

SEG INTERNATIONAL BHD. ("SEGi" OR THE "COMPANY")

PROPOSED ENTERING INTO A LEASING ARRANGEMENT WITH HCK CAPITAL GROUP BERHAD GROUP OF COMPANIES FOR THE LEASING OF PART OF A DEVELOPMENT NAMED, EDMETRO @ SUBANG JAYA, BY SEGi COLLEGE (SUBANG JAYA) SDN. BHD., A WHOLLY-OWNED SUBSIDIARY OF SEGi

1. INTRODUCTION

On behalf of our Board of Directors of SEGi ("**Board**"), UOB Kay Hian Securities (M) Sdn. Bhd. ("**UOB Kay Hian**") wishes to announce that SEGi College (Subang Jaya) Sdn. Bhd. ("**SEGi SJ**" or "**SEGi College Subang Jaya**" or the "**Lessee**"), our wholly-owned subsidiary, had on 8 July 2020 entered into an agreement with HCK Capital Holdings Sdn. Bhd. ("**HCHSB**" or "**Lessor**"), a wholly-owned subsidiary of HCK Capital Group Berhad ("**HCK**"), agreeing to lease net lettable indoor area of approximately 141,253.05 square feet ("**sq ft**") and net lettable outdoor area of approximately 7,020.12 sq ft comprised in Tower D and part of the podium of a development named, Edumetro @ Subang Jaya, which is held under the master title known as PN 97567, Lot 74746, Pekan Penaga, Daerah Petaling, Selangor Darul Ehsan at the address of Lot 74746, Persiaran Subang Permai, USJ 1, Subang Jaya, Selangor Darul Ehsan ("**Leased Property**") for a leasing tenure of 12 years commencing from a date to be mutually agreed in June 2022 ("**Lease Commencement Date**", as explained in **Section 2.2** of this announcement), with the delivery of vacant possession of the Leased Property together with the completion of the Additional Specifications (as explained in **Section 2.2** of this announcement) on the Leased Property to the Lessee ("**Agreement to Lease**") ("**Proposed Transaction**").

The Proposed Transaction is deemed as a related party transaction under Paragraph 10.08 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**") by virtue of Tan Sri Clement Hii Chii Kok ("**Tan Sri Clement**" or "**Interested Director and Interested Major Shareholder**") being the common director and common major shareholder of SEGi and HCK. Further details on the interests of the Interested Directors and Interested Major Shareholders (as defined in **Section 7** of this announcement) are set out in **Section 7** of this announcement.

The details of the Proposed Transaction are set out in the ensuing sections.

2. DETAILS OF THE PROPOSED TRANSACTION

SEGi and its subsidiaries ("**SEGi Group**" or the "**Group**") are principally engaged in the provision of educational and training activities under the brand name of SEGi University and Colleges. SEGi Group's main operation is in Malaysia with 5 main locations situated at Klang Valley area (i.e. Kota Damansara, Subang Jaya, and Kuala Lumpur), Penang and Sarawak.

The Proposed Transaction is in line with SEGi SJ's expansion plan (as set out in **Section 3** of this announcement) for its campus, namely, SEGi College Subang Jaya to introduce new programmes and to enhance student out-of-class experience and campus life, which require additional space for new facilities. The current facilities for instance the classrooms, the car park facilities and other amenities are limited. Premised on our expansion plan and the current limitation of SEGi College Subang Jaya's campus facilities, our Group takes cognizant of the need to expand the education campus, hence entered into the Agreement to Lease, agreeing to lease the Leased Property, which is part of Edumetro @ Subang Jaya and is currently under development and construction, in accordance with our Group's objective to improve the facilities and elevate the education quality of SEGi College Subang Jaya.

The Agreement to Lease is entered into between SEGi SJ and HCHSB at present, to set out mutual agreement on the terms and conditions of an agreement to lease the Leased Property whilst pending completion of the development and construction of Leased Property. The lease of the Leased Property will take effect only on the Lease Commencement Date, subject to the delivery of vacant possession of the Leased Property to HCHSB and completion of Additional Specifications (as explained in **Section 2.2** of this announcement) on the Leased Property on the effective date of the lease tenure.

A definitive lease agreement ("**Definitive Lease Agreement**") is expected to be entered into between SEGi SJ and HCHSB (or through their related companies) substantially in the form of the Definitive Lease Agreement attached in the Agreement to Lease at a later stage, on or by the Lease Commencement Date. The Definitive Lease Agreement, if it has not yet been executed on the Lease Commencement Date, shall be executed by SEGi SJ and HCHSB (or through their related companies) within 1 month from the Lease Commencement Date.

In the event the Definitive Lease Agreement is not executed by the Lease Commencement Date, the Lessor will still be required to deliver possession of the Leased Property to the Lessee by the Lease Commencement Date based on the terms as set out in the Agreement to Lease and the format of Definitive Lease Agreement (which is attached in the Agreement to Lease).

