

Investing **Today** in
Tomorrow's
Leading Businesses

ANNUAL REPORT

2019

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Corporate Information

BOARD OF DIRECTORS

Tan Sri Dato' Dr Palaniappan
A/L Ramanathan Chettiar
("Tan Sri Dato' Dr R Palan")
Chairman

Chu Kheh Wee
("Danny Chu")
Executive Director
(Appointed on 31 December 2019)

Dato' (Dr) Asariah Binti Mior
Shaharuddin
("Dato' (Dr) Asariah")
Independent Non-Executive
Director

Mr Leow Nan Chye
Independent Non-Executive
Director

Ms Soh Eng Hooi
Independent Non-Executive
Director

Datuk Mohd Radzif Bin Mohd
Yunus
Independent Non-Executive
Director
(Appointed on 12 September
2019)

Ms Lim Kwee Yong
Independent Non-Executive
Director
(Appointed on 10 March 2020)

Mr Malayandi @ Kalaivasu
Non-Independent Non-
Executive Director

Mr Maha Ramanathan Palan
("Mr Maha Palan")
Non-Independent Non-
Executive Director

AUDIT COMMITTEE

Mr Leow Nan Chye
Chairman

Dato' (Dr) Asariah
Member

Ms Soh Eng Hooi
Member

NOMINATION COMMITTEE

Dato' (Dr) Asariah
Chairperson

Mr Leow Nan Chye
Member

Ms Soh Eng Hooi
Member

REMUNERATION COMMITTEE

Dato' (Dr) Asariah
Chairperson

Mr Leow Nan Chye
Member

Ms Soh Eng Hooi
Member

COMPANY SECRETARIES

WONG YOUN KIM (MAICSA
7018778)

Practicing Certificate No.
201908000410

YIP SIEW CHENG (MAICSA
7006780)

Practicing Certificate No.
202008001527

HMC Corporate Services Sdn
Bhd
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Facsimile : +603 2282 5022

EXTERNAL AUDITORS

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LCA) & AF0117
Chartered Accountants (AF 0117)
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59200 Kuala Lumpur

Telephone : +603 2297 1000
Facsimile : +603 2282 9980
Website : www.bakertilly.my
Email : andrew.choong@
bakertilly.my
Partner-in-charge : Mr Andrew
Choong Tuck Kuan

REGISTRAR

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149 Jalan Aminuddin Baki
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Gledhill
Level 6, Menara 1 Dutamas
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0136
Website : www.lh-ag.com

REGISTERED & CORPORATE OFFICE

Level 8, Tower Block, CUCMS
Campus Persiaran Bestari,
Cyber 11
63000 Cyberjaya, Selangor D.E

Telephone : +603 2770 9199
Facsimile: +603 2770 9099
Website : www.smrt.holdings
Email : info@smrhrgroup.com

Contact person: Ms Winnie Ow

STOCK EXCHANGE LISTING

ACE Market
Bursa Malaysia Securities
Berhad

Stock name : SMRT
Stock code : 0117

PRINCIPAL BANKERS

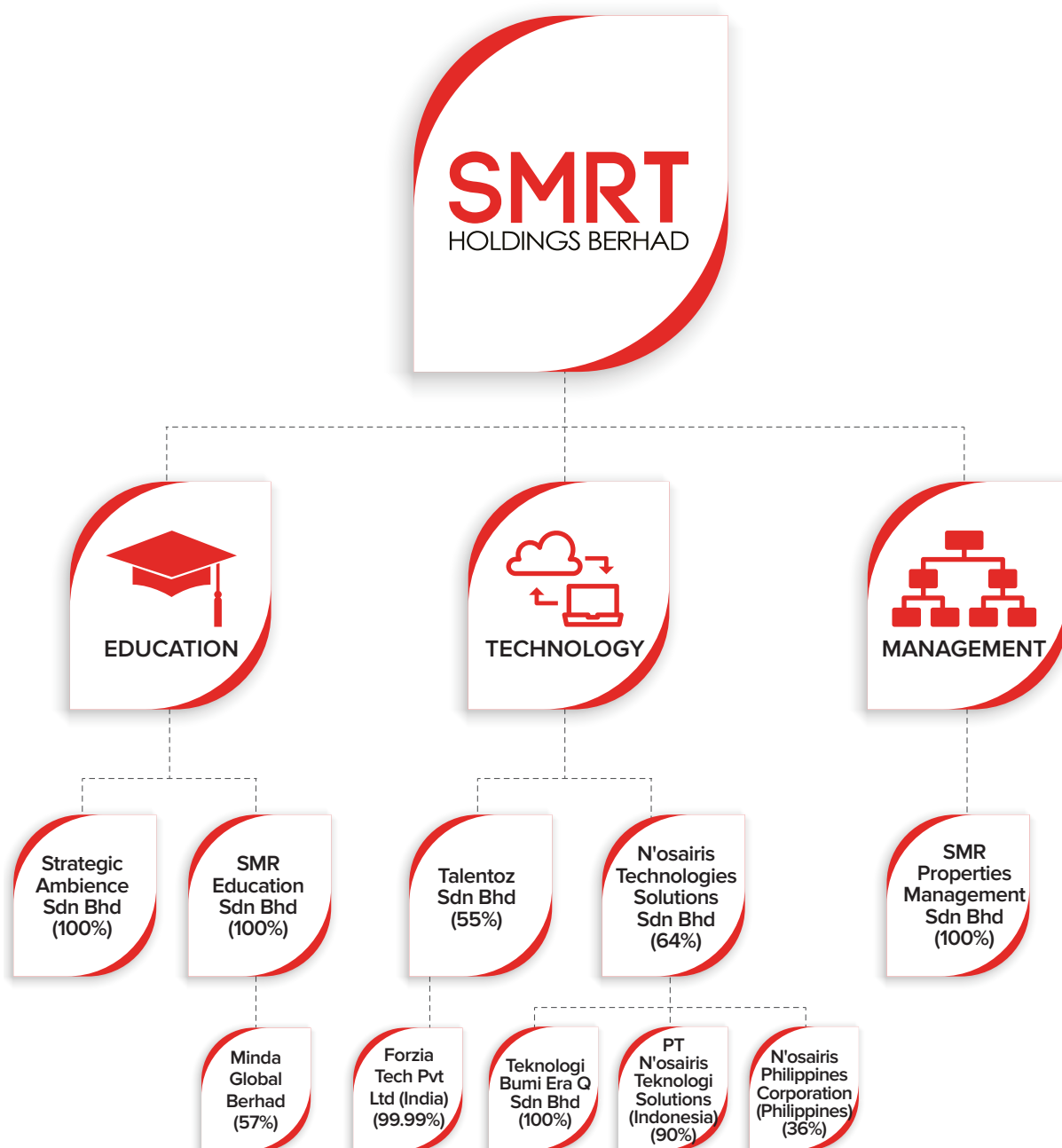
Malayan Banking Berhad

INVESTORS RELATIONS

Website : www.smrt.holdings
Email : investors@smrhub.com

Group Corporate Structure

as at 3 April 2020



* The operating subsidiaries under Minda Global Berhad are CUCMS Education Sdn Bhd; Asiamet (M) Sdn Bhd; Asiamet (Kuching) Sdn Bhd; Asiamet (KK) Sdn Bhd and Minda Global International Education Sdn Bhd.

Financial Highlights

	2019	2018	2017	2016	2015
	RM'000	RM'000	RM'000	RM'000	RM'000
COMPREHENSIVE INCOME					
Revenue	140,959	127,027	101,615	81,462	101,095
Profit / (loss) before tax	(55,997)	(3,141)	100,652	(33,354)	(27,659)
Profit / (loss) after tax	(50,041)	(1,020)	98,908	(35,862)	(30,079)
KEY FINANCIAL POSITIONS					
Total assets	548,460	380,025	204,894	97,017	126,169
Total liabilities	354,450	33,714	55,095	60,844	65,315
Cash & Cash equivalents	17,042	6,710	5,632	5,164	9,468
Total borrowings	18,922	33,714	31,619	42,017	49,435
Issued and paid up capital	84,504	84,504	76,637	29,735	26,029
Shareholders' fund	113,948	155,709	146,105	33,582	60,727
SHARE INFORMATION					
Net earnings / loss per share (basic) (sen)	(9.82)	0.80	28.28	(13.31)	(12.15)
Net Earnings/ loss per share (diluted) (sen)	(9.82)	0.74	25.04	(13.31)	(12.15)
Net assets per share (sen)	0.48	0.85	0.41	0.12	0.23
Market capitalisation @ 31/12/2019	34,599	48,846	65,152	52,037	71,581
Share price as at 31/12/2019	0.085	0.12	0.18	0.175	0.275
FINANCIAL RATIOS					
Return on total asset(%)	-10.21%	-0.83%	49.12%	-34.38%	-21.92%
Gearing ratio (times)	0.02	0.17	0.18	1.08	0.60
Price to earnings ratio (times)	(0.87)	9.60	0.54	(1.31)	(2.26)

Profile of Directors



TAN SRI DATO' DR R PALAN

B.Sc., M.A., M.Sc., Ph.D., A.P.T., FBILD (UK),
P.S.M. (Federal), D.P.M.P. (Perak), J.B.K. (Kuching)

Executive Chairman

Tan Sri Dato' Dr R Palan, a Malaysian, aged 64, male, is the Founder of SMR ("Specialist Management Resources") Group. He was appointed to the Board on 13 August 2004.

Tan Sri Dato' Dr R Palan is a lifelong educator with the goal of helping people learn and perform. His entrepreneurial journey with a strong foundation in the areas of technology and education is premised on uplifting communities with quality and affordable education. He has authored 16 books and a number of articles.

He completed his second PhD (Education) at the Federation University, Ballarat, Australia, and the Advanced Management Programme, Harvard Business School. In a career spanning over four decades, he has worked in Human Resources, Marketing and General Management. More information at www.palan.org

He founded Yayasan Palan to support Corporate Social Responsibility initiatives and his voluntary contributions include serving on non-profit organisations, both governmental and private.

He serves as the Pro-Chancellor of University of Cyberjaya ("UoC") (formerly known as Cyberjaya University College of Medical Sciences) and is also the Group Managing Director of Minda Global Berhad.

He attended all the seven (7) Board Meetings held during the financial year ended 31 December 2019.

Other than as disclosed above, Tan Sri Dato' Dr R Palan has no directorship in any other public company and listed issuer. He is a substantial shareholder of the Company and he has no direct family relationship with any other Director in SMRT Holdings Berhad, other than Mr Maha Palan, who is his son and Mr Malayandi Kalaiarasu, who is his nephew, both are Non-Independent Non-Executive Director of the Company. He is also the Group Managing Director of Minda Global Berhad, a listed company on the Main Board of Bursa Malaysia Securities Berhad. He is a Director in Special Flagship Holdings Sdn Bhd, a substantial shareholder of the Company. He has no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within the past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



MR CHU KHEH WEE, DANNY (“DANNY CHU”)

C.A.(M), ACMA, CGMA, MPMA

Executive Director

Mr Danny Chu, a Malaysian, aged 50, male, was appointed to the Board on 31 December 2019.

Mr Danny Chu received a diploma in cost accounting from the London Chamber of Commerce and Industry in 1990. Mr Danny Chu was admitted as a registered accountant and a chartered accountant of the Malaysian Institute of Accountants in December 1999 and June 2001, respectively, an associate member of the Chartered Institute of Management Accountants in August 1996 and a Chartered Global Management Accountant in May 2011.

Mr Danny Chu founded Executive Prosight Resources (“EPR”) in February 2011 for the purpose of providing business, corporate advisory and employment services. He has recorded numerous successful corporate exercises in the country such as Corporate Structuring, Initial Public Offer (“IPO”) and Merger & Acquisition (“M&A”).

He also has vast experiences during his employment journey, specialising in finance and corporate reporting, corporate restructuring and various fund raising activities covering various industry from manufacturing, property development and construction industries. From October 2007 to October 2008, Mr Danny Chu worked for D'Tiara Corp. Sdn. Bhd., being a company engaging in investment, development and sale of properties and resorts, as the chief financial officer and was responsible for the proposed listing application of such company on the Alternative Investment Market (currently known as AIM) of the London Stock Exchange. From October 2004 to September 2007, Mr Danny Chu worked for Oil-Line Engineering

and Associates Sdn. Bhd., being a subsidiary of OilCorp Berhad, as a senior manager and was responsible for advising on corporate finance matters of the aforesaid company. From May 2002 to September 2004, Mr Danny Chu worked for Tenaga Nazar (M) Sdn. Bhd., being an affiliated company of OilCorp Berhad (a company engaging in the provision of engineering, procurement, construction, technical and contract related services in Malaysia, the Middle East and the ASEAN countries), as a senior manager of corporate finance and was responsible for managing corporate finance matters of the aforesaid company. Mr Danny Chu was also responsible for managing the financial affairs for other companies namely Worthy Builders Sdn. Bhd., Chase Perdana Berhad and Golden Plus Builders Sdn. Bhd.

There was no Board Meetings attended by Mr Danny Chu during his tenure in the financial year ended 31 December 2019 as he was appointed to the Board on 31 December 2019.

He currently also served as an independent non-executive Director of Heng Hup Holdings Limited, a Main Board listed company at Hong Kong Stock Exchange, mainly responsible for providing independent judgement on the group's strategy, performance, resources and standard of conduct. He has no family relationship with any other Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



DATO' (DR) ASARIAH BINTI MIOR SHAHARUDDIN Independent Non-Executive Director

Dato' (Dr) Asariah Binti Mior Shaharuddin, a Malaysian, aged 67, Female, was appointed to the Board on 4 November 2013. Dato' (Dr) Asariah is the Chairperson of the Nomination Committee and Remuneration Committee as well as a member of the Audit and Risk Management Committee of the Company.

Dato' (Dr) Asariah holds a Masters Degree (M.Sc.) in Curriculum and Instruction from the University of Wisconsin, Wisconsin, USA which she obtained in 1983. She graduated with a Bachelor of Arts (Hons) Degree in Geography from the University of Malaya in 1975 and a Diploma in Education from the same university in 1976. In honouring her contribution to scholarship and academic partnership between Malaysia and the Queensland University of Technology, Australia, Dato' (Dr) Asariah was conferred with the Degree of Doctor of the University in 2008.

Known for her work and contribution to teacher education in the country, she was the Deputy Director General of Education, Ministry of Education Malaysia before her retirement in 2011. As Deputy Director General in-charge of Teacher Professional Development, she was primarily responsible for policy, planning, finance and human resource development. A passionate teacher educator, she is known for her work in continuous professional development ("CPD") of teachers and was the key figure in the upgrading of all Malaysian Teacher Training Colleges to become degree awarding institutions known as Institut Pendidikan Guru ("IPG") or Institutes of Teacher Education, Malaysia which now offer full-time Bachelor of Teaching degree courses.

Dato' (Dr) Asariah also has a vast experience in international teacher education management

and collaboration. During her time with the Ministry, she was able to put into fruition efforts of producing effective teachers by various upgrading programmes, reforms and establishing partnerships with local and foreign universities from the United Kingdom, Australia and New Zealand, France, Japan and Germany.

She has attended courses, seminars and workshops at Harvard Graduate School of Education, University of Harvard; Institute of Education, University of London, UK; University of Wales, Cardiff; University of Hiroshima, Japan and Regional education and management centres in Asia such as Singapore, Philippines and Indonesia.

For her contributions, Dato' (Dr) Asariah has been awarded with Darjah Dato Paduka Mahkota Perak (D.P.M.P), Darjah Indera Mahkota Pahang (D.I.M.P), Pingat Johan Setia Mahkota (J.S.M) and Ahli Mangku Negara (A.M.N) from DYMM Seri Paduka Baginda Yang Di-Pertuan Agong.

Dato' (Dr) Asariah attended all the seven (7) Board Meetings held during the financial year ended 31 December 2019.

Dato' (Dr) Asariah has no directorship in other public listed companies. She has no family relationship with any Director and/or substantial shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within the past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



MR LEOW NAN CHYE
Independent Non-Executive Director

Mr Leow, a Malaysian, aged 61, Male, was appointed to the Board on 5 October 2005. He is the Chairman of the Audit and Risk Management Committee and a member of the Nomination Committee and Remuneration Committee of the Company.

Mr Leow is an Accountant by profession and graduated from Tunku Abdul Rahman College and obtained the professional qualification from the Chartered Institute of Management Accountants, United Kingdom. He is a member of the Malaysian Institute of Accountants ("MIA") and has over twenty (20) years experience in various companies involved in property development, resorts and golf, manufacturing and investment holding.

He held various management positions during his employment with Malaysian General Investment Corporation Bhd., KAB Group, Tanming Group, Negara Properties Sdn Bhd and Formosa Prosonic Industries Sdn Bhd.

Mr Leow attended all the seven (7) Board Meetings held during the financial year ended 31 December 2019.

He has no directorship in any other public listed company. He has no family relationship with any Director and/or substantial shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within the past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



MS SOH ENG HOOI
C.A.(M), CPA(M), B Acc (Hons) UM
Independent Non-Executive Director

Ms Soh Eng Hooi, a Malaysian, aged 51, female, was appointed to the Board on 27 November 2017. She is the member of Audit and Risk Management Committee, Nomination Committee and Remuneration Committee.

She graduated from University of Malaya with a Bachelor of Accounting (Honours) in 1994. Ms Soh is a member of the Malaysian Institute of Accountants and the Malaysian Institute of Certified Public Accountants. Ms Soh started her career with Arthur Andersen & Co. Kuala Lumpur and was a partner in Baker Tilly Kuala Lumpur, an independent member firm of Baker Tilly International, before she founded E H Soh & Partners, an accounting firm, in 2015.

Ms Soh attended all the seven (7) Board Meetings held during the financial year ended 31 December 2019.

Ms Soh currently serves as a Board Member of Integrated Logistics Berhad. She has no family relationship with any other Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



DATUK MOHD RADZIF BIN MOHD YUNUS (“DATUK MOHD RADZIF”)
Independent Non-Executive Director

Datuk Mohd Radzif, a Malaysian, aged 62, male, was appointed to the Board on 12 September 2019.

Datuk Mohd Radzif graduated from University of South Australia with a Bachelor in Applied Science Property Resource Management with Finance. He is also a Registered Valuer and Real Estate Professional, Board of Valuers Malaysia.

Datuk Mohd Radzif was a Group Managing Director of SME Development Bank Malaysia from 1 July 2010 to 30 June 2017. Datuk Mohd Radzif comes from a diverse management background. He started his career in academia and as a property consultant in an International firm. This was followed by a management role in a commercial bank. From here, he was Chief Executive Officer of a local conglomerate involved in diversified businesses ranging from construction, property development, highway concession, property management and project management. This was followed by a CEO position in Tabung Haji subsidiary companies. Subsequently, he was appointed as the Chief Executive Officer and Group Managing Director of Institut Jantung Negara Sdn. Bhd. (National Heart Institute) and IJN Holdings Sdn. Bhd. respectively.

In summary, he has a diversified job exposure in taking charge of an international healthcare, property consultancy, real estate development and banking, in leadership positions in each of the varied and diversified industries.

Datuk Mohd Radzif was also a Chairman of Association of Development Finance Institutions of Malaysia (“ADFIMI”) and a Vice Chairman of Association of National Development Finance

Institutions in Member Countries of The Islamic Development Bank (“ADFIMI”). He was a Board member of the Association of Development Financial Institution Asia Pacific and The Montreal Group, a grouping of six (6) Global SME Development Banks. He was also the member of Board of Advisor for Franchise Association, Committee of Advisory for Entrepreneurship in Ministry of Higher Education and Advisory Committee for Innovation Agency of Malaysia.

Datuk Mohd Radzif was awarded the Malaysian Business Leadership Award for Healthcare in 2009. He was also accorded the CEO of the Year in 2015 by the Association of Development Financial Institution Asia Pacific. He was conferred an Honorary membership by ADFIMI in 2018 for his contribution to Islamic Development Finance.

Datuk Mohd Radzif currently serves as a Board member of four (4) other Public Listed Companies i.e DuoPharma Biotech Berhad, HeiTech Padu Berhad, Bina Darulaman Berhad and KPJ Healthcare Berhad. He is also on the Frost & Sullivan Advisory Board on Fintech and Blockchain Technology.

Datuk Mohd Radzif attended all the two (2) Board Meetings held during his tenure in the financial year ended 31 December 2019.

Datuk Mohd Radzif has no family relationship with any other Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



MS LIM KWEE YONG

C.A.(M), Bsc Acc RMIT, Australia

Independent Non-Executive Director

Ms Lim Kwee Yong, a Malaysian, aged 49, female, was appointed to the Board on 10 March 2020.

Ms Lim received a Bachelor of Business, Major in Accounting from Royal Melbourne Institute of Technology ("RMIT"), Australia in November 1995. Subsequently, Ms Lim was admitted as a registered accountant and a chartered accountant of the Malaysian Institute of Accountants in October 1999.

Ms Lim has vast experiences during her employment journey, specialising in financial management, treasury, internal control and risk management, covering various industry from renewable energy, environmental waste management and Oil & Gas Pipe Coatings and Pipeline manufacturing industries. From January 2014 to August 2018, Ms Lim worked for Cenviro Sdn Bhd, being a company engaged in provision of integrated environmental waste management solution, as the Chief Finance Officer and was responsible for the financial and treasury management, risk management, procurement and Management Information System department of the Company. From October 2008 to December 2013, Ms Lim worked for Wasco Energy Group of Companies, being a subsidiary of Wah Seong Corporation Berhad, as a Head of Finance, Pipeline Services Division and was responsible for all financial management and reporting matters as well as investment appraisal matters of the aforesaid company. On March 1995, Ms Lim initiated her working career with Pricewaterhousecoopers ("PWC") as Audit Associate and she left PWC on April 2008 with her last position held as Senior Audit Manager.

Ms Lim is currently the Executive Director cum Chief Finance Officer of Econas Sdn Bhd, a company engaged in provision of consultancy services in waste management, environmental and renewable energy services. She is responsible for all financial strategies and management, internal control and corporate governance matters in the said company.

There was no Board Meetings attended by Ms Lim during her tenure in the financial year ended 31 December 2019 as she was appointed to the Board on 10 March 2020.

She also sits as an Independent Non-Executive Director of APB Resources Berhad. She has no family relationship with any other Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Profile of Directors

(Continued)



MR MALAYANDI @ KALAIARASU
Non-Independent Non-Executive Director

Mr Kalaiaarasu, a Malaysian, aged 34, Male, was appointed to the Board on 17 June 2011.

Mr Kalaiaarasu holds a Bachelors of Engineering (Honours) degree majoring in electronics from University of Nottingham Trent at Nottingham City, United Kingdom and Masters of Business Administration from Victoria University, Melbourne, Australia.

Over the last ten (10) years, he has had extensive experience working in this region for reputed customers on education and technology consulting projects. He contributes the entrepreneurial and technology expertise at the board level.

Mr Kalaiaarasu's focus is strongly on new acquisitions and leading the business aspect in Education. He has worked with Accenture, in which he focused on the upstream oil and gas industry. He has held several key positions since joining Accenture. Prior to this, he worked with an American based multinational corporation, Jabil and prior to that with Mahindra Satyam, a global IT company. Throughout his employment, he managed several key technology research and development projects all over the world. He has also worked with the Ministry of Health in Singapore on developing a key collaborative system.

