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IF YOU ARE IN ANY DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANK MANAGER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

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SEG
International
Bhd

SEG INTERNATIONAL BHD

Registration No.: 198501013542 (145998-U)
(Incorporated in Malaysia)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

PART A

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

PART B

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF SEG INTERNATIONAL BHD IN RELATION TO THE PROPOSED TRANSACTION

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

Main Adviser for Part A

UOBKayHian

UOB KAY HIAN SECURITIES (M) SDN BHD
Registration No.: 199001003423 (194990-K)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

Independent Adviser for Part B



AFFIN HWANG
CAPITAL

AFFIN HWANG INVESTMENT BANK BERHAD
Registration No.: 197301000792 (14389-U)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

The Notice of the Extraordinary General Meeting of SEG International Bhd ("**Company**") ("**EGM**"), which is scheduled to be held at R2.6, Level 2, Right Wing, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 23 September 2020 at 11.30 a.m., or immediately following the conclusion or adjournment of the 34th Annual General Meeting of SEG International Bhd scheduled to be held at the same venue and on the same date at 10.30 a.m. or any adjournment thereof, whichever is later, and the Form of Proxy are set out in this Circular. You are advised to refer to the Notice of the EGM and the accompanying Form of Proxy.

A member entitled to attend, participate, speak and vote at the EGM is entitled to appoint a proxy or proxies to attend, participate, speak and vote on his/ her behalf. In such event, the completed and signed Form of Proxy must be lodged at the Company's Registered Office at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time and date appointed for holding the EGM or at any adjournment thereof, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

Last date and time for lodging the Form of Proxy : Monday, 21 September 2020 at 11.30 a.m.

Date and time of the EGM : Wednesday, 23 September 2020 at 11.30 a.m.

DEFINITIONS

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

"Act"	The Companies Act, 2016
"Additional Specifications"	The additional structural and/ or other modification works, 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
"Affin Hwang IB" or "Independent Adviser"	Affin Hwang Investment Bank Berhad, being the independent adviser for the Proposed Transaction
"Agreement to Lease"	The agreement to lease dated 8 July 2020 entered into between SEGi SJ and HCHSB, agreeing to lease the Leased Property from HCHSB for the Lease Tenure, which is subject matter of the Proposed Transaction
"Board"	The Board of Directors of SEGi
"Bursa Securities"	Bursa Malaysia Securities Berhad
"Circular"	This circular dated 8 September 2020 in relation to the Proposed Transaction
"Definitive Lease Agreement"	<p>The definitive lease agreement is expected to be entered into between SEGi SJ and HCHSB (or through their related company or subsidiary, as the case may be) substantially in the form of the Definitive Lease Agreement attached in the Agreement to Lease at a later stage upon vacant possession of the Leased Property being delivered to HCHSB and the Additional Specifications completed, on or by the Lease Commencement Date.</p> <p>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</p>
"Director(s)"	<p>The director(s) of SEGi and shall have the meaning given in Section 2(1) of the Capital Markets and Services Act 2007 and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon:-</p> <ul style="list-style-type: none">(i) a director of the listed issuer, its subsidiary or holding company; or(ii) a chief executive of the listed issuer, its subsidiary or holding company
"EGM"	Extraordinary General Meeting of SEGi
"EPS/ (LPS)"	Earnings/ Loss per share
"FYE"	Financial year ended/ ending
"HCHSB" or "Lessor"	HCK Capital Holdings Sdn Bhd, being the lessor of the Agreement to Lease pursuant to the Proposed Transaction

DEFINITIONS (CONT'D)

"HCK"	HCK Capital Group Berhad
"Independent Registered Valuer"	Raine & Horne International Zaki + Partners Sdn Bhd, being the independent registered valuer for the Leased Property
"IAL"	The independent advice letter dated 8 September 2020 prepared by the Independent Adviser in relation to the Proposed Transaction, which is set out in Part B of this Circular
"Interested Directors"	Tan Sri Clement, Nicholas Rupert Heylett Bloy and Edwin Fua Chye Jin, collectively
"Interested Major Shareholders"	Tan Sri Clement, Pinnacle Heritage Solutions Sdn Bhd and Nicholas Rupert Heylett Bloy, collectively
"Lease Commencement Date"	A date in the month of June 2022 to be determined and mutually agreed between SEGi SJ and HCHSB at a later stage, unless mutually extended by the said parties
"Leased Property"	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 of a development namely, 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
"Lease Tenure"	12 years from the Lease Commencement Date
"Listing Requirements"	Main Market Listing Requirements of Bursa Securities
"LPD"	1 September 2020, being the latest practicable date prior to the printing and dispatch of this Circular
"Market Day(s)"	Any day between Mondays to Fridays (inclusive), excluding public holidays, and a day on which Bursa Securities is open for trading of securities
"NA"	Net assets
"PAT/ (LAT)"	Profit/ Loss after tax
"Proposed Transaction"	Proposed entering into a leasing arrangement with HCK group of companies for the leasing of part of a development namely, Edumetro @ Subang Jaya, by SEGi SJ, a wholly-owned subsidiary of SEGi via the execution of the Agreement to Lease
"RM" and "sen"	Ringgit Malaysia and sen, respectively
"SEGi" or "Company"	SEG International Bhd
"SEGi Group" or "Group"	SEGi and its subsidiaries, collectively
"SEGi Share(s)" or "Share(s)"	Ordinary share(s) in SEGi

DEFINITIONS (CONT'D)

"SEGi SJ" or "SEGi College Subang Jaya" or "Lessee"	SEGi College (Subang Jaya) Sdn. Bhd., being the lessee of the Agreement to Lease pursuant to the Proposed Transaction
"sq ft"	Square feet or square foot, as the case may be
"Tan Sri Clement" or "Interested Director and Interested Major Shareholder"	Tan Sri Clement Hii Chii Kok @ Hii Chee Kok, who is deemed as the interested director and interested major shareholder in the Proposed Transaction
"Total Lease Consideration"	The total lease consideration of approximately RM58.63 million (excluding the rental free fit-out period's cost for the first 12 months of the Lease Tenure), being the total rental rate payable by Lessee to Lessor over the entire Lease Tenure
"Valuation Certificate"	Valuation certificate by Independent Registered Valuer dated 2 July 2020 on the Leased Property
"UOB Kay Hian" or the "Main Adviser"	UOB Kay Hian Securities (M) Sdn Bhd, being the Main Adviser for the Proposed Transaction

All references to **"our Company"** or **"the Company"** or **"we"** or **"us"** or **"our"** or **"ourselves"** are made to our Company, and where the context requires, our Company and our subsidiaries. Unless the context otherwise requires, reference to **"Board"** is to our Board of Directors and reference to **"Management"** is to our Executive Directors and key management personnel as at the LPD of this Circular.

All references to **"you"** or **"your(s)"** in this Circular are made to our shareholders, who are entitled to attend, participate, speak and vote at the EGM.

Unless otherwise stated and wherever applicable, the amount represented in this Circular has been rounded to the nearest whole cent, for ease of reference. Unless specifically referred to, words denoting incorporating the singular shall, where applicable, include the plural and vice versa and words denoting incorporating the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. Any reference to persons shall include corporations, unless otherwise specified.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any reference to a time of day in this Circular shall be a reference to Malaysian time, unless otherwise specified.

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EXECUTIVE SUMMARY

This Executive Summary highlights only the salient information of the Proposed Transaction. The shareholders of SEGi are advised to read the Circular and Independent Advice Letter in its entirety for further details and not to rely solely on this Executive Summary in forming a decision on the Proposed Transaction before voting at the EGM.

Key information	Description	Reference to Circular																				
Summary of the corporate proposal	<p>On 8 July 2020, SEGi SJ entered into the agreement to lease with HCHSB, agreeing to lease the Leased Property for a leasing tenure of 12 years commencing from a date to be mutually agreed in June 2022, with the delivery of vacant possession of the Leased Property together with the completion of the Additional Specifications on the Leased Property to the Lessee.</p> <p>The Definitive Lease Agreement is expected to be entered into between SEGi SJ and HCHSB (or through their related company or subsidiary, as the case may be) 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.</p>	Section 2, Part A																				
Details of the Leased Property	The Leased Property involves one of the towers, namely Tower D and part of the podium of a development known as Edumetro @ Subang Jaya with total net lettable indoor area of approximately 141,253.05 sq ft and total net lettable outdoor area of approximately 7,020.12 sq ft.	Section 2, Part A																				
Total Lease Consideration and Rental Rate	Approximately RM58.63 million throughout the Lease Tenure (excluding the rental free fit-out cost for the first 12 months of the Lease Tenure). The agreed rental rates over the Lease Tenure are as follows:-	Section 2, Part A, and Appendices II and III																				
<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>			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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10 to 12	3.480	1.740	503,776																			
<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> <p>The above rental rates are benchmarked against the valuation carried out by the Independent Registered Valuer as set out in its valuation certificate dated 2 July 2020. Please refer to Appendix II for the salient features of the Valuation Certificate and Appendix III for the Valuation Certificate.</p>																						
Rationale of the Proposed Transaction	<p>(i) Entering of Agreement to Lease between SEGi SJ and HCHSB is to establish mutual agreement to occupy the Leased Property, upon completion and obtaining the vacant possession of the Leased Property throughout the Lease Tenure.</p> <p>(ii) The expansion into a new education campus with comprehensive facilities will provide students a conducive environment for greater learning and campus experiences, which will translate to the quality of education and corporate image of SEGi.</p> <p>(iii) The location is strategically located at USJ 1, Subang Jaya, and it is 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.</p>	Sections 2 and 3, Part A																				

EXECUTIVE SUMMARY

Key information	Description	Reference to Circular
	<p>(iv) The rental rates over a 12-year period are negotiated and agreed based on prevailing market rental rate with a progressive increase of 10.0% in 3-year term over the entire Lease Tenure, which will commence in mid-2022 only.</p> <p>(v) 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 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.</p> <p>(vi) 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 expected in 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.</p>	
Interested parties and any conflict of interest from the Proposed Transaction	<p>Save for Tan Sri Clement Hii, Nicholas Rupert Heylett Bloy, Edwin Fua Chye Jin and Pinnacle Heritage Solutions Sdn Bhd, none of our Directors or Major Shareholder and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Transaction.</p>	Section 7, Part A
	<p>UOB Kay Hian Securities (M) Sdn Bhd, Raine & Horne International Zaki + Partners Sdn Bhd and Affin Hwang Investment Bank Berhad, being the Main Adviser, Independent Registered Valuer and Independent Adviser for the Proposed Transaction, respectively, had declared that there is no conflicts of interest or potential conflicts of interest arising from their respective roles in this Proposed Transaction.</p>	Section 3 of Appendix IV
Approvals required	<p>The Proposed Transaction is subject to the approvals from our shareholders and HCK shareholders at the respective general meetings.</p>	Section 6, Part A
Board's recommendation	<p>Our Board (save for the Interested Directors) recommends that you vote FOR the resolution pertaining to the Proposed Transaction, which will be tabled at the forthcoming EGM, the details of which are set out in the cover page of this Circular, and the Notice of EGM as enclosed.</p>	Section 13, Part A

PART A

**LETTER TO THE SHAREHOLDERS OF SEGi IN RELATION TO THE PROPOSED
TRANSACTION**



SEG
International
Bhd

SEG INTERNATIONAL BHD

Registration No.: 198501013542 (145998-U)
(Incorporated in Malaysia)

Registered Office

6th Floor, SEGi University
No. 9, Jalan Teknologi
Taman Sains Selangor
Kota Damansara PJU 5
47810 Petaling Jaya
Selangor Darul Ehsan

8 September 2020

Board of Directors

Tan Sri Dato' Seri Megat Najmuddin Bin Dato' Seri Dr. Haji Megat Khas
(Independent Non-Executive Chairman)
Tan Sri Clement Hii Chii Kok @ Hii Chee Kok *(Group Managing Director)*
Hew Moi Lan *(Executive Director/ Chief Executive Officer)*
Nicholas Rupert Heylett Bloy *(Non-Independent Non-Executive Director)*
Dato' Seri Mohamed Azahari Bin Mohamed Kamil *(Independent Non-Executive Director)*
Dato' Amos Siew Boon Yeong *(Independent Non-Executive Director)*
Dato Goh Leng Chua *(Independent Non-Executive Director)*
Edwin Fua Chye Jin *(Non-Independent Non-Executive Director)*

To: The shareholders of SEG International Bhd

Dear Sirs/ Madam,

PROPOSED TRANSACTION

1. INTRODUCTION

On 8 July 2020, UOB Kay Hian had, on behalf of our Board, announced that SEGi SJ, our wholly-owned subsidiary, had entered into the Agreement to Lease with HCHSB, a wholly-owned subsidiary of HCK, agreeing to lease the Leased Property over the Lease Tenure.

The Proposed Transaction is deemed as a related party transaction under Paragraph 10.08 of the Listing Requirements in view of the interests of Tan Sri Clement, being the common Director and common major shareholder in both SEGi and HCK. Premised on the interest of Tan Sri Clement in this Proposed Transaction, Pinnacle Heritage Solutions Sdn Bhd, Nicholas Rupert Heylett Bloy and Edwin Fua Chye Jin, who are the connected parties with Tan Sri Clement are also deemed interested in the Proposed Transaction. Further details on the interests of the Interested Directors and Interested Major Shareholders are set out in **Section 7, Part A** of this Circular. In this respect, the Board has appointed Affin Hwang IB to act as the independent adviser to advise our non-interested Directors and non-interested shareholders as to whether the Proposed Transaction is fair and reasonable so far as the non-interested shareholders of SEGi are concerned, and whether the Proposed Transaction is to the detriment of our non-interested shareholders.

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

YOU ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF THIS CIRCULAR AND THE INDEPENDENT ADVICE LETTER FROM AFFIN HWANG IB TO THE NON-INTERESTED SHAREHOLDERS OF SEGi IN RELATION TO THE PROPOSED TRANSACTION, AS SET OUT IN PART A AND PART B OF THIS CIRCULAR, RESPECTIVELY, TOGETHER WITH THE APPENDICES CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION TO GIVE EFFECT TO THE PROPOSED TRANSACTION TO BE TABLED AT THE FORTHCOMING EGM.

2. DETAILS OF THE PROPOSED TRANSACTION

On 8 July 2020, SEGi SJ entered into an agreement to lease with HCHSB, agreeing to lease 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 of a development namely, 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 for a leasing tenure of 12 years commencing from a date to be mutually agreed in June 2022, upon the delivery of vacant possession of the Leased Property together with the completion of the Additional Specifications on the Leased Property to the Lessee.

The Proposed Transaction is in line with SEGi SJ's expansion plan 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, which is located at approximately 2 kilometres from the Leased Property and at Persiaran Kewajipan USJ 1, 47600 UEP Subang Jaya, Selangor, our Group takes cognisance 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 on the Leased Property on the effective date of the Lease Tenure.

The 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).

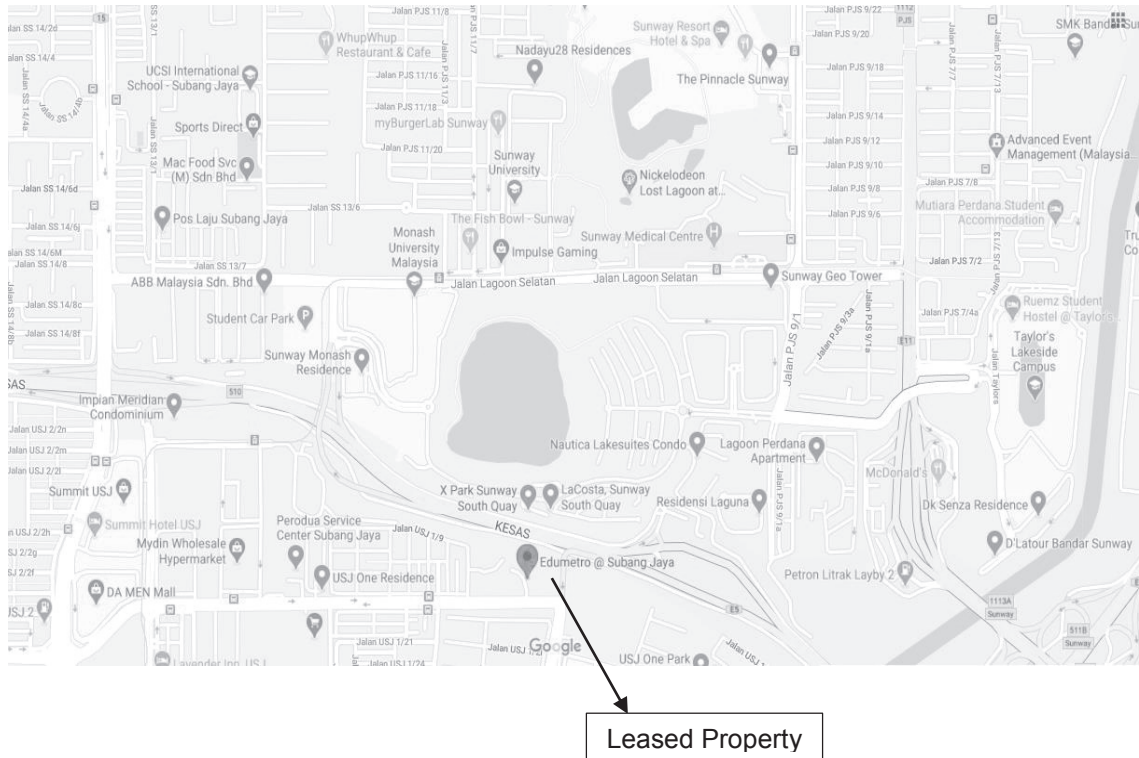
2.1 Details of the Leased Property

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 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>
Gross built-up area	Approximately 1,583,719.31 sq ft (the entire development of Edumetro @ Subang Jaya)
Leased Area	Total net lettable indoor area: approximately 141,253.05 sq ft Total net lettable outdoor area: approximately 7,020.12 sq ft
Development order	<p>On 16 May 2016, a Planning Approval Letter/ Kebenaran Merancang (Reference No. Bil.MPSJ.PB(B). 260/36/258) was obtained for the development of Edumetro @ Subang Jaya</p> <p>Subsequently, an amendment to the aforesaid Planning Approval was issued on 22 January 2020 as stated in the Planning Approval Letter (Kebenaran Merancang) bearing Reference No. MPSJ.JPB.BP1.600-1/1/41Jld.2(34)</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 at approximately 53.0% completion as at 25 August 2020, with expected completion by June 2022. Therefore, the vacant possession of the Leased Property 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/ salient terms, amongst others:-

Leased Property	<p>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</p> <p>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%</p>
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, 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, which include, amongst others, hostel management, renting of spaces within the campus (for e.g. for cafeteria, vending machines, automated teller machine (ATM), display of billboards and advertisements)																				
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
Lease year	Indoor Area (RM/ sq ft)	Outdoor Area (RM/ sq ft)	Monthly rental (RM)																		
1 to 3	2.610	1.305	377,831																		
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7 to 9	3.160	1.580	457,452																		
10 to 12	3.480	1.740	503,776																		
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):- 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. For shareholders' information, the Security Monies were paid by SEGi SJ on 10 July 2020 to HCHSB</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	On the day following the expiry of Rental Free Fit-Out Period 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 7 th day from the Rental Commencement Date of each month																				
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																				

For information purpose, the Definitive Lease Agreement is currently in draft form and attached in the Agreement to Lease in view that the Leased Property is still under construction at this juncture, and the parties to the Agreement to Lease had agreed in such form so as to ensure that the vacant possession of the Leased Property together with the Additional Specifications are able to be delivered prior to the execution of the Definitive Lease Agreement. Nevertheless, the parties to the Agreement to Lease had also mutually agreed that by entering to the Agreement to Lease, the Definitive Lease Agreement in principle, shall contain the abovementioned agreed commercial/ salient terms.