2.1 Details of the Leased Property

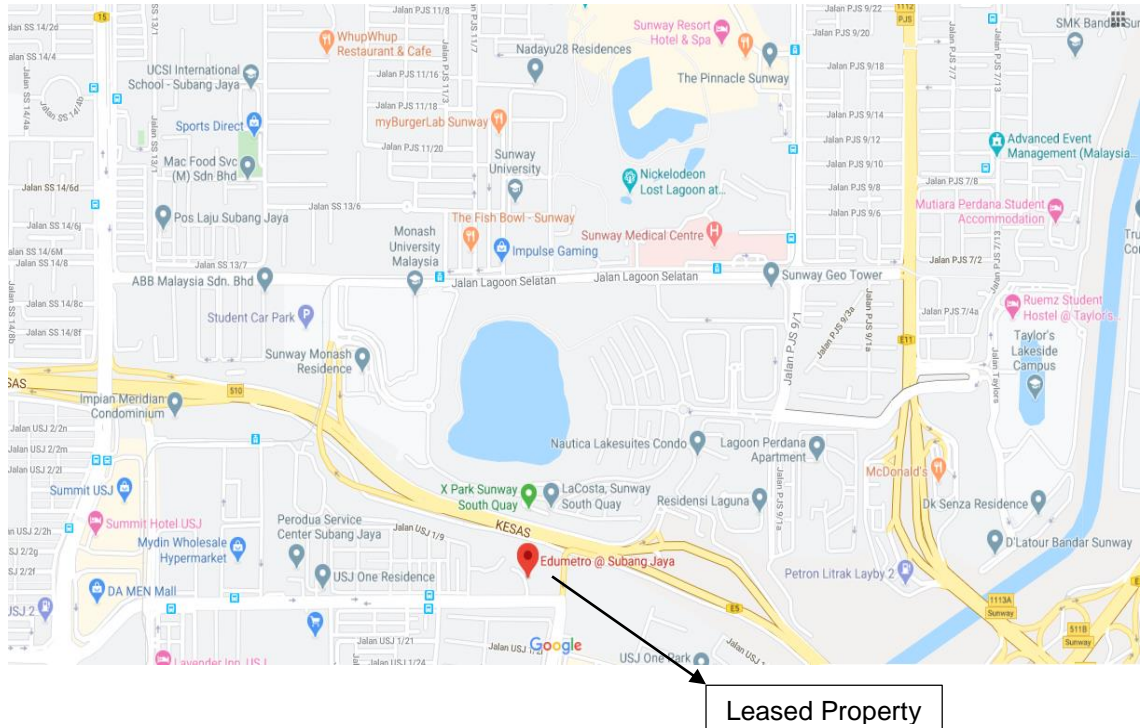
Edumetro @ Subang Jaya, which is currently being developed by HCK group of companies, is a mixed development comprising commercial, retail and educational components, of which the proposed development consists of 4 towers on 2-storey podium with retail units, offices, common area and facilities with 4 levels of basement car park, all held under the master title known as PN 97567, Lot 74746, Pekan Penaga, Daerah Petaling, Selangor Darul Ehsan at the address of Lot 74746, Persiaran Subang Permai, USJ 1, Subang Jaya, Selangor Darul Ehsan.

The Leased Property involves one of the towers, namely Tower D and part of the podium of Edumetro @ Subang Jaya with total net lettable indoor area of approximately 141,253.05 square feet ("**sq ft**") and total net lettable outdoor area of approximately 7,020.12 sq ft. The salient details of Edumetro @ Subang Jaya are as follows:-

Location	<p>The Leased Property (which forms part of the Edumetro @ Subang Jaya) is situated in the locality of USJ 1, Subang Jaya and within an on-going mixed commercial development known as Edumetro @ Subang Jaya</p> <p>It is located on the left (southern) side of the Shah Alam Expressway (KESAS), travelling from Puchong and Bandar Sunway towards Shah Alam, Selangor Darul Ehsan. Kuala Lumpur and Petaling Jaya city centres are located approximately 20 kilometres and 12 kilometres due north-east of the Leased Property, respectively</p> <p>The Leased Property is accessible from the Shah Alam Expressway (KESAS) via Persiaran Subang Mewah and Persiaran Subang Permai, which directly leads to the Leased Property. Alternatively, the Leased Property is also accessible from New Pantai Expressway (NPE) via Persiaran Kewajipan and Persiaran Subang Permai. The South Quay-USJ 1 BRT station is located to the immediate north-west of the Leased Property</p>
Leased Area	<p>Total net lettable indoor area: approximately 141,253.05 sq ft Total net lettable outdoor area: approximately 7,020.12 sq ft</p>
Development order	<p>Planning Approval Letter/ Kebenaran Merancang (Ref No. MPSJ.PB(B).260/36/258 was obtained on 16 May 2016</p> <p>Based on the Planning Approval Letter (Kebenaran Merancang) bearing Reference No. MPSJ.JPB.BP1.600-1/1/41Jld.2(34) dated 22 January 2020, an application for the amended Planning Approval of the initial approved Planning Permission Layout Plan bearing Reference No. Bil.MPSJ.PB(B).260/36/258 was issued for the proposed mixed development</p>
Lease Tenure	12 years from the Lease Commencement Date
Category of land use	Building
Express condition	Bangunan Perniagaan
Total lease consideration	Approximately RM58.63 million throughout the Lease Tenure (excluding the rental free fit-out cost for the first 12 months)

Tenure	Leasehold (99 years, expiring on 24 January 2104)
Valuation approach/ Date of valuation	Primary Method: Comparison Approach / 2 July 2020

The location map of Edumetro @ Subang Jaya is diagrammatically illustrated as follows:-



The Leased Property is designated for commercial use and is presently under construction and development, which is expected to be completed by June 2022. Therefore, the vacant possession has not been obtained at this juncture.