Mr Kalaiaarasu attended all the seven (7) Board Meetings held during the financial year ended 31 December 2019.

Mr Kalaiaarasu has no directorship in any other public listed company. He has no direct family relationship with any Director and/or substantial shareholder of the Company other than he is the nephew of the spouse of Tan Sri Dato' Dr R Palan in SMRT Holdings Berhad. He has no conflict of interest with Company and has never been convicted of any offence (other than traffic offences, if any) within the past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.



MR MAHA PALAN
Non-Independent Non-Executive Director

Mr Maha Palan, a Malaysian, aged 26, was appointed to the Board on the 23 of July 2018.

He has a Bachelors (Hons) in Chemical Engineering from the University of Manchester and a Masters in Financial Engineering from Imperial College London.

Mr Maha has served in investment-focused roles in firms such as British Petroleum Plc, Piton Capital LLP and Creador Sdn Bhd. During his tenure with these firms, he has invested in and helped grow companies that improved the UK National Health Service, provided valuable analytics to rural farmers and facilitated the growth of emerging economies by reliably supplying them with affordable energy.

Mr Maha has also worked on a wide variety of deals ranging from Europe's largest venture deal of 2018 with a valuation in excess of €2.5 billion to a direct sale and purchase agreement for crude & oil products with a gross exposure in excess of \$4 billion.

Prior to his appointment, Mr Maha had been working with SMRT Holdings Berhad and Minda Global Berhad since January of 2018 with a focus on driving growth, implementing operational restructures and strategy alignment.

Mr Maha is also a co-founder of The Palan Foundation, a registered non - profit organisation committed to improving the educational attainment of young disadvantaged individuals.

Mr Maha attended seven (7) Board Meeting held during the financial year ended 31 December 2019.

Mr Maha currently serves as a Board Member of Minda Global Berhad. He is son of Tan Sri Dato' Dr R Palan, a substantial shareholder and Chairman of the Company as well as the son of Puan Sri Datin Kamatchi, a substantial shareholder of the Company. Saved as disclosed above, Mr Maha has no family relationship with any other Director and/or major shareholder of the Company, no conflict of interest with the Company and has never been convicted of any offence (other than traffic offences, if any) within past five (5) years or imposed with any public sanction or penalty by the relevant regulatory bodies during the financial year.

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors ("Board"), I present the Annual Report and financial statements of SMRT Holdings Berhad ("SMRT") for the financial year ended 31st December 2019.

During the year 2019, the Group experienced both positive successes and challenges due to the global, regional and domestic political and economic scenarios. The Group during the year put tremendous focus on quality, revenue generation and costs savings. With a competent senior management team in place, the focus was on good corporate governance, academic excellence, prudent financial and student enrolment strategies.

Education —

On the education front, Minda Global Berhad continued to grow the education front. The continued emphasis on international students to diversify the student base was reasonably successful with now students coming from 30 plus countries. The continued investments for future growth with emphasis on quality ratings and making quality a top priority translated into impressive figures in terms of student enrolments. The focus continued to be on sustainable and profitable growth rather than growth for the sake of growth. This meant that we were more sober with growth targets. CUCMS acquired a full University status and was renamed as the University of Cyberjaya. This was a defining moment for the University. Asia Metropolitan University continued to build their medical and nursing faculty. The colleges and the international school continued to maintain their modest growth.

Technology —

On the Technology segment comprising both the Human Capital Management ("HCM") cloud software and Internet of Things ("IoT"), we sighted the growth in the number of organisations using the HCM cloud software and gaining interest in IoT. The cloud software gained traction in three geographies Malaysia, Middle East, and India. The new recurring revenue business model has generated much traction. While the business is still yet to break even given the continuing change

in technology, we do expect it to make significant inroads into the industry in the next 12 months.

The IoT business has been generating tremendous interest among industry given the move towards sensors, machine learning and robotics. While the business remains small and focussed on a few customers, the team has made significant effort both in Malaysia and Indonesia. The new management team has instituted new standard operating procedures and is working towards a sustainable product portfolio to scale the business.

Human Resources Professional Services ("HRPS") —

On the professional services segment, business was subdued yet profitable. To align operations, this business, SMR HR Group Sdn Bhd ("SMR HR Group") was divested within the group to Minda Global Berhad. This move is expected to support the continuing education and the executive education part of Minda Global Berhad to generate complementary revenue and focus on the working adults' population who need to continue lifelong learning to remain employable and relevant. Given that this division is closely aligned with the education business, it is deemed as a strategic move to support the universities to also forge industry partnerships to promote lifelong learning and employment opportunities to our graduates. SMR HR Group has a very successful track record over the last three decades in working with industry.

Challenges —

The Covid – 19 pandemics also known as the coronavirus pandemic has severely affected the business environment. Initially identified in Wuhan, China in December 2019, the World Health Organisation declared the outbreak a public health emergency of international concern in January 2020. Malaysia has since implemented a Movement Control Order in the middle of March 2020. The concept of Working from Home, Remote Work and Online learning has become a new normal with social distancing. It has become important for costs to be cut dramatically without being inhuman and affecting quality. The health crisis has fast evolved into an economic and social crisis. Unemployment remains a serious concern.

Chairman's Statement _____

(Continued)

These challenges we anticipate will remain and therefore the entire management team has been working aggressively towards developing new innovative measures to deal with his unexpected challenge never experienced before. The Board is aware of the challenging times ahead of us and expect these to put tremendous pressures on revenue, profitability and cash flows, yet there is cautious optimism that this is the time to reflect on the strategies and focus on the opportunities to grow the business. The Board has put in risk mitigation efforts to manage these challenges.

The Group will continue to ensure adequate emphasis and resources to enhance the systems of risk management, quality management and internal controls. The Code of Ethics and The Anti Bribery and Anti-Corruption Policy have been adopted by the Board. Implementation and regular monitoring of risk management and internal control systems ensure that the business, operation, and financial risks are well managed in helping us manage the risks. The Board has also continued to further strengthen its corporate governance framework in line with recommendations of the revised Malaysia Code of Corporate Governance 2018.

Appreciation —

On behalf of the Board, I would like to thank:

- The key management and staff for their dedicated commitment and contribution throughout the year;
- Our advisors, business partners, valuable customers, suppliers, bankers, government agencies and regulatory authorities for the continued loyalty, support and confidence.

Finally, I would also like to record a note of thanks to my fellow Board members for their invaluable contributions and guidance to the Group. It is my belief that they will continue to serve you, our shareholders and work towards taking the Group to the next level and to become a leading education and learning company in a digital world.

TAN SRI DATO' R PALAN Ph.D.

Executive Chairman

Management Discussion & Analysis

The present business structure of SMRT is depicted below:



TECHNOLOGY

- Human Capital Management (“HCM”) Cloud Based Software
- Internet of Things (“IoT”)



EDUCATION *thru* Minda Global Berhad

- University of Cyberjaya (“UOC”) (formerly known as Cyberjaya University College of Medical Sciences)
- Asia Metropolitan University (“AMU”)
- Asia Metropolitan Colleges (“AMC”)
- Asia Metropolitan International School (“AMETIS”)
- Human Resources Professional Services (“HRPS”)

FINANCIAL PERFORMANCE

Operating Segments	2019	2018	Variance	
	RM'000	RM'000	RM'000	%
Revenue				
Technology	41,046	41,450	(404)	-1.0%
Training	1,540	1,206	334	27.7%
Education	98,373	85,824	12,549	14.6%
Others	-	-	-	N/A
Total	140,959	128,480	12,479	9.71%
Profit/(Loss) After Tax				
Technology	15,509	4,017	11,492	286.1%
Training	1,043	(1,412)	2,455	173.9%
Education	(38,954)	(7,713)	(31,241)	405.0%
Others	(27,639)	4,088	(31,727)	-776.1%
Total	(50,041)	(1,020)	(49,021)	4806.0%

The Group recorded an increase in revenue of 9.71% in 2019 as compared with 2018 which was driven by increases in both the Technology segment by IoT (Internet of Things) and Comprehensive Cloud Based Human Capital Management (HCM) Suite businesses as well as education segment resulted from higher student intakes.

The Group registered a loss after tax of RM50.0 million in 2019 as compared to marginal loss after tax of only RM1.0 million in 2018. This is primarily due to the following reasons:

Management Discussion & Analysis

(Continued)

- (i) One off gain on investment amounted to RM 24.2 million recognised in year 2018.
- (ii) Adoption of MFRS16 commencing in year 2019 by the Group resulted in recognition of Right of Use Depreciation and Right of Use Finance cost recognition amounted to RM18.1 million and RM 21.1 million for FYE 31 December 2019 respectively.
- (iii) Impairment of goodwill on consolidation resulted from the Group's investment in Minda Global Berhad, amounted to RM 3.5 million.

In relation to profitability of the Group, our Technology segments registered steady improvement in profits. The higher profits for the Technology segment are due to the increase in revenue derived from Managed Services which carried better margin as compared to hardware orientation and implementation projects. With the growing in the revenue, our technology arm also enjoy better cost management with the benefit of cost optimisation and economic in scale.

The improvement in profit for the Training segment is primarily resulted from steady improvement in revenue and relevant cost rationalisation implemented by the Group for the financial year under review.

Correspondently, the net assets of the Group reduced from RM248.1 million in 2018 to RM197.1 million in 2019 arising primarily from the reduced in earning for the financial under review as elaborated above

BUSINESS AND OPERATIONS PERFORMANCE

o TECHNOLOGY DIVISION

• COMPREHENSIVE HCM SUITE ON-CLOUD

Current Business

Our comprehensive Human Capital Management ("HCM") solution on-cloud: TalentOz has continued to gain significant traction over Malaysia, Gulf Countries and India. As of Dec 2019, we have 87 organisations using Talentoz with a total staff head count of 19446 using the application on a daily basis.

Talentoz covers the entire lifecycle of employee from Recruitment to Separation (also called Hire-to-Retire Processes). It is a user centric platform which helps employees "manage their work" and assist managers "manage people" to build an organisation of the future. With the power of "SMAC" (Social, Mobile, Analytics and Cloud) compliant unified talent management processes, organisations can bring all phases of employee life cycle under one single platform that is accessible from anywhere using any device. Talentoz HCM suite includes modules pertaining to transactional HR such as Leaves, Time & Attendance and Payroll plus strategic HR functions such as: Competency Management, Performance Appraisals, Employee surveys.

With the radical changes taking place globally towards cost rationalisation and adoption of new age HCM systems, there is sustained demand for high-quality cost-effective cloud-based HR systems like Talentoz.

We have focussed on three specific geographic areas: Malaysia, Gulf Cooperation Countries ("GCC") and India. These markets are seeing a lot of momentum on cloud adoption. We have also partnered with other players in the HR services area to quickly scale up our user base.

Industry outlook

Fortune Business Insights says that the HCM market was valued at US\$ 15.04 Bn in 2018 and is projected to reach US\$ 30.55 Bn by 2026.

Management Discussion & Analysis _____

(Continued)

HCM solutions and services enable optimization of different functions such as applicant tracking, sourcing and recruiting, payroll and compensation, time and attendance management, workforce scheduling, among others. HCM solution delivers specific capabilities to the organization by allowing it to implement human resource in three major categories which include workforce acquisition, workforce management, and workforce optimization.

Source: Fortune Business Insights

Furthermore, in a move to support the growth of home grown cloud companies, Malaysia Digital Economy Corporation (“MDeC”) launched the Malaysia Cloud Initiative (“MMCI”) which helps MSC companies like ours to accelerate the transition to cloud with infrastructure and platform support, go-to-market assistance, comprehensive training, POCs, and hands-on assistance.

Source: MDeC

In the future the emergence of artificial intelligence and machine learning for data analysis likely to drive the growth of the Human Capital Management (HCM) Market. Platform as a Service (PaaS) to offer extended capability in an HCM suite and increasing focus on providing employee engagement solutions is likely to emerge as a prominent market trend.

Future Plans

Thought leadership is critical for developing an eco-system around the product. We have embarked upon this with articles, blogs and videos to appeal directly to the top management at C-Levels to get their mind share and facilitate faster decision making. We have also devised a Rapid Implementation Framework with adequate checkpoints and sign off processes to support customers.

In order to capitalise on the opportunities available in the HR technology industry, we are pursuing several key growth initiatives which include the following:

- Expand product range to provide competitive edge. The modules earmarked for further development include HR Data Analytics, Embed Artificial Intelligence & Machine Learning Neural networks within Talentoz, AI enabled Chatbots, Succession planning and Career Planning.
- Partnerships with existing vendors offering payroll solutions in India and Malaysia to achieve quick scale up with access to their existing clientele base.
- Providing unique solutions for Payroll outsourcing vendors to use Talentoz as a platform to drive their business.
- Provide a separate vertical to manage contract staff and vendors within Talentoz to optimise staffing and processing costs.
- Focused sales and marketing strategy in terms of regional focus on India, Malaysia and GCC as well as specific industry sectors and company size.
- **INTERNET OF THINGS (“IoT”)**

Current Business

N’osairis Technology Solutions Sdn Bhd (“N’osairis”), a 64%-owned subsidiary of the Company. N’osairis provides turnkey IoT services platform in the 3 regions: Malaysia, Indonesia and Singapore. Turnkey IoT services comprise 3 sub-services:

- o Managed M2M Connectivity
- o Managed IoT Services
- o IoT Business Consulting

Management Discussion & Analysis

(Continued)

IoT is a concept of an end-result that is derived through the interaction between sensors, connectivity and business intelligence. As defined, the definition of IoT has evolved due to convergence of multiple technologies, real-time analytics, machine learning, commodity sensors and embedded systems.

Industry Outlook

In a new McKinsey Global Institute report, *The Internet of Things: Mapping the value beyond the hype*, the report attempts to determine exactly how IoT technology can create real economic value. There has been a lot of criticism about the hype with sensors and actuators connected by networks to computing systems. The IoT industry has received enormous attention over the past five years. Their finding is that if one is to look beyond the hype it will be clear where real value can be created and a successful effort to address a set of systems issues, including interoperability. The report states that their bottom-up analysis for the applications were estimated to be that the IoT has a total potential economic impact of \$3.9 trillion to \$11.1 trillion a year by 2025. At the top end, that level of value, including the consumer surplus - would be equivalent to about 11 percent of the world economy.

Future Plans

To achieve our business objectives, we are focused on continuing to provide high levels of customer service and remain constantly on the lookout to provide more attractive product lines.

o EDUCATION DIVISION

Current Business

The Group operates several educational institutions from an international school, colleges, university college and university, through Minda Global Berhad ("Minda Global").

We achieved other triumphs in 2019 that will positively impact moving forward of the Group. Our institutions were rated favourably by various agencies. Our flagship institution, Cyberjaya University College of Medical Science, was awarded university status and now known as University of Cyberjaya ("UOC"). UOC maintained its SETARA 5 Star (Excellent) rating by the Ministry of Higher Education. Furthermore, it was also accorded 5-Stars for the categories of Teaching, Employability, Facilities and Inclusiveness by QS Stars, an international ratings system developed by Quacquarelli Symonds, the publishers of the QS World University Rankings. Asia Metropolitan University ("AMU") maintained its SETARA 3 Stars rating, whereas the colleges in Kuching and Kota Kinabalu maintained their MyQuest 4 Star ratings. We strongly believe that the experiences and quality of our graduating students will drive the success of Minda Global in the coming year, even more so now that our Cyberjaya campus is running full swing.

The acquisition of SMR HR Group Sdn Bhd ("SMRHRG") who offers Human Resources Professional Services ("HRPS") signifies another positive step for Minda Global to establish itself in the private education sector and the learning and training industry in Malaysia. In line with Minda Global's goal to increase complementary revenue streams, SMRHRG will synergise education, learning and training, and executive certificates, diplomas and degrees for companies within Minda Global. Other significant synergies are expected to be realised from the integration of Minda Global's existing businesses and that of SMRHRG's operations, including cost savings in capital and operational expenditure.

The Group has also worked on international accreditation and partnerships with several countries.

We recognise that much has yet to be done to attain profitability, but we are confident that we can upturn our financial position by concentrating on our transformation plan to build exceptional

Management Discussion & Analysis _____

(Continued)

learning institutions that will impress our stakeholders. We intend to build upon our achievements in 2019 and further improve our financial performance in a period of uncertain economic outlook due to the Covid-19 crisis.

Recognising that education is a long-term investment, our objective is to remain relevant in a fast-changing market whilst maintaining competitive costs. We embraced leaner operations by optimising cost structure and cutting unnecessary expenditure. It simplified our purpose and pushed us to deliver our targets without compromising on student experience and employee engagement.

Industry Outlook

The current pandemic Covid-19 crisis is serious. International student enrolment may taper off given the travel restrictions. Social distancing may affect the way classes are conducted. Funding will almost certainly be required to manage short term cash flows if we are to save the academic quality, jobs and future talent pipelines for the country. Private higher education institutions operating on tight budgets and depending entirely on student fees will need some financial support. There is a need to structure funding requirements and channel organisational responses to address the challenges that emerge from this serious crisis.

Most universities and colleges have switched to online learning. Despite the glitches during the early days of the Movement Control Order period. Things are getting smoother now. There is a need to rapidly innovate in a situation that is constantly changing by the day. On the positive side, there is going to be an upsurge in demand for certain skills post this pandemic crisis because private higher education has played a great role in providing equitable access to education for the communities they serve.

The higher education industry is integral to the nation. The Way Forward document by the Ministry of Education (“MOE”) states that the private higher education industry contributed over RM30 billion to the economy in 2018. MOE statistics also indicate that private institutions educate just over 50% of the nation’s future workforce. Thus, it is in the national interest to develop strategies that will further strengthen the sector.

Future Plans

The professional management team will continue to be focused on strengthening business growth through efficient daily operations and enhanced revenue streams under the oversight, governance and direction by a strong board.

Sustainability Statement _____

At SMRT, we recognise the importance of sustainability and its increasing impact to the business. The Group is committed to understanding and implementing sustainable practices and to exploring the benefits to the business whilst attempting to achieve the right balance between the needs of the wider community, the requirements of shareholders and stakeholders and economic success. SMRT's sustainability policy aims to create a culture of sustainability within the Group, and the community, with an emphasis on integrating the social, environmental and governance considerations into decision making and the delivery of outcomes.



SOCIAL



ENVIRONMENTAL



GOVERNANCE



Social Sustainability

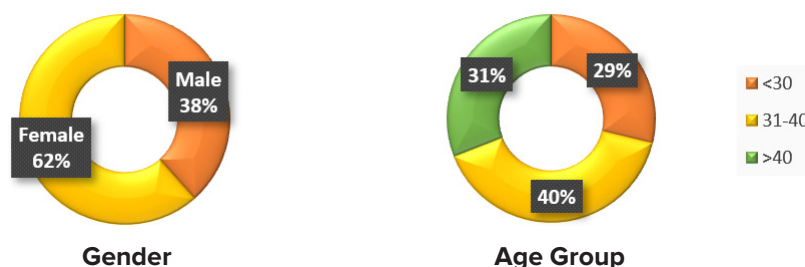
Social sustainability is focused on the development of programmes and processes that promote social interaction and cultural enrichment. It emphasises protecting the vulnerable, respecting social diversity and ensuring that the Group places significant importance on social capital.

Healthy Workforce and Employee Well-being

- **Learning and Development:** Providing continuous learning and development opportunities to the employees in fulfilments of the Group's strong emphasis on enhancing the skillsets of the employees and enabling the employees in building rewarding careers. The Group had provided about **1000 hours** of professional training programmes to enhance the professional and personal growth of employees in 2019.
- **Work-life Balance:** The Group is convinced that a healthy work-life balance is vital in striking a balance amongst the demands of job, family and other aspects of holistic living. Thus, the Group practices flexibility in working hours namely "**Flex-time**" and allowing employees to work from home to enable employees to have better control over their time schedule that could improve work-life balance of the employees.
- **Open-plan Concept:** The Group practised **open-plan concept in our offices** to improve collaboration amongst employees that helps shaping the working culture.
- **Diverse Workforce and Equal Opportunity:** Diversity, fair employment and inclusivity are values that we embrace. The Group is committed in implementing "**Equal Employment Opportunity**" policy along with the aim to build and nurture a global and multi-cultural workforce. The policy governs all aspects of employment, including selection, job assignment, compensation, discipline, termination, and access to training and benefits to ensure the Group does not discriminate in employment opportunities or practices on the basis of ethnicity (race, colour), religion, sex, national origin, age, or any other characteristic covered and protected by law. In order to provide equal employment and advancement opportunities to all individuals, Malaysians and foreign nationals' employment decisions at the Group will be based on merit, guided by assessment of qualifications, abilities and experience.

Sustainability Statement _____

(Continued)



Good Standard of Practices, Quality Services and Behaviour in the Group to promote safety, well-being and to improve public perception and experience in the Group.

- A protected avenue is provided to all stakeholders like employees, students, parents and any members of the public to collect constructive feedback for improvement as well as to report any improper conducts or untoward actions to the Group through suggestion boxes, surveys, emails and evaluation forms.



Environmental Sustainability

The Group is committed to identify, manage and minimise the environmental impact of business operations.

Health, Safety and Environment (“HSE”) policy that eliminating the risks to the health and safety of our stakeholders.

- **Handling of High-Risk Materials/ Disposals:** Ensure all employees understand their HSE accountabilities and demonstrate visible HSE leadership. The medical science faculty members in our education institutions always vigilance. Employees and students are trained and always reminded of the potential hazards in the handling and disposal of high-risk materials.
- **CPR, Fire Safety and Basic First Aid:** The employees are also trained in CPR, fire safety and basic first aid to prevent injury become worst and it helps to raise the employees’ consciousness of safety at the workplace that leading to a reduced number of work-related ill health and incidents.
- **Electricity Consumption:** Lights are switched off during lunch hours in our offices. Hourly classroom patrols are conducted and use of timers for LED lights and air-conditioning are in place to reduce unnecessary energy consumption.
- **Waste Management Initiatives:** Strategies and proposed initiatives and guidelines for waste reduction are identified such as practicing paperless with a digital system and controlled paper use in the offices; provided water fountains in strategic locations in the campus to reduce the need for purchase of bottled water; placed signages in various places around campus, school and office to encourage our employees and students to be more environmentally conscious in consuming energy and water. The Group abides by the prescribed standards of the Department of Environment (DOE) in the disposal of our scheduled waste, our scheduled waste partners also meet all DOE certification criteria in the treatment of our waste disposals.
- **Conducive Learning and Working Environment:** We cater the need of conducive learning and working environment for students and employees by providing following amenities in all our campus and offices: cigarette smoke-free; 24-hour security; well-lit parking areas; traffic enforcement and surrounded by lush greenery environment.

Sustainability Statement _____

(Continued)



Governance Sustainability

Governance sustainability refers to compliance in strategic, financial and operational policies/requirements & procedures to gain the confidence of investors, other stakeholders and the public. Governance sustainability is becoming more essential in gaining the confidence of investors, other stakeholders and the public. The Group recognises the importance of governance sustainability and incorporating it into all functions and processes which include strategic planning, accountability, sustainable planning and development.