Further, the Agreement to Lease also sets out the agreement between Lessor and Lessee for the Lessor to procure Additional Specifications comprising additional structural and/ or other modification works, 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. Therefore, the Definitive Lease Agreement will only be executed and take effect when the Leased Property and the Additional Specifications are completed and duly delivered to the Lessee as provided under the Agreement to Lease. Notwithstanding that, should there be any material amendment or variation made to the Definitive Lease Agreement, which will be substantially different from the approved form, the Company will make necessary announcement and seek for shareholders' prior approval as required under the Listing Requirements.

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 the 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)	2.80

- (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) 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, and **Appendix III** for 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 (as set out in **Section 2.2** of this Circular), 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 of RM1,133,493 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 in respect of the Rental Deposit via bank facilities through bank guarantee.

Note (*):

The Rental Deposit is payable in the form of a bank guarantee that is equivalent to 36-months rental amount. In accordance with the increase in the rental value at the intervals of every 3 years over the Lease Tenure, the value of Rental Deposit will be adjusted accordingly. Therefore, the bank guarantee amount for every 3-year term will be cancelled and replaced with a new bank guarantee for a value equivalent to the next 3 years' term rental value.

Save for the abovementioned working capital expenses, the fit-out costs for the Leased Property, which are reimbursable up to RM3.0 million by HCHSB, 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. Based on the estimation from internal management team, the fit-out costs is estimated at RM5.0 million and the ancillary expenses, which include but are not limited to, stamp duty of approximately RM0.09 million and other expenses (which include, amongst others, advisory fees) for the Proposed Transaction at approximately RM0.3 million, will be financed by SEGi SJ via its internally generated funds.

For shareholders' information, as set out in **Section 2.2** of this Circular, the Security Monies shall be converted and held as Utilities Deposit and part of the Renovation/ Restoration Deposit upon the execution of the Definitive Lease Agreement, whilst the Rental Deposit will be given in the form of bank guarantee. Upon expiry of the Lease Tenure, subject to no breach caused by the Lessee to make good any damage or restore the premises in good and tenantable condition, all deposits (i.e. Utilities Deposit, Renovation / Restoration Deposit, and Rental Deposit) will be refundable (without interest) and in the case of the Rental Deposit, which is given in the form of bank guarantee, is refundable by way of surrendering it for cancellation.

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 the 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. As at the LPD, Tan Sri Clement is the major shareholder of HCK, holding an indirect shareholding of 267,075,150 HCK shares, representing approximately 62.97% equity interest of HCK via his substantial shareholding in HiiChiiKok Equities Sdn. Bhd. As at the LPD, Tan Sri Clement does not have any direct shareholding in HCK. Datuk Clifford Hii Toh Leong, who is the son of Tan Sri Clement, holds direct shareholding of 800,000 HCK shares, representing approximately 0.19% equity interest of HCK and does not have any indirect shareholding in HCK as at the LPD.

3. RATIONALE AND JUSTIFICATION FOR THE PROPOSED TRANSACTION

As set out in **Section 2, Part A** of this Circular, 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 and digital marketing communication, media and communication, and computer science with our partner universities;
- (iii) to introduce centres of English studies, and research and 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 up skilling 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 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. At present, it is SEGi SJ's intention to continue occupying the current campus building for our business operations upon the Definitive Lease Agreement taking effect. However, this shall not limit SEGi SJ to assess the number of students and the campus' capacities requirement at that point in time, and to make necessary plans and adjustments for the purpose of improving its academic environment for the students.

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 it 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. 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:-

4.1 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. Additionally, any failure of the delivery of vacant possession or completion of the Additional Specifications by the Lessor will be deemed as a default or breach of Agreement to Lease, and where applicable, the Lessee shall have the right to seek for damages or specific performance.

5. 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, NA per Share and gearing level of SEGi, earnings and earnings per Share for the 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.

6. APPROVALS REQUIRED/ OBTAINED AND INTER-CONDITIONALITY OF THE PROPOSED TRANSACTION

The Proposed Transaction is subject to the approvals of SEGi shareholders and HCK shareholders being obtained at their respective general meetings to be convened. Save for the aforementioned, the Proposed Transaction is not subject to any other approval, including approval from any regulatory/ authority body.

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 SEGi Shares 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 holding indirect shareholding of 856,259,514 SEGi Shares, representing approximately 69.7% equity interest in SEGi by virtue of his interest in PHS pursuant to Section 8(4) of the Act • he is 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. For avoidance of doubt, he does not have any direct and/ or indirect equity interest in SEGi • premised on good corporate governance, Edwin Fua will abstain from all deliberations and voting pertaining to the Proposed Transaction

Premised on the above, the Interested Directors and Interested Major Shareholders have abstained and will continue to abstain from all deliberations and voting, in respect of their direct and/ or indirect shareholdings, 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 they will ensure that the person(s) connected with them will abstain from voting at the general meeting in respect of their direct and/ or indirect shareholdings in relation to the Proposed Transaction.

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

Save for the Proposed Transaction, the Board is not aware of any transaction between SEGi and HCK group of companies, as well as with any of the Interested Directors and/ or Interested Major Shareholders for the 12 months preceding the date of this Circular.

9. ESTIMATED TIME FRAME FOR COMPLETION AND TENTATIVE TIMETABLE FOR IMPLEMENTATION

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.

10. CORPORATE PROPOSALS ANNOUNCED BUT PENDING COMPLETION

Save for the Proposed Transaction, the Board is not aware of any other corporate exercise that has been announced but not yet completed as at the LPD.

11. 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 IB 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 shareholders of SEGi are concerned; and
 - (b) whether the Proposed Transaction is to the detriment of the non-interested 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.

The IAL containing Affin Hwang IB's evaluation and recommendation on the Proposed Transaction is enclosed in **Part B** of this Circular.

12. AUDIT COMMITTEE'S STATEMENT

The Audit Committee of SEGi, after taking into consideration the advice of the Independent Adviser, namely Affin Hwang IB, 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.

13. DIRECTORS' RECOMMENDATION

Our Board (save for the Interested Directors), having considered all aspects of the Proposed Transaction, including but are not limited to, the rationale, justification and effects 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. Therefore, our Board (save for the Interested Directors) recommends you to **vote in favour** of the resolution pertaining to the Proposed Transaction at the forthcoming EGM.

14. EGM

The EGM, the notice of which is enclosed in this Circular, will be held at R2.6, Level 2, Right Wing, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 23 September 2020 at 11.30 a.m., or immediately following the conclusion or adjournment of the 34th Annual General Meeting of SEG International Bhd scheduled to be held at the same venue and on the same date at 10.30 a.m. or any adjournment thereof, whichever is later, together with the Form of Proxy are set out in this Circular. You are advised to refer to the Notice of the EGM and the accompanying Form of Proxy.

If you are unable to attend, participate, speak and vote in person at the EGM, you are requested to complete, sign and return the enclosed Form of Proxy in accordance with the instructions contained therein, to be deposited at the Company's Registered Office at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time and date appointed for holding the EGM or at any adjournment thereof, as indicated below. The lodging of the Form of Proxy shall not preclude you from attending, participating, speaking and voting in person at the EGM should you subsequently wish to do so.

15. FURTHER INFORMATION

The shareholders of SEGi are advised to refer to the attached appendices for further information.

Yours faithfully,
For and on behalf of the Board
SEG INTERNATIONAL BHD

TAN SRI DATO' SERI MEGAT NAJMUDDIN BIN DATO' SERI DR. HAJI MEGAT KHAS
Independent Non-Executive Chairman

PART B

**INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF SEGi IN
RELATION TO THE PROPOSED TRANSACTION**

EXECUTIVE SUMMARY

Definitions or defined terms used in this Executive Summary shall have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this Executive Summary are to Affin Hwang IB, being the Independent Adviser for the Proposed Transaction.

This Executive Summary highlights the key information of the Proposed Transaction. We advise all non-interested shareholders of the Company for the Proposed Transaction to read and understand this IAL in its entirety, together with Part A of the Circular and the appendices thereto for any other relevant information and not to rely solely on this Executive Summary before forming an opinion on the Proposed Transaction. You are also advised to consider carefully the recommendation contained herein before voting on the resolution relating to the Proposed Transaction to be tabled at the forthcoming EGM. If you are in doubt as to the course of action to be taken, you should consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

1. INTRODUCTION

On 8 July 2020, on behalf of the Board, UOB Kay Hian announced that SEGi SJ, a wholly-owned subsidiary of SEGi, had entered into the Agreement to Lease with HCHSB, a wholly-owned subsidiary of HCK, agreeing to lease the Leased Property over the Lease Tenure.

Please refer to Section 2, Part A of the Circular for details of the Proposed Transaction.

The Proposed Transaction is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of Tan Sri Clement, being the common Director and common major shareholder in both SEGi and HCK. Premised on the interest of Tan Sri Clement in the Proposed Transaction, Pinnacle Heritage Solutions Sdn Bhd ("**PHS**"), Nicholas Rupert Heylett Bloy and Edwin Fua Chye Jin (who are the connected parties with Tan Sri Clement) are also deemed interested in the Proposed Transaction. Further details on the interests of the Interested Directors and Interested Major Shareholders are as set out in Section 7, Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08 of the Listing Requirements, Affin Hwang IB has been appointed by the Board on 6 July 2020 to act as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders on, amongst others, whether the Proposed Transaction is fair and reasonable and whether the Proposed Transaction is to the detriment of the non-interested shareholders, and to provide our recommendation in relation to the resolution pertaining to the Proposed Transaction to be tabled at the Company's forthcoming EGM.

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2. EVALUATION OF THE PROPOSED TRANSACTION

In evaluating the Proposed Transaction, we have taken into consideration the following:

Section in the IAL	Section of evaluation	Comments
6.1	Rationale and benefits of the Proposed Transaction	<ul style="list-style-type: none"> (i) Increase academic programmes in the areas of emerging technologies in accordance with Industrial Revolution 4.0 (IR4.0) at SEGi Group (which includes SEGi SJ); (ii) Introducing new programmes with partner universities; (iii) Introduction of centres of English Studies and research and innovation; (iv) Expansion of adult education division; and (v) Enhancement of students' and lecturers' out-of-class experience and campus life.
6.2	Evaluation of the Total Lease Consideration	<p>The Total Lease Consideration was arrived at after taking into consideration the prevailing lease/rental rates of several other buildings, which are located within close proximity to the Leased Property. The Independent Registered Valuer had evaluated the Total Lease Consideration and the rental incremental rate of 10% every 3 years over the Lease Tenure.</p> <p>The Independent Registered Valuer adopted the comparison approach as the only method to derive the market rent of the Leased Property at RM2.80 per sq ft.</p> <p>We are of the view that:</p> <ul style="list-style-type: none"> (i) the adoption of the comparison approach as the only method of valuation is reasonable as there are rental evidences of education premises and office buildings as well as asking rental rates within the vicinity that provide a range of value to ascertain the market rent of the Leased Property; (ii) the rental incremental rate of 10% every 3 years is within general market practice and within the range of increment of the past lease transactions entered into by the Company;

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Section of evaluation	Comments
		<p>(iii) The agreed rent between the Lessor and the Lessee for the first 3 years of the lease of RM2.61 per sq ft is lower than the market rent of the Leased Property as appraised by the Independent Registered Valuer of RM2.80 per sq ft. This represents a discount of RM0.19 per sq ft or approximately 6.79% which is favourable to the Company; and</p> <p>(iv) The rental rate ranging from RM2.61 to RM3.48 per sq ft over the Lease Tenure is within the range of the comparable market rental evidences for education premises of RM2.60 to RM3.54 per sq ft.</p>
6.3	Salient terms of the Lease Agreements (as defined in Section 3 of the IAL herein)	In evaluating the Proposed Transaction, we have set out our comments on the salient terms of the Lease Agreements in Section 6.3 of this IAL, including our comments on condition precedent, basis of lease, lease rental rates, deposits, lease tenure and extension of term, Rental Free Fit-Out Period, reimbursement of fit-out costs and termination.
6.4	Industry outlook, prospects and future plan of the SEGi Group	<p><u>Industry outlook</u></p> <p>(i) The Malaysian Government is deeply committed to higher education, and the annual total expenditure on higher education is equivalent to 7.7% of annual Government expenditure.</p> <p>(ii) The Malaysian Government is also committed to make Malaysia an attractive destination for high technology and high value-added industries by incentivising faster adoption of IR 4.0.</p> <p><u>Prospects and future plan of the SEGi Group</u></p> <p>The future plan of the SEGi Group at its Subang Jaya location is to expand and introduce new academic programmes and enhance the students' in and out-of-class experience.</p> <p>The Leased Property will provide SEGi SJ's campus with additional capacity and improved amenities to supplement existing programmes as well as launch new programmes which are expected to attract more students both locally and abroad.</p>

EXECUTIVE SUMMARY (Cont'd)

Section in the IAL	Section of evaluation	Comments
6.5	Risk factors	<p>The risk factors of the Proposed Transaction are:</p> <ul style="list-style-type: none">(i) delay in completion of Edumetro @ Subang Jaya;(ii) risk associated with the Security Monies paid upon entering into the Agreement to Lease; and(iii) change to the terms of the Definitive Lease Agreement.
6.6	Effects of the Proposed Transaction	<p><u>Share capital and substantial shareholders' shareholdings</u></p> <p>No effect as the Proposed Transaction does not involve issuance of new SEGi Shares.</p> <p><u>NA, NA per SEGi Share and gearing</u></p> <p>No material effect on the NA, NA per SEGi Share and gearing level for the FYE 31 December 2020 as the lease will only commence in June 2022.</p> <p><u>Earnings and EPS</u></p> <p>No material effect on the earnings of the SEGi Group for the FYE 31 December 2020 as the lease will only commence in June 2022.</p>

3. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the Proposed Transaction and have set out our evaluation in Section 6 of this IAL, which is summarised in Section 7 of this IAL. Non-interested shareholders of the Company for the Proposed Transaction should consider the merits and demerits of the Proposed Transaction carefully based on all relevant and pertinent factors including those and other considerations as set out in the IAL, Part A of the Circular together with the appendices and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Transaction.

Premised on our overall assessment and evaluation of the Proposed Transaction based on the information available to us up to the LPD, we are of the view that the Proposed Transaction is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders of the Company.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Transaction to be tabled at the forthcoming EGM.

8 September 2020

To: The non-interested shareholders of SEGi

Dear Sir/Madam,

SEG INTERNATIONAL BHD

INDEPENDENT ADVICE LETTER TO THE NON-INTERESTED SHAREHOLDERS OF THE COMPANY IN RELATION TO THE PROPOSED TRANSACTION

This IAL has been prepared to be enclosed with Part A of the Circular. Definitions or defined terms used in this IAL shall have the same meaning as defined in the "Definitions" section of Part A of the Circular, except where the context requires otherwise or as otherwise defined.

All references to "we", "us" and "our" in this IAL are to Affin Hwang IB, being the Independent Adviser for the Proposed Transaction.