2.2 Agreement to Lease

The Agreement to Lease provides that the Definitive Lease Agreement in principle, shall contain the following agreed commercial terms, amongst others:-

Leased Property	A total net lettable indoor area of approximately 141,253.05 sq ft and net lettable outdoor area of approximately 7,020.12 sq ft comprised in Tower D and part of the podium within the development of Edumetro @ Subang Jaya For avoidance of doubt, any discrepancy of the aforesaid net lettable area with the actual net lettable area of the Leased Property that exceeds more than 2.0% shall not void nor terminate the Agreement to Lease, except that there will be adjustments to the rental rates and deposits in accordance to the percentage of discrepancy. There shall be no change to the rental rates and deposits if the discrepancy is less than or equal to 2.0%
Lease Commencement Date	A date to be mutually agreed between SEGi SJ and HCHSB in the month of June 2022, unless mutually extended by the said parties
Lease Tenure and Extended Tenure	12 years from the Lease Commencement Date (" Lease Tenure "), with an option to extend for additional 2 terms of 3 years each (" Extended Tenure ")

Purpose of the Leased Property	Operation of a private higher educational institution and ancillary businesses																				
Monthly Rental Rates throughout the Lease Tenure	<table border="1"> <thead> <tr> <th>Lease year</th> <th>Indoor Area (RM/ sq ft)</th> <th>Outdoor Area (RM/ sq ft)</th> <th>Monthly rental (RM)</th> </tr> </thead> <tbody> <tr> <td>1 to 3</td> <td>2.610</td> <td>1.305</td> <td>377,831</td> </tr> <tr> <td>4 to 6</td> <td>2.870</td> <td>1.435</td> <td>415,470</td> </tr> <tr> <td>7 to 9</td> <td>3.160</td> <td>1.580</td> <td>457,452</td> </tr> <tr> <td>10 to 12</td> <td>3.480</td> <td>1.740</td> <td>503,776</td> </tr> </tbody> </table> <p>Any revision or renewal on rental rate (if option to renew is exercised) is to be mutually agreed by both SEGi SJ and HCHSB</p>	Lease year	Indoor Area (RM/ sq ft)	Outdoor Area (RM/ sq ft)	Monthly rental (RM)	1 to 3	2.610	1.305	377,831	4 to 6	2.870	1.435	415,470	7 to 9	3.160	1.580	457,452	10 to 12	3.480	1.740	503,776
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Deposits	<p>(i) <u>Rental Deposit</u>: Bank guarantee equivalent to 36-month rental amount</p> <p>(ii) <u>Utilities Deposit</u>^{*1}: Equivalent to 1.5-month rental amount</p> <p>(iii) <u>Renovation / Restoration Deposit</u>: Equivalent to 3-month rental amount.</p> <p>When there is increase in monthly rental rates, such deposit will increase proportionately and the adjustment in payment will be made in the intervals of every 3 years</p> <p>Note (*1):-</p> <p>Upon execution of this Agreement to Lease, the Lessee agrees to pay a sum of RM1,133,493, equivalent to the amount of 3 months rental rate of the first-year lease to the Lessor as security monies ("Security Monies"), which shall not be refunded but shall be converted and held as Utilities Deposit and part of the Renovation/ Restoration Deposit upon the execution of the Definitive Lease Agreement</p> <p>Pursuant to the format of Definitive Lease Agreement, the Rental Deposit and Renovation/ Restoration Deposit are payable upon execution of the Definitive Lease Agreement</p>																				
Rental free fit-out period	12 months from Lease Commencement Date (" Rental Free Fit-Out Period ")																				
Rental Commencement Date	<p>On the day following the expiry of Rental Free Fit-Out Period</p> <p>Based on the format of Definitive Lease Agreement, Lessee shall commence payment of monthly rental on the Rental Commencement Date and monthly rental for each month thereafter shall be paid in advance on or before the day corresponding to the 7th day from the Rental Commencement Date of each month</p>																				
Other Conditions	Lessor to reimburse Lessee fit-out cost up to RM3.0 million only after completion of the fit-out works by the Lessee. Lessee shall furnish all relevant documents evidencing the costs incurred for the fit-out works																				

Further, the Agreement to Lease also sets out the agreement between Lessor and Lessee for the Lessor to procure additional structural and/ or other modification works ("**Additional Specifications**"), which include, amongst others, the provision for auditorium, cafeteria and culinary arts facilities, additional lavatories and lifts, strengthening of floor slab as required by the Lessee to be incorporated into the Leased Property to carry out Lessee's business operations.

Based on the above agreed rental rates, the total rental amount will be approximately RM58.63 million for a tenure of 12 years (excluding the Rental Free Fit-Out Period's cost of approximately RM4.53 million for the first 12 months of the Lease Tenure) commencing from the Lease Commencement Date, which is expected in mid-2022. The calculation is as follows:-

Lease year	Monthly rental (RM)	Yearly rental (RM)	Total rental for every 3 years (RM)
1 to 3	377,831	4,533,972	13,601,916
4 to 6	415,470	4,985,640	14,956,920
7 to 9	457,452	5,489,424	16,468,272
10 to 12	503,776	6,045,312	18,135,936
Total rental amount			63,163,044
Less: Rental Free Fit-Out Period's cost (equivalent to the first 12 months rental cost of the Lease Tenure)			(4,533,972)
Total net rental amount			58,629,072

2.3 Basis and justification of the monthly rental rates

The monthly rental rates throughout the Lease Tenure were arrived at, after taking into consideration the prevailing lease/ rental rates of several other buildings, which are located at the close proximity to the Leased Property, adding an increment rate of 10.0% in every 3 years over a tenure of 12 years. The prevailing lease/ rental rates are benchmarked against the valuation carried out by Raine & Horne International Zaki + Partners Sdn Bhd ("**Independent Registered Valuer**") as set out in its valuation certificate dated 2 July 2020.