- **Code of Ethics:** The Board of Directors of SMRT are fully subscribed to the Code of Ethics that providing guidance and set common ethical standards to promote consistency in behaviour across all levels of employment.
- **Whistle Blowing Policy:** Whistle Blowing Policy is established and adopted by the Group to provides a bona-fide platform where an individual can raise a concern about a risk, malpractice or wrongdoing that may affect others such as clients, suppliers, staff, the company or public interest. Individuals are encouraged to raise genuine concerns at the earliest opportunity and in an appropriate way as SMRT is committed to conduct its businesses in an open and fair manner, practice a healthy working environment and aims to become the most respected and trusted company in their industry.
- **Insider Trading Policy:** Insider Trading Policy is established and adopted by the Group to serve as a reminder to the directors, officers and employees of the Group about their personal duty and obligation to comply with the relevant insider trading laws and restrictions.
- **Risk Management and Internal Control Framework:** The Group had adopted a Risk Management and Internal Control Framework to the understand better the risks we are exposed to and put controls in place to counter threats and pursue our objectives effectively. The Risk Management and internal Controls Framework was implemented and embedded in the business processes and activities. The framework will be reviewed by the Board on annual basis to ensure its effectiveness and relevancy to the business context.
- **Anti-Bribery and Anti-Corruption Policy:** The Group is committed to conducting its businesses in an ethical, transparent, responsible and efficient manner. We have adopted a zero-tolerance approach to all forms of bribery and corruption and will uphold all laws relevant to corruption.
- **ISO 9001:2015 Quality Management System:** To maintain the ISO 9001:2015 certification awarded by SIRIM Berhad in ensuring the ability of the business entities of the Group to consistently providing products and services that meet customers and regulatory requirements and continually improving the policies and business processes for betterment.
- **Audit:** Internal audit exercises were conducted on quarterly to assess and evaluate the effectiveness of the governance, risk management and internal control framework as well as the compliance. External audit exercise was conducted by SIRIM Berhad to ensure compliances to the policies and business processes.

Corporate Development _____

Date	Description
3 January 2019	The Company completed the acquisition of one (1) ordinary share in Cendana Edisi Sdn Bhd ("Cendana Edisi") representing 100% of the equity share capital of Cendana for a cash consideration of RM1.00. Subsequently, Cendana Edisi have changed its name to Talentoz Sdn Bhd (Talentoz SB") on 14 February 2019.
30 March 2019	Talentoz had acquired 9,999 ordinary shares and SMR Management Sdn Bhd had acquired 1 ordinary share respectively in Forzia Tech Private Limited representing in total 100% equity interest in Forzia for a cash consideration of Rs.1,261,600, equivalent to RM74,271.89
4 October 2019	Talentoz SB, a wholly owned subsidiary entered into an Intellectual Property Sale and Purchase Agreement ("SPA") with Mohamed Shakeer Bin Abdul Rahim to acquire an Intellectual Property known as "Datazie" for a consideration valued at Ringgit Malaysia Ninety Thousand (RM90,000.00) Only to be satisfied by the issuance of new and registrable ordinary shares of Talentoz up to 45% of the enlarged paid-up capital of Talentoz SB ("Acquisition"). On 2 December 2019, the acquisition was completed and Talentoz SB shall become a 55% owned subsidiary of the Company.
11 November 2019	The Company had on 11 November 2019 entered into a share sale agreement with Minda Global Berhad for the proposed disposal of 20,786,000 ordinary shares in SMR HR Group Sdn Bhd ("SMR HRG"), representing the entire equity interest in SMR HRG for a consideration of Ringgit Malaysia Five Million Two Hundred Thirty Thousand (RM5,230,000.00) Only ("Proposed Disposal"). Upon completion of the Proposed Disposal, SMR HRG shall cease to be a wholly-owned subsidiary the Company.

Audit & Risk Management Committee Report

The Audit and Risk Management Committee (“ARMC”) is pleased to present the ARMC Report for the financial year ended 31 December 2019 in compliance with ACE Market Listing Requirements (“AMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The Board had on 11 April 2017 resolved to have the risk management of the Company to be under the purview of the Audit Committee in view of the Company’s risk exposure. In view of this, the Audit Committee was renamed as the Audit and Risk Management Committee. The ARMC assumes the role in overseeing the risk management functions of the Group together with the Management.

A) Composition of ARMC

The ARMC shall be appointed by the Board of Directors (“Board”) from amongst the Directors and shall consist of not fewer than three (3) members. The ARMC comprises solely of Independent Directors.

ARMC Members	Position	Date Appointed
Mr. Leow Nan Chye	Chairman, Independent Non-Executive Director	5 October 2005
Dato’ (Dr.) Asariah Binti Mior Shaharuddin	Member, Independent Non-Executive Director	4 November 2013
Ms Soh Eng Hooi	Member, Independent Non-Executive Director	27 November 2017

The Chairman of the ARMC is not the Chairman of the Board and is elected by the members of the ARMC among themselves who is an Independent Director. In the absence of the Chairman of the ARMC, the remaining members present shall elect one of their members as Chairman of the meeting. No alternate director is appointed as a member of the ARMC.

The Chairman of the ARMC, Mr Leow Nan Chye and one (1) of the members of the ARMC, Ms Soh Eng Hooi are members of the Malaysian Institute of Accountants (“MIA”) and this is in compliance with Rule 15.09(1)(c) of the AMLR.

The ARMC shall meet at least four (4) times a year although additional meetings may be called at any time at the ARMC Chairman’s discretion.

The ARMC met five (5) times during the financial year ended 31 December 2019 and the records of attendance of the ARMC members are set out below:

ARMC Meeting Attendance During Tenure in Office								
ARMC Members	Position	26 Feb	27 May	19 Jun	26 Aug	27 Nov	Attendance (nos)	Attendance (%)
Mr Leow Nan Chye	Chairman, Independent Non-Executive Director	√	√	√	√	√	5/5	100%
Dato’ (Dr.) Asariah Binti Mior Shaharuddin	Member, Independent Non-Executive Director	√	√	√	√	√	5/5	100%
Ms Soh Eng Hooi	Member, Independent Non-Executive Director	√	√	√	√	√	5/5	100%

Audit & Risk Management Committee Report _____

(Continued)

In addition to the ARMC members, the Head of Finance and/ or representative from Finance, and the Internal Auditors shall normally attend the meetings as an invitee. Representatives of the External Auditors shall attend meetings where matters relating to the audit of the statutory accounts and/or the External Auditors are to be discussed. Other Board members, Senior Management and employees may attend the meeting upon the invitation of the ARMC Chairman. However, the ARMC should meet with the External Auditors without the Executive Directors' and Management's presence at least twice a year. During the year, they met twice on 26 February 2019 and 27 November 2019, without the presence of the Executive Directors and Management.

Notice of meeting shall be sent to all members of the ARMC and any other person who may be required/ invited to attend. All quarterly results and annual financial statements shall be reviewed and discussed by the ARMC in the ARMC meeting to be held prior to the Board meeting and be presented to the Board for approval. The ARMC Chairman shall report on each meeting to the Board.

The Company Secretary shall be the secretary of the ARMC and will be responsible for sending out notices of meetings, preparing and keeping minutes of meetings and circulating the minutes of meetings to all members of the ARMC. Notice of meeting and minutes of meetings are to be circulated to the ARMC members at least seven (7) days prior to the meeting so as to provide the ARMC members with relevant and timely information for effective discussions during the meeting.

The terms of reference of the ARMC are published on the Company's website www.smrt.holdings.

Summary of The ARMC Activities For The Financial Year Ended 31 December 2019

In line with the Terms of Reference of the ARMC, the activities of the ARMC during the financial year under review are as follows:

1. Financial Reporting

- a) Reviewed the unaudited quarterly financial statements and made relevant recommendations for approval by the Board; and
- b) Reviewed the draft audited financial statements of the Group and the Company for the financial year ended 31 December 2019, together with Directors' and Auditors' Reports thereon prior to submission to the Board for consideration and approval.

2. External Audit

- a) Considered the findings by the external auditors during review of the annual results and Management's responses thereto;
- b) Reviewed and discussed with the external auditors the nature and scope of their audit and ensured that the audit is comprehensive;
- c) Reviewed the external auditors' audit plan of the Group for the financial year ended 31 December 2019;
- d) Discussed developments in financial reporting and standards with external auditors in relation to future financial years/periods;
- e) Reviewed the performance and effectiveness of the external auditors in the provision of statutory audit services;
- f) Reviewed the fees and type of non-audit services provided by the external auditors;

Audit & Risk Management Committee Report

(Continued)

The audit and non-audit fees for the financial year ended 31 December 2019 were as follows:-

	Company	Group
	RM'000	RM'000
Audit fees	130	658
Non-audit fees - Review of Statement of Risk Management and Internal Control	6	12

- g) Review of Statement of Risk Management and Internal Control; and
- h) Recommended the re-appointment of external auditors of the Company by the Board, and subject to shareholders' approval.

3. Internal Audit

- a) Reviewed the Group internal audit plan and scope of work for the financial year ended 31 December 2019;
- b) Reviewed the internal audit report for the Group, which incorporated audit findings, recommendations and Management responses, for the Group and the Company by the external service provider for internal audit services;
- c) Ensured appropriate actions were taken to ensure the effectiveness of the internal control systems based on feedback received from internal auditors; and
- d) Reviewed the Group's related party transactions. As confirmed by the Management and the Executive Directors, there were no related party transactions and conflict of interest situation reported in the financial year ended 31 December 2019.

4. Risk Management

- a) Reviewed operational and financial performance of the Group to ensure that appropriate measures were taken to address any significant risks; and
- b) Reviewed and recommended for Board approval the draft ARMC Report and draft Statement of Risk Management and Internal Control in the Company's Annual Report for the financial year ended 31 December 2019.

B) Internal Audit Function

Pursuant to the AMLR of Bursa Securities and in compliance with the Malaysian Code on Corporate Governance ("MCCG") 2017, the Company engaged an external professional firm to carry out the internal audit function for the financial year ended 31 December 2019, for both SMRT Holdings Berhad and its subsidiary Minda Global Berhad. The Internal Auditors report directly to the ARMC.

The Internal Auditors provide an independent and objective assessment of the adequacy and effectiveness of the Group's risk management and internal controls which is performed with impartiality, proficiency and due professional care.

The internal audit function adopts a risk based auditing approach by focusing on reviewing identified high risk areas for compliance with control policies and procedures, identifying business risks which have not been appropriately addressed and evaluating the adequacy and integrity of controls. The internal audit function assists the ARMC in discharging its duties and responsibilities with respect to the adequacy and integrity of the system of internal controls within the Group.

Audit & Risk Management Committee Report _____

(Continued)

During the year, a risk based audit of the Group's operating divisions was conducted to ensure compliance with internal control procedures, control weaknesses and propose appropriate recommendations towards improving and strengthening of controls.

The cost incurred for the Company's internal audit function for the financial year ended 31 December 2019 was RM32,000.00.

C) Statement In Relation to Allocation of Employee Share Option Scheme ("ESOS")

On 27 October 2015, the Company announced that Bursa Securities had approved the listing of and quotation for additional new SMRT Shares, representing up to fifteen (15%) of the issued and paid-up ordinary share capital of SMRT (excluding treasury shares) to be issued pursuant to the exercise of the ESOS. The ESOS has been effective from 28 November 2015.

Under the ESOS, share options are granted to eligible directors, local employees (Malaysia) and overseas subsidiaries' employees.

The Company has granted a total of 42,555,000 shares options under the ESOS.

During the financial year, the Company did not grant any additional shares options under the ESOS.

The Company have extended the exercisable period for the offer of shares options granted to the eligible employees and directors from 31 March 2018 to 30 September 2018, and further extended to 30 June 2019 in accordance with the provisions of the ESOS By-Laws. The Company have no further extension after 30 June 2019, therefore the shares options was lapsed on 30 June 2019.

Movement of shares options during the financial year

	Number of shares options (unit)
Outstanding as at 1 January 2019	30,548,500
Granted	-
Forfeited	(25,318,500)
Exercised	-
Outstanding as at 31 December 2019	5,230,000

Audit & Risk Management Committee Report _____

(Continued)

Movement of shares options by Directors

Directors	Position	Number of ESOS (unit)				
		At 1 January 2019	Granted	Exercised	Lapsed	At 31 December 2019
Tan Sri Dato' Dr. R Palan	Chairman	800,000	-	-	(800,000)	-
Danny Chu	Executive Director (Appointed on 31 December 2019)	-	-	-	-	-
Leow Nan Chye	Independent Non-Executive Director	-	-	-	-	-
Dato' (Dr.) Asariah	Independent Non-Executive Director	250,000	-	-	(250,000)	-
Soh Eng Hooi	Independent Non-Executive Director	-	-	-	-	-
Datuk Mohd Radzif	Independent Non-Executive Director (Appointed on 12 September 2019)	-	-	-	-	-
Malayandi @ Kalaiaarasu	Non-Independent Non-Executive Director	3,800,000	-	-	(3,800,000)	-
Maha Palan	Non-Independent Non-Executive Director	-	-	-	-	-

The Option Committee has reviewed the share options granted to Senior Management and is of the opinion that they are within the criteria as set out in the By-Laws.

Corporate Governance Overview Statement

The Board of Directors (“Board”) of SMRT Holdings Berhad (“SMRT” or “Company”) is committed to ensuring that the highest standards of corporate governance are practiced throughout the Company and its subsidiaries (“Group”). The Board supports the corporate governance framework and continues to improve existing practices and achieve the objectives of the Company.

The Board is pleased to present this overview statement which sets out a summary of the Group’s corporate governance practices during the financial year ended 31 December 2019 in accordance with the Malaysian Code on Corporate Governance (“MCCG”). This statement is to be read together with the Corporate Governance Report 2019 (“CG Report”) of the Company as the application of each practice as set out in the MCCG is disclosed in the CG Report. The CG Report is available on the Company’s website at www.smrt.holdings.

PRINCIPLE A : BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

Board Duties and Responsibilities

The Board is primarily responsible for the Group’s overall strategic plans for business performance, risk management, internal control, management information systems, overseeing the proper conduct of business, succession planning of key management, shareholders’ communication and statutory matters; whilst management is responsible for the execution of the policies and attainment of the objectives of the Group.

Nevertheless, the Board is always guided by the Board Charter which sets out the duties and responsibilities and matters reserved for the Board in discharging its fiduciary duties. The Board reviews the Board Charter periodically to ensure that it continues to remain relevant and appropriate. The Board Charter is available on the Company’s website at www.smrt.holdings.

The Board had assumed the following duties and responsibilities during the financial year ended 31 December 2019 :

- (a) Evaluated the conduct of the Group’s business based on the monthly and quarterly financial and other reports prepared by management and concluded that the business is being managed sustainably;
- (b) Identified principal risks and ensured that appropriate systems were implemented to manage these risks as far as possible;
- (c) Reviewed the Sustainability Report and was satisfied that the report reflects the sustainability of its business and the environment it operates in;
- (d) Ensured that the investor relations programme and shareholder communications policy for the Company were implemented effectively;
- (e) Reviewed the efficiency and quality of the Group’s financial reporting process and the adequacy and integrity of the Group’s internal control and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines and was satisfied that the internal control systems and information systems were adequate in all material aspects and that the Group complied with applicable laws and regulations;
- (f) Reviewed the interim financial statements and the annual report and was satisfied that the financial statements and the contents of the annual report reflected the true and fair view of the financial position and results of the Group and presented its activities accurately; and
- (g) Ensured continuing education or training for the Directors to keep abreast of relevant changes in laws and regulations and the development of the industry.

Corporate Governance Overview Statement

(Continued)

Roles and Responsibilities of the Chairman and Chief Executive Officer

Tan Sri Dato' Dr Palaniappan A/L Ramanathan Chettiar ("Tan Sri Dato' Dr R Palan") is the Executive Chairman of the Company. The Board feels the arrangement to maintain him as Executive Chairman of the Group is in the best interest of the Group for the time being. As one of the pioneer members of the Group, the Chairman is able to provide effective leadership to the Board and guide the vision, strategic direction and business development of the Group and at the same time be guided by independent advices and views from the independent Directors, who offer the necessary check and balance in the decision making process of the Board.

During the financial year ended 31 December 2019, the Chief Executive Officer ("CEO"), Dr Amat Taap @ Amat Jais Bin Manshor who is not a Director of the Company is responsible for the day-to-day management of the business and operations of the Group. The CEO is supported by a management team and other committees established under the Group's management framework. The Board is also kept informed of key strategic initiatives, significant operational issues and the Group's performance. However, Dr Amat Taap @ Amat Jais Bin Manshor had resigned as CEO of the Company on 25 February 2020 to pursue his other career opportunities. In the interim period, the Executive Directors have taken over the responsibilities of the CEO until a suitable candidate is found.

Company Secretary

The Board is supported by joint qualified and competent Company Secretaries who provide advice and regularly update the Board on good governance, board policies and procedures, administrative matters and corporate compliances. The Company Secretaries ensure that the Board is kept well informed on any regulatory requirements and update on the developments in the area of corporate governance that affect the duties and responsibilities of the Directors as well as the Company. The Board is satisfied with the service and support rendered by the Company Secretaries in discharge of their functions.

Board and Board Committees

The Board has delegated specific responsibilities to three (3) main committees namely the Audit and Risk Management Committee ("ARMC"), Remuneration Committee and Nomination Committee, which are guided by the respective terms of reference approved by the Board. The ultimate responsibility for the final decisions on all matters lies with the Board.

Key Senior Management

The Executive Chairman and the Executive Director are responsible for the identification and development of the key senior management as and when required. The Executive Chairman and Executive Director shall search for suitable candidates through established channels such as public advertisement or direct approaches being made to individuals who may be suitable or through organisations that may be able to assist in the recruitment process.

Corporate Governance Overview Statement _____

(Continued)

Code of Ethics for Directors, Whistle Blowing Policy and Anti-Bribery and Anti-Corruption Policy

The Company has put in place a Code of Ethics for Directors which governs the standards of ethics and good conduct expected of Directors.

The Group's Whistle Blowing Policy seeks to foster an environment of integrity and ethical behaviour and to expose any illegal or improper action in the Group. In the financial year ended 31 December 2019, no complaint was received.

The Malaysian Anti-Corruption Commission Act 2009 was amended in 2018 to incorporate Section 17A on corporate liability for corruption which took effect on 1 June 2020. The said laws prohibit acts of bribery and corruption and mandate that companies establish and maintain adequate procedures to prevent bribery and corruption. In this regard, the Company had on 29 May 2020 put in place an Anti-Bribery and Anti-Corruption Policy which governs all forms of bribery and corruption in the Group.

The Code of Ethics for Directors, Whistle Blowing Policy and Anti-Bribery and Anti-Corruption Policy are available on the Company's website at www.smrt.holdings.

Sustainability of Business

The Board has formalised and adopted a Sustainability Policy which is posted on the Company's website at www.smrt.holdings. The Sustainability Policy sets out the manner in which the Group carries on its business which is undertaken in a socially responsible, trustworthy and ethical manner while accepting accountability for impact on environment, social and governance fronts. Key aspects of the policy focus on social awareness and betterment, environmental preservation and effective corporate governance.

Access to Information and Advice

The Board recognises the importance of information supply in promoting informed Board discussions and deliberations. The Chairman together with the management and the Company Secretaries are responsible for ensuring Directors receive adequate and timely information prior to Board and Board Committee meetings.

The proceedings of all Board and Board Committee meetings are minuted by the Company Secretary for confirmation at the next Board and Board Committee meetings.

All Directors have access to the services and the advice of the Company Secretary. The non-executive Directors have access to information from the management. The Board has access to professional advice from third parties in furtherance of the Directors' duties in accordance with the Company's established procedures.

Corporate Governance Overview Statement _____

(Continued)

II. BOARD COMPOSITION

The current Board comprises nine (9) Directors i.e. five (5) Independent Non-Executive Directors, two (2) Non-Independent Non-Executive Directors, one (1) Executive Director and one (1) Executive Chairman. The members of the Board are as follows :

Name of Directors	Directorship
Tan Sri Dato' Dr R Palan	Executive Chairman
Mr Leow Nan Chye	Senior Independent Non-Executive Director
Dato' (Dr) Asariah Binti Mior Shahrudin	Independent Non-Executive Director
Ms Soh Eng Hooi	Independent Non-Executive Director
Mr Malayandi @ Kalaarasu	Non-Independent Non-Executive Director
Mr Maha Ramanathan Palan	Non-Independent Non-Executive Director
Datuk Mohd Radzif Bin Mohd Yunus (Appointed as Director on 12 September 2019)	Independent Non-Executive Director
Mr Chu Kheh Wee (Appointed as Director on 31 December 2019)	Executive Director
Ms Lim Kwee Yong (Appointed as Director on 10 March 2020)	Independent Non-Executive Director

The composition and size of the Board is reviewed from time to time to ensure its appropriateness and effectiveness. In the event of any vacancy in the Board resulting in non-compliance with the ACE Market Listing Requirement ("AMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"), the Board would ensure that the vacancy will be filled within three (3) months.

Corporate Governance Overview Statement _____

(Continued)

Pursuant to the Company's Constitution, any Director appointed during the year shall retire at the Company's Annual General Meeting ("AGM") following his appointment and one-third of the Board who do not retire as aforesaid, will retire by rotation at every AGM. The Constitution further provides for every Director to retire once in every three (3) calendar years and all retiring Directors are eligible for re-election. The Directors seeking re-election at the forthcoming AGM are set out on page 206 of the 2019 Annual Report.

The Board met seven (7) times during the financial year ended 31 December 2019. Details of the Directors' attendance are as follows :

Name of Directors	Board Meetings Attended
Tan Sri Dato' Dr R Palan	7/7
Mr Leow Nan Chye	7/7
Dato' (Dr) Asariah Binti Mior Shahrudin	7/7
Ms Soh Eng Hooi	7/7
Mr Malayandi @ Kalaarasu	7/7
Mr Maha Ramanathan Palan	7/7
Datuk Mohd Radzif Bin Mohd Yunus <i>(Appointed as Director on 12 September 2019)</i>	2/2
Mr Chu Kheh Wee <i>(Appointed as Director on 31 December 2019)</i>	N/A
Ms Lim Kwee Yong <i>(Appointed as Director on 10 March 2020)</i>	N/A

Corporate Governance Overview Statement ---

(Continued)

Independence

The Independent Non-Executive Directors satisfy the independence test under the AMLR of Bursa Securities and they constitute 50% of the Board. All Independent Non-Executive Directors are independent of management and have no family or business relationships with the Executive Directors and major shareholders which could interfere with the exercise of their independent judgment. The presence of the Senior Independent Non-Executive Director provides an additional channel for Independent Directors to voice any opinion or concern that they believe have not been properly considered or addressed by the Board or which they feel may not be appropriate to raise in the open forum.

The Company does not have a policy to limit the tenure of independent directors to a cumulative term limit of nine (9) years. However, the retention of independent directors after serving a cumulative term of nine (9) years are subject to shareholders' approval in line with the recommendation of the MCCG. If the Board continues to retain independent directors after twelve (12) years, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.

To-date, one (1) of the Independent Non-Executive Directors, namely Mr Leow Nan Chye, has served the Board as an Independent Director for more than twelve (12) years. The Nomination Committee had assessed the independence of Mr Leow Nan Chye and recommended to the Board that he be retained as Independent Director of the Company based on his ability to maintain independent judgement and to express unbiased views without any influence. He is familiar with the Group's business operations, has devoted time and commitment and has exercised due care in discharging his duties and responsibilities as Independent Director. He has fulfilled the criteria under the definition of Independent Director as defined in the AMLR of Bursa Securities.