1. INTRODUCTION

On 8 July 2020, UOB Kay Hian announced on behalf of the Board that SEGi SJ, a wholly-owned subsidiary of SEGi, had entered into the Agreement to Lease with HCHSB, a wholly-owned subsidiary of HCK, agreeing to lease the Leased Property over the Lease Tenure.

The Proposed Transaction is deemed a related party transaction pursuant to Paragraph 10.08 of the Listing Requirements in view of the interests of Tan Sri Clement, being the common Director and common major shareholder in both SEGi and HCK. Premised on the interest of Tan Sri Clement in the Proposed Transaction, PHS, Nicholas Rupert Heylett Bloy and Edwin Fua Chye Jin (who are the connected parties with Tan Sri Clement) are also deemed interested in the Proposed Transaction. Further details on the interests of the Interested Directors and Interested Major Shareholders are as set out in Section 7, Part A of the Circular.

Accordingly, in compliance with Paragraph 10.08 of the Listing Requirements, Affin Hwang IB has been appointed by the Board on 6 July 2020 to act as the Independent Adviser to advise the non-interested Directors and the non-interested shareholders on, amongst others, whether the Proposed Transaction is fair and reasonable and whether the Proposed Transaction is to the detriment of the non-interested shareholders.

The purpose of this IAL is to:

- (i) provide the non-interested shareholders with an independent evaluation of the Proposed Transaction and form an opinion as to whether the Proposed Transaction is fair and reasonable so far as the non-interested shareholders are concerned;
- (ii) advise whether the Proposed Transaction is detrimental to the non-interested shareholders; and
- (iii) provide our recommendation in relation to the resolution pertaining to the Proposed Transaction to be tabled at the Company's forthcoming EGM.

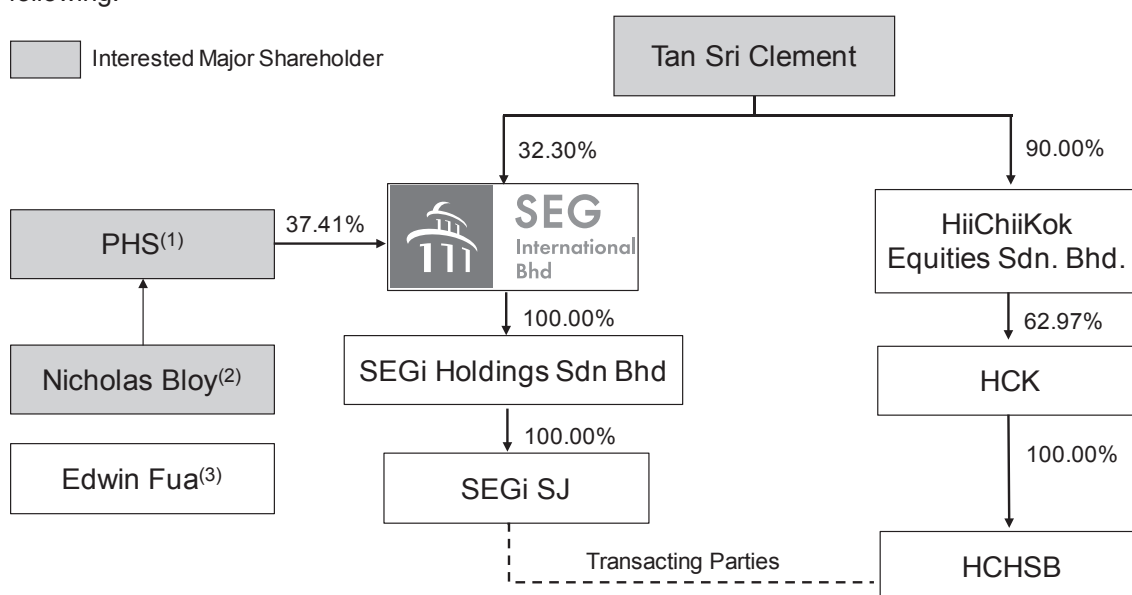
Further information on the Proposed Transaction is set out in Section 2, Part A of the Circular.

YOU ARE ADVISED TO READ THIS IAL AND PART A OF THE CIRCULAR TOGETHER WITH THE APPENDICES AND CONSIDER CAREFULLY THE EVALUATION AND RECOMMENDATION CONTAINED HEREIN BEFORE VOTING ON THE RESOLUTION PERTAINING TO THE PROPOSED TRANSACTION TO BE TABLED AT THE COMPANY'S FORTHCOMING EGM.

IF YOU ARE IN DOUBT AS TO THE COURSE OF ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, SOLICITOR, ACCOUNTANT, BANKER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

2. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS AND/OR PERSONS CONNECTED TO THEM

The details of the Interested Major Shareholders, Interested Directors and/or persons connected to them for the Proposed Transaction are set out in Section 7, Part A of the Circular. We note the following:



Notes:

- (1) PHS is a major shareholder of the Company who holds direct equity interest of 37.41% and indirect equity interest of 32.30% by virtue of Tan Sri Clement's shareholding pursuant to a shareholders' agreement entered into between PHS and Tan Sri Clement on 25 April 2012 ("**Shareholders' Agreement**") where PHS and Tan Sri Clement are deemed interested in SEGi Shares held by each other.
- (2) A Non-Independent Non-Executive Director and major shareholder of the Company who holds indirect equity interest of 69.71% by virtue of his interest in PHS via Navis Capital Partners pursuant to Section 8(4) of the Act. He has no direct equity interest in the Company.
- (3) A Non-Independent Non-Executive Director of the Company who is a Partner of Navis Capital Partners which has interest in PHS. He has no direct or indirect equity interest in the Company.

As at the LPD, the Interested Directors and Interested Major Shareholders are as follows:

- (a) Tan Sri Clement who is the Group Managing Director and major shareholder of the Company via his direct equity interest of 32.30% and indirect equity interest of 37.41% by virtue of PHS' shareholding in the Company pursuant to the Shareholders' Agreement. He is also the major shareholder of HCK via his 90% equity interest in HiiChiiKok Equities Sdn. Bhd. which in turn holds 62.97% of equity interest in HCK;
- (b) PHS which is a major shareholder of the Company via its direct equity interest of 37.41% and indirect equity interest of 32.30% by virtue of Tan Sri Clement's shareholding pursuant to the Shareholders' Agreement. In this respect, PHS is deemed a person connected with Tan Sri Clement in the context of the Company; and

- (c) Nicholas Bloy who is a Non-Independent Non-Executive Director of the Company and a major shareholder of the Company by virtue of his interest at Navis Capital Partners which in turn has interest in PHS. Therefore, he is deemed interested by virtue of the shares held by Tan Sri Clement and PHS, and is considered a person connected with PHS.

Tan Sri Clement and Nicholas Bloy who are Interested Directors and Interested Major Shareholders, have abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposed Transaction. Further, the Interested Major Shareholders will also abstain from voting in respect of their direct and/or indirect shareholdings in the Company on the resolution pertaining to the Proposed Transaction to be tabled at the forthcoming EGM. They will also ensure that persons connected to them will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Transaction at the forthcoming EGM.

Edwin Fua is a Non-Independent Non-Executive Director of the Company. He is also a partner at Navis Capital Partners which has interest in PHS and therefore he is deemed an Interested Director. Premised on good corporate governance, Edwin Fua has abstained and will continue to abstain from all deliberations and voting at the relevant Board meetings of the Company in relation to the Proposed Transaction. He will abstain from voting in respect of his direct and/or indirect shareholdings in the Company on the resolution in relation to the Proposed Transaction to be tabled at the forthcoming EGM. He will also ensure that persons connected to him will abstain from voting in respect of their direct and/or indirect shareholdings in the Company, if any, on the resolution pertaining to the Proposed Transaction at the forthcoming EGM.

3. SCOPE AND LIMITATIONS OF OUR EVALUATION OF THE PROPOSED TRANSACTION

We were not involved in the formulation, deliberation and negotiation of the terms of the Proposed Transaction. Our scope as Independent Adviser is limited to expressing an independent opinion on the Proposed Transaction based on information and documents provided or made available to us, which includes the following:

- (i) the information contained in Part A of the Circular and the appendices attached thereto;
- (ii) the Agreement to Lease and Definitive Lease Agreement (collectively referred to as the "**Lease Agreements**");
- (iii) the Valuation Report and Valuation Certificate dated 2 July 2020 prepared by the Independent Registered Valuer;
- (iv) other relevant information and documents furnished to us by the Directors and senior management of the SEGi Group ("**Management**") or obtained in or derived from our discussions with the Management; and
- (v) other publicly available information which we deem relevant.

We have made all reasonable enquiries to the Board and Management and have relied on them to take due care to ensure that all the information, documents and representations in respect of the SEGi Group and the Proposed Transaction provided to us to facilitate our evaluation of the Proposed Transaction are accurate, complete and free from material omission. We have not undertaken any independent investigation into the business and affairs of the SEGi Group and all relevant parties involved in the Proposed Transaction. However, we have obtained confirmation from the Board that all relevant material facts and information required for the purposes of our evaluation have been disclosed to us and the Board has accepted full responsibility for the accuracy of the information provided to us.

Further, after making all reasonable enquiries and to the best of our knowledge and belief, we acknowledge that this IAL constitutes a full and true disclosure of all material facts concerning the Proposed Transaction, and we are satisfied that the information used is free from material omission and we have no reason to believe that the information used is unreasonable, inaccurate or incomplete as at the LPD. Our advice should be considered in the context of the entirety of this IAL.

In preparing this IAL, we have taken into consideration those factors that we believe are relevant and of general importance to the non-interested shareholders for an assessment of the Proposed Transaction and which are of concern to the non-interested shareholders as a whole.

Since our evaluation as set out in this IAL is rendered solely for the benefit of the non-interested shareholders as a whole, we have not taken into consideration any specific investment objectives, financial and tax position, risk profiles, financial situation or any particular needs of any individual shareholder or any specific group of shareholders.

If you are in doubt as to the action to be taken or require specific advice in relation to the Proposed Transaction in the context of your individual investment objectives, financial and tax position, risk profiles, financial situation or particular needs, we recommend that you consult your stockbroker, solicitor, accountant, banker or other professional adviser immediately.

Our evaluation and opinion as set out in this IAL are based on prevailing equity capital market, economic, industry, regulatory, monetary, socio-political and other conditions (if applicable), and the information/documents made available to us as at the LPD. Such conditions may change significantly over a short period of time.

The members of the Board have seen and approved the contents of this IAL. The members of the Board collectively and individually accept full responsibility for the accuracy and completeness of all statements and/or information stated in this IAL and after having made all reasonable enquiries and to the best of the Board's knowledge and belief, the Board confirms all statements and/or information in this IAL are free from material omission and:

- (i) no statement and/or information in this IAL is unreasonable, inaccurate or incomplete;
- (ii) there are no other facts and/or information, the omission of which would make any statement or information in this IAL unreasonable, inaccurate or incomplete; and
- (iii) all relevant material facts and/or information, including those required under the Listing Requirements, have been disclosed in this IAL.

The responsibility of the Board in respect of the independent advice and expression of opinion by Affin Hwang IB, is to ensure that all information in relation to the SEGi Group and the Proposed Transaction that is relevant to Affin Hwang IB's evaluation have been accurately and completely disclosed to Affin Hwang IB and is free from material omission.

We will notify the non-interested shareholders after the issuance of this IAL up to the date of the Company's forthcoming EGM, if we:

- (i) become aware of a significant change affecting the information set out in this IAL;
- (ii) have reasonable grounds to believe that a material statement in this IAL is misleading or deceptive; or
- (iii) have reasonable grounds to believe that there is a material omission in this IAL.

If circumstances require, a supplementary IAL will be sent to the non-interested shareholders. We will immediately notify the non-interested shareholders of any material change in circumstances that would affect the consideration or the accuracy or the completeness of the information contained in this IAL.

4. CONSENT AND DECLARATION OF CONFLICT OF INTEREST

Affin Hwang IB, being the Independent Adviser to the Company for the Proposed Transaction, has given and has not subsequently withdrawn its consent to the inclusion of its name and all references thereto in the form and context in which they appear in this IAL and the Circular.

Save for our current role as the Independent Adviser, Affin Hwang IB does not have any other professional relationship with SEGi Group in the past 2 years prior to the LPD. Further, Affin Hwang IB confirms that it is not aware of any conflict of interest that exists or is likely to exist in relation to our role as the Independent Adviser for the Proposed Transaction.

5. CREDENTIALS AND EXPERIENCE OF AFFIN HWANG IB

Affin Hwang IB is a participating organisation of Bursa Securities and provides a range of services including corporate finance advisory, debt capital markets, structured lending, stockbroking and research. Our corporate finance advisory team provides a full range of corporate finance advisory services including mergers and acquisitions, corporate and debt restructuring, initial public offerings, equity fund raisings and independent advisory opinions.

Affin Hwang IB had, over the past 1 year prior to the date of execution of the Agreement to Lease and up to the LPD, issued 1 independent advice opinion in relation to related party transactions under the Listing Requirements as well as 2 take-over offers under the Rules on Take-Overs, Mergers and Compulsory Acquisitions, 2016 of the Securities Commission Malaysia, with a total transaction value of approximately RM852.08 million.

The details of our past experience are as follows:

- (i) unconditional mandatory take-over offer by Yee Lee Organization Bhd, Dato' Lim A Heng @ Lim Kok Cheong, Datin Chua Shok Tim @ Chua Siok Hoon, Lim Ee Young and Langit Makmur Sdn Bhd ("**Joint Offerors**") through UOB Kay Hian to acquire all the remaining ordinary shares in Yee Lee Corporation Bhd not already held by the Joint Offerors ("**YL Offer Shares**") at a cash consideration of RM2.06 per YL Offer Share. Our independent advice circular was issued on 12 June 2020;
- (ii) share capital reduction and repayment exercise of Cycle & Carriage Bintang Berhad ("**CCB**") pursuant to Section 116 of the Act in respect of ordinary shares in CCB ("**CCB Shares**") held by the shareholders of CCB (other than Jardine Cycle & Carriage Limited) for RM2.20 per CCB Share. Our independent advice letter was issued on 14 January 2020; and
- (iii) disposal of 80,000,100 ordinary shares representing 100% of the issued share capital of HS Credit (Melbourne) Pty Ltd by HSC Melbourne Holding Pte Ltd, an indirect wholly-owned subsidiary of Hap Seng Consolidated Berhad, to Lei Shing Hong Capital Limited for a cash consideration of USD175,500,000 (equivalent to RM721,743,750). Our independent advice letter was issued on 22 October 2019.

Based on the above and our other past experiences, we are capable and competent in carrying out our role and responsibilities as the Independent Adviser to advise the non-interested Directors and non-interested shareholders on the Proposed Transaction.

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6. EVALUATION OF THE PROPOSED TRANSACTION

In evaluating the Proposed Transaction, we have taken into consideration the following:

Analysis	Section in the IAL
(i) Rationale and benefits of the Proposed Transaction	Section 6.1
(ii) Evaluation of the Total Lease Consideration	Section 6.2
(iii) Salient terms of the Lease Agreements	Section 6.3
(iv) Industry outlook, prospects and future plan of the SEGi Group	Section 6.4
(v) Risk factors	Section 6.5
(vi) Effects of the Proposed Transaction	Section 6.6

6.1 RATIONALE AND BENEFITS OF THE PROPOSED TRANSACTION

We note that the rationale for the Proposed Transaction is to expand and upgrade SEGi's programme offerings and enhance students' out-of-class experience and campus life at its Subang Jaya campus, which would require additional space for new facilities, and is in-line with the expansion plan for the current SEGi College Subang Jaya campus. The expansion plan and initiatives are as follows:

(i) Increase academic programmes in the areas of emerging technologies in accordance with Industrial Revolution 4.0 (IR4.0) at SEGi Group (which includes SEGi SJ)

In 2019, the global market had continued to experience digital transformation following the advent of IR4.0. In Malaysia, the government had introduced the National Policy on IR4.0 which will position Malaysia as the primary hub for high-technology industries, smart manufacturing, high-impact research and development and high-value investments. As such, SEGi Group will be moving towards IR4.0 to ensure its business growth is sustainable by realigning its syllabi and introducing relevant new programmes.

(Source: Annual Report 2019 of SEGi)

From our discussions with the Management, we note that SEGi SJ forms part of the colleges of the SEGi Group of Colleges ("**SGC**") which had recently signed an agreement to collaborate with the University of Hertfordshire (United Kingdom ("**UK**")) on 17 June 2020. We also note that SGC has plans to start offering the University of Hertfordshire's Bachelor of Science in Computer Science, and Bachelor of Science (Honours) in Information Technology at its colleges including at SEGi SJ in the near future.

Further, we note that SEGi Group is planning to increase programmes in the areas of artificial intelligence, internet of things and data sciences. This is in line with Malaysia's National Policy on IR4.0 which had identified human capital as a key factor in creating an accelerated shift in productivity.

(ii) Introduction of new programmes with partner universities

We note that SEGi Group has partnerships with various international universities such as, University of Central Lancashire (UK), University of Greenwich (UK), University of Sunderland (UK), Troy University (United States of America), University of Southern Queensland (Australia) and University of London International Programmes (UK). The programmes offered by its university partners are regulated by them on a regular basis, therefore ensuring the same quality of education that students will obtain at their home base.