Independent Registered Valuer has adopted **comparison approach** as its sole and primary method of valuation as the valuation is to determine the market rent of the Leased Property by comparing and adopting the recent rental evidences as well as the asking rentals involving other similar properties in the vicinity. Based on the rental evidences and asking rental rates as set out in the valuation certificate, the rental rates of the education premises range between RM2.60 to RM3.54 per sq ft.

After the relevant adjustments, the rental rate for the Leased Property is as follows:-

	RM/ sq ft
Base net rental rate for the Leased Property (after benchmarking against the relevant comparables)	2.47
Market rental rate for the Leased Property (after adjustment for the reimbursement of Fit-Out Cost and Rental Free Fit-Out Period)	<u>2.80</u>

- (i) the market rent for the net lettable indoor area is RM2.80 per sq ft, and according to the general market practice, the market rent for the net lettable outdoor area is RM1.40 per sq ft, which is half of the market rent rate for net lettable indoor area; and
- (ii) The rent review is agreed at an incremental rate of 10.0% for every 3 years, which the Independent Registered Valuer deems as fair and reasonable and in accordance with the general market practice.

The prevailing market monthly rent derived from the Independent Registered Valuer is as follows:-

	Monthly rental rate RM/ sq ft	Net lettable area Sq ft	Total monthly rate RM
Indoor	2.80	141,253.05	395,509
Outdoor	1.40	7,020.12	9,828
Total			405,337
Our first 3 years monthly rate as per Agreement to Lease			377,831

Based on the information above, the Board (save for the Interested Directors, as defined in **Section 7** of this announcement) considers the rental rates under the Agreement to Lease are fair and reasonable.

Please refer to **Appendix II** for the salient features of the valuation certificate, which include the details and result of the comparison approach.

2.4 Mode of settlement and source of funding

The payment of rental rates, which will form part of the working capital expenses of SEGi SJ to facilitate its ordinary course of business, will be satisfied wholly in cash on monthly basis over the Lease Tenure. The accompanied Security Monies and/ or deposits, which will also be part of the working capital expenses of SEGi SJ to facilitate the Agreement to Lease and the Definitive Lease Agreement, will be satisfied wholly in cash (save for Rental Deposit, which will be in the form of bank guarantee) in accordance with the payment terms of the respective agreements. Both the monthly rental payments and the required deposits will be financed by SEGi SJ via its internally generated funds and bank facilities through bank guarantee.

Save for the abovementioned working capital expenses, the fit-out costs for the Leased Property, which are reimbursable up to RM3.0 million, and other ancillary expenses that are required to effect the Agreement to Lease and Definitive Lease Agreement, there is no other additional financial commitment expected/ required by SEGi SJ or our Group to effect the Proposed Transaction.

2.5 Liabilities to be assumed by SEGi SJ

Save for the obligation and liabilities (if any) arising from and pursuant to the Agreement to Lease, there is no other major liabilities including contingent liabilities and/ or guarantees to be assumed by SEGi SJ or our Group arising from the Proposed Transaction.

2.6 Information on HCHSB

HCK Capital Holdings Sdn Bhd was incorporated on 12 May 2014 in Malaysia under the Act as a private company limited by shares. It is principally involved in investment holding and provision of management services. HCHSB is a wholly-owned subsidiary of HCK, a public company listed on the Main Market of Bursa Securities.

As at 23 June 2020, being the latest practicable date of this announcement ("**LPD**"), HCHSB has an issued share capital of RM2.00 comprising 2 ordinary shares, and the directors are Tan Sri Clement and Datuk Clifford Hii Toh Leong.

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED TRANSACTION

As set out in **Section 2** of this announcement, SEGi College Subang Jaya intends to proceed with its expansion plan, which include, amongst others, the following:-

- (i) to increase academic programmes in the areas of emerging technologies for instance, artificial intelligence, internet of things and data sciences, in accordance with the fourth industrial revolution (IR4.0) to promote the mastery of technologies skills among the current and prospective students and our Group's strategy to equip our students to be technically skilled in the digital space so as to be relevant in a digitally driven workplace;
- (ii) to introduce new programmes, which include, but are not limited to, advertising & digital marketing communication, media and communication and computer science with our partner universities;
- (iii) to introduce centres of English studies and research & innovation in our graduate school division;

- (iv) to expand our adult education division so as to enhance the functions of career development strategies, which include increasing job placements, reskilling and upskilling of employees and graduates, and increasing engagement and collaborative training sessions between our client companies and their respective employees; and
- (v) to continue our efforts in strategic partnerships and collaborative arrangements with overseas universities, which may increase the number of local and international students intake in the upcoming years.

These initiatives require new facilities to be built into the campus building of SEGi College Subang Jaya, the usage of which is limited for further expansion. The expansion into a new building will, in our Board's view, enhance our students' experience with new and upgraded facilities.