Board Diversity

The Board acknowledges the importance of diversity in terms of skills, experience, age, gender, cultural background and ethnicity and recognises the benefits of diversity at leadership and employee level. The Directors have a diverse set of skills, experience and knowledge necessary to govern the Group.

Appointments of new Directors are undertaken by the Board as a whole after considering the recommendations of the Nomination Committee. In searching for suitable candidates, the Nominating Committee may receive suggestions from existing Board members, the management and major shareholders. The Nomination Committee is also open to referrals from external sources available, such as industry and professional associations, as well as independent search firms.

The Board acknowledges the call by the MCCG for boards to have gender diversity. During the financial year ended 31 December 2019, there were six (6) male Directors and two (2) female Directors on Board, which represents 25% women Directors. Although the Company does not have a formalised policy on gender diversity, the issue of diversity is discussed and given prominence during deliberations by the Nomination Committee and the Board. The Board had on 10 March 2020 appointed an additional woman Director on Board, Ms Lim Kwee Yong, resulting in the Board currently has 33% women Directors on Board as of to-date. The Board is mindful that any gender representation should be in the best interest of the Company.

Corporate Governance Overview Statement

(Continued)

Nomination Committee

The Nomination Committee consists of not less than three (3) members. All the members are Non-Executive Directors, majority of whom are independent. The members of the Nomination Committee are as follows :

Name of Nomination Committee Members	Position
Dato' (Dr) Asariah Binti Mior Shaharuddin	Chairperson
Mr Leow Nan Chye	Member
Ms Soh Eng Hooi	Member

The Nomination Committee is responsible for the Board evaluation process covering the Board, the Board Committees and individual Directors. The Nomination Committee, upon conclusion of the evaluation exercise performed for the financial year ended 31 December 2019, was satisfied that the composition of the Board and its Board Committees possess a right blend of knowledge, expertise and experience and the appropriate mix of skills. In addition, there was mutual respect amongst individual Directors which contributed to a healthy environment for constructive deliberation and decision-making process.

The Nomination Committee met once during the financial year ended 31 December 2019. The details of the members' attendance are as follows :

Name of Nomination Committee Members	Nomination Committee Meetings Attended
Dato' (Dr) Asariah Binti Mior Shaharuddin	1/1
Mr Leow Nan Chye	1/1
Ms Soh Eng Hooi	1/1

The terms of reference of the Nomination Committee is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.smrt.holdings.

Remuneration Committee

The Remuneration Committee consists of not less than three (3) members and comprises wholly of Non-Executive Directors. The members of the Remuneration Committee are as follows :

Name of Remuneration Committee Members	Position
Dato' (Dr) Asariah Binti Mior Shaharuddin	Chairperson
Mr Leow Nan Chye	Member
Ms Soh Eng Hooi	Member

The Company has put in place a formalised remuneration policies and procedures for Directors and senior management with a view to ensure the Company offers fair compensation and is able to attract and retain talent who can add value to the Company. The fees of the Non-Executive Directors and any benefits payable to Non-Executive Directors shall from time to time be reviewed by the Remuneration Committee and recommended to the Board before tabling at the Company's AGM for shareholders' approval. The annual review for the financial year ended 31 December 2019 was conducted by the Remuneration Committee on 26 February 2020.

The determination of the remuneration of the Executive Directors and Non-Executive Directors is a matter decided by the Board as a whole with the Director concerned abstaining from participating in decision in respect of the individual remuneration.

Corporate Governance Overview Statement

(Continued)

The Remuneration Committee met once during the financial year ended 31 December 2019. The details of the members' attendance are as follows :

Name of Remuneration Committee Members	Remuneration Committee Meetings Attended
Dato' (Dr) Asariah Binti Mior Shahrudin	1/1
Mr Leow Nan Chye	1/1
Ms Soh Eng Hooi	1/1

The terms of reference of the Remuneration Committee is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.smrt.holdings.

Directors' Training

The Board is responsible to ensure continuing education or training for the Directors to keep abreast of relevant changes in laws and regulations and the development of the industry.

During the financial year ended 31 December 2019, the Directors have attended the following training :

Name of Directors	Courses
Tan Sri Dato' Dr R Palan	<ul style="list-style-type: none"> The Asia HRD Congress International Conference 2019 Masterclass Workshop: The Solution is in the Dialogue
Mr Leow Nan Chye	<ul style="list-style-type: none"> The Asia HRD Congress International Conference 2019 Masterclass Workshop: The Solution is in the Dialogue
Dato' (Dr) Asariah Binti Mior Shahrudin	<ul style="list-style-type: none"> Perkembangan Sistem Pendidikan Malaysia. Dulu, Kini dan Masa Hadapan Effective Leadership National Healthcare Reform Building Corporate Longevity Leadership Greatness in Turbulent Times Uberisation of Healthcare Managing Change: The case for Teacher Education Institutes Malaysia Asia HRD Congress 2019 Higher Order Thinking Skills in Education Sustainability Inspired Innovations Future of Higher Education in Malaysia
Mr Maha Ramanathan Palan	<ul style="list-style-type: none"> NPL Distressed Debt Summit 2019 Fintech World Forum 2019 Open Banking World Congress 2019 Alternative Credit Council Global Summit 2019 International Petroleum Week 2019

Corporate Governance Overview Statement

(Continued)

Ms Soh Eng Hooi	<ul style="list-style-type: none"> • Blockchain for Accountants- Awareness Workshop • MIA's Engagement Session with Audit Committee Members on Integrated Reporting • Introduction to Cloud Accounting for Professional Firms • SAP Business One • Demystifying The Diversity Conundrum: The Road to Business Excellence • Board Effective Assessment • The Malaysia Code of Corporate Governance 2017 • Biological Assets - MFRS 141/MPERS S34 • Valuation in Practice for Transactions and Reporting : Part 2 - Valuation for Business Combination • Evaluating effective Internal Audit Function - Audit Committee's Guide on How to • CAANZ - MICPA Audit Forum 2019: The Future Of Audit • ISQM: Another Tsunami Of Change For Auditors? • UNCTAD Entrepreneurship Training Workshop • UNCTAD Training of Trainers workshop on Empretec for Participants with Low Literacy
Mr Malayandi @ Kalaiaarasu	<ul style="list-style-type: none"> • Becoming a Good and Successful Student • Healthcare Reform in Malaysia: A Way Forward • Cultivating A Successful Research Culture: The USM Experience • Uberisation of Healthcare • SPARK (Sharing Positivity Aspiration, Resources and Knowledge) • The Future of Higher Education in Malaysia • Sales Force Training for Marketing Leader
Datuk Mohd Radzif Bin Mohd Yunus (Appointed as Director on 12 September 2019)	<ul style="list-style-type: none"> • Training on Halal Pharmaceuticals "Malaysia Halal Initiatives" • PNB Leadership Forum 2019 • Knowledge Sharing Session on Biosimilar & Vaccines • To Social or Not to Social - Social Media Primer and Practice Playbook for DuoPharma • Addressing Corruption Risk to Safeguard Directors and Management Against Corporate Liability • ICDM International Directors Summit 2019 • Qualified Risk Director Program - Governance and ERM, MCG 2017
Mr Chu Kheh Wee (Appointed as Director on 31 December 2019)	<ul style="list-style-type: none"> • Advance Merger & Acquisition • CIMA Train The Trainer Workshop • MFRS 16 – Lease

Corporate Governance Overview Statement _____

(Continued)

III. REMUNERATION

The details of the Directors' remuneration for the financial year ended 31 December 2019 were as follows :

COMPANY:

(a) Non-Executive Directors (RM'000)

No.	Name	Director's Fee RM'000	Meeting Allowance RM'000	Total RM'000
1.	Mr Leow Nan Chye	48	13	61
2.	Dato' (Dr) Asariah Binti Mior Shaharuddin	48	9.5	57.5
3.	Ms Soh Eng Hooi	36	9	45
4.	Mr Malayandi @ Kalaiaarasu	48	3.5	51.5
5.	Mr Maha Ramanathan Palan	36	3.5	39.5
6.	Datuk Mohd Radzif Bin Mohd Yunus (Appointed as Director on 12 September 2019)	11	0.5	11.5
7.	Ms Lim Kwee Yong (Appointed as Director on 10 March 2020)	N/A	N/A	N/A

(b) Executive Chairman/Executive Director (RM'000)

No.	Name	Salary and Allowance RM'000	Employee Provident Fund and Socso RM'000	Meeting Allowance RM'000	Total RM'000
1.	Tan Sri Dato' Dr R Palan	1,240.9	50.3	12.5	1,303.7
2.	Mr Chu Kheh Wee (Appointed as Director on 31 December 2019)	N/A	N/A	N/A	N/A

Corporate Governance Overview Statement

(Continued)

GROUP :

(a) Non-Executive Directors (RM'000)

No.	Name	Salary and Allowance RM'000	Employee Provident Fund and Socso RM'000	Director's Fee RM'000	Meeting Allowance RM'000	Total RM'000
1.	Mr Leow Nan Chye	-	-	48	13	61
2.	Dato' (Dr) Asariah Binti Mior Shaharuddin	-	-	48	9.5	57.5
3.	Ms Soh Eng Hooi	-	-	36	9	45
4.	Mr Malayandi @ Kalaarasu	172	21.6	48	3.5	245.1
5.	Mr Maha Ramanathan Palan	-	-	84	6	90
6.	Datuk Mohd Radzif Bin Mohd Yunus (Appointed as Director on 12 September 2019)	-	-	11	0.5	11.5
7.	Ms Lim Kwee Yong (Appointed as Director on 10 March 2020)	N/A	N/A	N/A	N/A	N/A

(b) Executive Chairman/Executive Director (RM'000)

No.	Name	Salary and Allowance RM'000	Employee Provident Fund and Socso RM'000	Meeting Allowance RM'000	Total RM'000
1.	Tan Sri Dato' Dr R Palan	2,171.6	162.4	12.5	2,346.5
2.	Mr Chu Kheh Wee (Appointed as Director on 31 December 2019)	N/A	N/A	N/A	N/A

The Board is of the opinion that the disclosure of the senior management personnel's names and the various remuneration components (salary, bonus, benefits in-kind, other emoluments) in bands of RM50,000 would not be in the best interest of the Group for purposes of confidentiality, including reasons pertaining to human relations. No excessive remuneration has been paid to senior management personnel in any instance for the financial year ended 31 December 2019.

PRINCIPLE B : EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT AND RISK MANAGEMENT COMMITTEE

The Board had on 11 April 2017 resolved to have the risk management of the Company to be under the purview of the Audit Committee in view of the Company's current risk exposure. The Audit Committee was then renamed Audit and Risk Management Committee.

The ARMC assumes the role in overseeing the risk management functions and internal controls of the Group in addition to overseeing the integrity of the financial statements and compliance with relevant accounting standards.

The ARMC comprises three (3) members, all of whom are Independent Non-Executive Directors. The members of the ARMC are as follows :

Corporate Governance Overview Statement

(Continued)

Name of ARMC Members	Position
Mr Leow Nan Chye	Chairman
Dato' (Dr) Asariah Binti Mior Shaharuddin	Member
Ms Soh Eng Hooi	Member

The Chairman of the ARMC is not the Chairman of the Board. The ARMC is chaired by the Senior Independent Non-Executive Director, Mr Leow Nan Chye. The ARMC comprises all Independent Non-Executive Directors and at least one member is a member of the Malaysian Institute of Accountants ("MIA") and thus, fulfilling Rule 15.09(1)(c) of the AMLR of Bursa Securities.

The ARMC met five (5) times during the financial year ended 31 December 2019. Details of the number of meetings attended by each member are as follows :

Name of ARMC Members	ARMC Meetings Attended
Mr Leow Nan Chye	5/5
Dato' (Dr) Asariah Binti Mior Shaharuddin	5/5
Ms Soh Eng Hooi	5/5

The terms of reference of the ARMC is reviewed by the Board in accordance with the needs of the Group and is available on the Company's website at www.smrt.holdings.

Relationship with the External Auditors

The ARMC has a formal and transparent relationship with the external auditors. During the financial year ended 31 December 2019, the ARMC met with the external auditors twice in the absence of the Executive Directors and the management on 26 February 2019 and 27 November 2019.

The ARMC exercises professional oversight of the integrity of the financial reports before presenting the financial statements to the Board for approval. The ARMC also provides assurance to the Board with support and clarifications from the external auditors that the financial statements and reports presented are in compliance with applicable laws and accounting standards and give a true and fair view of the Group's performance and financial position.

The ARMC has incorporated a policy specification that governs the appointment of a former key audit partner to the ARMC. The policy, which is codified in the ARMC's terms of reference requires a former key audit partner to observe a cooling-off period of at least two (2) years before he can be considered for appointment as a member of the ARMC. At present, none of the ARMC members are former key audit partners of the Company.

The ARMC was satisfied with the suitability of the external auditors based on the quality of services and sufficiency of resources provided by them to the Group in terms of the firm and the professional staff assigned to the audit. In support of the assessment on independence, the external auditors provide the ARMC with a written assurance confirming their independence throughout the conduct of the audit engagement in accordance with the relevant professional and regulatory requirements. In view of the above, the ARMC recommends to the Board the re-appointment of the external auditors which is subject to the approval of shareholders at the AGM whilst their remuneration is determined by the Board.

Corporate Governance Overview Statement _____

(Continued)

The ARMC ensures that the external auditors are independent of the activities they audit and reviews the contracts for non-audit services by the external auditors. During the financial year ended 31 December 2019, the amount of non-audit fees paid to external auditors was RM12,000.00.

Directors' Responsibilities Statement

The Directors are required by the Companies Act 2016 to prepare the financial statements for each financial year which gives a true and fair view of the state of affairs of the Company and of the Group at the end of the financial year. The Directors are satisfied that in preparing the financial statements for the financial year ended 31 December 2019, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act 2016 have been applied.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

The ARMC assists the Board in maintaining a sound and effective system of risk management and internal control to safeguard shareholders' investment and the Group's assets, as well as reviewing the adequacy and effectiveness of these systems to support the Group's strategy and operations to achieve its business objectives.

The Executive Directors and the senior management are responsible for the identification and evaluation of key risks applicable to the Group's business activities on a continuous basis. In addition, the ARMC also reviews the risks identified by Internal Auditor regularly and ensure corrective actions are taken.

The Group had outsourced its internal audit function to an independent consulting company as part of its strategy to assure the Board on its adequacy and effectiveness of the internal control system of the Group. The professional company will carry out internal audits to review the adequacy and effectiveness of the internal control system and to identify areas of risks and report their findings and recommendations to the ARMC and subsequently to the Board. The Board is of the view that the system of internal control and risk management are in place and sufficient in safeguarding the Group's assets and shareholders' investment and interest of all stakeholders.

The Statement on Risk Management and Internal Control which provides an overview on the state of risk management and internal control of the Group is set out on page 43 of the Company's 2019 Annual Report.

Corporate Governance Overview Statement _____

(Continued)

PRINCIPLE C : INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

The Board believes that a constructive and effective investor relationship is essential in enhancing shareholders' value and recognises the importance of timely dissemination of information to shareholders or stakeholders.

The Company aims to ensure that shareholders and investors are kept informed of all major corporate developments, financial performance and other relevant information by promptly disseminating such information to shareholders and investors via announcements to Bursa Securities which is in line with Bursa Securities objectives of ensuring transparency and good corporate governance practices.

The Group also leverages on a number of other formal channels for effective dissemination of information to shareholders and investors, particularly through the annual report, media releases, quarterly results, AGM and the Company's website at www.smrt.holdings.

II. CONDUCT OF GENERAL MEETINGS

The Group is of the view that general meetings are an important platform to engage with its shareholders and to address their concerns. To ensure effective participation of and engagement with shareholders at the 15th AGM of the Company held on 28 June 2019, all members of the Board were present at the meeting to respond to the questions raised by the shareholders or proxies. The Chairman of the Board Committees, the Company Secretary and the senior management were present to respond to enquiry from the shareholders. The external auditors were also present to provide their professional and independent clarification on the conduct of the audit and contents of the audit report.

The Chairman chaired the 15th AGM in an orderly manner and allowed the shareholders or proxies to speak at the meeting. The voting at the 15th AGM was conducted by poll and the polling process was by way of manual polling.

This Corporate Governance Overview Statement was approved by the Board on 22 June 2020.

Other Compliance Information _____

1. UTILISATION OF PROCEEDS

There were no proceeds raised from any corporate proposal during the financial year ended 31 December 2019.

2. AUDIT AND NON-AUDIT FEE

During the financial year under review, the total audit and non-audit fees paid to Messrs Baker Tilly Monteiro Heng PLT by the Company and Group are set out below:-

	Company	Group
	RM'000	RM'000
Audit fees	130	658
Non-audit fees - Review of Statement of Risk Management and Internal Control	6	12

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Group involving Directors' and substantial shareholders' interest, either still subsisting or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE

There was no recurrent related party transaction of a revenue or trading nature made during the financial year ended 31 December 2019.

Statement on Risk Management and Internal Control _____

INTRODUCTION

The Board of Directors (“the Board”) affirms its commitment to maintain a sound system of internal control and risk management practices within the Group in accordance with the Malaysian Code on Corporate Governance (“MCCG”) 2017. The Board is pleased to present the Statement on Risk Management and Internal Control (“the Statement”) which outlines the Group’s risk management framework and the internal control system of the Group during the financial year ended 31st December 2019 and up to the date of this Statement. The Statement has been prepared in accordance with Paragraph 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“AMLR”), MCCG and Statement on Internal Control and Risk Management: Guidelines for Directors of Listed Issuers.

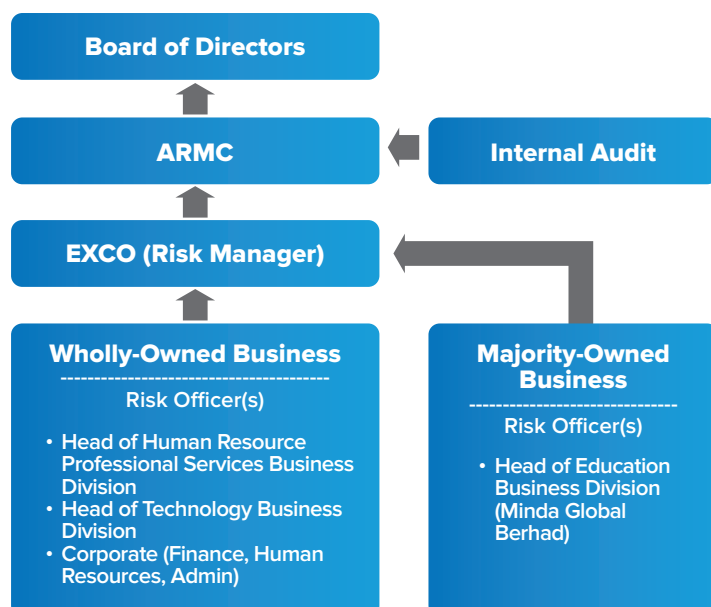
BOARD RESPONSIBILITY

The Board’s responsibility includes the establishment of appropriate systems of control as well as reviewing the adequacy and integrity of the system in managing the Group’s business risks. A sound system of internal control is important to safeguard the shareholders’ investments and the Group’s assets. The system of internal control, due to its inherent limitations is designed to manage and control risk rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system can only provide reasonable and not absolute assurance against material misstatement or loss.

RISK MANAGEMENT

The Board recognises that risk management is an integral part of the Group’s business objectives and is critical for the Group to achieve sustainable growth in shareholders’ value.

Risk Management Structure



A Registry of Risk and a Risk Management Handbook are adopted. The Registry of Risk is maintained to identify principal business risks and the corresponding actions for the Executive Committee (“EXCO”) to objectively manage the identified risks which are updated for on-going changes. The Risk Management Handbook summarises the risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. Enhancements are made, where necessary, in

Statement on Risk Management and Internal Control _____

(Continued)

line with the Board's commitment to improve the Group's governance, risk management and control framework.

The Group adopts the Risk Management framework. The process of identifying, evaluating, monitoring and managing significant risks is embedded in various work processes and procedures of the respective operational functions and management team. The respective risk owners / officers who are the Heads of the Business Divisions, are entrusted to identify risks and to ensure that adequate control systems are implemented to mitigate significant risks faced by the Group.

The EXCO team assists the Audit and Risk Management Committee ("ARMC") and the Board in the process of identifying, measuring, controlling, monitoring, and reporting significant risks affecting the achievement of the Group's business objectives. It provides the Board with the framework to anticipate and manage both the existing and potential risks, taking into consideration the changing risk profiles as dictated by changes in the business and regulatory environment and the Group's strategies and functional activities throughout the year.

Significant business risks, financial risks and operations risks and mitigating action plans are discussed and addressed during the ARMC meeting. The Board is aware of the importance of identifying potential threats to the organization and the impact such threats may have on business operations.

During the period, the Board considered all key risks that have been highlighted, and how these had been addressed. Some of the key risks and mitigating action plans considered include the following:

- In relation to susceptibility to potential external business uncertainties and reliance on major clients, the Group is focused on expanding its clientele base, including in non-government related markets.
- The effects of an economic slowdown are being mitigated by periodical business strategic reviews with continuous assessment of its existing products and services, the positioning, target customers and markets.
- The impact of any changes in government policy and regulatory requirements are addressed by the rationalisation of programme portfolio and an effective marketing strategy.
- The Group's business divisions operate in competitive environments. Regular evaluations of business strategy are performed as a counter to the competition.
- The increasing trend in costs is mitigated by the implementation of cost reduction exercises and strict cost control measures.

INTERNAL CONTROL

The Board recognises that reviewing the Group's system of internal control is a concerted and continuous process, designed to manage rather than eliminate the risk of failure to achieve business objectives. Accordingly, the system of internal control can only provide reasonable and not absolute assurance against material misstatement, fraud and loss.

The Board believes that the Group's system of internal control, financial or otherwise, should provide reasonable assurance regarding the achievement of the Group's objectives in ensuring efficiency and effectiveness of operations, reliability and transparency of financial information and compliance with laws and regulations.

The key internal control elements that the Board has established in facilitating the adequacy and integrity of the system of internal controls are as follows:

- The Group has its Board Committees and Management team to assist the Board in discharging its responsibilities. They comprise of individuals with high integrity and caliber who meet regularly in the discharge of their duties. Terms of Reference have been written for the Board Committee namely the

Statement on Risk Management and Internal Control _____

(Continued)

ARMC, Nomination Committee and Remuneration Committee. The Committees have the authority to examine all matters within their scope and report to the Board with their recommendations.