(Source: Annual Report 2019 of SEGi)

Further, from our discussions with the Management, we note that SEGi SJ forms part of the colleges of SGC which had recently signed an agreement to collaborate with the University of Hertfordshire (UK). We also note that SGC has plans to start offering the University of Hertfordshire's Bachelor of Science in Computer Science, and Bachelor of Science (Honours) in Information Technology at its colleges including SEGi SJ in the near future.

We note that SEGi SJ and the other colleges of SGC intend to introduce new programmes such as advertising & digital marketing communication, media & communications, computer science and information technology in partnership with its partner universities. Further, we also note that these colleges are continuing with their efforts to form new strategic partnerships and execute collaborative arrangements with other overseas universities. These measures are expected to increase the number of local and international student intakes in the coming years.

(iii) Introduction of centres of English Studies and research and innovation

In FYE 31 December 2019, the SGC had been appointed as an Institutional Accredited Centre ("IAC") of Direct English through a Memorandum of Agreement dated 22 October 2019 with Melewar Learning Resources Sdn Bhd. As such, SGC is able to offer Direct English programmes throughout its campuses.

(Source: Annual Report 2019 of SEGi)

Based on our discussions with the Management, we note that the graduate studies division at SEGi SJ is currently setting up a dedicated centre for English studies to offer Direct English programmes and a certificate in English proficiency.

Further, the graduate studies division is also setting up a dedicated centre for research and innovation. The said centre for research and innovation will conduct research on business theories and behaviours as well as to carry out contract research activities on various other subject matters.

(iv) Expansion of adult education division

The Management also represents that the adult education division at SEGi SJ intends to enhance the functions of career development strategies. These include, amongst others, increasing job placements, reskilling and up skilling of employees and graduates, and increasing engagement and collaborative training sessions between SEGi SJ's client companies and their respective employees.

(v) Enhance students' and lecturers' out-of-class experience and campus life

The Management have indicated that SEGi SJ and the other colleges of SGC are increasing their online classroom and education training activities. Notwithstanding that, the Management have highlighted that physical rooms and spaces will still be required depending on the type of academic programme in order to facilitate practical learning sessions and out-of-class experiences.

We note that the Leased Property will have 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.

Further, we also note that the Leased Property forms part of the development of Edumetro @ Subang Jaya, which is a mixed development comprising commercial, retail and educational components. In addition, the location is strategically located at USJ 1, Subang Jaya and along Shah Alam Expressway (KESAS) making it easily accessible via the expressways from KL, Shah Alam and USJ1, and the Bus Rapid Transit (BRT) South Quay-USJ1 station is located nearby the Leased Property.

We note that the Leased Property will be built according to SEGi's Additional Specifications to fulfil the necessary requirements needed to be complied with as an education premises from the onset. This may serve to enhance both students' and lecturers' learning/teaching experience and satisfaction by providing a campus that is well-equipped with both in and out-of-class campus experience, in line with SEGi's objective to improve quality of education.

From our discussions with the Management, the usage of SEGi's existing campus building in Subang Jaya has limited space to enable further expansion despite the implementation of online classes. As such, the Proposed Transaction will be in-line with SEGi's long term expansion plan by extending the current campus of SEGi SJ to a nearby purpose-built building in the anticipation of an increase in the number of students arising from enhancement of existing programmes and introduction of new programmes, and the requirement for purpose built facilities in SEGi SJ. Notwithstanding that, the Management have indicated that the expansion plan will only be carried out after the completion of the Leased Property.

Presently, SEGi SJ intends to continue occupying its current campus building for its business operations upon the Definitive Lease Agreement taking effect. However, this shall not limit SEGi SJ to assess the number of students and its campus' capacity requirements at that point in time, and make the necessary plans and adjustments for the purpose of improving its academic environment for the students. The Management has indicated that they are committed to ensuring an efficient use of space and facilities at the current SEGi SJ campus and will continue to monitor and reassess the occupancy of both SEGi SJ campuses in due course.

We also note that the Leased Property forms part of Edumetro @ Subang Jaya which is a mixed development comprising commercial, retail and educational components. Further, the Leased Property is located in USJ1 which is strategically located for easy access by current and prospective students as well as lecturers. In addition, the Proposed Transaction, will allow SEGi to customise and incorporate the Additional Specifications into the Leased Property at the current stage of development and construction. This will ensure that certain facilities, safety specifications and other amenities required to be complied with as a campus will be fulfilled prior to the actual move-in into the Leased Property.

Accordingly, with the high level of competition among tertiary education providers, the Proposed Transaction will allow SEGi to strengthen its competitive position by offering a more comprehensive and relevant course selection to meet changing students' demands as well as providing modern facilities to meet the holistic needs of both students and academics.

Further, the Proposed Transaction will enable SEGi to lock in the rental rates based on prevailing market rental rates throughout the Lease Tenure and are hedged from fluctuations and future rental rate increases that exceeds 10% for every 3 years over the Lease Tenure.

Premised on the above, we are of the view that the rationale and benefits of the Proposed Transaction are reasonable.

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6.2 EVALUATION OF THE TOTAL LEASE CONSIDERATION

As set out in Section 2.3, Part A of the Circular, we note that the Total Lease Consideration was arrived at between the parties after taking into consideration the prevailing lease/ rental rates of several other buildings, which are located at close proximity to the Leased Property, adding an increment rate of 10.0% for every 3 years over the Lease Tenure. The prevailing lease/ rental rates are benchmarked against the valuation of the market rental rates carried out by the Independent Registered Valuer.

The Total Lease Consideration is detailed below:

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

6.2.1 Basis and justification of the monthly rental rates and the Total Lease Consideration

The Total Lease Consideration was arrived at, after taking into consideration the following:

- (i) the comparable market rent evidences for education premises ranging from RM2.60 to RM3.54 per sq ft as appraised by the Independent Registered Valuer vide their valuation certificate dated 2 July 2020. The salient features of their valuation certificate and a copy of the valuation certificate are set out in Appendices II and III of the Circular respectively; and
- (ii) an incremental rental rate of 10.0% in every 3 years over the Lease Tenure.

The basis of valuation adopted 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 description, basis and justification for the valuation method adopted by the Independent Registered Valuer are as follows:

Leased Property	Valuation method and justification for valuation approach/method adopted
Tower D and part of the podium at Edumetro @ Subang Jaya	<p>Comparison Approach</p> <ul style="list-style-type: none"> Determines the market rent of the property being valued by comparing and adopting, as a yardstick, recent rental evidences as well as asking rentals involving other similar properties in the vicinity. <p>Adjustments are made for current market conditions, location, age and condition of property, and property titles.</p> <p>The Comparison Approach is the only valuation method adopted to determine the market rent of the Leased Property. The market rent was arrived at by comparing and adopting the recent rental evidences as well as the asking rentals involving other similar properties in the vicinity.</p>

Affin Hwang IB note that the Independent Registered Valuer adopted the comparison approach as the only method of valuation in appraising the market rent of the Leased Property. We are of the view that the adoption of the comparison approach as the only method of valuation is reasonable as there are adequate rental evidences of education premises and office buildings as well as asking rental rates within the vicinity that provide a range of value to ascertain the market rent of the Leased Property. Further, the other methods of valuation were not considered as they are not suitable for the evaluation of market rent.

The Independent Registered Valuer had made adjustments for current market conditions, location, age of building and property titles in respect of the comparable properties. We are of the view that the adjustments made are reasonable and necessary to make the recent rental evidences comparable to the Leased Property. These are also the main factors which affect the rental rates.

In addition, we note that the incremental rental rate of 10% every 3 years is within general market practice and within the range of increment of the past lease transactions entered into by the Company.

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6.2.2 BASIS OF ARRIVING AT THE MARKET RENT OF THE LEASED PROPERTY

The Independent Registered Valuer had valued and derived the market rent of the Leased Property based on the terms and conditions of the Lease Agreements of which the details are summarised below.

Leased Property	Location	Leased Area	Lease Tenure/ Extended Tenure	Independent Registered Valuer	Valuation Method	Date of Valuation	Agreed monthly rental rate (RM'000)
Tower D and part of the podium at Edumetro @ Subang Jaya	<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>	<p>Total net lettable indoor area: approximately 141,253.05 sq ft</p> <p>Total net lettable outdoor area: approximately 7,020.12 sq ft</p>	<p>Lease Tenure: 12 years from the Lease Commencement Date</p> <p>Extended Tenure: Option to extend for additional 2 terms of 3 years each</p>	Raine & Horne International Zaki + Partners Sdn. Bhd.	Comparison approach	2 July 2020	RM377,831 ⁽¹⁾

(Source: Valuation Report of the Leased Property dated 2 July 2020)

Note:

(1) Agreed monthly rental rate for years 1-3 of the lease and subject to 10% increment every 3 years.

6.2.3 Comparison Approach

In the Valuation Report on the Leased Property, the Independent Registered Valuer had adopted the comparison approach as the only method in deriving the market rent of the Leased Property.

For the valuation of market rent for the Leased Property, the Independent Registered Valuer had identified the following comparables as rental evidence:

No.	Comparable Property	Lessee/Tenant	Net Lettable Area (sq ft)	Current Net Rent Per Month (RM)	Current Net Rent Per Month (RM per sq ft)	Remarks
1	HELP University, Jalan Semantan, Damansara Heights, Kuala Lumpur	Help University Sdn Bhd	125,227	413,249	3.30	Triple net rental ⁽¹⁾
2	SEGi College, USJ 1, Subang Jaya, Selangor	SEGi	131,387	342,125	2.60	Triple net rental ⁽¹⁾ based on sale and leaseback agreement
3	SEGi University, Kota Damansara, PJU 5, Petaling Jaya, Selangor	SEGi	337,710	1,196,250	3.54	Triple net rental ⁽¹⁾ based on sale and leaseback agreement
4	Menara Axis, Section 51A, Petaling Jaya, Selangor	- ⁽²⁾	181,168	555,583	3.06	-
5	Menara Sunway, Bandar Sunway, Selangor	- ⁽²⁾	291,807	941,667	3.23	-
6	Crystal Plaza, Section 51A, Petaling Jaya, Selangor	- ⁽²⁾	204,977	583,667	2.85	-
7	Wisma Comcorp, Glenmarie, Shah Alam, Selangor	- ⁽²⁾	74,550	206,250	2.77	-
8	Strateq Data Centre, Section 13, Petaling Jaya, Selangor	- ⁽²⁾	104,903	406,167	3.87	-
9	Axis Business Park, Section 13, Petaling Jaya, Selangor	- ⁽²⁾	330,725	622,667	1.88	-

Notes:

- (1) Refers to a lease that designates the lessee as being solely responsible for all of the costs relating to the assets being leased such as the quit rent, assessment, insurance/takaful (save for consequential loss) and normal maintenance of the building in addition to the rental amount and utilities payable under the lease ("Triple Net Rental").
- (2) Being information not publicly available.

Further, the Independent Registered Valuer had also collated the following asking rentals of properties within the vicinity of the Leased Property:

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

(Source: Valuation Report of the Leased Property dated 2 July 2020)

For the comparison approach, the Independent Registered Valuer has taken into consideration recent lease transactions of comparable properties in similar locations, comparable economic areas within a reasonable period of time and adjustments for location, age of building and other relevant factors. We are of the view that the adjustments have been consistently applied in the comparison approach of valuation. We are also of the view that this is reasonable as relevant adjustments have been made to ensure that the lease transactions of comparable properties are comparable to the Leased Property.

Whilst the Independent Registered Valuer has set out a relatively large number of comparables in their Valuation Report, they have only adopted 2 comparable properties for the purposes of the valuation, i.e. the comparables which they deemed to be the most suitable comparable for the purposes of the valuing the market rent of the Leased Property. The Independent Registered Valuer is of the view that Comparable Properties 1 and 2 are the most suitable comparables as the lessee in these transactions are also operating a tertiary education business on their leased premises and the terms of their lease agreements are similar to that of the Agreement to Lease and Definitive Lease Agreement (such as Triple Net Rental arrangements). Although Comparable Property 3 also satisfies the aforementioned criteria, Comparable Property 3 was not adopted by the Independent Registered Valuer as the size and layout of the building is significantly different from the Leased Property, which is reasonable in our view.

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In arriving at the market rent of the Leased Property, the Independent Registered Valuer had taken into consideration the comparables above. The adjusted market rent for the comparables are RM2.47 per sq ft. Adjustments were made after taking the dissimilarities between the comparables and the Leased Property into consideration. The key adjustments used to arrive at the market rent of the Leased Property are summarised as below:

Adjustments	Comparable Property 1	Comparable Property 2	Remarks
Property	HELP University, Jalan Semantan, Damansara Heights, Kuala Lumpur	SEGi College, USJ1, Subang Jaya, Selangor	
Current net rent per sq. ft.	RM3.30	RM2.60	-
Current market conditions, which includes weak demand for commercial property due to: - oversupply in Klang Valley; and - COVID-19 pandemic	(10%)	(10%)	-
Location	(20%)	-	Comparable Property 1 is located further away from the Leased Property
Age of building	10%	10%	Both comparable properties are older buildings than the Leased Property
Stratified building	(5%)	(5%)	Both comparable properties have individual titles which gives them exclusivity as compared to the Leased Property which has a stratified title
Adjusted net rental per sq. ft.	RM2.47	RM2.47	

We note that both comparable rental evidences which were considered by the Independent Registered Valuer have an adjusted rent of RM2.47 per sq ft after relevant adjustments were made on less than favourable market conditions for commercial property in the Klang Valley due to oversupply and the COVID-19 pandemic, location, age of the building and stratified building. We are of the view that this is reasonable as relevant adjustments have been made to ensure that the 2 existing lease transactions are comparable to the Leased Property.

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The Independent Registered Valuer adopted the adjusted rent of RM2.80 per sq ft for the indoor area of the Leased Property based on the 2 abovementioned comparable properties. This translates into a market rent of RM405,337 per month. The Independent Registered Valuer had made the following adjustments to arrive at the adjusted rental value for the indoor area of the Leased Property:

Description	Reference	Adjustments	Remarks
Base Net Rental	(A)	RM2.47 per sq ft	
1 Adjustment for reimbursement of fit-out cost			
Fit-Out Cost	(B)	RM3,000,000	Refer to note (i)
Interest Rate		6.00%	Refer to note (i)
Present Value Factor for 1 year (paid after fit-out period)	(C)	0.9434	Being the present value of 6% interest for 1 year (which represents the Rental Free Fit-Out Period)
Present Value of Reimbursement of Fit-out Cost	(D)	RM2,830,189	(D)=(B)x(C)
Monthly payment over 12 years at interest of 6.0% per annum	(E)	RM27,618	Refer to note (ii)
Net Lettable Area	(F)	141,253.05 sf	Being the net lettable area of the Leased Property
Adjustment to Net Rental Per Month	(G)	RM0.20 psf	(G)=(E)/(F)
Net Rental (After Adjusting for Reimbursement of Fit-out Cost)	(H)	RM2.67 psf	(H)=(A)+(G)
2 Adjustment for extra rent free fit-out period			
Extra rent free fit-out period for 6 months @ RM2.67 psf x 141,253.05 sf	(I)	RM2,262,874	Refer to note (iii)
Interest Rate		6.00%	Refer to note (iii)
Present Value Factor for 1 year (recognised after Year 1)	(J)	0.9434	Being the present value of 6% interest for 1 year (which represents the Rental Free Fit-Out Period)
Present Value of extra rent free fit-out period	(K)	RM2,134,767	(K)=(I)x(J)
Monthly payment over 12 years at interest of 6.0% per annum	(L)	RM20,832	Refer to note (iv)
Net Lettable Area	(M)	141,253.05 sf	Being the net lettable area of the Leased Property
Adjustment to Net Rental Per Month	(N)	RM0.15 psf	(N)=(L)/(M)
Net Rental (After Adjusting for extra rent free fit-out period)	(O)	RM2.82 psf	(O)=(H)+(N)
Market Rent, say		RM2.80 per sq ft	

Notes:

- (i) *The Independent Registered Valuer had made adjustments for the reimbursement of fit-out costs up to RM3.00 million at an interest rate of 6.00% which was premised on Bank Negara Malaysia's prevailing base lending rate for a 10-year mortgage as at the date of the Valuation Report. We were advised that the reimbursement of fit-out costs up to RM3.00 million is better than general market practice and therefore, favourable to the Company.*
- (ii) *Being the monthly payment of the present value of the reimbursement of fit-out costs amounting to RM2,830,189, over a period of 12 years (being similar term to the Lease Period), and at an interest rate of 6.0% per annum.*
- (iii) *The Agreement to Lease had provided for a rent free fit-out period of 12 months from the Lease Commencement Date. This is better than the market norm of 3 to 6 months (after taking into account current market conditions and the impact of COVID-19). Therefore, there is an extra rent free fit-out period of 6 months which is favourable to SEGi. The Independent Registered Valuer had made adjustments for the extra rent free fit-out period of 6 months at an interest rate of 6.00% which was premised on Bank Negara Malaysia's prevailing base lending rate for a 10-year mortgage as at the date of the Valuation Report.*
- (iv) *Being the monthly payment of the present value of the 6 months extra rent free fit-out period amounting to RM2,134,767, over a period of 12 years (being similar term to the Lease Period), and at an interest rate of 6.0% per annum.*

Further to the above, we note that the Independent Registered Valuer had also based the valuation of market rent of the Leased Property on the terms of the Lease Agreements (i.e. Triple Net Rental). Hence, no adjustments were made to Comparable Properties 1 and 2. As the adoption of Triple Net Rental in long term lease agreements is general market practice, we are of the view that this is reasonable.