Notwithstanding that the classroom and education training activities will be partially transitioned into online platform, physical rooms and spaces will still be required for several academic programmes for learning sessions and for students' out-of-class experience. These include, but are not limited to, specialised laboratories to cater for, amongst others, emerging technologies programmes, studios and concert hall for mass communication and music programmes, Mac Lab design studio for graphic design programmes, interior architectural studio for interior architectural programmes, recreational spaces and other facilities and amenities. The expansion into a new education campus with comprehensive facilities will provide our students a conducive environment for greater learning and campus experiences, which will translate to our quality of education and corporate image.

The Proposed Transaction accords with our expansion plan to extend the current SEGi College Subang Jaya's campus size to a nearby purpose-built building to locate a higher number of staffs and students, in the anticipation of an increase in the number of students in SEGi College Subang Jaya in the upcoming years in tandem with our new academic programmes and expansion plan as set out above.

The Leased Property, which forms part of the development of Edumetro@ Subang Jaya, is a mixed development comprising commercial, retail and educational components. The location is strategically located at USJ 1, Subang Jaya, where our Board considers it as strategic and easily accessible by the current and prospective students. The Proposed Transaction, if takes effect today, will allow the Lessee to request for the inclusion of Additional Specifications into the Leased Property at current stage, coinciding the development and construction progress of Edumetro @ Subang Jaya. This will ensure that certain facilities, safety specifications and other amenities required to be complied with as a campus to facilitate classroom and education activities will be fulfilled prior to the actual move-in into the Leased Property. Therefore, the Leased Property will become a purpose-built building cater for education-campus to facilitate SEGi SJ's ordinary course of business.

The rental rates over a 12-year period are negotiated and agreed based on prevailing market lease / rental rate with a progressive increase of 10.0% in 3-year term over the entire Lease Tenure, which will commence upon the vacant possession being procured and the Additional Specifications being completed in mid-2022 only. Based on the valuation certificate prepared by the Independent Registered Valuer, the negotiated rental rates and the increment terms are deemed fair, reasonable and within the general market practice, respectively. From our Group's perspective, we are expected to benefit from such rental rates throughout the Lease Tenure, as these rates are benchmarked against prevailing market lease/ rental rates, and are hedged against the fluctuation of future rental rates.

In view that the Leased Property will be constructed as a campus-built building, the Proposed Transaction and the subsequent execution of the Definitive Lease Agreement will also reduce the inconveniences to our lecturers and students as the Lease Tenure will reduce the frequency of relocation of campus and the needs of our management team to re-identify a purpose-built building, which is catered for education-campus purpose. The Lease Tenure will also ease the targeted students, who are usually living nearby, or outstation and international students, who are renting rooms or having their accommodation nearby the campus from having to re-identify new accommodation or sourcing for new transportation alternative to college.

The purpose of the Proposed Transaction is to facilitate the entering of a Definitive Lease Agreement upon the completion and delivering of vacant possession for the Leased Property together with the incorporation of the Additional Specifications into the Leased Property, expected by mid-2022. Further, the Proposed Transaction is to facilitate the ordinary course of business of SEGi Group i.e. the provision of educational and training activities.

4. EFFECTS OF THE PROPOSED TRANSACTION

As the Lease Tenure will only take effect from the Lease Commencement Date subject to delivery of vacant possession of the Leased Property and the delivery of the Additional Specifications expected in June 2022, the Proposed Transaction will not have any immediate and material effect on the issued share capital, net assets ("**NA**") per Share and gearing level of SEGi, earnings and earnings per Share for the financial year ending ("**FYE**") 31 December 2020. The Proposed Transaction is also not expected to have any effect on the substantial shareholders' shareholding of SEGi.

For shareholders' information, the rental payments, which will form part of the working capital expenses of SEGi SJ to facilitate its ordinary course of business, will be financed by SEGi SJ via its internally generated funds throughout the Lease Tenure.

5. RISK FACTOR

As the Proposed Transaction is to facilitate our Group's ordinary course of business i.e. the provision of educational and training activities, there is no new business risk, of which our Group will be exposed to, arising from the Proposed Transaction. Notwithstanding the above, our Group may be subject to the potential risk from the development and completion progress of the Leased Property as set out below:-

5.1 The delay in the date of actual delivery of vacant possession of the Leased Property to SEGi SJ

As at the LPD, the proposed development of Edumetro @ Subang Jaya is still under construction and the vacant possession for the first phase of Edumetro @ Subang Jaya (in which the Leased Property is located within) is expected to be procured by HCHSB by first half of 2022. Any delay in the construction works and/ or non-performance by the appointed contractor or any other form of restrictions of work order imposed by Government or any relevant regulatory may result in a delay in the completion of the proposed development and consequently, the deliverable and commencement of possession of the Leased Property. This will eventually result in a delay of the expansion plan of SEGi College Subang Jaya.

As SEGi is not involved in the development and construction of Edumetro @ Subang Jaya, the progress in respect of the completion of Edumetro@ Subang Jaya, which includes the Leased Property, is beyond the control of SEGi. Notwithstanding the above, the Proposed Transaction will not result in SEGi Group to have significant loss as there is no upfront payments save for the Security Monies, which will eventually be converted into Utilities Deposit and part of the Renovation/ Restoration Deposit, payable to HCHSB.

6. APPROVALS REQUIRED

The Proposed Transaction is subject to the approvals of SEGi shareholders and HCK shareholders being obtained at their respective general meetings to be convened.

The highest percentage ratio applicable to the Proposed Transaction pursuant to Paragraph 10.02(g) of the Listing Requirements is approximately 62.7%, calculated based on the total lease amount of approximately RM58.63 million over the Lease Tenure against the total NA of SEGi for the latest audited financial statements as at the FYE 31 December 2019 of approximately RM93.45 million.