- The ARMC works independently with the outsourced internal audit team to ensure further corporate governance and internal controls are in place and ensure systems and processes meet the required standards.
- The Group maintains a formal and clearly defined organisation structure with delineated lines of authority, responsibility and accountability within the Group. The Board has put in place suitably qualified and experienced Management personnel to head the Group's diverse Business Divisions to deliver results and their performance is measured against Key Performance Indicators (KPIs).
- The Group implements a budgeting process where budgets for key operating business divisions are prepared and approved by the Management and monthly monitoring of results against budget with major variances highlighted and management action taken where necessary.
- The Board monitors the Group's performance by reviewing the quarterly financial and operational performance and examines the announcement to Bursa Securities. These are reviewed by the ARMC before they are tabled to the Board.
- Financial, operating and business risks are managed by ensuring appropriate controls, systems and people are in place throughout the Group's businesses. Key organisational controls employed in managing operating risks include segregation of duties, transactions verification and authorisation, financial performance tracking and management reporting.
- Internal operating procedures and guidelines are documented and easily accessible by all staff on the SharePoint system. The Group periodically reviews and updates these to ensure that they continue to support the Group's business activities.
- Necessary actions are taken on the weaknesses identified in the internal control systems with the implementation of improved control measures and processes.
- An annual audit is conducted by SIRIM auditors to ensure the quality systems of the Group are in compliance with the requirements of the ISO 9001:2015 certification. This ensures that customers are assured of delivery of the highest quality of systems, products and services.
- Proper guidelines are in place for hiring and termination of employees, formal training programmes, training needs analysis, performance appraisals and other relevant procedures within the Group to ensure employees are competent and are adequately trained in performing their responsibilities.

INTERNAL AUDIT FUNCTION

The Board, through the ARMC, endorsed and approved the scope of work for the Internal Audit function through the review of its one-year detailed audit plan.

The Group has outsourced its internal audit function to an independent professional firm of consultants, Sterling Business Alignment Consulting ("the Internal Auditor"), to provide the Board with the assurance it requires regarding the adequacy and integrity of the system of internal control. With the engagement, the internal auditors have disclosed that there are no relationships or conflicts of interest in the discharge of its responsibilities and that they remained independent and have no direct operational responsibility or authority over any of the activities audited.

The internal audit exercises are carried out based on the Committee of Sponsoring Organisations of the Treadway Commission ("COSO") Internal Control – Integrated Framework in assessing the effectiveness of the Group's internal control system.

During the financial year, the Internal Auditor reviewed critical business processes, identified risks and internal control gaps, assessed the effectiveness and adequacy of the existing state of internal control of the Company and its major business divisions and recommended improvements to the internal control process.

Statement on Risk Management and Internal Control _____

(Continued)

The Internal Auditor reports directly to the ARMC on improvement measures pertaining to internal controls, including subsequent follow-up to determine the extent that their recommendations have been implemented by the Management. The status of implementation is monitored through follow-up audits which was reported at the 4th quarterly Executive Management meetings and ARMC meetings. The Management is responsible in ensuring that corrective actions on control weaknesses are implemented within a defined time frame. The ARMC keeps track and addresses any issues that relate to this matter at every quarterly meeting and its members are constantly being updated on any activities that relate to the above. For the financial year ended 31 December 2019, the total costs incurred for the outsourced internal audit function is RM32,000.00.

For the financial year ended 31st December 2019, the Internal Auditor audited and reviewed various subsidiaries/Business Divisions of the Group and also presented their status report comprising follow-up actions on previously reported audited findings, details of which are set out below : -

Audit Period	Reporting Month	Name of Entity Audited	Audited Areas
1st Quarter (Jan 2019 – Mar 2019)	May 2019	Management Made Easy Sdn Bhd	<ul style="list-style-type: none"> Sales & Marketing functions
2nd Quarter (Apr 2019 – Jun 2019)	August 2019	N'osairis Technology Solutions Sdn Bhd	<ul style="list-style-type: none"> Sales & Marketing functions Purchasing and Supplies Quality Assurance functions Asset Management functions Project Management functions Service Delivery functions Billing and Collection functions Maintenance functions
3rd Quarter (Jul 2019 – Sept 2019)	November 2019	N'osairis Technology Solutions Sdn Bhd	<ul style="list-style-type: none"> Finance and Accounts functions Human Resources Management functions
4th Quarter (Oct 2019 – Dec 2019)	March 2020	N'osairis Technology Solutions Sdn Bhd	<p>Follow-up actions on previously reported audited findings:-</p> <ul style="list-style-type: none"> Finance & Accounts functions Human Resources management functions Sales & Marketing functions Purchasing and Supplies Quality Assurance functions Asset Management functions Project Management functions Service Delivery functions Billing and Collection functions Maintenance functions

REVIEW OF THE STATEMENT BY THE BOARD OF DIRECTORS

This Statement on Risk Management and Internal Control is made in accordance with the MCCG 2017, "Statement on Internal Control and Risk Management: Guidance for Directors of Public Listed Companies" and the Bursa Malaysia Securities Berhad Listing Requirements.

In making this Statement, the Board has received assurance from the Chairman and the Executive Director who are also responsible for the Group's financial matters, that the risk management and internal control systems of the Group are operating effectively, in all material aspects.

Statement on Risk Management and Internal Control _____

(Continued)

The Board is of the view that the risk management and internal control systems in place during the period under review up to the date of approval of the annual report, is adequate and effective to safeguard the shareholders' investment, the interests of employees and the Group's assets. The Board is satisfied that there is an ongoing process of identifying, evaluating and managing significant risks faced by the Group in its achievement of objectives and strategies. The existing system of internal control is adequate and properly implemented and there are no major weaknesses within the businesses of the Group. For the financial year under review, there were no material losses, incurred as a result of weaknesses in the internal control system that would require disclosure in this Annual Report.

The Board recognises that risk management and internal control systems must continuously improve to meet the challenging business environment and will continue to take appropriate action plans to strengthen the Group's systems.

Review by External Auditors

As required by paragraph 15.23 of the Bursa's Listing Requirements, the External Auditors have performed a limited assurance engagement on this Statement on Risk Management and Internal Control for inclusion in the Annual Report for the financial year ended 31 December 2019. Their engagement was performed in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3") issued by the Malaysian Institute of Accountants which does not require the auditors to form an opinion on the adequacy and effectiveness of the Group's risk management and internal control system. Based on their procedures performed, the External Auditors reported that nothing has come to their attention that would cause them to believe that the Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraph 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is the same factually inaccurate.

Analysis of Shareholdings

As At 29 May 2020

SHAREHOLDINGS STRUCTURE

Total number of Issued Shares : 404,763,675 (excluding Treasury Shares of 2,283,100)
 Class of shares : Ordinary Shares
 Voting Rights : One (1) vote per ordinary share

ANALYSIS BY SIZE OF SHAREHOLDINGS

Size of Holdings	No. of Holders	%	No. of shares	%
1 – 99	380	13.24	12,085	0.00
100 – 1,000	259	9.02	106,260	0.03
1,001 – 10,000	808	28.15	5,182,697	1.28
10,001 – 100,000	1,139	39.69	46,995,782	11.61
100,001 – 1,000,000	255	8.89	72,232,159	17.85
Over 1,000,000	29	1.01	280,234,692	69.23
TOTAL	2,870	100.00	404,763,675	100.00

DIRECTORS' SHAREHOLDINGS

Directors	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Tan Sri Dato' Dr Palaniappan A/L Ramanathan Chettiar	60,704,515	15.998	71,289,272	17.613 ⁽¹⁾
Chu Kheh Wee	-	-	-	-
Dato' (Dr) Asariah Binti Mior Shahrudin	-	-	-	-
Leow Nan Chye	-	-	-	-
Soh Eng Hooi	-	-	-	-
Datuk Mohd Radzif Bin Mohd Yunus	-	-	-	-
Lim Kwee Yong	-	-	-	-
Malayandi @ Kalaarasu	49,999	0.012	-	-
Maha Ramanathan Palan	-	-	-	-

Analysis of Shareholdings

(Continued)

SUBSTANTIAL SHAREHOLDERS

Name	Direct		Indirect	
	No. of Shareholdings	%	No. of Shareholdings	%
Tan Sri Dato' Dr Palaniappan A/L Ramanathan Chettiar	60,704,515	15.998	71,289,272	17.613 ⁽¹⁾
Puan Sri Datin Kamatchi @ Valliammai A/P Malayandi	-	-	131,993,787	32.610 ⁽²⁾
Special Flagship Holdings Sdn Bhd	71,289,272	17.613	-	-
Dayatahan Sdn Bhd	43,785,615	10.818	7,000,000	1.729 ⁽³⁾
Dato' Aziz Bin Sheikh Fadzir	138,800	0.034	50,785,615	12.547 ⁽⁴⁾

Notes:

- (1) Deemed interested by virtue of his shareholdings in Special Flagship Holdings Sdn Bhd pursuant to Section 197 of the Companies Act 2016.
(2) Deemed interested by virtue of her shareholdings in Special Flagship Holdings Sdn Bhd and the shareholdings of her husband, Tan Sri Dato' Dr. Palaniappan A/L Ramanathan Chettiar pursuant to Section 8 and 197 of the Companies Act 2016.
(3) Deemed interested by virtue of his shareholdings in Goldleaf Pavilion Sdn Bhd pursuant to Section 8 of the Companies Act 2016.
(4) Deemed interested by virtue of his shareholdings in Dayatahan Sdn Bhd and Goldleaf Pavilion Sdn Bhd pursuant to Section 8 of the Companies Act 2016.

LIST OF TOP 30 SHAREHOLDERS

No	Name	No. of Shareholdings	%
1	JF Apex Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Special Flagship Holdings Sdn Bhd (Margin)	69,288,300	17.12
2	JF Apex Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Palaniappan A/L Ramanathan Chettiar (Margin)	55,205,544	13.64
3	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Dayatahan Sdn Bhd	37,004,787	9.14
4	TA Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Teniza Holdings Sdn.Bhd	15,700,000	3.88
5	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad Beneficiary: Exempt An for Affin Hwang Asset Management Berhad (TSTAC/ CLN T-T)	14,000,000	3.46
6	Permai Innovasi Sdn. Bhd.	10,374,000	2.56
7	Alliancegroup Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Meenambal A/P Vijayakumar (7004424)	7,194,000	1.78
8	Kenanga Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Goldleaf Pavilion Sdn Bhd	7,000,000	1.73
9	Alliancegroup Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Dayatahan Sdn Bhd (7003143)	6,780,828	1.68
10	Meenambal A/P Vijayakumar	6,548,100	1.62

Analysis of Shareholdings _____

(Continued)

No	Name	No. of Shareholdings	%
11	Meenakshi A/P Malayandi	6,134,500	1.52
12	CIMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: CIMB Bank for Sharon A/P S I Josop (PBCL-0G0553)	5,548,900	1.37
13	PM Nominees (Tempatan) Sdn Bhd Beneficiary: Pledge Securities Account for Palaniappan A/L Ramanathan Chettiar (A)	5,498,900	1.36
14	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Tan Siew Cheng (E-IMO)	5,497,600	1.36
15	Destini Berhad	5,060,400	1.25
16	RHB Capital Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Chan Kam Fut	2,270,000	0.56
17	Hong Chin Teck	2,200,000	0.54
18	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Chiew Lay Huah (E-KPG)	2,200,000	0.54
19	UOB Kay Hian Nominees (Tempatan) Sdn Bhd Beneficiary: Exempt An for UOB Kay Hian Pte Ltd (A/C Clients)	2,145,000	0.53
20	Maybank Securities Nominees (Tempatan) Sdn Bhd Beneficiary: Exempt An for Maybank Trustees Berhad (SMRT)	2,000,000	0.49
21	Public Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Tan Chun How (E-TSA)	2,000,000	0.49
22	Khor Sok Boey	1,700,000	0.42
23	Maybank Nominees (Tempatan) Sdn Bhd Beneficiary: Beh Pow Yoke	1,637,300	0.40
24	Subramanian A/L Amamalay	1,343,433	0.33
25	CGS-CIMB Nominees (Tempatan) Bhd Beneficiary: Pledged Securities Account for Koh Kin Lip (MY0502)	1,330,000	0.33
26	Maybank Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Ng Kok Sing	1,327,000	0.33
27	Kek Ah Fong	1,120,000	0.28
28	TA Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Meenambal A/P Vijayakumar	1,106,100	0.27
29	Liu & Chia Holdings Sdn Bhd	1,020,000	0.25
30	AMSEC Nominees (Tempatan) Sdn Bhd Beneficiary: Pledged Securities Account for Tan Chau	1,000,000	0.25
	TOTAL:	281,234,692	69.48

Group's Property

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
1	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. G-01 to G-10, 1-01 to 1-10, 2-01 to 2-15, 3-01 to 3-15 Type: RKB, Taman Kemacahaya held under part of GM 5105, Lot 13158 (formerly known as HS (M) 4900, PT No. 5707) in the Mukim and District of Hulu Langat, Negeri Selangor ("Kemacahaya Master Title") Postal Address Unit No. G-01 to G-10, 1-01 to 1-10, 2-01 to 2-15, 3-01 to 3-15 Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	10 units at the Ground Floor, 10 units at the First Floor, 15 units at the Second Floor and 15 units at the Third Floor in a block of 4-storey shop office / campus	- / 84,246	Freehold	17 years	23-Jan-06	Refer to page 57
2	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. G-13, Ground Floor, Type: RKB, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. G-13, Ground Floor, Type: RKB, Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / office	- / 1,737	Freehold	17 years	17-May-06	
3	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. G-14 and G-15, Ground Floor, Type: RKB, Taman Kemacahaya held under part of the Kemacahaya Masters Title Postal Address Unit Nos. G-14 and G-15, Ground Floor, Type: RKB, Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	2 units at the Ground Floor in a block of 3-storey shop office / office (G-14) and clinic (G-15)	- / 3,190	Freehold	17 years	20-Mar-07	
4	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. 15-1, First Floor, Type: RKB, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. 15-1, First Floor, Type: RKB, Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the First Floor in a 3-storey shop office / office	- / 1,581	Freehold	17 years	20-Mar-07	

Group's Property _____

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
5	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-4-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-4-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / computer lab	- / 1,606	Freehold	17 years	6-Sep-08	Refer to page 57
6	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-5-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-5-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / computer lab	- / 1,606	Freehold	17 years	6-Sep-08	
7	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-14-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-14-G, Ground Floor, Type: RKA, Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / classroom	- / 1,606	Freehold	17 years	19-Dec-07	
8	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-12-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-12-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / classroom	- / 1,606	Freehold	17 years	22-Mar-07	

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
9	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-15-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-15-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / examination department	- / 1,606	Freehold	17 years	21-Jan-08	Refer to page 57
10	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-15-1 (Front Portion), First Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-15-1 (Front Portion), First Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Front Portion at the First Floor in a 3-storey shop office / examination department	- / 892	Freehold	17 years	21-Jan-08	
11	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-15-1 (Back Portion), Floor No. First Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-15-1 (Back Portion), First Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Back Portion at the First Floor in a 3-storey shop office / examination department	- / 748	Freehold	17 years	21-Jan-08	
12	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-15-2 (Front Portion), Second Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-15-2 (Front Portion), Second Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Front Portion at the Second Floor in a 3-storey shop office / examination department	- / 910	Freehold	17 years	21-Jan-08	

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
13	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-15-2 (Back Portion), Second Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-15-2 (Back Portion), Second Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Back Portion at the Second Floor in a 3-storey shop office / examination department	- / 748	Freehold	17 years	21-Jan-08	Refer to page 57
14	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-2-1 (Front Portion), First Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-2-1 (Front Portion), First Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Front Portion at the First Floor in a 3-storey shop office / teaching and learning centre	- / 892	Freehold	17 years	15-Dec-08	
15	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-1-1 (Front Portion), First Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-1-1 (Front Portion), First Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Front Portion at the First Floor in a 3-storey shop office / classroom	- / 892	Freehold	17 years	15-Dec-08	

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
16	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-1-1 (Back Portion), First Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-1-1 (Back Portion), First Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Back Portion at the First Floor in a 3-storey shop office / classroom	- / 748	Freehold	17 years	15-Dec-08	Refer to page 57
17	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-6-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-6-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / computer lab	- / 1,606	Freehold	17 years	25-Mar-08	
18	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd One-Storey Food Court (Hawker Centre), Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address One-Storey Food Court (Hawker Centre), Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 block of a 1-storey building / auditorium	153,149 / 15,400	Freehold	17 years	23-Jan-06	
19	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-18-G, Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-18-G, Ground Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / classroom	- / 1,606	Freehold	17 years	30-Jun-08	

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
20	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-18-2 (Front Portion), Second Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-18-2 (Front Portion), Second Floor, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit of the Front Portion at the Second Floor in a 3-storey shop office / vacant	- / 910	Freehold	17 years	30-Jun-08	Refer to page 57
21	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-16-G, Floor No. Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-16-G, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / Student Representative Council	- / 1,606	Freehold	17 years	7-Aug-08	
22	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-1-G, Floor No. Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-1-G, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / cafeteria	- / 1,606	Freehold	17 years	7-Aug-08	
23	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-2-G, Floor No. Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-2-G, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / student rest area	- / 1,606	Freehold	17 years	7-Aug-08	

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
24	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. A-3-G, Floor No. Ground Floor, Type: RKA, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. A-3-G, Jalan Kemacahaya 12, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	1 unit at the Ground Floor in a 3-storey shop office / student rest area	- / 1,606	Freehold	17 years	7-Aug-08	19,850
25	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Unit No. G-11, G-12, 1-11, 1-12, 1-13, and 1-14, Type: RKB, Taman Kemacahaya held under part of the Kemacahaya Master Title Postal Address Unit No. G-11, G-12, 1-11, 1-12, 1-13, and 1-14, Type: RKB, Jalan Kemacahaya 11, Taman Kemacahaya, Batu 9, 43200 Cheras, Selangor	2 units at the Ground Floor, 4 units at the First Floor in a block of 4-storey shop office / campus	- / 10,422	Freehold	17 years	8-May-08	
26	Syarikat Kemacahaya Sdn Bhd / Asiamet (M) Sdn Bhd Parcel A, Type: car park area, held under part of the Kemacahaya Master Title	1 lot of car park area	10,811 / -	Freehold	Not applicable	10-Aug-15	
27	Asiamet (M) Sdn Bhd / Asiamet (M) Sdn Bhd Pajakan Negeri Nos 89530 and 89531, Lot Nos 181679 and 181680, both in the Mukim of Hulu Kinta and District of Kinta, Perak Postal Address No. 26 and 28, Lebuhr Perusahaan Klebang 1, IGB International Industrial Park, KM 8, Jalan Tunku Abdul Rahman, Tasek, 30010 Ipoh, Perak	A 4-storey main building, two 4-storey classroom blocks, two 2-storey laboratory buildings, a single storey shop, a single storey multi-purpose hall, a 3-storey auditorium block, a 4-storey hostel, a surau and a guard house/ campus/ main hall / hostel	301,938 / 191,026	Leasehold for 99 years expiring on 17 October 2089	12 years	14-Feb-07	Refer to page 58

Group's Property

(Continued)

No.	Name of Registered Owner / Beneficial Owner: Lot. No./ Postal address	Description / Existing Use	Land area / Built-up area (sq ft)	Freehold / Leasehold	Approximate Age of Building	Date of Acquisition	Net book value as at 31 December 2019 (RM'000)
28	Asiamet (M) Sdn Bhd / Asiamet (M) Sdn Bhd Pajakan Negeri No 89532, Lot No 181681 in the Mukim of Hulu Kinta and District of Kinta, Perak Postal Address No. 24, Lebuhr Perusahan Klebang 1, IGB International Industrial Park, KM 8, Jalan Tunku Abdul Rahman Tasek, 30010 Ipoh, Perak	A piece of vacant land	136,083 (on land)	Leasehold for 99 years expiring on 17 October 2089	Not applicable	16-Feb-07	15,261
29	Asiamet (M) Sdn Bhd / Asiamet (M) Sdn Bhd HS(D) 7936 - 7939, PT 210 - 213, Seksyen 19 Bandar Kota Bharu, Kota Bharu, Kelantan Postal Address PT Nos. 210 - 213 (New Lots 632 - 635), Seksyen 19, Jalan Hamzah, 15050 Kota Bharu, Kelantan	4 lots of a 4-storey office shophot / vacant	7,491 / 29,964	Leasehold for 66 years expiring on 10 May 2075	10 years	19-Jun-08	3,984
30	Asiamet (M) Sdn Bhd / Asiamet (M) Sdn Bhd Twenty-three (23) lots of shophots held under HS(D) 3565 - HS(D) 3587, PT 321 - PT 343, all within Section 17, Bandar Kota Bharu, Daerah Jajahan Kota Bharu, Negeri Kelantan	23 lots of 3 storey shophots / campus	55,456 / 100,270	Leasehold for 99 years expiring on 20 August 2102	8 years	20-Jul-10	12,869
31	Asiamet (M) Sdn Bhd / Asiamet (M) Sdn Bhd Town Lease Nos. 017546048, 017546057, 017546066, 017546075, 017546084, 017546093, 017546100, 017546119, 017546128, 017546137, 017546146, 017546155, 017546164 & 017546173, Likas in the District of Kota Kinabalu Postal Address Lots 41 - 54, Block E & F, Lorong Jata 5, Plaza Jata, Jalan Tuaran Likas, 88400 Kota Kinabalu, Sabah	2 blocks of 5-storey building / campus	20,990 / 104,950	Leasehold for 99 years expiring on 31 December 2092	6 years	20-Dec-09	25,344

Directors' Report _____

The directors hereby present their report to the members together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 8 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

RESULTS

	Group RM'000	Company RM'000
Loss for the financial year	50,041	27,355
Attributable to:		
Owners of the Company	39,960	27,355
Non-controlling interests	10,081	-
	50,041	27,355

DIVIDENDS

No dividend has been paid or declared by the Company since the end of the previous financial year.

The directors do not recommend the payment of any dividends in respect of the financial year ended 31 December 2019.

RESERVES OR PROVISIONS

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

Directors' Report _____

(Continued)

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and have satisfied themselves that all known bad debts has been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off as bad debts or the amount of allowance for doubtful debts inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

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

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

Directors' Report _____

(Continued)

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in the financial statements; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made, other than as disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

EMPLOYEE SHARE OPTION SCHEMES

At an Extraordinary General Meeting held on 25 September 2015, the Company's shareholders approved the establishment of an Employees Share Option Schemes ("ESOS") of not more than 15% of the total issued and paid up ordinary share capital of the Company to eligible directors and employees of the Group.

The salient features and terms of the ESOS are disclosed in Note 20 to the financial statements.

The Company had granted a total of 42,555,000 share options of RM0.10 each under the ESOS on 16 December 2016 with an exercise price of RM0.16.

There were no share options exercised during the financial year. The Company had extended the exercisable period for the offer of ESOS granted to the eligible employees and directors on 16 December 2016 from 30 September 2018 to 30 June 2019 in accordance with the provisions of the ESOS By-Laws. However, non-exercisable shares granted on 16 December 2016 has lapsed after 30 June 2019.

