the model used are as follows:

	ESOS options 2018
Dividend yield (%)	4.11
Expected volatility (%)	21.46
Risk-free interest rate (%)	3.96
Exercise share price (RM)	<u>0.66</u>

The expected life of the option is based on historical date and is not necessarily indicative of exercise pattern that may occur. The expected volatility reflects the assumptions that the historical volatility is indicative of future trends which may also not necessarily be the actual outcome.

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31. Reserves (cont'd.)

(d) Share-based payment reserve (cont'd.)

(ii) Shares Grant Plan ("SGP")

SGP is intended to allow the Company to award the Performance Share Plan ("PSP") Grant to selected Eligible Persons of the Company and its subsidiaries. The PSP Grant is an annual grant to incentivise the Eligible Persons towards the attainment of the long-term success and growth of the Company and its subsidiaries.

Upon acceptance of the PSP Grant by the selected Eligible Persons, the Eligible Person will be entitled to participate in the SGP where shares may be vested with the PSP Grantees at no cost over a period of up to 10 years upon fulfilment of vesting conditions, whereby the selected Eligible Persons will be assessed based on, amongst others, individual performance and the fulfilment of yearly performance targets and/or criteria set and the overall financial performance of the Group, in accordance with the terms and conditions stipulated and determined by the LTIP Committee at its discretion. The vesting of the PSP Grant is at the LTIP Committee's sole discretion.

The LTIP Committee may in its absolute discretion decide that the ordinary share in the Company ("SEGi Shares") to be awarded to the selected Eligible Persons be satisfied by the following methods:

- Issuance of new SEGi Shares;
- Acquisition of existing SEGi Shares from the Main Market of Bursa Securities;
- Any other methods as may be permitted by the Companies Act 2016, as amended from time to time and any re-enactment thereof; or
- A combination of any of the above.

The following table illustrates the movements in PSP Grant allocation during the financial year:

	PSP Grant allocations and grant	
	2019	2018
	'000	'000
At 1 January	4,210	4,900
Granted in accordance to MFRS 2	-	343
Vested during the year	-	(317)
Forfeited during the year	(665)	(716)
At 31 December	<u>3,545</u>	<u>4,210</u>

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32. Commitments and contingencies

(a) Capital commitments

Authorised capital expenditure not provided for in the financial statements:

	Group	
	2019	2018
	RM'000	RM'000
Approved and contracted for:		
Property, plant and equipment	-	1,436

(b) Operating lease commitments

As lessee

In the previous financial year, the Group and the Company have entered into non-cancellable operating lease agreements for the use of premises and equipment. These leases have an average lease terms of between one and ten years with renewal option included in contracts. There are no restrictions placed upon the Group and the Company by entering into these leases.

The future aggregate minimum lease payments under non-cancellable operating lease contracted for as at reporting date but not recognised as liabilities are as follows:

	Group	Company
	2018	2018
	RM'000	RM'000
Future minimum rentals payable:		
Not later than 1 year	25,029	19,749
Later than 2 years and not later than 5 years	90,779	80,260
Later than 5 years	43,627	43,065
	<u>159,435</u>	<u>143,074</u>

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32. Commitments and contingencies (cont'd.)

(b) Operating lease commitments (cont'd.)

As lessor

The Company has entered into non-cancellable operating lease agreements on its leased premises. These leases have remaining lease terms of between one and seven years with renewal option included in contracts.

The future aggregate minimum lease receivable under non-cancellable operating lease contracted for as at reporting date but not recognised as liabilities are as follows:

	Company	
	2019	2018
	RM'000	RM'000
Future minimum rentals receivable:		
Not later than 1 year	16,498	16,498
Later than 2 years and not later than 5 years	50,938	67,436
Later than 5 years	3,098	4,131
	<u>70,534</u>	<u>88,065</u>

(c) Guarantees

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Guarantees				
Secured:				
Bank guarantees	25	73	-	-
Unsecured:				
Bank guarantees	26,720	26,672	26,672	26,672
	<u>26,745</u>	<u>26,745</u>	<u>26,672</u>	<u>26,672</u>

Bank guarantees are secured by fixed deposits with licensed banks as disclosed in Note 23.

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33. Related party disclosures

Significant related party transactions

Other than those disclosed elsewhere in the financial statements, the Company also carried out the following transactions with the related parties during the financial years:

(Income)/expenses	Note	Company	
		2019 RM'000	2018 RM'000
Sale of services to subsidiaries:			
- management fee	4	(5,927)	(9,527)
- maintenance fee		(552)	(552)
- rental of premises		(18,043)	(17,432)
- service charge		(180)	(180)
- accounting fee	7	(960)	(960)
Interest income from subsidiaries	6	(2,202)	(891)
Dividend income from subsidiaries	4	(35,664)	(34,211)
Acquisition of services from subsidiaries:			
- accreditation fee		8,573	8,380
- maintenance fee		1,096	-
- management fee	5	<u>3,652</u>	<u>3,299</u>

Information regarding outstanding balances arising from related party transactions as at 31 December 2019 and 31 December 2018 are disclosed in Note 20(b) and Note 26(b).