The Proposed Transaction is not conditional upon any other proposal undertaken or to be undertaken by the Company. For information purpose, the voting on the resolution pertaining to the Proposed Transaction at the general meeting will be taken on a poll, of which the results of the poll will be validated by an independent scrutineer to be appointed.

7. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/ OR PERSONS CONNECTED WITH THEM

Save for the below, none of the Directors and/ or major shareholders of SEGi and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Transaction:-

Name	Relationship/ details of the interests
Tan Sri Clement	<ul style="list-style-type: none"> our Group Managing Director holding direct equity interest of approximately 32.3% comprising 396,694,479 ordinary shares of SEGi ("SEGi Share(s)") or "Share(s)") and indirect equity interest of approximately 37.4% comprising 459,565,035 SEGi Shares by virtue of Shares held by Pinnacle Heritage Solutions Sdn Bhd as at the LPD he is also the Executive Chairman of HCK, holding indirect equity interest of approximately 63.0% comprising 267,075,150 ordinary shares in HCK by virtue of HCK shares held by HiiChiiKok Equities Sdn. Bhd. as at the LPD
Pinnacle Heritage Solutions Sdn Bhd ("PHS")	<ul style="list-style-type: none"> our major shareholder holding direct equity interest of approximately 37.4% comprising 459,565,035 SEGi Shares and indirect equity interest of approximately 32.3% comprising 396,694,479 SEGi Shares by virtue of Shares held by Tan Sri Clement as at the LPD pursuant to a shareholders agreement dated 25 April 2012 entered into between Tan Sri Clement and PHS ("Shareholders Agreement"), Tan Sri Clement and PHS are deemed interested in SEGi Shares held by each other. Therefore, PHS is a party acting in concert with Tan Sri Clement in the context of SEGi
Nicholas Rupert Heylett Bloy ("Nicholas Bloy")	<ul style="list-style-type: none"> our Non-Independent Non-Executive Director and major shareholder by virtue of his interest in PHS pursuant to Section 8(4) of the Act sitting on the board of directors of Navis Capital Partners, which in turn has interest in PHS. Therefore, Nicholas Bloy is deemed interested by virtue of all Shares held by both Tan Sri Clement and PHS, and is considered a person connected with PHS
Edwin Fua Chye Jin ("Edwin Fua")	<ul style="list-style-type: none"> our Non-Independent Non-Executive Director. He is also a Partner of Navis Capital Partners, which has interest in PHS Premised on good corporate governance, Edwin Fua will abstain from all deliberations and voting pertaining to the Proposed Transaction

Tan Sri Clement, Nicholas Bloy and Edwin Fua are collectively referred to as "**Interested Directors**"; Tan Sri Clement, PHS and Nicholas Bloy are collectively referred to as "**Interested Major Shareholders**".

Premised on the above, the Interested Directors and Interested Major Shareholders have abstained and will continue to abstain from all deliberations and voting at board meeting(s) or the general meeting, respectively in relation to the Proposed Transaction. Further, the Interested Directors and Interested Major Shareholders undertake that the person(s) acting in concert with them will abstain from voting at the general meeting in relation to the Proposed Transaction.

8. DIRECTORS' STATEMENT

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Transaction, is of the opinion that the Proposed Transaction is in the best interest of the Company and is not detrimental to the interests of the minority shareholders of SEGi.

9. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of SEGi, after taking into consideration the advice of the Independent Adviser, namely Affin Hwang Investment Bank Berhad, is of the opinion that the Proposed Transaction is:-

- (i) in the best interest of our Company;
- (ii) fair, reasonable and on normal commercial terms; and
- (iii) not detrimental to the interest of the non-interested shareholders of SEGi.

In forming its views, our Audit Committee has taken into consideration, amongst others, the following:-

- (i) the rationale and justification for the Proposed Transaction;
- (ii) the salient terms of the Agreement to Lease and Definitive Lease Agreement;
- (iii) the basis and justification for arriving at the rental rates for the Leased Property; and
- (iv) the effects of the Proposed Transaction.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to required approvals being obtained, the Agreement to Lease (which is the subject matter of Proposed Transaction) will take immediate effect after the approvals from the shareholders of SEGi and HCK are obtained at the respective general meetings.

The Definitive Lease Agreement to govern the leasing of the Leased Property will only be entered into at a later stage when the vacant possession for the first phase of Edumetro @ Subang Jaya is delivered to HCHSB and the Additional Specifications is completed. In the event the Definitive Lease Agreement is not executed by the Lease Commencement Date, the Lessor will still be required to deliver possession of the Leased Property to the Lessee by the Lease Commencement Date. The parties are required to execute the Definitive Lease Agreement within 1 month from the Lease Commencement Date, and until such time, the Agreement to Lease and the format of Definitive Lease Agreement (which is attached in the Agreement to Lease) shall govern the parties.

11. ADVISER

UOB Kay Hian has been appointed as the Main Adviser for the Proposed Transaction.