TREASURY SHARES

The shareholders of the Company, by a resolution passed in the Annual General Meeting held on 28 June 2019, renewed the approval for the Company to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

Directors' Report _____

(Continued)

TREASURY SHARES (CONTINUED)

During the financial year, the Company repurchased 1,467,000 of its issued ordinary shares from the open market at the average price of RM0.09 per share. The total consideration paid for the repurchase including the transaction costs was RM128,985. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2019, the Company held as treasury shares a total of 1,693,100 of its 407,046,775 issued ordinary shares. Such treasury shares are held at a carrying amount of RM253,964 and other relevant details are disclosed in Note 19 to the financial statements.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Tan Sri Dato' Dr. Palaniappan A/L Ramanathan Chettiar *	
Malayandi @ Kalaiarasu *	
Leow Nan Chye	
Dato' (Dr) Asariah Binti Mior Shaharuddin *	
Soh Eng Hooi	
Maha Ramanathan Palan *	
Datuk Mohd Radzif Bin Mohd Yunus	(Appointed on 12 September 2019)
Chu Kheh Wee	(Appointed on 31 December 2019)
Lim Kwee Yong	(Appointed on 10 March 2020)

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are:

General Tan Sri Dato' Seri Mohd Shahrom Bin Dato' Hj Nordin (Rtd.)	
Major General Dato' Pahlawan Dr. Mohana Dass A/L Ramasamy (Rtd.)	
Tan Sri Datuk (Dr.) Rafiah Binti Salim	
Tan Sri Datuk Wira Dr. Mohd Shukor Bin Mahfar	
Tan Sri Dr. Zulkurnain Bin Awang	
Prof. Datuk Dr. Megat Burhainuddin Bin Megat Abdul Rahman	
Sanjeev Nanavati	
Dato' Tan Choon Hwa @ Esther Tan Choon Hwa	
Murugappan Kalaimani	
Subramanian A/L Amamalay	
Zalina Binti Mat Zin	
Ow Yin Lee	
Prof Dato' Dr Mohamad Bin Abd Razak	
Ng Yaw Dong	
Chew Ann Nei	
Dato' Abd Rashid Bin Mohd Sharif	
Navindra A/L Sivaratnam	
Ramani Kumar A/L Subramaniam	(Appointed on 7 June 2019)

Directors' Report

(Continued)

DIRECTORS (CONTINUED)

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of the report are: (Continued)

Prof. Tan Sri Dato' Dr. Amin Bin Jalaludin	(Appointed on 1 March 2020)
Prof. Dato' Dr. Mahmood Bin Nazar Mohamed	(Deceased on 3 January 2019)
Muralidharan Ramakrishnan	(Resigned on 7 June 2019)
Stalin Thangaiah A/L Vijaya Kamaraj	(Resigned on 5 August 2019)
Balasubramaniam A/L Manikam	(Resigned on 5 August 2019)
Leu Kok Wai	(Resigned on 15 August 2019)
Tan Sri Datuk Dr. Ridzwan Bin Abu Bakar	(Resigned on 31 December 2019)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2019	Bought	Sold	At 31 December 2019
The Company				
SMRT Holdings Berhad				
<i>Direct Interest</i>				
Tan Sri Dato' Dr. Palaniappan				
A/L Ramanathan Chettiar	48,773,515	11,502,000	-	60,275,515
Malayandi @ Kalaiaarasu	49,999	-	-	49,999
<i>Indirect Interest</i>				
Tan Sri Dato' Dr. Palaniappan				
A/L Ramanathan Chettiar #	71,419,272	-	-	71,419,272

Deemed interested as per Section 8 and 197 of the Act, by virtue of his shareholding in Special Flagship Holdings Sdn. Bhd., and his spouse, Puan Sri Datin Kamatchi @ Valliammai A/P Malayandi.

	Number of ESOS			
	At 1 January 2019	Exercised	Lapsed	At 31 December 2019
The Company				
SMRT Holdings Berhad				
Tan Sri Dato' Dr. Palaniappan				
A/L Ramanathan Chettiar	800,000	-	(800,000)	-
Malayandi @ Kalaiaarasu	3,800,000	-	(3,800,000)	-
Dato' (Dr) Asariah Binti Mior Shaharuddin	250,000	-	(250,000)	-

Directors' Report _____

(Continued)

DIRECTORS' INTERESTS (CONTINUED)

By virtue of his interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Tan Sri Dato' Dr. Palaniappan A/L Ramanathan Chettiar is deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as disclosed in Directors' Remuneration and Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate, other than those arising from the share options granted under the Employee Share Option Schemes.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, the total amount of indemnity insurance coverage effected and insurance premium paid for the directors and officers of the Company were RM20,000,000 and RM25,721 respectively.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 8 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 39 to the financial statements.

AUDITORS' REMUNERATION

The details of the auditors' remuneration are disclosed in Note 32 to the financial statements.

INDEMNITY TO AUDITORS

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

Directors' Report _____

(Continued)

AUDITORS

The auditors, Messrs. Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
TAN SRI DATO' DR. PALANIAPPAN
A/L RAMANATHAN CHETTIAR
Director

.....
MALAYANDI @ KALAIARASU
Director

Date: 29 June 2020

Statements of Financial Position

As at 31 December 2019

		2019	Group 2018	1.1.2018	Company 2019	Company 2018
Note		RM'000	RM'000 Restated	RM'000 Restated	RM'000	RM'000
ASSETS						
Non-current assets						
Property, plant and equipment	5	80,368	154,427	5,111	17	-
Right-of-use assets	6	228,427	-	-	-	-
Investment properties	7	-	-	-	-	-
Investment in subsidiaries	8	-	-	-	87,533	94,482
Investment in associates	9	49	42	129,159	100	100
Goodwill on consolidation	10	34,494	37,999	2,851	-	-
Other intangible assets	11	94,085	94,166	1,500	-	-
Deferred tax assets	12	5,831	2,660	5	-	-
Contract costs		1,583	1,174	-	-	-
Total non-current assets		444,837	290,468	138,626	87,650	94,582
Current assets						
Inventories	13	1,378	11,947	703	-	-
Trade and other receivables	14	42,356	47,118	58,088	124	56
Amount due from subsidiaries	15	-	-	-	13,901	29,135
Contract costs		1,733	1,207	-	-	-
Current tax assets		520	1,950	1,844	-	-
Fixed deposit	16	2,314	1,311	1,261	-	-
Cash and bank balances		14,728	5,399	4,372	86	#
		63,029	68,932	66,268	14,111	29,191
Non-current assets held for sale	17	40,594	17,580	-	-	-
Total current assets		103,623	86,512	66,268	14,111	29,191
TOTAL ASSETS		548,460	376,980	204,894	101,761	123,773
EQUITY AND LIABILITIES						
Equity attributable to Owners of the Company						
Share capital	18	84,504	84,504	76,637	84,504	84,504
Treasury shares	19	(254)	(125)	(123)	(254)	(125)
Share based payment reserve	20	-	2,893	3,804	-	2,893
Revaluation reserve	21	-	1,498	2,190	-	-
Foreign currency translation reserve	22	(23)	(87)	1,262	-	-
Statutory reserve	23	-	-	204	-	-
Retained earnings/ (Accumulated losses)		29,721	65,290	62,131	(17,418)	7,044
		113,948	153,973	146,105	66,832	94,316
Non-controlling interests		80,062	91,230	3,694	-	-
TOTAL EQUITY		194,010	245,203	149,799	66,832	94,316

Statements of Financial Position

As at 31 December 2019 (*Continued*)

	Note	Group			Company	
		2019 RM'000	2018 RM'000 Restated	1.1.2018 RM'000 Restated	2019 RM'000	2018 RM'000
Non-current liabilities						
Loans and borrowings	24	-	27,740	11,757	-	-
Lease liabilities	25	220,644	-	-	-	-
Deferred tax liabilities	12	27,849	30,319	1	-	-
Total non-current liabilities		248,493	58,059	11,758	-	-
Current liabilities						
Trade and other payables	26	62,258	53,137	18,895	4,808	2,893
Provision	27	-	-	1,590	3,091	2,415
Amount due to subsidiaries	15	-	-	-	27,030	24,149
Amount due to related companies	28	-	-	2,990	-	-
Loans and borrowings	24	18,922	5,974	19,861	-	-
Lease liabilities	25	7,871	-	-	-	-
Contract liabilities	29	15,540	14,544	-	-	-
Current tax liabilities		189	63	1	-	-
Dividend payable		1,177	-	-	-	-
Total current liabilities		105,957	73,718	43,337	34,929	29,457
TOTAL LIABILITIES		354,450	131,777	55,095	34,929	29,457
TOTAL EQUITY AND LIABILITIES		548,460	376,980	204,894	101,761	123,773

The accompanying notes form an integral part of these financial statements.

Statements of Comprehensive Income

For the Financial Year Ended 31 December 2019

		Group		Company	
	Note	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Revenue	30	140,959	128,480	2,093	1,536
Cost of sales		(86,608)	(91,362)	-	-
Gross profit		54,351	37,118	2,093	1,536
Other income		4,151	32,474	4,934	8,277
Administrative expenses		(70,570)	(67,029)	(17,520)	(8,847)
Other expenses		(18,915)	-	(16,862)	-
Net impairment losses on financial assets		(1,415)	(3,265)	-	-
Operating (loss)/profit		(32,398)	(702)	(27,355)	966
Finance costs	31	(23,599)	(1,813)	-	(3)
Share of results of an associate, net of tax	9	-	(1,069)	-	-
(Loss)/Profit before tax	32	(55,997)	(3,584)	(27,355)	963
Taxation	33	5,956	2,661	-	7
(Loss)/Profit for the financial year		(50,041)	(923)	(27,355)	970
Other comprehensive income/(loss), net of tax					
<i>Items that may be reclassified subsequently to profit or loss</i>					
- fair value adjustment	21	-	(648)	-	-
- foreign currency translation		64	(1,349)	-	-
Other comprehensive income/(loss) for the financial year		64	(1,997)	-	-
Total comprehensive (loss)/income for the financial year		(49,977)	(2,920)	(27,355)	970

Statements of Comprehensive Income _____

For the Financial Year Ended 31 December 2019 (*Continued*)

Note	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
(Loss)/Profit attributable to:				
Owners of the Company	(39,960)	3,115	(27,355)	970
Non-controlling interests	(10,081)	(4,038)	-	-
	<u>(50,041)</u>	<u>(923)</u>	<u>(27,355)</u>	<u>970</u>
Total comprehensive (loss) /income attributable to:				
Owners of the Company	(39,896)	3,985	(27,355)	970
Non-controlling interests	(10,081)	(2,729)	-	-
	<u>(49,977)</u>	<u>1,256</u>	<u>(27,355)</u>	<u>970</u>
(Loss)/Earnings per share attributable to Owners of the Company (sen):				
Basic (loss)/earnings per ordinary share	34(a)	<u>(9.82)</u>	<u>0.80</u>	
Diluted (loss)/earnings per ordinary share	34(b)	<u>(9.82)</u>	<u>0.74</u>	

The accompanying notes form an integral part of these financial statements.

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019

Group	Share capital RM'000	Treasury shares RM'000	Share based payment reserve RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
At 1 January 2019	84,504	(125)	2,893	1,498	(87)	-	65,015	153,698	91,408	245,106
- As previously stated	-	-	-	-	-	-	275	275	(178)	97
- Prior year adjustment	-	-	-	-	-	-	-	-	-	-
- As restated	84,504	(125)	2,893	1,498	(87)	-	65,290	153,973	91,230	245,203
Total comprehensive income for the financial year	-	-	-	-	-	-	(39,960)	(39,960)	(10,081)	(50,041)
Loss for the financial year	-	-	-	-	-	-	-	-	-	-
Other comprehensive income/(loss) for the financial year	-	-	-	(1,498)	64	-	1,498	64	-	64
Total comprehensive income	-	-	-	(1,498)	64	-	(38,462)	(39,896)	(10,081)	(49,977)
Transactions with owners										
Share options lapsed under Employee Share Option Scheme	-	-	(2,893)	-	-	-	2,893	-	-	-
Repurchased of shares	-	(129)	-	-	-	-	-	(129)	-	(129)
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(1,177)	(1,177)
Acquisition of share in subsidiary by non-controlling interest	-	-	-	-	-	-	-	-	90	90
Total transactions with owners	-	(129)	(2,893)	-	-	-	2,893	(129)	(1,087)	(1,216)
At 31 December 2019	84,504	(254)	-	-	(23)	-	29,721	113,948	80,062	194,010

Note 43

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019 (Continued)

	Share capital RM'000	Treasury shares RM'000	Share based payment reserve RM'000	Revaluation reserve RM'000	Foreign currency translation reserve RM'000	Statutory reserve RM'000	Retained earnings RM'000	Sub-total RM'000	Non-controlling interests RM'000	Total equity RM'000
Group										
At 1 January 2018	76,637	(123)	3,804	2,190	1,262	204	62,131	146,105	3,694	149,799
Total comprehensive income for the financial year										
Profit/(Loss) for the financial year	-	-	-	-	-	-	3,115	3,115	(4,038)	(923)
Other comprehensive income/(loss) for the financial year	-	-	-	(692)	(1,349)	-	44	(1,997)	-	(1,997)
Total comprehensive income	-	-	-	(692)	(1,349)	-	3,159	1,118	(4,038)	(2,920)
Transactions with owners										
Issuance of shares via private placements	5,658	-	-	-	-	-	-	5,658	-	5,658
Share options exercised under Employee Share Option Scheme	2,209	-	(911)	-	-	-	-	1,298	-	1,298
Repurchased of shares	-	(2)	-	-	-	-	-	(2)	-	(2)
Dividend	-	-	-	-	-	-	-	-	(864)	(864)
Acquisition of subsidiary	-	-	-	-	-	-	-	-	92,219	92,219
Disposal of subsidiary	-	-	-	-	-	(204)	-	(204)	219	15
Total transactions with owners	7,867	(2)	(911)	-	-	(204)	-	6,750	91,574	98,324
At 31 December 2018	84,504	(125)	2,893	1,498	(87)	-	65,290	153,973	91,230	245,203

Statements of Changes in Equity

For the Financial Year Ended 31 December 2019 (*Continued*)

	Share capital RM'000	Treasury shares RM'000	Share based payment reserve RM'000	Retained earnings/ (Accumulated losses) RM'000	Total equity RM'000
Company					
At 1 January 2019	84,504	(125)	2,893	7,044	94,316
Total comprehensive income for the financial year					
Loss for the financial year	-	-	-	(27,355)	(27,355)
Transactions with owners					
Share options lapsed under Employee Share Option Scheme	-	-	(2,893)	2,893	-
Repurchased of shares	-	(129)	-	-	(129)
	-	(129)	(2,893)	2,893	(129)
At 31 December 2019	84,504	(254)	-	(17,418)	66,832
At 1 January 2018	76,637	(123)	3,804	6,074	86,392
Total comprehensive income for the financial year					
Profit for the financial year	-	-	-	970	970
Transactions with owners					
Issuance of shares via private placements	5,658	-	-	-	5,658
Share options exercised under Employee Share Option Scheme	2,209	-	(911)	-	1,298
Repurchased of shares	-	(2)	-	-	(2)
	7,867	(2)	(911)	-	6,954
At 31 December 2018	84,504	(125)	2,893	7,044	94,316

The accompanying notes form an integral part of these financial statements.

Statements of Cash Flows

For the Financial Year Ended 31 December 2019

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		Restated		
Cash flows from operating activities				
(Loss)/Profit before tax	(55,997)	(3,584)	(27,355)	964
Adjustments for:				
Amortisation of:				
- intangible assets	224	226	-	-
Depreciation of:				
- property, plant and equipment	9,600	8,254	4	-
- investment properties	-	1,013	-	-
- right-of-use assets	18,040	-	-	-
(Gain)/Loss on disposal of:				
- property, plant and equipment	(161)	(144)	-	-
- non-current assets held for sale	942	-	-	-
- investment in a subsidiary	1,085	111	8,269	879
Gain recognised on re-measurement of investment	-	(24,232)	-	(9,156)
Gain on lease modification	(1,529)	-	-	-
Loss on dissolution of subsidiary	-	1,260	-	-
Allowance of impairment for:				
- goodwill on consolidation	3,505	-	-	-
- property, plant and equipment	6,202	-	-	-
- right-of-use assets	9,029	-	-	-
- investment in subsidiaries	-	-	16,862	2,851
- investment in an associate	-	-	-	445
- trade receivables	3,684	3,292	-	-
- other receivables	112	142	-	-
Interest expense	23,599	1,813	-	-
Interest income	(79)	(51)	-	1
Dividend income	-	-	(2,093)	-
Share of results of associates	-	1,069	-	-
Unrealised (gain)/loss on foreign exchange	-	(42)	(11)	11
Written off for:				
- property, plant and equipment	-	695	1	-
- inventories	120	-	-	-
Bargain purchase of acquisition of subsidiary	(51)	-	-	-
Reversal of fair value for ESOS exercised	-	-	-	(835)
Unrealised gain on foreign exchange	(13)	-	-	-
Operating profit/(loss) before changes in working capital, carried forward	18,312	(10,178)	(4,323)	(4,840)

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (*Continued*)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		Restated		
Cash flows from operating activities				
(Continued)				
Operating loss before changes in working capital, brought forward	18,312	(10,178)	(4,323)	(4,840)
Adjustments for: (Continued)				
Reversal of impairment loss no longer required for property, plant and equipment	-	(153)	-	-
Reversal of impairment loss no longer required for trade receivables	(2,746)	-	-	-
Reversal of impairment loss no longer required for other receivables	(530)	(128)	-	-
Reversal of impairment of investment in a subsidiary	-	-	-	(579)
Provision for profit guarantee	-	-	3,091	825
Fair value adjustment on ESOS granted	-	(911)	-	-
Operating profit/(loss) before changes in working capital, brought forward	15,036	(11,370)	(1,232)	(4,594)
Changes In Working Capital:				
Inventories	10,449	(11,244)	-	-
Payables	8,795	(44,101)	1,926	(6,532)
Receivables	3,834	75,897	(68)	13,296
Contract assets	(935)	(2,381)	-	-
Contract liabilities	996	14,544	-	-
Net cash generated from operations	38,175	21,345	626	2,170
Income tax paid	(111)	(1,671)	-	-
Tax refunded	1,838	1,284	-	7
Interest received	79	51	-	(1)
Net cash from operating activities	39,981	21,009	626	2,176

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (*Continued*)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
		Restated		
Cash flows from investing activities				
(Repayment)/Advances to subsidiaries, net	-	-	15,700	18,943
Dividend income	-	-	2,093	-
Purchase of property, plant and equipment	(9,558)	(27,589)	(22)	-
Purchase of intangible assets	(143)	-	-	-
Additional investment in subsidiary	-	-	(18,182)	-
Acquisition of subsidiary	13	-	-	-
Net cash inflows on investment in subsidiaries (Note 7)	-	3,093	-	-
Proceeds from disposal of:				
- investment in a subsidiary, net of cash outflows	(26)	(422)	-	-
- property, plant and equipment	3,549	152	-	-
- non-current assets held for sale	16,638	-	-	-
Net cash from/(used in) investing activities	10,473	(24,766)	(411)	18,943
Cash flows from financing activities				
Interest paid	(23,599)	(1,813)	-	-
Proceeds from issuance of shares	-	7,867	-	7,867
Purchase of treasury shares	-	(2)	(129)	(2)
Proceeds from disposal of treasury shares	(129)	-	-	-
Repayment of:				
- hire purchase payables	-	(114)	-	-
- term loan	(2,119)	(29,147)	-	(29,068)
- lease liabilities	(2,118)	-	-	-
- Sukuk Wakalah	(11,000)	-	-	-
Issuance of share capital to non-controlling interest by a subsidiary	90	-	-	-
Fixed deposit pledged to bank	(2,511)	(51)	-	-
Advances to related company	-	(127)	-	-
Bank account pledge for Sukuk Wakalah	(903)	(197)	-	-
Drawdown of Sukuk Wakalah	-	27,177	-	-
Drawdown of hire purchase	-	500	-	-
Advances from directors	-	1,177	-	-
Net cash (used in)/from financing activities	(42,289)	5,270	(129)	(21,203)

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (*Continued*)

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
	Restated			
Net change in cash and cash equivalents	8,165	1,513	86	(84)
Cash and cash equivalents at the beginning of the financial year	4,970	1,896	-	84
Effect on foreign exchange rate change	64	53	-	-
Cash and cash equivalents at the end of the financial year	13,199	3,462	86	#
Analysis of cash and cash equivalents				
Cash and bank balances	14,728	5,399	86	#
Deposits placed with licensed banks	2,314	1,311	-	-
Bank overdraft	(429)	(1,740)	-	-
	16,613	4,970	86	#
Less: Deposits held as security value	(2,314)	(1,311)	-	-
Less: Bank account pledged for Sukuk Wakalah	(1,100)	(197)	-	-
	13,199	3,462	86	#

Representing amount less than RM1,000

(a) Purchase of property, plant and equipment

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Purchase of property, plant and equipment	9,558	27,589	22	-
Financed by way of lease arrangements	-	-	-	-
	9,558	27,589	22	-

(b) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM23,937,000.

Statements of Cash Flows

For the Financial Year Ended 31 December 2019 (*Continued*)

(c) Reconciliation of liabilities arising from financing activities:

Group	Non-cash					31 December 2019 RM'000
	1 January 2019 RM'000	Cash flows RM'000	Amortisation of transaction RM'000	Acquisition RM'000	Lease Modification RM'000	
Term loan	4,131	(2,119)	(1)	-	-	2,011
Lease liabilities	239,649	(2,118)	-	24,222	(33,238)	228,515
Sukuk Wakalah	27,299	(11,000)	183	-	-	16,482
	<u>271,079</u>	<u>(15,237)</u>	<u>182</u>	<u>24,222</u>	<u>(33,238)</u>	<u>247,008</u>

	Non-cash					31 December 2018 RM'000
	1 January 2018 RM'000	Cash flows RM'000	Amortisation of transaction RM'000	Acquisition RM'000	Disposal of subsidiary RM'000	
Term loan	29,068	(29,147)	-	-	4,210	4,131
Finance lease liabilities	75	385	-	500	85	1,045
Sukuk Wakalah	-	27,177	122	-	-	27,299
	<u>29,143</u>	<u>(1,585)</u>	<u>122</u>	<u>500</u>	<u>4,295</u>	<u>32,475</u>

Company

Changes in liabilities arising from financing activities are changes arising from cash flows.

The accompanying notes form an integral part of these financial statements.

Notes to the Financial Statements _____

1. CORPORATE INFORMATION

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the ACE Market of Bursa Malaysia Securities Berhad. The registered office and principal place of business of the Company are located at Level 8, Tower Block, UOC Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan, Malaysia.

The Company is principally engaged in investment holding. The principal activities of the subsidiaries are set out in Note 7 to the financial statements.

There have been no significant changes in the nature of these principal activities during the financial year.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 29 June 2020.

2. BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int")

The Group and the Company have adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that are mandatory for the current financial year:

New MFRSs

MFRS 16	Leases
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Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 11	Joint Arrangements
MFRS 112	Income Taxes
MFRS 119	Employee Benefits
MFRS 123	Borrowing Costs
MFRS 128	Investment in Associates and Joint Ventures

New IC Int

IC Int 23	Uncertainty over Income Tax Treatments
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Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (Continued)

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies, except for those as discussed below.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (Continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the financial statements of the Group, except for those as discussed below.

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were measured at an amount equals to the lease liability.