Accordingly, the Independent Registered Valuer adopted the adjusted rental value of Comparable Properties 1 and 2 in their valuation of market rent in order to arrive at a market rent of RM2.80 per sq ft in respect of the Leased Property. Based on the above, we are of the view that the adoption of this valuation method, and the bases and assumptions used by the Independent Registered Valuer are reasonable.

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6.2.4 Market rent of the Leased Property

Based on the comparison approach adopted by the Independent Registered Valuer, the market rent of the Leased Property as appraised by the Independent Registered Valuer as at 2 July 2020 is RM405,337 per month for the first 3 years of the lease as detailed below.

	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

The Independent Registered Valuer had adopted the market rent for outdoor area to be RM1.40 per sq ft, which is half of the rate of the market rent for indoor area of RM2.80 per sq ft, which we understand is general market practice. The Independent Registered Valuer are also of the opinion that the rent review of 10% increase for every 3 years is fair and reasonable and is in accordance to general market practice.

We note that the valuation method applied by the Independent Registered Valuer for the valuation of market rent of the Leased Property is acceptable and appropriately applied, and is consistent with generally applied valuation methodologies for properties in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents and Property Managers, Malaysia.

Based on the above, we are of the view that the adoption of the valuation method as well as the bases and assumptions used in the Valuation Report are reasonable. As such, we have relied upon the market rent of the Leased Property as appraised by the Independent Registered Valuer.

We are of the view that the Lease Consideration is fair as the rental for the first 3 years of the lease represents a discount of RM0.19 per sq ft or approximately 6.79% below the market rent appraised by the Independent Registered Valuer. Further, the incremental rental rate of 10% for every 3 years is within general market practice and is within the range of increment of 5.52% to 11.88% for every 2 years and 3.66% to 10.29% for every 3 years of the past lease transactions entered into by the Company.

Notwithstanding that the valuation method used by the Independent Registered Valuer is reasonable and represent generally used methodology of valuation for the valuation of market rent of the Leased Property, we wish to highlight that such valuation is subject to, amongst others, the prevalent market conditions, supply and demand within the industry, general state of the economy, date of valuation, publicly available information and all assumptions used in arriving at the market rent derived by the Independent Registered Valuer.

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6.3 SALIENT TERMS OF THE LEASE AGREEMENTS

No.	Content	Affin Hwang IB's comments
1.	<p>Condition precedent of the Agreement to Lease</p> <p>The Agreement to Lease 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.</p>	<p>The condition precedent to seek the approval of the shareholders of SEGi for the Proposed Transaction is reasonable as it ensures that the shareholders of SEGi are given the opportunity to assess the merits and demerits of the Proposed Transaction, in accordance with the Listing Requirements.</p> <p>We wish to highlight that the Proposed Transaction is also conditional upon the approval of the shareholders of HCK.</p> <p>The approval of the shareholders of SEGi and HCK are necessary to give effect to the Proposed Transaction.</p>
2.	<p>Other salient terms of the Lease Agreements</p> <p>(a) The other salient terms of the Lease Agreements are follows:</p> <p>(i) Basis of Lease</p> <ul style="list-style-type: none"> • The Leased Property will be delivered upon vacant possession with the relevant certificate of completion and compliance. • The Leased Property will be completed with modifications as per SEGi's Additional Specifications. 	<p>This term ensures that the structural design of the building as well as the necessary safety specifications required to be complied with to operate as an education premises is in place prior to the actual move-in.</p> <p>Further, the Lessor shall deliver possession of the Leased Property to the Lessee by the Lease Commencement Date if the Definitive Lease Agreement is not executed by the Lease Commencement Date. This term allows SEGi to commence renovation works on the Leased Property upon completion of construction, which may avoid any delay of their plan for the Leased Property.</p>

No.	Content	Affin Hwang IB's comments
	<p>(ii) Leased Property</p> <ul style="list-style-type: none"> The Leased Property has 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. Any discrepancy of the abovesaid net lettable area with the actual net lettable area of the Leased Property that exceeds more than 2% shall not void nor terminate the Agreement to Lease except for rental rates and deposits to be adjusted in accordance to the percentage of discrepancy. There shall be no change to the rental rates and deposits if the discrepancy is 2% or below. <p>(iii) Lease Commencement Date</p> <ul style="list-style-type: none"> The Lease Commencement Date will be mutually agreed between the Lessor and the Lessee in the month of June 2022, unless mutually extended by the said parties. <p>(iv) Lease Tenure and Extension</p> <ul style="list-style-type: none"> 12 years from the Lease Commencement Date with an option to extend for 2 terms of 3 years each. 	<p>The 2% allowance for discrepancy in the net lettable area is reasonable and in line with general market practice when leasing a building that is still under construction.</p> <p>This term allows flexibility to the Company to commence its lease only when the building is completed which is targeted in June 2022.</p> <p>The contractual lease period of 12 years with the option to renew for another 2 terms of 3 years each is intended to safeguard the interest of SEGi, which will provide certainty that SEGi SJ will be able to continue operating its business from the Leased Property for an extended tenure.</p> <p>We wish to highlight that the terms to the agreement and rental rate of the extended tenure for 2 terms of 3 years each have yet to be agreed and will be subject to negotiation between the parties. As the rental rate is subject to negotiations and agreement then, which perhaps will take into account, amongst others, the prevailing rental market conditions and the state of the Leased Property. We are of the view that the arrangement is reasonable. This is also in line with the normal commercial practice.</p>

No.	Content	Affin Hwang IB's comments																																
	<p>(v) Rental</p> <ul style="list-style-type: none"> The rental for Premises shall be payable by Lessee to the Lessor for a period of 12 years in the following manner: <table border="1" data-bbox="288 1122 464 1890"> <thead> <tr> <th>Years</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>1-3</td> <td>2.610</td> <td>1.305</td> <td>377,831*</td> </tr> <tr> <td>4-6</td> <td>2.870</td> <td>1.435</td> <td>415,470</td> </tr> <tr> <td>7-9</td> <td>3.160</td> <td>1.580</td> <td>457,452</td> </tr> <tr> <td>10-12</td> <td>3.480</td> <td>1.740</td> <td>503,776</td> </tr> </tbody> </table> <p><i>Note: * There is a Rental Free Fit-Out Period for the first 12 months</i></p> <ul style="list-style-type: none"> Any revision or renewal on rental rate (if option to renew is exercised) is to be mutually agreed by the Lessor and the Lessee. <p>(vi) Deposits</p> <ul style="list-style-type: none"> The accompanying deposits to the Definitive Lease Agreement will be settled in the following manner upon execution: <table border="1" data-bbox="743 1122 995 1890"> <thead> <tr> <th>Deposit</th> <th>Amount</th> <th>Method of settlement</th> </tr> </thead> <tbody> <tr> <td>Rental</td> <td>Equivalent to 36 months rental</td> <td>Bank Guarantee</td> </tr> <tr> <td>Utilities⁽¹⁾</td> <td>Equivalent to 1.5 months rental</td> <td>Cash</td> </tr> <tr> <td>Renovation/Restoration⁽¹⁾</td> <td>Equivalent to 3 months rental</td> <td>Cash</td> </tr> </tbody> </table> <p><i>Note:</i> ⁽¹⁾ A sum of RM1,133,493 (equivalent to 3 months' rental of the first year lease) has been paid to the Lessor as Security Monies upon entering into the Agreement to Lease. Upon execution of the Definitive Lease Agreement, the Security Monies will be converted and held as utilities deposit and part of the renovation / restoration deposit. The shortfall for the renovation / restoration will be additionally funded by the Company in cash (approximately RM566,746.50).</p>	Years	Indoor Area (RM/sq ft)	Outdoor Area (RM/sq ft)	Monthly rental (RM)	1-3	2.610	1.305	377,831*	4-6	2.870	1.435	415,470	7-9	3.160	1.580	457,452	10-12	3.480	1.740	503,776	Deposit	Amount	Method of settlement	Rental	Equivalent to 36 months rental	Bank Guarantee	Utilities⁽¹⁾	Equivalent to 1.5 months rental	Cash	Renovation/Restoration⁽¹⁾	Equivalent to 3 months rental	Cash	<p>Please refer to Sections 6.2.3 and 6.2.4 for evaluation of the rental rates.</p> <p>The rental deposit of 36 months is relatively long as compared to the norm of 3 months. However, this is mitigated as SEGi will be providing the rental deposit in the form of a bank guarantee where the actual cash outlay by SEGi is minimised. Nevertheless, we note that SEGi will incur interest costs for the bank guarantee.</p> <p>Further, the rental deposit is reasonable after taking into consideration that the Leased Property will be constructed and customised to SEGi's Additional Specifications as a purpose-built building for education purposes. The rental deposit will be refundable by the Lessor upon expiry of the lease period for cancellation.</p> <p>The rental deposit for the first 3 years of the lease period will be RM9,067,944 (excluding the first year's rental as it is the Rental Free Fit-Out Period). The rental deposit will thereafter be adjusted proportionately every 3 years as the rental of the Leased Property increases.</p> <p>Premised on the above, the estimated interest costs for the bank guarantee is expected to range from RM0.08 million to RM0.15 million per annum over the Lease Tenure (computed based on the average interest rates of the existing bank guarantees of the SEGi Group). Hence, the estimated interest cost is not expected to have a material financial impact on the SEGi Group.</p>
Years	Indoor Area (RM/sq ft)	Outdoor Area (RM/sq ft)	Monthly rental (RM)																															
1-3	2.610	1.305	377,831*																															
4-6	2.870	1.435	415,470																															
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Renovation/Restoration⁽¹⁾	Equivalent to 3 months rental	Cash																																

No.	Content	Affin Hwang IB's comments
	<p>(vii) Rental Free Fit-Out Period</p> <ul style="list-style-type: none"> The Rental Free Fit-Out Period will be for 12 months beginning from the Lease Commencement Date. <p>(viii) Rental Commencement Date</p> <ul style="list-style-type: none"> The rental commencement date will be on the day immediately following the expiry of the Rental Free Fit-Out Period. 	<p>The utilities deposit of 1.5 months (which amounted to RM566,746.50 for the first 3 years of the lease) is within the norm, and will be refundable by the Lessor upon expiry of the lease period.</p> <p>The renovation/restoration deposit (which amounted to RM1,133,493 for the first 3 years of the lease) is usual for fit-out works to be carried out by the Lessee and such deposit is refundable by the Lessor upon expiry of the lease period, subject to no breach by the Lessee to make good any damage or restore the premises in good and tenable condition.</p> <p>Similarly, the utilities deposit and renovation/restoration deposit will be subject to adjustment every 3 years as the rental of the Leased Property increases accordingly.</p> <p>We note that the refunds for the above deposits will be refunded without any accrued interests. This is reasonable and in line with normal commercial practice for rental arrangements. However, even if the interest had been chargeable, the accrued interests for the above deposits would have been minimal and will not have a material financial impact on the SEGI Group (as it ranges from RM0.01 million to RM0.03 million per annum over the Lease Tenure which is computed based on the Maybank fixed deposit rate of 2.10%).</p> <p>The Rental Free Fit-Out Period for the Proposed Transaction is 12 months which is 6 months longer than the general market norm of 3-6 months (after taking into account current market conditions and the impact of COVID-19). As such, this term is favourable to the Company.</p> <p>This term is reasonable as SEGI SJ will be able to make full use of its Rental Free Fit-Out Period to complete all renovation works required on the Leased Property.</p>

No.	Content	Affin Hwang IB's comments
	<p>(ix) Reimbursement of Fit-out Costs</p> <ul style="list-style-type: none"> • The Lessee will incur the costs of the fit-out works and be reimbursed by the Lessor up to RM3.00 million. • The Lessee shall furnish all relevant documents evidencing the costs of the fit-out works for reimbursement by the Lessor. 	<p>We understand that the Company expects to incur additional renovation costs (estimated to be RM5.00 million as at the LPD) for the installation of teaching and learning facilities and to fulfil Ministry of Education's requirements.</p> <p>However, such renovation costs can be covered by the fit-out costs of RM3.00 million which is reimbursable by the Lessor and the savings from the first year of free rental (approximately RM4.53 million) per the agreed Rental Free Fit-Out Period.</p>
3.	<p>Terms in relation to defaults/breaches and termination of the Agreement to Lease</p> <p>The Agreement to Lease can be in terminated in the event the Condition Precedent of the Agreement to Lease (as set out in Section 6.3(1) above) is not fulfilled.</p> <p>If there is a default/breach of in the performance of the terms and conditions set out in the Agreement to Lease, the parties agree and acknowledge that the remedy of monetary compensation shall not be regarded as sufficient and the non-defaulting party shall have the right to take such action in law to compel the defaulting party by way of specific performance to complete the Proposed Transaction under the Agreement to Lease.</p>	<p>We note that there is a right to terminate the Agreement to Lease in the event the condition precedent of the Agreement to Lease is not fulfilled. This is reasonable and in line with general market practice.</p> <p>Further, we note that in the event of default/breach by either party in the performance of the terms and conditions of the Agreement to Lease including the non-delivery of the completed Leased Property with the Additional Specifications, the parties agree that monetary compensation shall not be regarded as sufficient compensation. Therefore, the Lessee (being the non-defaulting party) may take such action in law to seek specific performance, to compel the Lessor to complete the transaction. For information purposes, the remedy of specific performance and such other reliefs arising are subject to the provisions set out in the Specific Relief Act 1950 which has to be fulfilled in order to be granted such a relief by the court. We are of the view that this term is reasonable as it protects the non-defaulting party which is in line with general market practice.</p> <p>We wish to highlight that Security Monies of RM1,133,493 (which is equivalent to 3 months' rental of the first year lease) has been paid. This is in consideration of the Lessor's obligation to build a purpose-built building for education purposes in accordance to the Additional Specifications. Hence, the payment of Security Monies is reasonable to ensure that the Lessor delivers vacant possession of the Leased Property with Additional Specifications.</p>

No.	Content	Affin Hwang IB's comments
		<p>If there is a delay in completion of the Leased Property, there is a possibility that the lessor could still be holding on to the Security Monies. However, the Lessee have a right in law to seek for damages suffered due to the delay. Further, SEGi SJ has a right under the Agreement to Lease to seek for specific performance (which is governed by the Specific Relief Act 1950). In addition, the parties have agreed to a mechanism to refund the Security Monies as elaborated below.</p> <p>The Lessee shall have the right to a refund of the Security Monies, free of interest, within 14 working days of the following events:</p> <ul style="list-style-type: none"> (i) the Proposed Transaction does not materialise due to non-fulfillment of the condition precedent stated in the Agreement to Lease; or (ii) the Agreement to Lease is terminated (other than due to the commencement of the lease on the Lease Commencement Date) for reason not due to the Lessee's default (e.g. non-completion of the Leased Property). <p>In addition, in the event the Security Monies (or any part thereof) is not refunded to the Lessee upon expiry of said 14 working days, a daily interest rate based on the prevailing overnight policy rate set by Bank Negara Malaysia shall be payable on the amount outstanding until full settlement of the refund for the Security Monies to the Lessee. We note that this term is reasonable as it serves to protect the interest of the Lessee and its rights to claim back the Security Monies paid.</p> <p>Further, we note that it is general market practice for the Security Monies to be refunded without interest if the refund is made within 14 working days.</p> <p>We also note that the interest payable by the Lessor in the event the Lessor fails to refund the Security Monies within 14 working days is reasonable as it compensates the Lessee for non-fulfilment on the part of the Lessor.</p> <p>We have set out further comments in relation to the risk associated with the Security Monies paid upon entering into the Agreement to Lease in Section 6.5.2 of this IAL.</p>

No.	Content	Affin Hwang IB's comments
4.	<p>Termination of the Definitive Lease Agreement</p> <p>The Definitive Lease Agreement can be terminated under the following circumstances:</p> <p>(i) if there is an Event of Default*, and the Event of Default is not remedied within 14 days after the written notice is served by the Lessor to the Lessee. The Lessor is entitled to forfeit and call on the bank guarantee for the Rental Deposit and to re-enter the Leased Property; or</p> <p>(ii) where the Leased Property is rendered not fit for occupation and use (arising from damage or destruction) after expiry of 6 months from the date of such damage or other mutually agreed extended period by both parties. In such instance, either the Lessor or the Lessee may terminate the lease by giving 30 days' written notice to the other party.</p> <p>* <i>The following constitute an Event of Default:</i></p> <p>(a) <i>Any rental is unpaid 7 days after it is due; or</i></p> <p>(b) <i>Any of the Lessee's covenant shall not be performed or observed;</i></p> <p>or</p> <p>(c) <i>The Lessee having a receiving order made against it or having made any assignment for its creditors' benefit or entered into any agreement or arrangements with its creditors by composition or suffered any distress of attachment or execution to be levied against its goods, or goes into liquidation.</i></p>	<p>We note that the Definitive Lease Agreement is a fixed term lease, hence neither party has been given the right to terminate the Definitive Lease Agreement at any time at its discretion unless the Leased Property is rendered not fit for occupation. However, this is within general market norm for a fixed-term tenancy or long term lease agreements. Further, similar term was also adopted in the Company's past lease agreements with a third party namely, Amanahraya Real Estate Investment Trust, who is the landlord of SEGI's current Subang Jaya and Kota Damansara campuses.</p> <p>For information purposes, should there be any breach by the Lessor's obligations under the Definitive Lease Agreement, the Lessee has the right to require the Lessor to comply with its covenants as set out in the Definitive Lease Agreement. If the Lessor fails to rectify the breach, depending on its severity, the Lessee shall have right in law or equity to seek for damages, terminate the agreement or seek for equitable remedies, including but not limited to specific performance.</p>

Based on the salient terms of the Lease Agreements and our comments as set out above, we are of the view that the salient terms of the Lease Agreements as a whole are reasonable and not detrimental to the interest of non-interested shareholders of the Company.