12. INDEPENDENT ADVISER

In view of the interests of the Interested Directors and Interested Major Shareholders in the Proposed Transaction, the Proposed Transaction is deemed as related-party transaction under Paragraph 10.08 of the Listing Requirements. As such, Affin Hwang Investment Bank Berhad has been appointed by the Company to act as the Independent Adviser to undertake the following in relation to the Proposed Transaction:-

- (i) Comment as to:-
 - (a) whether the Proposed Transaction is fair and reasonable in so far as the non-interested Directors and shareholders of SEGi are concerned; and
 - (b) whether the Proposed Transaction is to the detriment of the non-interested Directors and shareholders of SEGi,and such opinion must set out the reasons for, the key assumptions made and the factors taken into consideration in forming that opinion;
- (ii) Advise the non-interested shareholders of SEGi whether they should vote in favour of the Proposed Transaction; and
- (iii) Take all reasonable steps to satisfy itself that it has a reasonable basis to make the comments and advice in subsections (i) and (ii) above.

13. TOTAL AMOUNT TRANSACTED WITH THE SAME RELATED PARTIES FOR THE PRECEDING 12 MONTHS

Save for the Proposed Transaction, there is no other related-party transaction with the same related parties, for the 12 months preceding the date of this announcement.

This announcement is dated 8 July 2020.

SALIENT TERMS OF AGREEMENT TO LEASE**(i) Agreement**

The Lessor hereby agrees to grant, demise and let (or procure its relevant subsidiary company(ies) to grant, demise or let) and the Lessee hereby does agree to take the premises of all of the Leased Property subject to a definitive lease agreement to be executed between the parties (and in the case of the Lessor, the Lessor may nominate its relevant subsidiary company(ies) to execute; and in the case of the Lessee, by the Lessee and/ or a related company as defined in Section 7 of the Act) in substantially the form of the lease agreement set out in Schedule 5 of the Agreement to Lease, which in principle, shall contain the agreed commercial terms as set out in **Section 2.2** of this announcement above.

(ii) Condition precedent

The transaction is conditional upon the approval of the shareholders of HCK and SEGi, being the holding companies of the Lessor and Lessee respectively, being obtained on or before the expiry of 6 months from the date of the Agreement to Lease or such other date as the parties may agree in writing.

(iii) Upon delivery of vacant possession of the Leased Property and completion of Additional Specifications

Subject to completion and delivery of vacant possession (with the relevant certificate of completion and compliance) of the Leased Property to the Lessor (or its relevant subsidiaries) and the completion of the modification of the Additional Specifications, the parties agree that in the event the Definitive Lease Agreement between the parties is not yet executed by the Lease Commencement Date, the Lessor shall deliver possession of the Leased Property to the Lessee by the Lease Commencement Date based on the terms in the Agreement to Lease and the format of Definitive Lease Agreement attached in the Agreement to Lease.

The parties (and/ or their substitute as referred to in **Section 2.2** of this announcement) shall execute the Definitive Lease Agreement within 1 month from the Lease Commencement Date and until such time the Definitive Lease Agreement is executed, the terms stated in the Agreement to Lease and the format of the Definitive Lease Agreement attached in the Agreement to Lease shall govern the parties.

The substitution and performance by the Lessee's substitute of all the Lessee's obligations shall be deemed as a discharge by the Lessee of the Lessee's obligations.

(iv) Security Monies

In consideration for the obligations agreed to be undertaken by the Lessor contemplated under the Agreement to Lease, the Lessee hereby agrees to pay a sum of RM1,133,493.00 (equivalent to 3 months rental of the first year lease) to the Lessor immediately upon the execution of this Agreement to Lease (Security Monies).

Upon execution of the Definitive Lease Agreement, the Security Monies shall not be refunded but shall be converted and held as the utilities deposit and part of the Renovation/ Restoration Deposit under the Definitive Lease Agreement to be executed between the respective parties.

(v) Force Majeure

Neither party shall be liable to the other to the extent that performance of its obligations (except for the payment of monies due under the Agreement to Lease) is hindered, delayed or prevented by any circumstances beyond the reasonable control of that party ("**Force Majeure**") **provided that** each party gives the other party written notice promptly of the occurrence of such Force Majeure and uses its efforts in good faith to cure the breach.

If in the opinion of the relevant developer's architect, the delivery of the Leased Property is delayed by Force Majeure or any other cause beyond the relevant developer's control affecting the development and construction of the first phase of Edumetro @ Subang Jaya, the delivery of the Leased Property shall be extended for a period of time as determined by the relevant developer's architect to be a reasonable period of time for the completion of the first phase of Edumetro @ Subang Jaya and the decision of the relevant developer's architect shall be final, conclusive and binding.

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SALIENT FEATURES OF VALUATION CERTIFICATE

The Leased Property's location and accessibility are set out in **Section 2.1** of this announcement.

1. Description of the Leased Property

The Leased Property shall include 4 basements, ground floor, upper ground floor, upper ground mezzanine floor, level 1, level 1 mezzanine floor, 12 levels and roof level with the net lettable area as follows:-

Net Lettable Area	
Indoor Area (sq ft)	Outdoor Area (sq ft)
141,253.05	7,020.12

2. Basis of valuation

The basis of valuation is the **Market Rent**, which is defined as the estimated amount for which a real property should lease on the valuation date between a willing lessor and a willing lessee on an appropriate lease terms in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The valuation is also on the basis that the Leased Property is available for lease in the open market for a term of 12 years with a rent review every 3 years during the lease period and with an option to extend the lease for a further 2 terms of 3 years each. The Market Rent of the Leased Property in the valuation is for the initial term of 3 years of the lease term.