The Group also applied the following practical expedients wherein they:

- (a) applied a single discount rate to a portfolio of leases with similar characteristics;
- (b) applied the exemption not to recognise right-to-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- (c) excluded initial direct costs from measuring the right-of-use assets at the date of initial application; and
- (d) used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (Continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

(i) Classification and measurement (continued)

For leases that were classified as finance lease under MFRS 117

The Group recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of machinery and IT equipment that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

The effects of adoption of MFRS 16 as at 1 January 2019 (increase/(decrease)) are as follows:

	Group Increase/ (Decrease) RM'000
Assets	
Non-current assets	
Property, plant and equipments	(29,233)
Right of use assets	268,337
Total non-current assets	<u>239,104</u>
Non-current liabilities	
Loans and borrowings	(441)
Lease liabilities	236,483
Total non-current liabilities	<u>236,042</u>
Current liabilities	
Loans and borrowings	(104)
Lease liabilities	3,166
Total current liabilities	<u>3,062</u>
Total liabilities	<u>239,104</u>

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Adoption of new MFRSs, amendments/improvements to MFRSs and new IC Int (Continued)

MFRS 16 Leases (continued)

Impact of the adoption of MFRS 16 (continued)

The weighted average incremental borrowing rate applied to lease liabilities recognised in the statements of financial position on 1 January 2019 is 8.80%.

The lease liabilities as at 1 January 2019 can be reconciled to the operating lease commitments disclosed applying MFRS 117 as at 31 December 2018, as follows:

	Group RM'000
Assets	
Operating lease commitments as at 31 December 2018	378,493
Weighted average incremental borrowing rate as at 1 January 2019	8.80%
Discounted operating lease commitments as at 1 January 2019	214,882
Less:	
Commitments relating to short term leases	(46)
Commitments relating to leases of low-value assets	(124)
Add:	
Commitments relating to lease previously classified as finance leases	545
Lease payments relating to renewal periods not included in operating lease commitments as at 31 December 2018	23,847
Lease liabilities as at 1 January 2019	239,104

Notes to the Financial Statements

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective

- (a) The Group and the Company have not adopted the following new MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022 [/] 1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2020/ 1 January 2022 [/] 1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosure	1 January 2021 [/] 1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2020/ 1 January 2022 [/] 1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contract with Customers	1 January 2023 [#]
MFRS 16	Leases	1 June 2020 [/] 1 January 2022 [^]
MFRS 101	Presentation of Financial Statements	1 January 2020/ 1 January 2022 [/] 1 January 2023 [#]
MFRS 107	Statements of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error	1 January 2020
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023 [#]
MFRS 132	Financial Instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2020
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

[^] The Annual Improvements to MFRS Standards 2018-2020

^{*} Earlier application is permitted, including in financial statements not authorised for issue at 28 May 2020

[#] Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

- (b) The Group and the Company plan to adopt the above applicable new MFRS, and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Annual Improvements to MFRS Standards 2018-2020

Annual Improvements to MFRS Standards 2018 2020 covers amendments to:

- MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards simplifies the application of MFRS 1 by a subsidiary that becomes a first-time adopter after its parent in relation to the measurement of cumulative translation differences.
- MFRS 9 Financial Instruments clarifies the fees a company includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.
- Illustrative Examples accompanying MFRS 16 Leases deletes from Illustrative Example 13 the reimbursement relating to leasehold improvements in order to remove any potential confusion regarding the treatment of lease incentives.
- MFRS 141 Agriculture removes a requirement to exclude cash flows from taxation when measuring fair value thereby aligning the fair value measurement requirements in MFRS 141 with those in other MFRS Standards.

Amendments to MFRS 3 Business Combinations

The amendments clarify the definition of a business with the objective of assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. The distinction is important because an acquirer does not recognise goodwill in an asset acquisition.

The amendments, amongst others, clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs. The amendments also add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments also update by replacing a reference to an old version of the Conceptual Framework for Financial Reporting with a reference to the latest version which was issued by MASB in April 2018.

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

- (b) The Group and the Company plan to adopt the above applicable new MFRS, and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 9 Financial Instruments, MFRS 139 Financial Instruments: Recognition and Measurement, and MFRS 7 Financial Instruments: Disclosures

The Malaysian Accounting Standards Board has issued Interest Rate Benchmark Reform (Amendments to MFRS 9, MFRS and MFRS 7).

The Interest Rate Benchmark Reform amends some specific hedge accounting requirements to provide relief from potential effects of the uncertainty caused by the interbank offered rates reform. In applying the amendments, companies would continue to apply those hedge accounting requirements assuming that the interest rate benchmark associated with the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

Applying the amendments, entities are not required to apply the MFRS 139 retrospective assessment but continue to apply hedge accounting to a hedging relationship for which effectiveness is outside of the 80-125% range during the period of uncertainty arising from the reform.

Amendments to MFRS 16 Leases

The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021.

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS, and amendments/improvements to MFRSs that have been issued, but yet to be effective (Continued)

- (b) The Group and the Company plan to adopt the above applicable new MFRS, and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRSs, and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below. (Continued)

Amendments to MFRS 101 Presentation of Financial Statements and MFRS 108 Accounting Policies, Changes in Accounting Estimates and Error

The amendments refine the definition by including 'obscuring information' in the definition of material to respond to concerns that the effect of including immaterial information should not reduce the understandability of a company's financial statements. The prior definition focuses only on information that cannot be omitted (material information) and does not also consider the effect of including immaterial information.

Other refinements to the definition include incorporating some existing wording in MFRS 101 and the Conceptual Framework for Financial Reporting. Consequently, the amendments align the definition of material across MFRS Standards and other publications.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

Amendments to MFRS 116 Property, Plant and Equipment

The amendments prohibit an entity from deducting from the cost of property, plant and equipment amounts received from selling items produced while the entity is preparing the asset for its intended use. Instead, an entity shall recognise such sales proceeds and related cost in profit or loss.

Amendments to MFRS 137 Provisions, Contingent Liabilities and Contingent Assets

The amendments specify which costs an entity includes in determining the cost of fulfilling a contract for the purpose of assessing whether the contract is onerous.

- (c) The Group and Company are currently assessing the impact of initial application of the above applicable amendments/improvements to MFRSs. Nevertheless, the Group and the Company expect that the initial application is unlikely to have material financial impacts to the current period and prior period financial statements of the Group and of the Company.

Notes to the Financial Statements _____

(Continued)

2. BASIS OF PREPARATION (CONTINUED)

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which they operate ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest RM, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared under the historical cost basis, except as otherwise disclosed in Note 3 to the financial statements.

2.6 Use of estimates and judgements

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires the Group to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involved a higher degree of judgment or complexity, or areas where assumptions and estimates that are significant to the financial statements are disclosed in Note 4 to the financial statements.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

(a) Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries and associates used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

(i) Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's separate financial statements, investment in subsidiaries are accounted for at cost less impairment losses.

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Investment in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The transaction costs of the investments shall be recognised as expense in the profit or loss in the period in which the costs are incurred.

The accounting policies of subsidiaries are changed when necessary to align them with the policies adopted by the Group.

(ii) Business combination

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- (i) the fair value of consideration transferred; plus
- (ii) the recognised amount of any non-controlling interest in the acquiree; plus
- (iii) if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- (iv) the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

The accounting policy for goodwill is set out in Note 3(f)(i) to the financial statements.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

(ii) Business combination (Continued)

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

(iii) Acquisition of non-controlling interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

(iv) Loss of control

Upon loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of consolidation (Continued)

(v) Non-controlling interest

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balances.

(vi) Associates

Associates are entities over which the Group has significant influence, but not control, to the financial and operating policies.

Investment in associates are accounted for in the consolidated financial statements using the equity method.

Under the equity method, the investment in associates are initially recognised at cost. The cost of investment includes transaction costs. Subsequently, the carrying amount is adjusted to recognise changes in the Group's share of net assets of the associate.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of an available-for-sale financial asset or a held for trading financial asset. Any differences between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not remeasured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to reclassified to profit or loss on the disposal of the related assets or liabilities.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

(vii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with equity-accounted associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Separate financial statements

In the Company's statement of financial position, investment in subsidiaries and associates are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3(m)(ii) to the financial statements.

Contributions to subsidiaries are amounts for which the settlement is neither planned nor likely to occur in the foreseeable future is, in substance, considered as part of the Company's investment in the subsidiaries.

(c) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial year.

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Property, plant and equipment and depreciation (Continued)

(ii) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(iii) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

Buildings	33 1/3 years
Office suite	2%
Library	10% - 20%
Computer	20%
Office equipment	10% - 40%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Renovation	10% - 20%
Router	20%

The residual values, useful lives and depreciation method are reviewed, and adjusted if appropriate, at each reporting date.

Fully depreciated assets are retained in the accounts until the assets are no longer in use.

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

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revaluation of assets

Land and buildings at valuation are revalued at a regular intervals with additional valuations where market conditions indicate that the carrying values of the revalued land and buildings materially differ from the market values.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Any surplus or deficit arising from the revaluations will be dealt with in the Revaluation Reserve Account. Any deficit is set-off against the Revaluation Reserve Account only to the extent of the surplus credited from the previous revaluation of the land and buildings and the excess of the deficit is charged to the profit or loss. Upon disposal or retirement of an asset, any revaluation reserve relating to the particular asset is transferred directly to retained profits.

(e) Investment properties

Investment properties are leasehold land and buildings which are held either to earn rental income or capital appreciation or for both and are not substantially occupied by the Group. Such properties are measured initially at cost, including transaction costs. Subsequent to the initial recognition, investment properties are stated at cost less accumulated impairment losses, if any. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

The estimated useful lives of investment properties are as follows:

Leasehold building	33 1/3 years
Leasehold land	76 years
Renovation and electrical installation	10 years

Investment properties are derecognised when they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposals. Any gains and losses on the retirement or disposal of investment properties are recognised in the profit or loss in the financial year in which they arise.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property carried at fair value to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other Intangible assets

(i) Goodwill

Goodwill arising from business combinations is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. After initially recognition, goodwill is measured at cost less any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

(ii) Development costs

An intangible asset arising from development is recognised when the following criteria are met:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset and use or sell it;
- there is an ability to use or sell the asset;
- it can be demonstrated how the intangible asset will generate future economic benefits;
- adequate resources to complete the development and to use or sell the intangible asset are available; and
- the expenditures attributable to the intangible asset during its development can be reliably measured.

Other development costs that do not meet these criteria are recognised in profit or loss as incurred. Development costs previously recognised as an expense are not recognised as an intangible asset in a subsequent period.

Capitalised development costs are measured at cost less accumulated amortisation and accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

(iii) Software

Software that are acquired by the Group, which have finite useful lives, are measured at cost less any accumulated amortisation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other intangible assets (Continued)

(iv) Acquired education licenses

Education licenses acquired in a business combination are recognised at fair value at the acquisition date. The licenses have been acquired with the option to renew at little or no cost to the Group. As a result, those licenses are assessed as having an indefinite useful life. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

(v) Other intangible assets

Trademark with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses, if any.

Intangible assets, other than goodwill and trademark, that are acquired by the Group, which have finite useful lives are measured at cost less any accumulated amortisation and any accumulated impairment losses.

(vi) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill is recognised in profit or loss as incurred.

(vii) Amortisation

Goodwill and intangible assets with indefinite useful lives are not amortised but are tested for impairment annually and whenever there is an indication that they may be impaired.

Intangible assets, other than goodwill and trademark, are amortised from the date that they are available for use. Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets.

Trademarks with indefinite useful lives are not amortised but tested for impairment annually and whenever there is an indication that may be impaired.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Goodwill and other intangible assets (Continued)

(vii) Amortisation (Continued)

The estimated useful lives for the current and comparative periods are as follows:

Development costs	3 to 10 years
Intellectual rights	5 years
Software	10 years
Franchise fee	10 years

Amortisation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted, if appropriate.

(g) Inventories

Inventories are stated at the lower of cost and net realisable value. Inventories cost is determined on a first-in-first-out method.

Cost includes the actual cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the costs of completion and applicable variable selling expenses.

(h) Leases

(i) Definition of lease

Accounting policies applied from 1 January 2019

At inception of a contract, the Group assess whether a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

Accounting policies applied until 31 December 2018

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains, a lease if fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset or assets.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

(ii) Lessee accounting

Accounting policies applied from 1 January 2019

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

The Group presents right-of-use assets and lease liabilities as separate lines in the statements of financial position.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m)(ii) to the financial statements.

The depreciation period for the current period are as follows:

Land	67 – 83 years
Building	1 – 19 years
Computer equipment	5 years
Motor vehicles	5 years

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses their incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives; and
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

(ii) Lessee accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

Lease liability (Continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line “other expenses” in the statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

(ii) Lessee accounting (Continued)

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessee in a finance lease, it capitalises the leased asset and recognise the related liability. The amount recognised at the inception date is the fair value of the underlying leased asset or, if lower, the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that assets.

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are charged as expenses in the periods in which they are incurred.

The capitalised leased asset is classified by nature as property, plant and equipment.

For operating lease, the Group does not capitalise the leased asset or recognise the related liability. Instead lease payments under an operating lease are recognised as an expense on the straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

Any upfront lease payments are classified as land use rights within intangibles assets.

(iii) Lessor accounting

Accounting policies applied from 1 January 2019

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is intermediate lessors, they account for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3(m)(ii) to the financial statements, then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Leases (Continued)

(iii) Lessor accounting (Continued)

Accounting policies applied from 1 January 2019 (Continued)

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

Accounting policies applied until 31 December 2018

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statement of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

(i) Non-current assets or disposal groups held for sale

Non-current assets or disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. The criteria for held for sale classification is regarded as met only when:

- the asset or disposal group is available for immediate sale in its present condition;
- the management is committed to a plan to sell the asset and the asset or disposal group is actively marketed for sale at a price that is reasonable in relation to its current fair value; and
- the sale is expected to be completed within one year from the date of classification and actions required to complete the plan indicates that it is unlikely that significant changes to the plan will be made or that the sale will be withdrawn.

Immediately before classification as held for sale or distribution, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets, or disposal group are measured at the lower of their carrying amount and fair value less costs to sell.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Non-current assets or disposal groups held for sale (Continued)

Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets and investment property measured at fair value, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. A gain for any subsequent increase in fair value less costs to sell of an asset is recognised but not in excess of the cumulative impairment loss that has been recognised.

Intangible assets and property, plant and equipment once classified as held for sale are not amortised or depreciated. In addition, equity accounting of equity-accounted associates and joint venture ceases once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statements of financial position.

(j) Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(i) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(ii) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unutilised tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Income tax (Continued)

(ii) Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(iii) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Foreign currency translation and operations

(i) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items which are measured at fair values denominated in foreign currencies are translated at the foreign exchange rate ruling at the date when the fair values were determined.

When a gain or loss on a non-monetary item is recognised directly in equity, any corresponding exchange gain or loss is recognised directly in equity. When a gain or loss on a non-monetary item is recognised in profit or loss, any corresponding exchange gain or loss is recognised in profit or loss.

(ii) Foreign entities

The results and financial position of all the foreign entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each profit or loss are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange difference arising from the translation of net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Financial instruments

Financial instruments are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

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

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial asset.

The Group and the Company reclassify financial assets when and only when its business model for managing those assets changes.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued):

(i) Financial assets (Continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group and the Company classifies their debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3(m)(i) to the financial statements. Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3(m)(i) to the financial statements. Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows
(Continued)

(i) Financial assets (Continued)

Debt instruments (Continued)

- **Fair value through profit or loss (FVPL)**

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

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

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

(a) Subsequent measurement (Continued)

The Group and the Company categorise the financial instruments as follows (Continued)

(ii) Financial liabilities

The Group and the Company classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting (i.e. the date the Group and the Company commit themselves to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) Derecognition

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire, or
- (ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial instruments (Continued)

(d) Derecognition (Continued)

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

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

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

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

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets

(i) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, contract assets and lease receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counter party is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 90 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

(i) Impairment of financial assets and contract assets (Continued)

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assess whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default of past due event;
- the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the Group would not otherwise consider; and
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

(i) Impairment of financial assets and contract assets (Continued)

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(ii) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount. For goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceed its recoverable amount, the carrying amount of asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of assets (Continued)

(ii) Impairment of non-financial assets (Continued)

Impairment losses in respect of goodwill are not reversed. For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

(n) Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

Revenue recognition of the Group and the Company are applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

The Group and the Company measure revenue from sale of good or service at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the costs plus margin approach.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (Continued)

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group assesses the type of modification and accounts for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(i) Education services

Revenue from education services rendered represents course fees, registration fees, royalty fees, resource fees and other miscellaneous charges.

Revenue from course fees will be recognised within the semester of each courses offered to the students. The revenue will then be recognised over time throughout the semester in profit or loss.

Payment terms for course fees are on cash terms (immediate payment or advance payment not exceeding 30 days).

Revenue from registration fees and resource fees are recognised over the period of the course in profit or loss.

Revenue from royalty fee is recognised on accrual basis based on substance of the agreement.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Revenue and other income (Continued)

(i) Education services (Continued)

Other miscellaneous charges represent application fees, administration fees, processing fees, convocation fees, examination fees, training fees and clinical attachment fees. These fees are recognised at a point in time as services are rendered.

Advance payment received at the commencement of the semester will be recognised as contract liabilities.

(ii) Income from consultancy, training and software development

Income from consultancy, training and software development is recognised upon services rendered to customers and customers' acceptance, net of discounts.

(iii) Technical supports

Revenue from technical supports are recognised when services are rendered.

(iv) Sales of hardware

Revenue from sales of hardware are recognised upon delivery of products and customer's acceptance and when the significant risks and rewards of ownership have been transferred to the buyer.

(v) Sales of software application

Income from sales of software application is recognised upon services rendered to customers and customers' acceptance, net of discounts.

(vi) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vii) Interest income

Interest income is recognised using the effective interest method.

(vii) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) **Borrowing costs**

Borrowing costs are interests and other costs that the Group and the Company incur in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) **Employee benefits**

(i) **Short term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(ii) **Defined contribution plans**

As required by law, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

(iii) **Employee share option schemes**

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

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (Continued)

(iii) Employee share option schemes (Continued)

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

(q) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the Chairman, to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

(r) Share capital

(i) Ordinary Shares

Ordinary shares are equity instruments. An equity instrument is a contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

(ii) Treasury shares

When share capital recognised as equity is repurchased, the amount of consideration paid is recognised directly in equity. Repurchased shares that have not been cancelled including any attributable transaction costs are classified as treasury shares and presented as a deduction from total equity.

When treasury shares are sold or reissued subsequently, the difference between the sales consideration and the carrying amount is presented as a movement in equity.

(s) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value with original maturities of three months or less and are used by the Group and the Company in the management of their short-term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented after exclude deposits, collection account, cash collateral account and finance service reserve account pledged to secure borrowings.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Earnings per shares

(i) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year.

(ii) Diluted

Diluted earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year adjusted for the effects of dilutive potential ordinary shares.

(u) Provision

Provisions are recognised when the Group and the Company have present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(i) Legal claims

For lawsuit provisions, a probability-weighted expected outcome is applied in the measurement, taking into account past court judgements made in similar cases and advice of legal experts.

(ii) Onerous contract

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the lower of the present value of the expected cost of terminating the contract and the present value of the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group and of the Company.

Contingent liability is also referred as a present obligation that arises from past events but is not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
- the amount of the obligation cannot be measured with sufficient reliability.

Contingent liabilities and assets are not recognised in the statements of financial position.

(w) Contract costs

(a) Recognition and measurement

Contract costs include costs of obtaining and fulfilling a contract such as commission fee paid to agents.

The incremental costs of obtaining a contract are those costs that the Group and the Company incur to obtain a contract with a customer which they would not have incurred if the contract had not been obtained. The incremental costs of obtaining a contract with a customer are recognised as part of contract costs when the Group and the Company expect those costs are recoverable.

(b) Amortisation

The costs of obtaining and fulfilling a contract are amortised on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates, i.e. in accordance with the pattern of transfer of goods or services to which the asset relates. The amortisation shall be updated subsequently to reflect any significant change to the expected timing of transfer to the customer of the goods or services to which the asset relates in accordance with MFRS 108 *Accounting Policies, Changes in Accounting Estimate and Errors*.

(c) Impairment

Impairment loss are recognised in profit or loss to the extent that the carrying amount of the contract cost exceeds:

- (a) the remaining amount of consideration that the entity expects to receive in exchange for the goods or services to which the asset relates; less
- (b) the costs that relate directly to providing those goods or services and that have not been recognised as expenses.

Notes to the Financial Statements _____

(Continued)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(w) Contract costs (Continued)

(c) Impairment (Continued)

Before an impairment loss is recognised for contract costs, the Group and the Company shall recognise any impairment loss for assets related to the contract that are recognised in accordance with another MFRSs, such as MFRS 102, MFRS 116 and MFRS 138. The Group and the Company shall include the resulting carrying amount of the contract costs in the carrying amount of the cash-generating unit to which it belongs for the purpose of applying MFRS 136 *Impairment of Assets* to that cash-generating unit.

An impairment loss is reversed when the impairment conditions no longer exist or have improved. Such reversal is recognised in profit or loss.

The Group and the Company have applied the practical expedient to recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity would have recognised is one year or less.

(x) Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

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

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

Notes to the Financial Statements _____

(Continued)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

Significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have significant effect in determining the amounts recognised in the financial statements include the following:

(i) Right-of-use assets and lease liabilities (Note 6 & 25)

During the financial year, the Group adopted MFRS 16 Leases and recognised right-of-use ("ROU") assets and lease liabilities on the date of initial application. In measuring ROU assets and lease liabilities, significant judgement is required in determining the lease term, lease payments and incremental borrowing rate. Any changes in the estimates may have significant effect on the Group's performance and financial position.

(ii) Impairment of goodwill and other intangible assets (Note 10 and 11)

The Group determines whether goodwill and other intangible assets are impaired at least on an annual basis. This requires an estimation of the value-in-use of the cash-generating unit ("CGU") to which goodwill or other intangible assets are allocated. Estimating a value-in-use amount requires the Group to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(iii) Impairment of Investment in subsidiaries (Note 8)

The Company carried out the impairment test based on its investment in subsidiaries on the value-in-use of the cash generating unit. Estimating a value-in-use amount requires the Company to make an estimation of the expected future cash flows from the subsidiaries and also to choose a suitable discount rate in order to calculate the present value of those cash flows. An impairment loss is recognised immediately in the profit or loss if the recoverable amount is less than the carrying amount.

(iv) Impairment losses for trade receivables (Note 14)

The provisions of expected credit losses for receivables are based on assumptions about risk of default and expected loss rate. The Group use judgement in making these assumptions and selecting inputs to the expected credit losses ("ECL") calculation which is, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

The Group individually assessed and also uses a provision matrix to calculate ECL for trade receivables. The individually assessed ECL may be based on indicators such as students who have quit, terminated, rejected or withdrawn from their courses. The provision rates are depending on the number of days that a receivable is past due. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Notes to the Financial Statements _____

(Continued)

4. **SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)**

(iv) **Impairment losses for trade receivables (Note 14) (Continued)**

The assessment of the correlation between historical observed default rates, forward-looking estimates and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and of forecast economic conditions over the expected lives of the receivables. The Group's assessment of the indicators, historical credit loss experience and forecast of economic conditions may also not be representative of student's or customer's actual default in the future.

The information about the impairment losses on the Group's and the Company's financial assets are disclosed in Note 38(i) to the financial statements.