However, we wish to highlight that the parties have yet to enter into the Definitive Lease Agreement as at the LPD. In this respect, the Definitive Lease Agreement is still in draft mode and the terms of said agreement may be subject to further changes which could be detrimental to the interest of non-interested shareholders of the Company. We have set out further comments in relation to the risk of potential change in the terms of the Definitive Lease Agreement in Section 6.5.3 of this IAL.

6.4 INDUSTRY OUTLOOK, PROSPECTS AND FUTURE PLAN OF THE SEGi GROUP

We set out below the overview and outlook of the Malaysian economy and education sector which form part of our evaluation:

6.4.1 Overview and outlook of the Malaysian economy

The Malaysian economy contracted by 17.1% in the second quarter of 2020 (1Q 2020: 0.7%). The decline reflected the unprecedented impact of the stringent containment measures to control the COVID-19 pandemic globally and domestically. In Malaysia, the nationwide Movement Control Order (MCO) included various measures that restricted production and consumption activities. This resulted in demand and supply shocks that emanated not only from significantly weak external demand conditions, but also production constraints in many economic sectors. On the supply side, most economic sectors registered negative growth, while most expenditure components declined. On a quarter-on-quarter seasonally-adjusted basis, the economy contracted by 16.5%.

Domestic demand declined by 18.7% in 2Q 2020 (1Q 2020: 3.7%), due mainly to weaker private sector expenditure. Private consumption growth declined by 18.5% in 2Q 2020 (1Q 2020: 6.7%). Household spending was particularly impacted by the strict movement restrictions in the early part of the quarter and income losses amid weak economic conditions. As movement restrictions were gradually relaxed towards the end of the quarter, retail and financing data indicated some improvement in spending, albeit remaining subdued.

Malaysian economy is expected to recover gradually as the economy progressively re-opens and external demand improves. Growth is expected to have troughed in 2Q 2020. Economic activity has resumed significantly since the economy began to reopen in early May. Monthly indicators such as wholesale and retail trade, industrial production, electricity generation, and gross exports all grew faster in June than in the period between March and May.

(Source: Economic and Financial Developments in the Malaysian Economy in the Second Quarter of 2020, Bank Negara Malaysia)

6.4.2 Overview and outlook of the education sector

Malaysia has reached a gross higher education enrolment rate of 48.0% in 2012. This represents a 70.0% increase in enrolment over the last decade to reach 1.2 million students in public and private higher learning institutions.

The Government is deeply committed to higher education, and the annual total expenditure on higher education is equivalent to 7.7% of annual Government expenditure (where the Ministry's expenditure on higher education alone is 5.5% of annual Government expenditure) *(according to the Malaysia Education Blueprint 2015-2025 which was published in 2015)*.

(Source: Malaysia Education Blueprint 2015-2025 (Higher Education), Ministry of Higher Education)

Total revenue of the services sector in 2Q 2020 was recorded at RM335.6 billion, which decreased 24.0% as compared to 2Q 2019. Meanwhile, total revenue of the services sector on a quarterly basis registered a negative growth of 23.4% or RM102.3 billion. A total of RM9.6 billion revenue was generated by Health, Education and Arts, Entertainment & Recreation segment in 2Q 2020 with 41.7% decrease as compared to 2Q 2019. The decrease was contributed by Arts, Entertainment & Recreation sub-sector (-83.7%).

(Source: Revenue for Services Sector Second Quarter 2020, Department of Statistics Malaysia)

In addition, IR4.0 is expected to impact the higher education system. The digital and technological advancements will disrupt the higher education services, resources and best practices including the formulation of a fluid and organic curriculum that matches the requirements of producing graduates who are able to adapt and survive the challenges of an uncertain future.

Five future trending fields in higher education have been identified namely, (i) Machine Learning, Automation, Cyber Security, Big Data and Data Analytics; (ii) Hybrid of Technical Fields – Biotechnology, Biomedical Science & Biomedical Engineering; (iii) Climate, Energy, Natural Resources and Environment; (iv) Liberal Arts, Design and Creative Technologies; and (v) Education and Skill Training.

(Source: Framing Malaysian Education 4.0: Future-Proof Talents, Ministry of Higher Education)

We note that the Government is committed in improving the education standard in Malaysia. This is evidenced by the allocation of Malaysia's budget where the education sector had been the largest recipient of federal funding in 2019 and 2020 (Source: 2019 Budget and 2020 Budget, Ministry of Finance). Further, the Government is committed to make Malaysia an attractive destination for high technology and high value-added industries where, amongst others, incentivising faster adoption of IR 4.0 (Source: National Policy on Industry 4.0, Ministry of International Trade and Industry). This will augur well for the SEGi Group considering that SEGi SJ will be rolling out academic programmes, amongst others, in the areas of emerging technologies in accordance with IR4.0.

6.4.3 Prospects and future plan of the SEGi Group

Based on our discussion with the Management, the prospects and future plan of the SEGi Group at its Subang Jaya location is to supplement existing programmes and introduce new academic programmes, and enhance the experience of students and lecturers by incorporating both in and out-of-class experience into the campus.

The Management have chosen the Leased Property based on the following considerations:

- the Leased Property is located in a strategic location in the matured locality of Subang Jaya which is easily accessible by several expressways in Kuala Lumpur as well as public transportation;
- the Leased Property is part of a mixed development complex known as Edumetro @ Subang Jaya which will comprise, amongst others, commercial, retail, food and beverage (F&B), small office home office (SOHO), lifestyle office small office (LoSo) and educational components such as Imperial International School; and
- the Leased Property having the aforementioned properties may expedite SEGi's expansion plan and initiatives to launch new academic programmes to cater to the market demand, and to attract more local and international students at its Subang Jaya campus.

Premised on the above, the Proposed Transaction provides SEGi with additional capacity and improved amenities to attract more students both locally and abroad. This may potentially enhance revenue and income stream in the future.

However, any such enhancements in revenue and income stream will not be immediate as the Leased Property is only expected to be ready in mid 2022. Therefore, a medium to long term outlook will need to be taken into consideration.

Nevertheless, the prospects of the SEGi Group is dependent on, amongst others, the outlook of the global and Malaysian economy, government policies, the timing and rate of recovery of economy going forward as a result of COVID-19 pandemic and the successful implementation of the expansion plans of the SEGi Group.

6.5 RISK FACTORS

We have taken note of the risk factor associated with the Proposed Transaction as set out in Section 4, Part A of the Circular:

6.5.1 Risk of delay in the completion of the Leased Property

As at the LPD, the proposed development of Edumetro @ Subang Jaya is still under construction. HCHSB expects to procure vacant possession for the first phase of Edumetro @ Subang Jaya (in which the Leased Property is located within) by the first half of 2022. As such, 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 the Government or any relevant regulatory body may result in a delay in the completion of the proposed development and consequently, the delivery and commencement of possession of the Leased Property which will ultimately result in a delay of the expansion plan of SEGi SJ.

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 the Company. Notwithstanding the above, the Proposed Transaction will not result in a significant loss to the SEGi Group as there are no upfront payments save for the Security Monies, which will eventually be converted and held as Utilities Deposit and part of the Renovation/Restoration Deposit, payable to HCHSB. In addition, any failure of the delivery of vacant possession or completion of the Additional Specifications by the Lessor will be deemed as a default or breach of the Agreement to Lease, and where applicable, the Lessee shall have the right to seek for damages or specific performance.

Affin Hwang IB's comments:

There is a risk that there may be a delay in the actual delivery of vacant possession of the Leased Property to SEGi SJ and it is beyond the control of SEGi. In the event of a delay in the actual delivery of vacant possession of the Leased Property to SEGi SJ, it may potentially delay the planned enhancement of academic programmes and corresponding facilities which may subsequently affect the number of new student intakes in the future.

From our discussions with the Management, we note that the construction progress of the Leased Property is presently at 53% as at 25 August 2020. Further, we note that the Company will actively monitor the construction progress of the Leased Property and correspondingly adjust the timeline of its expansion plan to coincide with the delivery of vacant possession of the Leased Property.

Further, we would like to highlight that the Company may potentially be exposed to the following additional risk:

6.5.2 Risk associated with the Security Monies paid upon entering into the Agreement to Lease

On 10 July 2020, SEGi SJ had paid a sum of RM1,133,493 as Security Monies to HCHSB upon entering into the Agreement to Lease.

As stated in section (iv) of Appendix I of the Circular, in the event the Proposed Transaction does not materialise due to non-fulfillment of the condition precedent or the Agreement to Lease is terminated (other than due to the commencement of the lease on the Lease Commencement Date) for reason not due to the default of the Lessee, the Security Monies shall be refunded to the Lessee, free of interest, within 14 working days from the said termination. For information purpose, the Lessee shall have the rights to legal recourse to recover the Security Monies if it is not refunded by the Lessor.

In addition, in the event the Security Monies (or any part thereof) is not refunded to the Lessee upon the expiry of the aforesaid 14 working days, a daily interest rate based on the prevailing overnight policy rate set by Bank Negara Malaysia shall be payable on the amount outstanding until full settlement of the refund for the Security Monies to the Lessee.

Nevertheless, in the event of the termination of the Agreement to Lease (other than due to the commencement of the lease on the Lease Commencement Date) for reason due to the default of the Lessee, the Lessor shall be entitled to forfeit the Security Monies.

We note that the Security Monies were paid by the Lessee in consideration of the Lessor's obligation to build a purpose-built building for education purposes as contemplated under the Agreement to Lease and in accordance to SEGi's Additional Specifications. Even though there are provisions under the Agreement to Lease for the right of a refund of the Security Monies as highlighted in the above paragraph, we wish to highlight that such refund of the Security Monies paid is only applicable under certain circumstances. We wish to highlight that in the event of the termination of the Agreement to Lease (other than due to the commencement of the lease on the Lease Commencement Date) for reason due to the default of the Lessee, the Lessor shall be entitled to forfeit the Security Monies. In this respect, the Lessee will not be entitled to a refund and will lose the entire Security Monies paid of RM1,133,493.

6.5.3 Risk of change to the terms in the Definitive Lease Agreement

As at the LPD, the Definitive Lease Agreement has not been entered into and will only be entered into upon delivery of vacant possession of the Leased Property by HCHSB and completed with the Additional Specifications on or by the Lease Commencement Date which is expected to be in June 2022. Hence, the Definitive Lease Agreement is still in draft form despite the parties to the agreement having agreed that by entering the Agreement to Lease, the Definitive Lease Agreement in principle, shall contain the agreed commercial/salient terms as set out in Section 2.2, Part A of the Circular. This is intended to ensure that HCHSB is able to deliver vacant possession of the Leased Property together with the Additional Specifications prior to the execution of the Definitive Lease Agreement. As such, there can be no guarantee that no further changes to the terms of the agreement would occur between now and the actual date of execution which could be to the detriment of the Company and its shareholders.

Nevertheless, we note that the Company will use its best endeavours to ensure such risk is mitigated by taking all reasonable steps to ensure that such changes, if any, will be properly negotiated to be in the best interest of the Company. Further, the Agreement to Lease provides for both parties to execute the Definitive Lease Agreement in principle based on the agreed commercial/salient terms as set out in Section 2.2, Part A of the Circular. Further, there is a relief for specific performance (subject to the provisions of the Specific Relief Act 1950 being fulfilled) in the event that there is breach to the terms of the Agreement to Lease.

In addition, pursuant to Paragraph 8.22 of the Listing Requirements, if a material amendment, modification or variation is made to the Definitive Lease Agreement which makes it substantially different from its approved form, the Company will be required to seek shareholders' approval again before entering into the said agreement.

6.6 EFFECTS OF THE PROPOSED TRANSACTION

In evaluating the Proposed Transaction, we have taken note of the effects of the Proposed Transaction as set out in Section 5, Part A of the Circular.

No.	Effects	Affin Hwang IB's Comments
(i)	Share capital	The Proposed Transaction will not have any effect on the share capital of the Company as the Proposed Transaction do not involve the issuance of new SEGi Shares.
(ii)	Substantial shareholders' shareholdings	The Proposed Transaction will not have any effect on the substantial shareholders' shareholdings of the Company as the Proposed Transaction do not involve the issuance of new SEGi Shares.
(iii)	NA per Share and gearing	The Proposed Transaction will have no material effect on the NA, NA per SEGi Share and gearing for the FYE 31 December 2020 as the lease is only expected to commence in June 2022.

No.	Effects	Affin Hwang IB's Comments
(iv)	Earnings and EPS	<p>The Proposed Transaction will have no material effect on the earnings and EPS of the SEGi Group for the FYE 31 December 2020 as the lease is only expected to commence in June 2022.</p> <p>The Proposed Transaction is expected to contribute positively to the future earnings of the SEGi Group so long as the additional revenue is able to offset all the necessary costs to be incurred in relation to the Proposed Transaction, including lease payments of the Leased Property.</p>

Based on the above, we are of the view that the effects of the Proposed Transaction are not to the detriment of the non-interested shareholders.

7. CONCLUSION AND RECOMMENDATION

We have assessed and evaluated the terms of the Proposed Transaction and have set out our evaluation in Section 6 of this IAL, as summarised in the table below. Non-interested shareholders should consider the merits and demerits of the Proposed Transaction carefully based on all relevant and pertinent factors including those set out below together with the appendices and other publicly available information prior to making a decision to vote on the resolution pertaining to the Proposed Transaction.

	Section of evaluation	Comments
(a)	Rationale and benefits of the Proposed Transaction	<p>(i) Increase academic programmes in the areas of emerging technologies in accordance with Industrial Revolution 4.0 (IR4.0) at SEGi Group (which includes SEGi SJ);</p> <p>(ii) Introducing new programmes with partner universities;</p> <p>(iii) Introduction of centres of English Studies and research and innovation;</p> <p>(iv) Expansion of adult education division; and</p> <p>(v) Enhancement of students' and lecturers' out-of-class experience and campus life.</p> <p>We are of the view that the rationale and benefits of the Proposed Transaction are reasonable.</p>
(b)	Evaluation of the Total Lease Consideration	<p>The Total Lease Consideration was arrived at after taking into consideration the prevailing lease/rental rates of several other buildings, which are located within close proximity to the Leased Property. The Independent Registered Valuer had evaluated the Total Lease Consideration and the rental incremental rate of 10% every 3 years over the Lease Tenure.</p> <p>The Independent Registered Valuer adopted the comparison approach as the only method to derive the market rent of the Leased Property at RM2.80 per sq ft.</p>

	Section of evaluation	Comments
		<p>We are of the view that:</p> <ul style="list-style-type: none"> (i) the adoption of the comparison approach as the only method of valuation is reasonable as there are rental evidences of education premises and office buildings as well as asking rental rates within the vicinity that provide a range of value to ascertain the market rent of the Leased Property; (ii) The rental incremental rate of 10% every 3 years is within general market practice and within the range of increment of the past lease transactions entered into by the Company; (iii) The agreed rent between the Lessor and the Lessee for the first 3 years of the lease of RM2.61 per sq ft is lower than the market rent of the Leased Property as appraised by the Independent Registered Valuer of RM2.80 per sq ft. This represents a discount of RM0.19 per sq ft or approximately 6.79% which is favourable to the Company; and (iv) The rental rate ranging from RM2.61 to RM3.48 per sq ft over the Lease Tenure is within the range of the comparable market rental evidences of the education premises of RM2.60 to RM3.54 per sq ft.
(c)	Salient terms of the Lease Agreements	<p>In evaluating the Proposed Transaction, we have set out our comments on the salient terms of the Lease Agreements in Section 6.3 of this IAL, including our comments on condition precedent, basis of lease, lease rental rates, deposits, lease tenure and extension of term, Rental Free Fit-Out Period, reimbursement of fit-out costs and termination.</p> <p>We are of the view that the salient terms of the Lease Agreements are reasonable and not detrimental to the interests of the non-interested shareholders.</p>
(d)	Industry outlook, prospects and future plan of the SEGi Group	<p><u>Industry outlook</u></p> <ul style="list-style-type: none"> (i) The Malaysian Government is deeply committed to higher education, and the annual total expenditure on higher education is equivalent to 7.7% of annual Government expenditure. (ii) The Malaysian Government is also committed to make Malaysia an attractive destination for high technology and high value-added industries by incentivising faster adoption of IR 4.0.