3. Method of valuation

In arriving at the Market Rent of the Leased Property, the Independent Registered Valuer had adopted the **Comparison Approach**, which seeks to determine the market rent of the property being valued by comparing and adopting as a yardstick to the recent rental evidences as well as asking rentals involving other similar properties in the vicinity.

3.1 The rental evidences are as follows:-

No.	Comparables	Lessee/Tenant	Net lettable area (sq ft)	Current net monthly rent (RM)	Current net monthly rent (RM per sq ft)
1	HELP University, Jalan Semantan, Damansara Heights, Kuala Lumpur	Help University Sdn Bhd	125,227	413,249	3.30
2	SEGi College, USJ 1, Subang Jaya, Selangor	SEG International Bhd	131,387	342,125	2.60
3	SEGi University, Kota Damansara, PJU 5, Petaling Jaya, Selangor	SEG International Bhd	337,710	1,196,250	3.54
4	Menara Axis, Section 51A, Petaling Jaya, Selangor	-	181,168	555,583	3.06
5	Menara Sunway, Bandar Sunway, Selangor	-	291,807	941,667	3.23
6	Crystal Plaza, Section 51A, Petaling Jaya, Selangor	-	204,977	583,667	2.85

No.	Comparables	Lessee/Tenant	Net lettable area (sq ft)	Current net monthly rent (RM)	Current net monthly rent (RM per sq ft)
7	Wisma Comcorp, Glenmarie, Shah Alam, Selangor	-	74,550	206,250	2.77
8	Strateq Data Centre, Section 13, Petaling Jaya, Selangor	-	104,903	406,167	3.87
9	Axis Business Park, Section 13, Petaling Jaya, Selangor	-	330,725	622,667	1.88

3.2 The asking rental as advertised in the various media are as follows:-

No.	Property	Net floor area (sq ft)	Asking net monthly rental (RM per sq ft)
1	Menara Summit, Persiaran Kewajipan, USJ 1, Subang Jaya, Selangor	3,057 to 24,112	3.50
2	Sky Park @ One City, Jalan USJ 25/1A, One City, USJ, Selangor	7,050 to 53,154	2.80 to 3.00
3	USJ Sentral, Jalan USJ Sentral, USJ 1, Subang Jaya, Selangor	1,636 to 6,720	1.36 to 3.05
4	Wisma Consplant, Jalan Kemajuan, SS 16, Subang Jaya, Selangor	4,502 to 10,917	4.00 to 5.00
5	Empire Subang Jaya, Jalan SS 16/1, Subang Jaya, Selangor	1,300 to 7,050	3.00 to 4.38

In arriving at the Market Rent of the Leased Property, the Independent Registered Valuer had considered the following:-

- (i) The best evidence are Comparables 1 and 2, namely, HELP University and SEGi College Subang Jaya campus, which are education premises and almost similar in size compared to the Leased Property.
- (ii) Comparable 1 is rented at RM3.30 per sq ft. Downward adjustment by 10.0% from the rental of Comparable 1 was made because of the current market condition. The current rental market for commercial space in Klang Valley is weak due to the COVID-19 pandemic and the oversupply of commercial space. Downward adjustment by 20.0% for the location and upward adjustment by 10.0% for the Leased Property were made as it is a newer building compared to Comparable 1. The Leased Property is further adjusted downward by 5.0% as it is a stratified property and has less exclusivity due to shared common areas within the integrated development of Edumetro @ Subang Jaya. The adjusted net rental after the abovementioned adjustments of minus 25.0% is RM2.47 per sq ft.
- (iii) Comparable 2, being the current SEGi College Subang Jaya campus, USJ 1, Subang Jaya, Selangor, is rented at RM2.60 per sq ft. Downward adjustment by 10.0% was made from the rental of Comparable 2, because of the current market condition. Upward adjustment by 10.0% was made for the Leased Property as it is a newer building and downward adjustment by 5.0% was made as it is a stratified property. The adjusted net rental after the abovementioned adjustments of minus 5.0% is RM2.47 per sq ft.
- (iv) The base net rental for the Leased Property is adopted at RM2.47 per sq ft.

- (v) Further upward adjustment was made for the reimbursement by the Lessee on the fit-out cost of up to RM3,000,000 and 12 months fit-out period (rent free). The general market practice fit-out period (rent free) allowance for commercial buildings is 3 months. However, in view of the current market condition, a reasonable fit-out period would be 6 months. As the Leased Property enjoys a fit-out period of 12 months, the Independent Registered Valuer had therefore deducted the market norm of 6 months and adjusted for the balance extra fit-out period of 6 months.
- (vi) The market rent for the initial term of 3 years is RM2.80 per sq ft for the net lettable indoor area. By adopting the general market practice, the market rent for the net lettable outdoor area is calculated at half (1/2) the rate of the market rent for net lettable indoor area.
- (vii) The rent review is proposed at 10.0% increase for every 3 years, which in the Independent Registered Valuer's opinion, the rent review is fair and reasonable and in accordance to general market practice.

4. Summary

The Market Rent for the initial terms of 3 years of the Leased Property is RM405,337 derived from the calculation as follows:-

	Monthly rental rate (RM/ sq ft)	Net lettable area (Sq ft)	Total monthly rate (RM)
Indoor	2.80	141,253.05	395,509
Outdoor	1.40	7,020.12	9,828
Total			<u>405,337</u>

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DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the Agreement to Lease and the valuation certificate will be made available for inspection at the registered office of SEGi at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan, during normal business hours from Mondays to Fridays (except public holidays) for a period of 3 months from the date of this announcement.