The directors of the Company are of the opinion that the above transactions are entered into in the normal course of business and based on negotiated and mutually agreed terms.

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel includes all the Directors of the Group, and certain members of senior management of the Group.

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33. Related party disclosures (cont'd.)**Significant related party transactions (cont'd.)**

Compensation of key management personnel:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors of the Company:				
- fee	266	266	266	266
- remuneration	807	748	807	748
- defined contribution plan	81	86	81	86
	<u>1,154</u>	<u>1,100</u>	<u>1,154</u>	<u>1,100</u>
Other key management personnel:				
- salary and other short-term employee benefits	2,031	1,995	488	475
- defined contribution plan	238	239	59	57
	<u>2,269</u>	<u>2,234</u>	<u>547</u>	<u>532</u>
Total	<u>3,423</u>	<u>3,334</u>	<u>1,701</u>	<u>1,632</u>

34. Fair value of financial instruments**(a) Financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value**

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

	Note
Receivables (non-current and current)	20
Deposits, cash and bank balances	23
Borrowings (non-current and current)	25
Payables (non-current and current)	26

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34. Fair value of financial instruments (cont'd.)

(b) Fair value measurements

The following methods and assumptions are used to estimate the fair values of the following classes of financial instruments:

(i) Deposits, cash and bank balances, receivables, payables and borrowings

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

The carrying amounts of the loans and borrowings are reasonable approximations of fair values due to the insignificant impact of discounting.

(ii) Quoted investments

The fair value of quoted investments is determined by reference to stock exchange quoted market bid prices at the close of the business at the reporting date.

(iii) Amount due from/(to) subsidiaries

The Company does not anticipate the carrying amounts recorded at the reporting date that would eventually be received or settled to be significantly different from the fair values as the amounts are repayable on demand.

Fair value hierarchy analysis

The Group has carried its quoted investment and other financial asset that are classified as debt instruments at fair value through OCI and financial assets at fair value through profit or loss respectively at their fair values. The quoted investment and other financial asset belong to Level 1 and Level 2 respectively of the fair value hierarchy.

There were no transfers between any levels of the fair value hierarchy during the financial year. There were also no changes in the purpose of any financial instruments that subsequently resulted in a different classification.

35. Financial risk management objectives and policies

The Group's and the Company's principal financial liabilities comprise borrowings and trade and other payables. The main purpose of these financial liabilities is to finance the Group's and the Company's operations. The Group's and the Company's principal financial assets include trade and other receivables and cash and short term deposits that derive directly from its operations. The Group and the Company also hold financial assets at fair value through profit and loss.

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35. Financial risk management objectives and policies (cont'd.)

The Group and the Company are exposed to market risk, credit risk, and liquidity risk. The Group's and the Company's management oversees the management of these risks. The Group's senior management is supported by Audit Committee that provides independent oversight to the effectiveness of the risk management process. The Board of Directors reviews and agrees policies for managing each of these risks, which are summarised below.

(a) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's and the Company's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's and the Company's operating activities (when revenue or expense is denominated in a foreign currency) and the Group's net investments in foreign subsidiaries.

The following table demonstrates the sensitivity of the Group's and of the Company's profit net of tax to a reasonably possible change of 10% of respective foreign currencies against the functional currency, with all other variables held constant. The sensitivity analysis includes significant outstanding foreign currency denominated monetary items with their translation at year end adjusted for a 10% change in foreign exchange rates as at the end of the financial year, as disclosed in Note 20 and Note 26.

	Decrease/(increase) Group/Company Profit net of tax	
	2019	2018
	RM'000	RM'000
Strengthen by 10%		
United State Dollar	<u>1,646</u>	<u>1,711</u>
Weaken by 10%		
United State Dollar	<u>(1,646)</u>	<u>(1,711)</u>

(b) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's long term debt obligation with floating interest rates. The Group's policy is to manage interest rate risk by using a mix of fixed and variable rate loan and borrowings.

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35. Financial risk management objectives and policies (cont'd.)

(b) Interest rate risk (cont'd.)

Sensitivity analysis for interest rate risk

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:

	Group	
	2019	2018
	RM'000	RM'000
Effects on profit net of tax		
Increase of 100 basis points	(275)	(355)
Decrease of 100 basis points	<u>275</u>	<u>355</u>

(c) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets, deposits, cash and bank balances, the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties. The impairment provision is determined based on the 12-month ECL.

The Group establishes an allowance for ECL that represents its estimate of incurred losses in respect of the trade and other receivables as appropriate. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. Impairment is estimated by management based on prior experience and the current economic environment.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the debtors profile of its trade receivables on an on-going basis. At 31 December 2019, approximately 61% (2018: 75%) of the Group's trade receivables were due from students under the PTPTN loan scheme.

