

MANAGEMENT DISCUSSION & ANALYSIS

Message from the

CHAIRMAN

On behalf of the Board of Directors, I hereby present to you the Annual Report and Audited Financial Statements of SEG International Bhd (“SEGi”) and the Group for the year ended 31 December 2019.

Looking at the current uncertainties affecting the countries and companies at large, I wish to inform that the Board will ensure that our dedicated management team will remain calm and continue focusing on tackling these uncertainties while building on our competitive advantages to drive the Group forward.

**Tan Sri Dato’ Seri Megat Najmuddin
Bin Dato’ Seri Dr. Haji Megat Khas**
Independent Non-Executive Chairman



Business Review

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The financial year in review had witnessed a swift market shift especially with the advent of Industrial Revolution 4.0 or better known as IR4.0, which picks up from the digital transformation phase introduced in Industry 3.0.

Globally, IR4.0 appears to be a threat to the existing market which fuels the fear of job and income loss. Organisations that are slow to innovate are left behind as rapidly as the technology progresses, but in reality, the reported reduction or elimination of jobs involve manual and low-skilled jobs.

However, emerging technologies are not just changing business processes, it is also turning the world towards a tech-based economy with a greater focus towards automation, smart technologies, machine learning and data technology.

These advancements have been reshaping the global marketplace and creating new jobs in the process of business transformation. When businesses transform, it changes the job market, which in turn, changes the human capital's qualification requirements. This domino effect has also shifted today's education landscape.

As we usher in a new decade, tomorrow's industry will have a heightened requirement for highly skilled human capital. This grants the education sector a golden opportunity to hone talents with the right technical and personal competencies to keep them relevant and employable.

The opportunities are looking brighter for Malaysia despite major shifts in global economies. The government's National Policy on IR4.0 is expected to position Malaysia as the primary hub for high-technology industries, smart manufacturing, high-impact research and development (R&D) and high-value investments.

Moving forward, SEGi will be looking at sustainable business prospects in the direction of IR4.0 and play a greater role in the upskilling of talents as well as contribute towards greater nation-building efforts.

Financial Performance

2019 was a challenging year, with uncertainties in the global economy, coupled with the weak market sentiments locally.

Despite the challenging environment, I am pleased to report that the Group has registered a profit after tax of RM45.1 million for the financial year under review against RM42.1 million for the preceding financial year. The Group achieved a lower turnover of RM244.0 million compared to RM252.4 million for the preceding year due to lower student population for the financial year.

The Group continues to maintain a strong financial position with shareholders' funds at RM93.5 million and cash and bank balances of RM58.7 million, indicating the Group's capacity and financial strength to finance future growth.

I am confident that we are certainly on track to deliver a sustainable performance as we steer a steady course towards new heights of success.

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Directors declared an interim single tier dividend amounting to

RM3 million

in respect of the financial year ended 31 December 2019.



Dividends

During the financial year under review, the Board of Directors declared an interim single-tier dividend of RM0.025 per ordinary share in respect of the financial year ended 31 December 2019. This interim single-tier dividend amounting to RM30,962,865 was paid on 12 December 2019.

The Group will strive to maintain a balance by providing its shareholders with sustainable cash returns from dividends while conserving adequate funds for capital expenditure to enhance future profitability.

Operational Review and Developments

SEGi is passionate about what we do, sparking enthusiasm and inspiring the curious young minds to achieve their goals and dream careers. We provide a high-quality and conducive environment for our current student population across five campuses.

Looking at the current development in digital learning, businesses, economies and our personal lives are rapidly being forced to change due to globalisation and technological advancements. These megatrends are transforming and redefining our lives with far-reaching impacts.

To prepare for the impending changes, SEGi has embarked on several high-impact programmes that will enhance the institution's standing in the marketplace through industry collaborations. As a result, SEGi is now a Centre of Excellence in Artificial Intelligence in collaboration with the National Applied Research and Development agency, MIMOS to develop relevant programmes and research projects that are in line with IR4.0. In addition, the Ministry of Education has endorsed a partnership between SEGi University and Universiti Sains Malaysia to serve as the "National Higher Education Research Institute". SEGi is the first private tertiary university to be selected for this public-private partnership to develop and integrate the IR4.0 Framework into the National Higher Education framework.

SEGi hit a significant milestone in the financial year in review with the successful organisation of the International Conference and Exhibition on IR4.0 known as MYINDUSTRIES2019 that discussed the theme of "Global Revolution in Business, Technology and Productivity". Launched by the then Prime Minister, Tun Dr. Mahathir Mohamad, MYINDUSTRIES2019 brought together stakeholders, government agencies, businesses, professionals and experts, and members of the academia from all over the world to meet and share their experiences, products, and services to roll out IR4.0 more effectively in Malaysia.

In the quest of preparing our students to be IR4.0-ready, relevant syllabi will be further enhanced and incorporated into various modules. SEGi will also develop hybrid skills for graduates that blend IR4.0 elements and soft skills to enhance graduates' marketability and make some subjects a requirement across all majors.

On behalf of the Board, I am delighted to report that the Board supports the new Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018 ("MACC Act") and targets to launch the Anti-Bribery Anti-Corruption Policy in May 2020 in line with the MACC Act. The Board and Senior Management will ensure that SEGi, as a group, complies and adheres to the anti-bribery laws. The Board emphasised the importance of keeping the organisation free from corruption and highlighted that any violation or breach of the policies will be dealt with accordingly. Training programmes have been organised for the Board as well as the management and staff progressively.

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Corporate Sustainability

Sustainability has always been a part and parcel of SEGi's culture as we strive to achieve continual growth. The Group has actively integrated sustainability initiatives as part of our business operations.

One of the initiatives we have done during the year was on inclusivity where we have installed a chair stairlift unit at the Multipurpose Hall to enable wheelchair-bound students and/or parents and senior citizens to join us at all the events, functions and conferences. SEGi has also installed solar panels for sustainable energy consumption as part of our energy saving measure and environmental sustainability initiative.

The details of our sustainability initiatives are set out in our Sustainability Statement in this report.

Future Outlook and Way Forward

The Group foresees that the business environment will remain challenging given the economic uncertainties and the competitive environment it is in.

The year 2020 started with the Covid-19 outbreak that soon became a global pandemic. With the uncertainties arising from the expected prolonged effects of the pandemic, coupled with the plummeting oil prices, economists foresee a global recession in the making. The effects of the Covid-19 outbreak in Malaysia is felt both from the knock-on of the global slowdown and is further exacerbated by the Movement Control Order enforced by Malaysia from 18 March 2020.

Although SEGi abides by the movement restriction order, the restrictions do have an adverse effect on SEGi as it delays the arrival and enrolments of our international as well as our local students.

Nonetheless, the Group is taking active measures to ensure that its business achieves a moderate growth through intervention strategies such as virtual classes and virtual counselling and business continuity plan. The Group sees opportunities in the midst of this situation and will introduce innovative and new programme offerings to meet students and industry expectations.

Acknowledgements

On behalf of the Board, I wish to convey our appreciation to our valued shareholders, global partners, students, regulatory authorities, bankers and business associates for their continued support as we forge ahead to grow and achieve greater success. It is with your gracious support that we will continue to reach even greater heights.

A special thanks and gratitude also go to the management and staff for their commitment and dedication in delivering the desired results to the Group.

Last, but not least, I would like to take this opportunity to thank my fellow board members for their support and commitment. We look forward to fostering stronger links in the years to come.

**TAN SRI DATO' SERI MEGAT
NAJMUDDIN BIN DATO' SERI
DR. HAJI MEGAT KHAS**

Chairman

28 April 2020