	Section of evaluation	Comments
		<p><u>Prospects and future plan of the SEGi Group</u></p> <p>(i) The future plan of the SEGi Group at its Subang Jaya location is to expand and introduce new academic programmes and enhance the students' in and out-of-class experience.</p> <p>(ii) The Leased Property will provide SEGi SJ's campus with additional capacity and improved amenities to supplement existing programmes as well as launch new programmes which are expected to attract more students both locally and abroad.</p>
(e)	Risk factors	<p>(i) 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 the Company;</p> <p>(ii) Pursuant to the Agreement to Lease, SEGi SJ had paid the Security Monies of RM1,133,493 to the Lessor on 10 July 2020. However, such Security Monies paid is only refundable under certain circumstances and they may lose the entire Security Monies paid should the Agreement to Lease be terminated (other than due to the commencement of the lease on the Lease Commencement Date) due to the default of the Lessee; and</p> <p>(iii) As at the LPD, the Definitive Lease Agreement is still in draft form and may be subject to changes in its terms that could be detrimental to the Company.</p> <p>Notwithstanding the above, there will be no material adverse impact to the SEGi Group as the implication of the above risk events are:</p> <p>(a) SEGi SJ will experience delay in implementing its expansion plan at the Leased Property;</p> <p>(b) SEGi SJ is entitled to a refund of the Security Monies if the Proposed Transaction does not materialise due to the condition precedent of the Agreement to Lease not being fulfilled or there is a termination (other than due to the commencement of the lease on the lease Commencement Date) of the Agreement to Lease for reasons not due to SEGi SJ's default; and</p> <p>(c) the Agreement to Lease has provided for both parties to execute the Definitive Lease Agreement substantially in its current form and where applicable, the relief for specific performance may be available (subject to provisions of the Specific Relief Act 1950 being fulfilled) in the event there is a breach to the terms of the Agreement to Lease.</p>

	Section of evaluation	Comments
(f)	Effects of the Proposed Transaction	<p>The Proposed Transaction does not have any financial effect on the Company.</p> <p>Therefore, we are of the view that the effects of the Proposed Transaction are not detrimental to the interests of the non-interested shareholders.</p>

After taking into consideration our overall assessment and evaluation of the Proposed Transaction based on the information available to us up to the LPD, we are of the view that the Proposed Transaction is **FAIR AND REASONABLE** and is **NOT DETRIMENTAL** to the non-interested shareholders.

Accordingly, we recommend that you **VOTE IN FAVOUR** of the resolution pertaining to the Proposed Transaction to be tabled at the forthcoming EGM.

Yours faithfully
for and on behalf of
AFFIN HWANG INVESTMENT BANK BERHAD

JOHAN HASHIM
Head
Corporate Finance

A. HISHAM MD HASHIM
Senior Director
Corporate Finance

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, Part A** of this Circular 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, Part A** of this Circular) 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.

In a supplemental letter dated 17 August 2020, the parties of the Agreement to Lease had agreed that in the event the Proposed Transaction does not materialise due to the approval as set out in Section 6, Part A of the Circular not being obtained or the Agreement to Lease is terminated (other than due to the commencement of the lease on the Lease Commencement Date) for reason not due to the default of the Lessee, the Security Monies shall be refunded to the Lessee, free of interest, within 14 working days from the said termination. For information purpose, the Lessee shall have the rights to legal recourse to recover the Security Monies if it is not refunded by the Lessor.

In addition, in the event the Security Monies (or any part thereof) is not refunded to the Lessee upon the expiry of the aforesaid 14 working days, a daily interest rate based on the prevailing overnight policy rate set by Bank Negara Malaysia shall be payable on the amount outstanding until full settlement of the refund for the Security Monies to the Lessee.

On the other hand, in the event of the termination of the Agreement to Lease (other than due to the commencement of the lease on the Lease Commencement Date) for reason due to the default of the Lessee, the Lessor shall be entitled to forfeit the Security Monies.

(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.

(vi) Specific Performance

The parties agree and acknowledge that the remedy of monetary compensation shall not be regarded as sufficient compensation for any default of a party in the performance of the terms and conditions of this Agreement to Lease and the non-defaulting party shall be at liberty to take such action in law as may be necessary to compel the defaulting party by way of specific performance together with all reliefs therefrom or such other specific relief to complete the transaction as set out in this Agreement to Lease.

For information purpose, the lease of the Leased Property is a fixed term lease, hence neither the Agreement to Lease nor Definitive Lease Agreement allows for either party to terminate at its discretion. The remedy of specific performance and other specific reliefs are governed by the Specific Relief Act 1950.

(vii) Salient terms of Definitive Lease Agreement

The Definitive Lease Agreement will only be executed at a later stage upon vacant possession of the Leased Property being delivered to HCHSB with the completion of the Additional Specifications, 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.

The key commercial/ salient terms of the Definitive Lease Agreement are set out in **Section 2.2, Part A** of this Circular. For shareholders' information, the additional salient terms of the Definitive Lease Agreement are as follows:

(a) Termination

It is mutually agreed that if:

- i. any rental is unpaid for 7 days after it is due; or
- ii. any of the Lessee's covenant shall not be performed or observed; or
- iii. the Lessee having a receiving order made against it or having made any assignment for its creditors' benefit or entered into any agreement or arrangements with its creditors by composition, or suffered any distress or attachment or execution to be levied against its goods, or goes into liquidation;

(Being, "**Event of Default**")

it shall be lawful for the Lessor at any time thereafter to serve a written notice upon the Lessee requiring the Lessee to remedy the Event of Default within 14 days.

On expiration of the notice period without the Event of Default having been remedied, the Lessor shall be at liberty to forfeit and call on the bank guarantee for the Rental Deposit and to re-enter upon the Leased Property where the lease shall be terminated (but without prejudice to the rights of action of the Lessor in respect of any antecedent breach).

(b) Damage or destruction due to fire or storm

If the Leased Property or any part thereof is destroyed or damaged (by fire or tempest or other inevitable cause for any period except when such fire have been caused by any act or default of the Lessee) so as to become unfit for occupation or use, then the rent or a fair and just proportion thereof shall be suspended and ceased to be payable until the Leased Property has been rendered fit for habitation and use.

Provided always that if the Leased Property is not rendered fit for occupation and use after expiry of 6 months from the date of such damage or such extended period as mutually agreed by both parties then either party may terminate the lease hereby created by giving the other party 30 days written notice.

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SALIENT FEATURES OF VALUATION CERTIFICATE

The Leased Property's location and accessibility are set out in **Section 2.1, Part A** of this Circular.

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 Bandar Sunway, 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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VALUATION CERTIFICATE FROM RAINE & HORNE INTERNATIONAL ZAKI + PARTNERS SDN BHD



**Raine & Horne International
Zaki + Partners Sdn. Bhd.**

(Co No. 99440-T)

W-08-3, West Wing, Subang Square

Jalan SS 15/4G

47500 Subang Jaya

Selangor Darul Ehsan, Malaysia

Telephone : +603-5631 9668

Fax : +603-5632 9588

Email : cc@rhizp.com.my

Our Reference: VSJ20.346.06

2 July 2020

SEG International Berhad

No. 9, Jalan Teknologi

Taman Sains Selangor

Kota Damansara, PJU 5

47810 Petaling Jaya

Selangor Darul Ehsan

Dear Sir / Madam,

VALUATION CERTIFICATE OF:-

PROPERTY

IDENTIFICATION : TOWER D AND PART OF THE PODIUM OF THE DEVELOPMENT KNOWN AS EDUMETRO @ SUBANG JAYA, PERSIARAN SUBANG PERMAI, SUBANG JAYA, SELANGOR DARUL EHSAN PART OF PARENT LOT 74746, PEKAN PENAGA, DISTRICT OF PETALING, SELANGOR DARUL EHSAN

PROPERTY TYPE: AN ASSUMED COMPLETED TWELVE (12) STOREY OFFICE TOWER

1.0 Terms Of Reference

We were instructed by our Client, SEG International Berhad, to determine the Market Rent of Tower D and part of the podium of the development known as Edumetro @ Subang Jaya, Persiaran Subang Permai, Subang Jaya, Selangor Darul Ehsan (herein referred as "subject property") for Internal Management purposes.

WE WISH TO DRAW ATTENTION THAT AT THE DATE OF OUR INSPECTION, WE NOTE THAT THE SUBJECT PROPERTY IS PRESENTLY UNDER CONSTRUCTION.

WE WERE SPECIFICALLY INSTRUCTED BY OUR CLIENT TO PROVIDE THE MARKET RENT OF THE SUBJECT PROPERTY ON THE ASSUMPTION THAT IT IS FULLY COMPLETED IN ACCORDANCE WITH THE PROPOSED BUILDING PLANS PREPARED BY EDA ARCHITECTS WHICH ARE TO BE APPROVED BY MAJLIS PERBANDARAN SUBANG JAYA AND WITH THE CERTIFICATE OF COMPLETION AND COMPLIANCE ISSUED.

IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED.

We confirm we have inspected the subject property on 6 June 2020, taken all relevant particulars and made the necessary investigations to arrive at our opinion of value. For the purpose of this valuation, the material date of valuation shall be as at 2 July 2020.

This Valuation has been prepared in accordance with the Malaysian Valuation Standards issued by the Board of Valuers, Appraisers and Estate Agents and Property Managers, Malaysia and the Valuation Certificate is subject to our formal valuation report which will be submitted in due course.

Perunding Harta Tanah Antarabangsa • International Property Consultants

KUALA LUMPUR PENANG IPOH KLANG PETALING JAYA SUBANG JAYA SEREMBAN MELAKA KUANTAN JOHOR BAHRU KUCHING KOTA KINABALU



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2.0 Property Details

a. Property Particulars

Tower D and part of the podium of the development known as Edumetro @ Subang Jaya, Persiaran Subang Permai, Subang Jaya, Selangor Darul Ehsan.

b. Property Type

An assumed completed twelve (12) storey office tower.

c. Location

The subject property is situated in the locality of USJ 1, Subang Jaya and within an on-going mixed commercial development known as HCK Edumetro @ Subang Jaya. It is sited on the left (southern) side of the Shah Alam Expressway (KESAS), travelling from Puchong and Bandar Sunway towards Shah Alam. Kuala Lumpur and Petaling Jaya city centres are located approximately 20 kilometres and 12 kilometres due north-east of the subject properties respectively.

The subject property is easily accessible from Shah Alam Expressway (KESAS) via Persiaran Subang Mewah and Persiaran Subang Permai which directly leads to HCK Edumetro @ Subang Jaya. Alternatively, the subject property is also easily 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 subject property.

d. Title Particulars

The subject property has not been issued as yet with separate valid strata title. We understand that separate valid strata title would be issued at a later date. The details of the parent title are as follows:-

Parent Lot No.	:	Lot 74746, Pekan Penaga, District of Petaling, Selangor Darul Ehsan.
Parent Title No.	:	Pajakan Negeri 97567.
Tenure	:	Leasehold interest for a term of 99 years, expiring on 24 January 2104.
Category of Land Use	:	Building.
Title Area	:	15,252 square metres.
Annual Rent	:	RM31,420.00.
Registered Owner	:	Projek Muara Sdn Bhd.
Express Condition	:	Bangunan Perniagaan.
Restriction In-Interest	:	Tanah yang diberi milik ini tidak boleh dipindahmilik, dipajak atau digadai melainkan dengan kebenaran Pihak Berkuasa Negeri.
Encumbrance	:	Nil.

For the purpose of this valuation exercise, we assume that the subject property would eventually be issued with separate valid strata title conveying 99 years leasehold interest and will be free of all encumbrances and restrictive conditions.

e. Town Planning

Based on the Planning Approval Letter (Kebenaran Merancang) bearing Reference No. MPSJ.JPB.BP1.600-1/1/41Jid.2(34) dated 22 January 2020, we note that application for amended Planning Approval of the initial approved Planning Permission Layout Plan bearing Reference No. Bil.MPSJ.PB(B).260/36/258 has been issued for the proposed one (1) block commercial building which comprises the following:-

- a) Office Tower A (12 Storey) From Level 4 To Level 15 (also known as Tower D of the subject property);
- b) Office Tower B (27 Storey) From Level 5 To Level 31;
- c) Office Tower C (28 Storey Together With Mezzanine Floor) From Level 4 To Level 31;
- d) Office Tower D (20 Storey Together With Facilities On Level 4) From Level 4 To Level 24.
- e) 3 Storey Podium Together With 2 Storey Mezzanine Floor Comprising Office, Commercial Space, Car Parking Space And Facilities From Level 1 To Level 3;
- f) 4 Storey Car Parking Space At Basement Level

f. Description Of The Subject Property

Based on the draft Agreement To Lease and the Lease Agreement between HCK Capital Holdings Sdn Bhd or its relevant subsidiaries (the Lessor) and SEGi College (Subang Jaya) Sdn Bhd (the Lessee) provided to us by the Client, we note the subject property will have the following floor areas and accommodation:-

Level	Net Lettable Area		Accommodation
	Indoor Area (Covered) (Sq. Ft.)	Outdoor (Uncovered) (Sq. Ft.)	
Podium			
Basement 4	300.52	-	Lift Lobby
Basement 3	300.52	-	Lift Lobby
Basement 2	300.52	-	Lift Lobby
Basement 1	300.52	-	Lift Lobby
Lower Ground Floor 2	7,814.05	-	Lift Lobby, Utility Room, Mail Room, Male & Female Toilets And LPG
Lower Ground Floor 1	615.7	-	Lift Lobby
Ground Floor	615.7	-	Lift Lobby
1st Floor	1,003.16	-	Lift Lobby
Tower D			
Level 1	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 2	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 3	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 3A	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 5	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 6	10,833.53	-	Lift Lobby, Office Area, Auditorium, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 7	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 8	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 9	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 10	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms

Level	Net Lettable Area		Accommodation
	Indoor Area (Covered) (Sq. Ft.)	Outdoor (Uncovered) (Sq. Ft.)	
Level 11	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Level 12	10,833.53	-	Lift Lobby, Office Area, Pantry, Male & Female Toilets, Disabled Toilet And M & E Rooms
Roof Level	-	7,020.12	Flat Roof
Total	141,253.05	7,020.12	

We understand from our Client, that the Lessor will be submitting to the authorities for approval on the following building plans prepared by EDA Architects:-

- i) Drawing No. EDA/ER2/OVERALL/BP/B3/12-01;
- ii) Drawing No. EDA/ER2/OVERALL/BP/B3/12-02;
- iii) Drawing No. EDA/ER2/OVERALL/BP/B2/12-03;
- iv) Drawing No. EDA/ER2/OVERALL/BP/B1/12-04;
- v) Drawing Nos. EDA/ER2/OVERALL/BP/P/12-05 to EDA/ER2/OVERALL/BP/P/12-07A;
- vi) Drawing Nos. EDA/ER2/OVERALL/BP/P/12-15 to EDA/ER2/OVERALL/BP/P/12-29.

g. Details Of The Draft Lease Agreement

The draft Agreement To Lease and the Lease Agreement show that the subject property will be leased from HCK Capital Holdings Sdn Bhd or its relevant subsidiaries (the Lessor) to SEGi College (Subang Jaya) Sdn Bhd (the Lessee) for a period of 12 years with a rent review every three (3) years during the lease period with the following rentals:

Lease Year	Rental Per Month (RM / psf)		Total Rental per month (RM)	Renewal Rental Rate
	Indoor Area	Outdoor Area		
Year 1 to Year 3	2.61	1.305	377,831.00	-
Year 4 to Year 6	2.87	1.435	415,470.00	10% increase
Year 7 to Year 9	3.16	1.58	457,452.00	10% increase
Year 10 to Year 12	3.48	1.74	503,776.00	10% increase

There is an option to renew the lease upon its expiry for a further two (2) terms of three (3) years each upon terms and conditions to be mutually agreed by the Lessor and Lessee.

Based on the draft Agreement To Lease and the Lease Agreement, we note that this is a triple net lease arrangement whereby the Lessee agrees to pay all property taxes, building insurance, service charge, sinking fund and maintenance during the lease period. The principal terms and conditions of the draft Agreement To Lease and the Lease Agreement are as follows:

The Lessor's covenants:

- i) To permit the Lessee to peaceably enjoy the Demised Premises without any interruption or disturbances by the Lessor.
- ii) To procure the Management Body to maintain or caused to be maintained in good tenable repair and clean condition (fair wear and tear excepted) for the land and common property (including common facilities) serving or which affects the Demised Premises.

The Lessee's covenants:

- a) Payment of the reserved rent.
- b) Payment of bills on electricity, water, telephone and data supply and other utilities.
- c) Payment of all the quit rent, assessment, service charge, sinking fund and all other taxes and fees.
- d) Operation of a private higher educational institution and its ancillary businesses.
- e) Maintenance of the property.
- f) To pay and maintain or ensure sufficient and adequate insurance coverage for the property and fixtures and equipment and Lessee's contents public liability.
- g) To have garbage disposal from a pre-determined location.
- h) To carry out pest control.
- i) To provide security

Other Terms And Conditions

- i) There will be a rental free fit-out period of 12 months from lease commencement date.
- ii) Lessor to reimburse Lessee fit-out cost up to RM3,000,000.00 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.
- iii) There are 200 car parking bays free for staff members and 500 car parking bays reserved for students at nominal fee (RM2.00 per entry) first the five (5) years from lease commencement date.

3.0 Basis Of Valuation

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

The Market Rent of the subject property is based on the terms and conditions contained in the draft Agreement To Lease and the Lease Agreement between HCK Capital Holdings Sdn Bhd or its relevant subsidiaries (the Lessor) and SEGi College (Subang Jaya) Sdn Bhd (the Lessee).

In this regard, our valuation is also on the basis that the subject property is available for lease in the open market for a term of twelve (12) years with a rent review every three (3) years during the lease period and with an option to extend the lease for a further two (2) terms of three (3) years each. The Market Rent of the subject property in this valuation is for the initial term of three (3) years of the lease term.

4.0 Method Of Valuation

In arriving at the Market Rent of the subject property, we have used the **Comparison Approach** which seeks to determine the market rent of the property being valued by comparing and adopting as a yardstick recent rental evidences as well as asking rentals involving other similar properties in the vicinity.