Exposure to credit risk

As the Group does not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of the financial assets at the reporting date.

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35. Financial risk management objectives and policies (cont'd.)

(c) Credit risk (cont'd.)

Financial assets that are neither past due nor impaired

Information regarding trade receivables that are neither past due nor impaired is disclosed in Note 20. Credit risks from balances with banks and financial institutions is managed by the Group's treasury department in accordance with the Group's policy. Deposits with banks and other financial institutions that are neither past due nor impaired are only placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20.

(d) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

Excessive risk concentration

Concentrations arise when a number of counter parties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's and of the Company's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on the maintenance of a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

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35. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and of the Company's liabilities at the reporting date based on contractual undiscounted repayment obligations:

		2019			
	Note	On demand or within one year RM'000	One to five years RM'000	More than five years RM'000	Total RM'000
Group					
Financial liabilities:					
Lease liabilities	21(b)	28,703	83,219	43,953	155,875
Trade and other payables	26	56,696	2,671	-	59,367
Hire purchase liabilities	25(a)	1,072	1,372	-	2,444
Term loan		10,073	16,934	-	27,007
Total undiscounted financial liabilities		96,544	104,196	43,953	244,693
Company					
Financial liabilities:					
Lease liabilities	21(b)	18,461	58,789	43,065	120,315
Other payables	26	26,415	2,324	-	28,739
Term loan		10,073	16,934	-	27,007
Total undiscounted financial liabilities		54,949	78,047	43,065	176,061

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35. Financial risk management objectives and policies (cont'd.)

(d) Liquidity risk (cont'd.)

Analysis of financial instruments by remaining contractual maturities (cont'd.)

	Note	2018		
		On demand or within one year RM'000	One to five years RM'000	Total RM'000
Group				
Financial liabilities:				
Trade and other payables	26	58,137	4,060	62,197
Hire purchase liabilities	25(a)	697	672	1,369
Term loan		10,584	27,034	37,618
Total undiscounted financial liabilities		69,418	31,766	101,184
Company				
Financial liabilities:				
Other payables	26	20,865	1,068	21,933
Term loan		10,584	27,034	37,618
Total undiscounted financial liabilities		31,449	28,102	59,551

36. Capital management

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their businesses and maximises shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group and the Company manage their capital based on debt-to-equity ratio. The Group's strategies were unchanged from the previous financial year. The debt-to-equity ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus payables less fees received in advance and deposits, cash and bank balances.

The Group and the Company are not subject to any externally imposed capital requirement.

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36. Capital management (cont'd.)

	Note	Group		Company	
		2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Borrowings	25	25,250	35,517	25,250	34,250
Lease liabilities	21(b)	130,946	-	98,797	-
Payables	26	59,367	62,197	28,739	21,933
Less:					
Deposits, cash and bank balances	23	(58,692)	(53,669)	(25,502)	(20,127)
Net debts		<u>156,871</u>	<u>44,045</u>	<u>127,284</u>	<u>36,056</u>
Equity attributable to equity holders of the Company		<u>93,452</u>	<u>92,460</u>	<u>112,859</u>	<u>114,757</u>
Capital and net debt		<u>250,323</u>	<u>136,505</u>	<u>240,143</u>	<u>150,813</u>
Gearing ratio with lease liabilities		<u>63%</u>	<u>N/A</u>	<u>53%</u>	<u>N/A</u>
Gearing ratio excluding lease liabilities		<u>22%</u>	<u>32%</u>	<u>20%</u>	<u>24%</u>

37. Operating segments

Segmental reporting is not presented as the Group is principally engaged in the provision of educational activities, which is substantially within a single business segment and operates wholly in Malaysia.

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38. Subsequent event

Subsequent to the financial year end, the World Health Organization (WHO) had on March 11 declared Covid-19 a pandemic and there has since been growing concerns on the effects of the Covid-19 pandemic globally. On 18 March 2020, the Government of Malaysia imposed a Movement Control Order ("MCO") which involves movement restrictions for locals and restrictions on foreigners from entering the country.

The restrictions imposed on foreigners affect the Group's new international students' arrival to Malaysia and the Group's campuses. At the meantime, local students are not able to enter the Group's campuses during the MCO. Notwithstanding the challenges, the Group continues to recruit students and conduct courses online based on planned schedules and students have full access to the lecturers and support team.

With the concerns of the pandemic and various restrictions currently imposed in many nations, the economy of the various nations and additional restrictions which may be imposed from time to time (if any), including Malaysia, are expected to be adversely affected. This may subsequently affect, among others, the ability of some students to commence, continue and complete their higher education studies with the Group owing to financial or movement constraints. The direct and indirect impact arising from this pandemic on the Group's businesses, assets and liabilities cannot be reasonably estimated at this juncture.

39. Comparatives

The presentation and classification in the current financial statements have been consistent with the previous financial year except for certain comparatives which have been reclassified to conform with current year's presentation.