We have used the Comparison Approach of valuation as the **ONLY** method of valuation. We did not use the other approaches of valuation as they are not applicable in determining the Market Rent of the subject property.

5.0 Rental Evidences

The rental evidences used for the Comparison Approach are as follows:

Comparable No.	Property	Lessee / Tenant	Net Lettable Area (sq. ft.)	Current Net Rent Per Month	Current Net Rent Per Month (per sq. ft.)	Remarks
1	HELP University, Jalan Semantan, Damansara Heights, Kuala Lumpur	Help University Sdn Bhd	125,227	RM413,249	RM3.30	Triple Net Rental
2	SEGi College, USJ 1, Subang Jaya, Selangor	SEG International Berhad	131,387	RM342,125	RM2.60	Triple Net Rental based on Sale & Leaseback Agreement
3	SEGi University, Kota Damansara, PJU 5, Petaling Jaya, Selangor	SEG International Berhad	337,710	RM1,196,250	RM3.54	Triple Net Rental based on Sale & Leaseback Agreement
4	Menara Axis, Section 51A, Petaling Jaya, Selangor	-	181,168	RM555,583	RM3.06	-
5	Menara Bandar Sunway, Sunway, Selangor	-	291,807	RM941,667	RM3.23	-
6	Crystal Plaza, Section 51A, Petaling Jaya, Selangor	-	204,977	RM583,667	RM2.85	-
7	Wisma Comcorp, Glenmarie, Shah Alam, Selangor	-	74,550	RM206,250	RM2.77	-
8	Strateq Data Centre, Section 13, Petaling Jaya, Selangor	-	104,903	RM406,167	RM3.87	-
9	Axis Business Park, Section 13, Petaling Jaya, Selangor	-	330,725	RM622,667	RM1.88	-

(Source: Bursa Malaysia)

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

Property	Net Lettable Area (sq. ft.)	Asking Net Rental Per Month (per sq. ft.)
Menara Summit, Persiaran Kewajipan, USJ 1, Subang Jaya, Selangor	3,057 - 24,112	RM3.50
Sky Park @ One City, Jalan USJ 25/1A, One City, USJ, Selangor	7,050 - 53,154	RM2.80 - RM3.00
USJ Sentral, Jalan USJ Sentral, USJ 1, Subang Jaya, Selangor	1,636 - 6,720	RM1.36 - RM3.05
Wisma Consplant, Jalan Kemajuan, SS 16, Subang Jaya, Selangor	4,502 - 10,917	RM4.00 - RM5.00
Empire Subang Jaya, Jalan SS 16/1, Subang Jaya, Selangor	1,300 - 7,050	RM3.00 - RM4.38

(Source: Advertisements for let in various property portals)

Based on the abovementioned rental evidences and asking rentals, we note that the rental evidences of the education premises showed a range of RM2.60 to RM3.54 psf. We also note the office buildings showed a range of RM1.88 to RM3.87 psf. The asking net rentals of smaller office suites are ranged from RM1.36 to RM5.00 psf.

In arriving at the Market Rent of the subject property, we have considered the following:

- i) The best evidence are Comparables 1 and 2 which are education premises and almost similar in size compared to the subject property.
- ii) Comparable 1 is the Help University which is rented at RM3.30 psf. We have adjusted downwards by 10% from the rental of Comparable 1 for current market conditions. The current rental market for commercial space in Klang Valley is weak due to mainly the COVID-19 pandemic and the oversupply of commercial space. We have also adjusted downwards by 20% for location and upwards by 10% for the subject property as it is a newer building compared to Comparable 1. The subject property is further adjusted downwards by 5% as it is a stratified property and has less exclusivity due to shared common areas within the integrated development of HCK Edumetro @ Subang Jaya. The adjusted net rental after the abovementioned adjustments of minus 25% is RM2.47 psf.
- iii) Comparable 2 is the nearby SEGi College, USJ 1, Subang Jaya, Selangor and is being rented at RM2.60 psf. We have adjusted downwards by 10% from the rental of Comparable 2 for current market conditions. We have also adjusted upwards by 10% for the subject property as it has a newer building and downwards by 5% as it is a stratified property. The adjusted net rental after the abovementioned adjustments of minus 5% is RM2.47 psf.
- iv) The base net rental for the subject property is adopted at RM2.47 psf.
- v) Further upward adjustment is made for the reimbursement by the Lessee on the fit-out cost of up to RM3,000,000.00 and 12 months fit-out period (rent free). The general market practice for fit-out period (rent free) allowance for commercial buildings is 3 months. However, in view of the weak market conditions, a reasonable fit-out period would be 6 months. As the subject property enjoys a fit-out period of 12 months, we have therefore deducted the market norm of 6 months and adjusted for the balance extra fit-out period of 6 months.

vi) The adjustments are shown below:

Description	Adjustments
Base Net Rental	RM2.47 psf
1 Adjustment for Reimbursement of Fit-out Cost	
Fit-Out Cost	RM3,000,000
Interest Rate	6.0%
Present Value Factor for 1 year (paid after fit-out period)	0.9434
Present Value of Reimbursement of Fit-out Cost	RM2,830,189
Monthly payment over 12 years at interest of 6.0% p.a.	RM27,618
Net Lettable Area	141,253.05 sf
Adjustment to Net Rental Per Month	RM0.20 psf
Net Rental (After Adjusting for Reimbursement of Fit-out Cost)	RM2.67 psf
2 Adjustment for Extra Fit-out Period (Rent Free)	
Extra Rent Free for 6 months @ RM2.67 psf x 141,253.05 sf	RM2,262,874
Interest Rate	6.0%
Present Value Factor for 1 year (recognised after Year 1)	0.9434
Present Value of Extra Rent Free	RM2,134,767
Monthly payment over 12 years at interest of 6.0% p.a.	RM20,832
Net Lettable Area	141,253.05 sf
Adjustment to Net Rental Per Month	RM0.15 psf
Net Rental (After Adjusting for Extra Rent Free)	RM2.82 psf
Market Rent, say	RM2.80 psf

- vii) The market rent for the initial term of 3 years is RM2.80 psf for the indoor area. By adopting the general market practice, the market rent for the outdoor area is calculated at half (1/2) the rate of the market rent for indoor area.
- viii) The rent review in the draft Agreement To Lease and the Lease Agreement is proposed at 10% increase for every 3 years. We are of the opinion the rent review is fair and reasonable and in accordance to general market practice.

6.0 Market Rent

WE WISH TO DRAW ATTENTION THAT AT THE DATE OF OUR INSPECTION, WE NOTE THAT THE SUBJECT PROPERTY IS PRESENTLY UNDER CONSTRUCTION.

WE WERE SPECIFICALLY INSTRUCTED BY OUR CLIENT TO PROVIDE THE MARKET RENT OF THE SUBJECT PROPERTY ON THE ASSUMPTION THAT IT IS FULLY COMPLETED IN ACCORDANCE WITH THE PROPOSED BUILDING PLANS PREPARED BY EDA ARCHITECTS WHICH ARE TO BE APPROVED BY MAJLIS PERBANDARAN SUBANG JAYA AND WITH THE CERTIFICATE OF COMPLETION AND COMPLIANCE ISSUED.

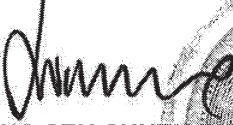
IF ANY PARTY WISHES TO RELY ON THE VALUATION BASED ON THE ASSUMPTION STATED ABOVE, THEN APPROPRIATE PROFESSIONAL ADVICE SHOULD BE SOUGHT SINCE THE VALUE REPORTED IS BASED ON AN ASSUMPTION THAT IS NOT YET OR FULLY REALISED.

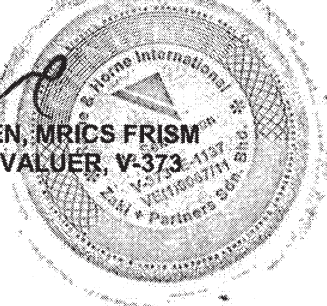
Our opinion of the **Market Rent** for the initial term of 3 years of the assumed completed twelve (12) storey office tower identified as Tower D and part of the podium development known as Edumetro @ Subang Jaya, Persiaran Subang Permai, Subang Jaya, Selangor Darul Ehsan, being part of Parent Lot 74746, Pekan Penaga, District of Petaling, Selangor Darul Ehsan, on the basis the subject property is available for lease in the open market based on the terms and conditions of the draft Agreement To Lease and the Lease Agreement is **Ringgit Malaysia Four Hundred Five Thousand Three Hundred And Thirty Seven Only (RM405,337.00)** per month.

The Market Rent is calculated as follows:

Net Lettable Area (Indoor)		
141,253.05 sq.ft. x RM2.80 per sq.ft./month	:	RM395,509.00 per month
Net Lettable Area (Outdoor)		
7,020.12 sq.ft. x RM1.40 per sq.ft./month	:	<u>RM 9,828.00 per month</u>
Market Rent	:	<u>RM405,337.00 per month</u>

For and on behalf of
**RAINE & HORNE INTERNATIONAL
ZAKI + PARTNERS SDN BHD**


HO SEK CHUEN, MRICS FRISM
REGISTERED VALUER, V-373



FURTHER INFORMATION**1. DIRECTORS' RESPONSIBILITY STATEMENT**

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

2. CONSENT

UOB Kay Hian, being the Main Adviser for the Proposed Transaction, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name and all references thereto in the form and context in which they appear in this Circular.

Raine & Horne International Zaki + Partners Sdn Bhd, being the Independent Registered Valuer to SEGi in relation to the Proposed Transaction, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the Valuation Certificate and Valuation Report for the Leased Property and all references thereto in the form and context in which they appear in this Circular.

Affin Hwang IB, being the Independent Adviser for the Proposed Transaction, has given and has not subsequently withdrawn its written consent to the inclusion in this Circular of its name, the IAL and all references thereto in the form and context in which they appear in this Circular.

3. DECLARATION OF CONFLICT OF INTEREST

UOB Kay Hian has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Main Adviser to SEGi for the Proposed Transaction.

Raine & Horne International Zaki + Partners Sdn Bhd has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Registered Valuer to SEGi in relation to the Proposed Transaction.

Affin Hwang IB has given its written confirmation that as at the date of this Circular, there is no situation of conflict of interests that exists or is likely to exist in relation to its role as the Independent Adviser to SEGi for the Proposed Transaction.

4. MATERIAL COMMITMENTS

As at 30 June 2020, being the date of the latest unaudited quarterly result available as at the LPD, the Board is not aware of any material commitments incurred or known to be incurred by the Group that has not been provided for, which upon becoming enforceable, may have a material impact on the financial results/ position of the Group.

5. CONTINGENT LIABILITIES

Save as disclosed below, as at 30 June 2020, being the date of the latest unaudited quarterly result available as at the LPD, the Board is not aware of any contingent liabilities incurred or known to be incurred which, upon becoming enforceable, may have a material impact on the financial results/ position of the Group:-

	RM'000
Bank guarantee to current landowner/ lessor as lease rental deposit and to utilities company (i.e. Tenaga Nasional Berhad) on behalf of a subsidiary	<u>26,745</u>

6. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company 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 (except public holidays) from the date of this Circular up to the time set for holding the EGM:-

- (i) the Constitution of SEGi and Memorandum and Articles of Association of SEGi SJ;
- (ii) audited consolidated financial statements of SEGi Group for the past 2 financial years up to the FYE 31 December 2019 and the latest unaudited quarterly report of SEGi Group for the 6-month FPE 30 June 2020;
- (iii) the Valuation Certificate and Valuation Report;
- (iv) Agreement to Lease, draft Definitive Lease Agreement and Supplemental Letter dated 17 August 2020;
- (v) the letters of consent referred to in **Section 2 of Appendix IV** of this Circular; and
- (vi) the letters of declaration of conflict of interest referred to in **Section 3 of Appendix IV** of this Circular.



SEG
International
Bhd

SEG INTERNATIONAL BHD
Registration No.: 198501013542 (145998-U)
(Incorporated in Malaysia)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an Extraordinary General Meeting of SEG International Bhd ("SEGi" or the "Company") will be held at R2.6, Level 2, Right Wing, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 23 September 2020 at 11.30 a.m., or immediately following the conclusion or adjournment of the 34th Annual General Meeting of SEG International Bhd scheduled to be held at the same venue and on the same date at 10.30 a.m. or any adjournment thereof, whichever is later, for the purpose of considering and if thought fit, passing with or without modifications the following resolution:-

ORDINARY RESOLUTION

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

"**THAT**, subject to the approval of the relevant authority and/ or parties being obtained, the Board of Directors of SEGi ("**Board**") be and is hereby authorised to effect the Proposed Transaction, in accordance with the terms and conditions of the Agreement to Lease dated 8 July 2020 entered into between SEGi College (Subang Jaya) Sdn. Bhd. and HCK Capital Holdings Sdn. Bhd.

AND THAT the Board be and is hereby authorised to sign and execute all documents (including but not limited to, the Definitive Lease Agreement), do all acts, deeds and things as may be required to give effect to and to complete the Proposed Transaction with full power to assent to any conditions, variations, modifications and/ or amendments in any manner as may be required or permitted by any relevant authorities and to deal with all matters relating thereto and to take all such steps in any manner as they may deem necessary or expedient in the best interest of the Company."

By Order of the Board

CHONG POH YEE (MIA 7620)
HEW LING SZE (MAICSA 7010381)
Company Secretaries

Selangor
8 September 2020

Notes:-

- (1) *Only a depositor whose name appears on the Record of Depositors as at 15 September 2020 shall be entitled to attend, participate, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/ her stead.*
- (2) *Pursuant to Paragraph 8.29(A)(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice shall be put to vote by poll.*
- (3) *A member shall be entitled to appoint up to two (2) proxies to attend, participate, speak and vote at the same meeting in his/ her stead. Where a member appoints two (2) proxies, he/ she shall specify the proportion of his/ her shareholdings to be represented by each proxy. A proxy may but need not be a member of the Company and there shall be no restrictions as to the qualification of the proxy. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the Member to speak at the meeting.*
- (4) *Where a member of the Company is an Exempt Authorised Nominee (as defined under Paragraph 7.21(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) which hold ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
- (5) *The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing or, if the appointor is a corporation, the proxy form must be executed under its Common Seal or under the hand of its attorney. Any alteration to the proxy form must be initialled.*
- (6) *The Form of Proxy must be deposited at the Registered Office of the Company at 6th Floor, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan not less than 48 hours before the time and date of the meeting or adjourned meeting, and in the case of a poll, it shall be deposited not less than 24 hours before the time appointed for the taking of the poll.*



SEG
International
Bhd

SEG INTERNATIONAL BHD
Registration No.: 198501013542 (145998-U)
(Incorporated in Malaysia)

FORM OF PROXY

No. of Shares held	
CDS Account No.	

I/ We _____ *NRIC No./ Passport No./ Company No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

being *a member / members of **SEG INTERNATIONAL BHD ("Company") (Registration No.: 198501013542 (145998-U))**

hereby appoint _____ *NRIC No./ Passport No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

or failing *him/ her _____ *NRIC No./ Passport No. _____
(FULL NAME IN BLOCK CAPITAL)

of _____
(FULL ADDRESS)

or failing *him/ her the Chairman of the Meeting as *my/ our proxy/ proxies to attend, participate, speak and vote for *me/ us on *my/ our behalf at the Extraordinary General Meeting of the Company to be held at R2.6, Level 2, Right Wing, SEGi University, No. 9, Jalan Teknologi, Taman Sains Selangor, Kota Damansara, PJU 5, 47810 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 23 September 2020 at 11.30 a.m., or immediately following the conclusion or adjournment of the 34th Annual General Meeting of SEG International Bhd scheduled to be held at the same venue and on the same date at 10.30 a.m. or any adjournment thereof, whichever is later, in the manner indicated below:-

*My/ our proxy is to vote as indicated below:-

RESOLUTION	FOR	AGAINST
ORDINARY RESOLUTION – PROPOSED TRANSACTION		

Please mark with " X " in either box if you wish to direct the proxy how to vote. If no mark is made, the proxy may vote on the resolutions or abstain from voting as the proxy thinks fit.

* *Strike out whichever is not desired*

Signature of Member(s)/ Common Seal

Date: _____

For appointment of two (2) proxies, percentage of shareholdings to be represented by the proxies:-		
	No. of Shares	Percentage
Proxy 1		%
Proxy 2		%
Total		<u>100%</u>



Notes:-

- (1) *Only a depositor whose name appears on the Record of Depositors as at 15 September 2020 shall be entitled to attend, participate, speak and vote at the said meeting as well as for appointment of proxy(ies) to attend, participate, speak and vote on his/ her stead.*
- (2) *Pursuant to Paragraph 8.29(A)(1) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the resolution set out in this Notice shall be put to vote by poll.*
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- (4) *Where a member of the Company is an Exempt Authorised Nominee (as defined under Paragraph 7.21(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad) which hold ordinary shares in the Company for multiple beneficial owners in one (1) Securities Account ("**Omnibus Account**"), there shall be no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each Omnibus Account it holds.*
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Fold this flap for sealing

Then fold here

AFFIX
STAMP

SEG INTERNATIONAL BHD
Registration No.: 198501013542 (145998-U)
6th Floor, SEGi University
No. 9, Jalan Teknologi, Taman Sains Selangor
Kota Damansara, PJU 5
47810 Petaling Jaya, Selangor Darul Ehsan

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