Notes to the Financial Statements

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land	Leasehold land	Buildings	Office suite	Library	Computer	Office equipment	Furniture and fittings	Motor vehicles	Renovation	Capital work-in-progress	Router	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost/Valuation													
At 31 December 2018	4,723	29,087	80,074	3,114	136	3,704	2,538	1,747	1,098	38,681	71	96	165,069
- As previously reported	-	(29,087)	-	-	-	-	-	-	(792)	-	-	-	(29,879)
- Effect of adoption of MFRS 16													
Adjusted balance at 1 January 2019	4,723	-	80,074	3,114	136	3,704	2,538	1,747	306	38,681	71	96	135,190
Acquisition of subsidiary	-	-	-	-	-	12	9	5	20	-	-	-	46
Additions	-	-	-	-	43	214	734	4,367	7	3,443	-	750	9,558
Disposals	-	-	-	(3,114)	-	(6)	(2)	(55)	(158)	(142)	-	(277)	(3,754)
Reclassification of ROU	-	-	-	-	-	-	-	-	369	-	-	-	369
Transfer to non-current assets held for sales (Note 17)	(4,723)	-	(37,010)	-	-	-	41	(156)	-	(291)	(71)	-	(42,210)
At 31 December 2019	-	-	43,064	-	179	3,924	3,320	5,908	544	41,691	-	569	99,199

Notes to the Financial Statements

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land	Leasehold land	Buildings	Office suite	Library	Computer	Office equipment	Furniture and fittings	Motor vehicles	Renovation	Capital work-in-progress	Router	Total
2019	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Accumulated depreciation and impairment													
At 31 December 2018	-	-	1,379	-	41	2,355	337	68	440	2,882	-	95	7,597
- As previously reported	-	410	2,635	-	-	-	-	-	-	-	-	-	3,045
- Adjustment	-	(410)	-	-	-	-	-	-	(236)	-	-	-	(646)
- Effect of adoption of MFRS 16	-	-	-	-	-	-	-	-	-	-	-	-	-
Adjusted balance at 1 January 2019	-	-	4,014	-	41	2,355	337	68	204	2,882	-	95	9,996
Depreciation for the financial year	-	-	2,895	-	42	797	572	419	19	4,638	-	218	9,600
Impairment for the financial year	-	-	6,202	-	-	-	-	-	-	-	-	-	6,202
Reclassification of ROU	-	-	-	-	-	-	-	-	369	-	-	-	369
Transfer to non-current assets held for sales (Note 17)	-	-	(6,970)	-	-	-	-	-	-	-	-	-	(6,970)
Disposals	-	-	-	-	-	(6)	#	(43)	(110)	(207)	-	-	(366)
At 31 December 2019	-	-	6,141	-	83	3,146	909	444	482	7,313	-	313	18,831
Carrying amount													
At 31 December 2019	-	-	36,923	-	96	778	2,411	5,464	62	34,378	-	256	80,368
Representing:													
At Cost	-	-	36,923	-	96	778	2,411	5,464	62	34,378	-	256	80,368
At Valuation	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	36,923	-	96	778	2,411	5,464	62	34,378	-	256	80,368

Notes to the Financial Statements

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2018	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office suite RM'000	Library RM'000	Computer equipment RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in- progress RM'000	Router RM'000	Total RM'000
Cost/Valuation													
At 1 January 2018	-	-	-	4,200	-	1,682	760	199	318	719	-	-	7,878
Acquisition of subsidiary	4,723	14,545	73,727	-	132	1,825	1,011	465	316	6,876	8,111	-	111,731
Additions	-	-	-	-	4	197	776	1,407	630	24,396	71	96	27,577
Disposals	-	-	-	-	-	-	(1)	(305)	(166)	(308)	-	-	(780)
Written off	-	-	-	-	-	-	(5)	(19)	-	(845)	-	-	(869)
Transfer to non-current assets held for sales (Note 17)	-	(3,458)	(10,005)	-	-	-	-	-	-	(618)	-	-	(14,081)
Transfer from investment properties (Note 7)	-	18,000	16,352	-	-	-	-	-	-	350	-	-	34,702
Reclassification	-	-	-	-	-	-	-	-	-	8,111	(8,111)	-	-
Impairment	-	-	-	(1,086)	-	-	-	-	-	-	-	-	(1,086)
Effect of foreign exchange difference	-	-	-	-	-	-	(3)	-	-	-	-	-	(3)
At 31 December 2018	4,723	29,087	80,074	3,114	136	3,704	2,538	1,747	1,098	38,681	71	96	165,069

Notes to the Financial Statements

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2018	Freehold land RM'000	Leasehold land RM'000	Buildings RM'000	Office suite RM'000	Library RM'000	Computer RM'000	Office equipment RM'000	Furniture and fittings RM'000	Motor vehicles RM'000	Renovation RM'000	Capital work-in- progress RM'000	Router RM'000	Total RM'000
Accumulated depreciation and impairment													
At 1 January 2018	-	-	-	360	-	1,454	279	96	309	270	-	-	2,768
Depreciation for the financial year	-	410	3,001	78	41	901	214	281	289	2,944	-	95	8,254
Written off	-	-	-	-	-	-	(1)	(4)	-	(165)	-	-	(170)
Transfer from investment properties (Note 7)	-	-	1,013	-	-	-	-	-	-	-	-	-	1,013
Reversal of impairment loss	-	-	-	(438)	-	-	(153)	-	-	-	-	-	(591)
Disposal	-	-	-	-	-	-	(2)	(305)	(158)	(167)	-	-	(632)
At 31 December 2018	-	410	4,014	-	41	2,355	337	68	440	2,882	-	95	10,642
Carrying amount													
At 31 December 2018	4,723	28,677	76,060	3,114	95	1,349	2,201	1,679	658	35,799	71	1	154,427
Representing:													
At Cost	4,723	28,677	76,060	-	95	1,349	2,201	1,679	658	35,799	71	1	151,313
At Valuation	-	-	-	3,114	-	-	-	-	-	-	-	-	3,114
	4,723	28,677	76,060	3,114	95	1,349	2,201	1,679	658	35,799	71	1	154,427

Notes to the Financial Statements

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Computer RM'000	Office equipment RM'000	Furniture and fittings RM'000	Total RM'000
Company				
2019				
Cost				
At 1 January 2019	-	-	-	-
Addition	9	1	12	22
Written off	-	(1)	-	(1)
At 31 December 2019	9	-	12	21
Accumulated depreciation				
At 1 January 2019	-	-	-	-
Depreciation for the financial year	2	-	2	4
At 31 December 2019	2	-	2	4
Carrying amount				
At 31 December 2019	7	-	10	17
Representing:				
At Cost	7	-	10	17
At Valuation	-	-	-	-
At 31 December 2019	7	-	10	17

- (i) The office suite was last further revalued by the Group on 14 June 2013 based on its open market values as ascertained through an independent valuation. In previous financial year, the fair value of the office suite was adjusted based on the sales consideration which was agreed between the Group and a third party.

The fair value of the office suite is categorised as Level 2.

- (ii) If the office suite was measured using the cost model, the carrying amount would be as follow:

	Group	
	2019 RM'000	2018 RM'000
Cost	2,083	2,083
Less: Accumulated depreciation	-	(510)
Less: Disposal	(2,083)	-
Carrying amount	-	1,573

- (iii) The office suite with the carrying amount of RM Nil (2018: RM3,114,400) has been pledged as security for banking facilities granted to a subsidiary of the Group, as disclosed in Note 24 to the financial statements.

Notes to the Financial Statements _____

(Continued)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

- (iv) In the previous financial year, motor vehicles with total carrying amount of RM556,302 were acquired under hire purchase as disclosed in Note 25 to the financial statements.
- (v) At 31 December 2019, buildings with a net carrying amount of RM37,355,192 (2018: RM124,927,122) were pledged to secure bank loans as disclosed in Note 24 to the financial statements.
- (vi) In the previous financial year, the title of freehold land and certain buildings with a net carrying amount of RM30,502,263 was pending issuance by the relevant authorities.
- (vii) Capital work-in-progress was in respect of renovation cost incurred for new campus in the previous financial year.
- (viii) Included in the property, plant and equipment are borrowing cost capitalised during the financial year amounting to RM Nil (2018: RM298,231).
- (x) During the financial year, the Group assessed the recoverable amount of its property and equipment with net carrying amount of RM39,478,423 (2018: RM41,139,211) in view of the prior year impairment and vacant properties.

An impairment loss of approximately RM6,202,000 (2018: RM Nil) and reversal of impairment loss of approximately RM Nil (2018: RM3,636,000) was recognised in profit or loss based on comparison of fair value less costs of disposal and the net carrying amount in respect of assets with recoverable amount of RM38,880,000 (2018: RM64,974,000). The fair value amounts were derived from valuation reports provided by an independent valuer based on comparison method. The fair value is within Level 3 of the fair value hierarchy, whereby the fair value is estimated using price per square foot and the adjustments on the differences in location, size, tenure, market condition and other differences.

Notes to the Financial Statements

(Continued)

6. RIGHT-OF-USE ASSETS

The Group leases several assets including land, buildings, computer equipment and motor vehicles.

Information about leases for which the Group is lessee is presented below:

Group Cost	Land RM'000	Buildings RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
At 31 December 2018	-	-	-	-	-
Effects of adoption of MFRS 16 Leases	29,087	239,104	-	792	268,983
At 1 January 2019	29,087	239,104	-	792	268,983
Additions	-	23,847	229	146	24,222
Modification of lease	-	(31,709)	-	-	(31,709)
Reclassification	-	-	-	(369)	(369)
Transfer to non-current assets held for sale (Note 17)	(5,500)	-	-	-	(5,500)
At 31 December 2019	23,587	231,242	229	569	255,627
Accumulated depreciation and impairment loss					
At 31 December 2018	-	-	-	-	-
Effects of adoption of MFRS 16 Leases	410	-	-	236	646
At 1 January 2019	410	-	-	236	646
Depreciation charge for the financial year	430	17,341	46	223	18,040
Impairment charge for the financial year	37	8,992	-	-	9,029
Reclassification	-	-	-	(369)	(369)
Transfer to non-current assets held for sale (Note 17)	(146)	-	-	-	(146)
At 31 December 2019	731	26,333	46	90	27,200
Carrying amount at					
31 December 2019	22,856	204,909	183	479	228,427

(a) The Group leases land and buildings for their operations and office space. The leases for operations and office space generally have lease terms of between 1 to 25 years.

(b) Land with net carrying amount of RM23,266 were pledged as security for borrowing as disclosed in Note 24 to the financial statements.

Notes to the Financial Statements

(Continued)

7. INVESTMENT PROPERTIES

	Group	
	2019 RM'000	2018 RM'000
Group		
Cost		
At 1 January	-	-
Acquisition of subsidiary	-	38,202
Transfer to property and equipment (Note 5)	-	(34,702)
Transfer to non-current assets held for sale (Note 17)	-	(3,500)
At 31 December	-	-
Accumulated Depreciation		
At 1 January	-	-
Acquisition of subsidiary	-	-
Depreciation for the financial year	-	1,013
Transfer to property and equipment (Note 5)	-	(1,013)
At 31 December	-	-
Carrying Amount		
At 31 December	-	-

In the previous financial year, a property has been transferred from investment property to property, plant and equipment as the said property was occupied by a subsidiary.

8. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 RM'000	2018 RM'000
At cost		
Quoted shares	54,757	54,757
Unquoted shares	23,400	21,500
	78,157	76,257
Less: Accumulated impairment losses		
At beginning of the financial year	(8,013)	(5,742)
Additions	(16,862)	(2,851)
Reversal of impairment losses	8,013	580
At end of the financial year	(16,862)	(8,013)
	61,295	68,244
Capital contributions to subsidiaries	26,238	26,238
	87,533	94,482
Market value		
Quoted shares	14,934	13,689

Notes to the Financial Statements _____

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Capital contributions represent unsecured, interest free, non-trade balances with subsidiaries. As these balances are, in substance, a part of the Company's net investment in the subsidiaries, they are stated at cost less accumulated impairment loss. The settlement of these balances is neither planned nor likely to occur in the foreseeable future as it is the intention of the Company to treat them as long-term source of capital to the subsidiaries.

Impairment loss

The Group had provided impairment in investment in SMR HR Group Sdn. Bhd. amounting to RM12.84 million during the financial year. This impairment is included within other expenses in statement of comprehensive income. The impairment was made in view of lower recoverable amount based on the selling price as mentioned in Note 40.

The Company assessed the recoverable amount of Minda Global Berhad in view of the recent operating losses. An impairment of approximately RM4.02 million (2018: RM Nil) was recognised based on the recoverable amount determined based on value-in-use of the subsidiary.

Details of the subsidiaries are as follows:

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2019 %	2018 %	
Direct subsidiaries				
Minda Global Berhad	Malaysia	20	20	Investment holding
SMR HR Group Sdn. Bhd.	Malaysia	100	100	Provision of HR development solutions covering training, consulting, outsourcing, events, learning resources and advisory support services
SMR Education Sdn. Bhd.	Malaysia	100	100	Investment holding
SMR Properties Management Sdn. Bhd.	Malaysia	100	100	Investment holding

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2019 %	2018 %	
Direct subsidiaries				
Strategic Ambience Sdn. Bhd.	Malaysia	100	100	Investment holdings
N'osairis Technology Solutions Sdn. Bhd.	Malaysia	64	64	Investment holding and IT solutions related telecommunication
Talentoz Sdn. Bhd. #	Malaysia	55	-	Development and marketing software of human resources
SMR HR Technologies Sdn. Bhd. ("SHRTSB")	Malaysia	-	100	Software consultancy and development and its related activities
Management Made Easy Sdn. Bhd. ("MMESB")	Malaysia	-	100	Development of enterprise HR software, application development and provision for technology consulting services
SMR Management Sdn. Bhd. ("SMSB")	Malaysia	-	100	Provision of management services
Indirect subsidiaries				
Subsidiary of SMR HR Technologies Sdn. Bhd.				
SMR HR Technologies Pvt Ltd #	India	-	98	Software consultancy and development, Human Resource development solutions covering training, consulting, outsourcing, events, learning resources and advisory support services

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2019 %	2018 %	
Subsidiary of Talentoz Sdn. Bhd.				
Forzia Tech Private Limited	Indian	100	-	IT solutions related to telecommunication
Subsidiaries of N'osairis Technology Solutions Sdn. Bhd.				
Teknologi Bumi Era Q Sdn. Bhd. #	Malaysia	100	100	IT solutions related to telecommunication
PT Nosairis Teknologi Solutions #	Indonesia	90	90	IT solutions related to telecommunication
Subsidiaries of SMR Education Sdn. Bhd.				
Minda Global Berhad	Malaysia	30	30	Investment holding
Subsidiaries of Strategic Ambience Sdn. Bhd.				
Minda Global Berhad	Malaysia	7	7	Investment holding
Subsidiaries of Minda Global Berhad				
ASIAMET Education Group Sdn. Bhd.	Malaysia	100	100	Investment holding
Minda Global International Education Sdn. Bhd.	Malaysia	100	100	Provision of education services
Minda Global Management Sdn. Bhd. ("MGMSB")	Malaysia	100	100	Provision of management service
ASIAMET (KB) Sdn. Bhd. ("AKBSB")	Malaysia	100	100	Dormant
ASIAMET (KK) Sdn. Bhd. ("AKKSB")	Malaysia	100	100	Provision of education services

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Name of company	Principal place of business/ Country of incorporation	Ownership interest		Principal activities
		2019 %	2018 %	
Subsidiaries of Minda Global Berhad				
ASIAMET (Kuching) Sdn. Bhd. ("AKSB")	Malaysia	100	100	Provision of education services
CUCMS Education Sdn. Bhd. ("CESB")	Malaysia	100	100	Provision of education services
UOC Sdn. Bhd. * # ^	Malaysia	100	-	Dormant
Subsidiary of Asiamet Education Group Sdn. Bhd.				
ASIAMET (M) Sdn. Bhd. ("AMSB")	Malaysia	100	100	Provision of education services
Subsidiaries of CESB				
CUCMS Properties Management Sdn. Bhd.	Malaysia	100	100	Provision of properties management services
CUCMS Edutech Sdn. Bhd.	Malaysia	100	100	Development of software, application development technology consulting services
Minda Global Language Centre Sdn. Bhd.	Malaysia	100	100	Dormant
Subsidiaries of AMSB				
Minda Global Property Management Sdn. Bhd.	Malaysia	100	100	Dormant
ASIAMET International Sdn. Bhd.	Malaysia	100	100	Dormant

Audited by auditors other than Baker Tilly Monteiro Heng PLT.

* Consolidated using unaudited management financial statements.

^ Incorporated on 27 August 2019 with a paid-up capital of RM2 divided into 2 ordinary shares.

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of direct/indirect subsidiaries

2019

On 3 January 2019, the Company completed the acquisition of one (1) ordinary share in Cendana Edisi Sdn. Bhd. ("Cendana") representing 100% of the equity share capital of Cendana for a cash consideration of RM1 ("Acquisition"). Upon the Acquisition, Cendana became a wholly-owned subsidiary of the Company. Subsequently, Cendana changed its name to Talentoz Sdn Bhd ("Talentoz") on 14 February 2019.

On 30 March 2019, Talentoz had acquired 9,999 ordinary shares and SMR Management Sdn. Bhd. had acquired 1 ordinary share respectively in Forzia Tech Pte. Ltd. ("Forzia") representing in total 100% equity interest in Forzia for a cash consideration of Rs 1,261,600, equivalent to RM74,272. Upon the acquisition, Forzia became an indirect wholly-owned subsidiary of the Company.

On 4 October 2019, Talentoz entered into an Intellectual Property Sale and Purchase Agreement ("SPA") with a third party to acquire an Intellectual Property for a consideration valued at RM90,000 to be satisfied by the issuance of new ordinary shares of Talentoz of up to 45% of the enlarged paid-up capital of Talentoz. The acquisition was completed on 2 December 2019. Consequently, the Company's ownership interest in Talentoz was diluted to 55%.

Summary of effect on acquisition of subsidiary

Identifiable assets acquired and liabilities recognised.

	Forzia RM'000
Assets	
Tangible assets	46
Long term loans and advance	92
Trade receivable	163
Other current assets	63
Cash and cash equivalents	87
Total assets	<u>451</u>
Liabilities	
Long term borrowings	26
Other current liabilities	287
Provision	13
Total liabilities	<u>326</u>
Total identifiable net assets acquired	125
Bargain purchase	(51)
Fair value of consideration transferred	<u>74</u>

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of direct/indirect subsidiaries

2019 (Continued)

Effects of acquisition of statements of comprehensive income

	Forzia RM'000
Revenue	1,747
Profit for the financial year	<u>84</u>

If the acquisition had occurred on 1 January 2019, the consolidated results for the financial year ended 31 December 2019 would have been as follows:

	Forzia RM'000
Revenue	2,242
Profit for the financial year	<u>51</u>
Fair value of consideration transferred	74
Less: Non-cash consideration	-
Consideration paid in cash	<u>74</u>
Less: Cash and cash equivalents of a subsidiary acquired	<u>(87)</u>
Net cash inflows on acquisition	<u>(13)</u>

2018

On 14 February 2018, the share exchange between Asiamet Education Group Berhad ("AEGB") and Minda Global Berhad ("MGB") was completed, which involved the exchange of all AEGB shares for new MGB shares by way of Scheme of Arrangement on the basis of 1 MGB share for every 1 AEGB share ("Share Exchange"). On 1 March 2018, the Collaboration Agreement was terminated between the Group and Arenga Pinnata Sdn. Bhd. ("Arenga"), a subsidiary of Creador II.

As a result, the Group gained control over AEGB's financial and operating policies and AEGB become a 57% subsidiary of the Group.

Notes to the Financial Statements _____

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of direct/indirect subsidiaries (Continued)

2018

Summary of effect on acquisition of subsidiary

Identifiable assets acquired and liabilities recognised.

	Group 2018 RM'000
Assets	
Property, plant and equipment	111,751
Investment properties	38,202
Intangible assets	92,892
Deferred tax assets	74
Trade and other receivables	68,053
Amount due from related companies	2,997
Current tax assets	1,143
Cash and bank balances	3,093
	<hr/> 318,205 <hr/>
Liabilities	
Deferred tax liabilities	(30,501)
Trade and other payables	(72,229)
Loans and borrowings	(4,295)
Amount due to ultimate holding company	(137)
Tax payables	-
	<hr/> (107,162) <hr/>
Total identifiable net assets acquired	211,043
Goodwill arising on acquisition (Note 9)	35,177
Non-controlling interests	(90,790)
Fair value of existing stake	<hr/> 155,430 <hr/>

Notes to the Financial Statements _____

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of direct/indirect subsidiaries (Continued)

2018

Effects of acquisition of statements of comprehensive income

	Group	
	1.2.18 to 31.12.18 RM'000	1.1.18 to 31.12.18 * RM'000
Revenue	85,824	94,062
Loss for the financial period	<u>(14,120)</u>	<u>(15,942)</u>

* Financial results as though as the acquisition date occurred during the financial year had been as of the beginning of the reporting period.

Effects of acquisition on cash flows:

	Group 2018 RM'000
Fair value of existing stake	155,430
Less: Non-cash consideration	<u>(155,430)</u>
Consideration paid in cash	-
Less: Cash and cash equivalents of subsidiaries acquired	<u>(3,093)</u>
Net cash inflows on acquisition	<u>3,093</u>

Goodwill was recognised as a result of the acquisition as follows:

	Group 2018 RM'000
Fair value of existing stake	155,430
Fair value of identifiable assets	<u>(120,253)</u>
Goodwill	<u>35,177</u>
Fair value of existing interest held	155,430
Less: Carrying value of investment in associate	<u>(131,198)</u>
Gain on remeasurement of investment recognised in profit and loss and loss	<u>24,232</u>

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries

2019

The Company had on 10 December 2019 disposed of 1,000,000 ordinary shares in SMR HR Technologies Sdn. Bhd. ("SHRTSB"), representing the entire equity interest in SHRTSB for a cash consideration of RM2 to third parties.

The Company had on 10 December 2019 disposed of 750,000 ordinary shares in Management Made Easy Sdn. Bhd. ("MMESB"), representing the entire equity interest in MMESB for a cash consideration of RM2 to third parties.

The Company had on 10 December 2019 disposed of 2 ordinary shares in SMR Management Sdn. Bhd. ("SMSB"), representing the entire equity interest in SMSB for a cash consideration of RM2 to third parties.

Summary of effect of disposal of 3 subsidiaries

	SMSB RM'000	SHRTSB RM'000	MMESB RM'000	Total RM'000
Assets				
- property, plant and equipments	-	-	-	-
- receivables	586	322	7	915
- investment in subsidiaries	-	7	-	7
- current tax assets	-	144	-	144
- cash and cash equivalents	*	8	18	26
	586	481	25	1,092
Liabilities				
- payables	-	-	7	7
- current tax liabilities	-	-	-	-
	-	-	7	7
Total net assets	586	481	18	1,085
Loss on disposal of subsidiary	(586)	(481)	(18)	(1,085)
Total consideration	*	*	*	*
Less: Non-cash consideration	-	-	-	-
Add: Cash and cash equivalents of subsidiary disposed	*	8	18	26
Disposal of subsidiary, net of, cash and cash equivalents disposed	*	8	18	26

* Amount less than RM1,000

Notes to the Financial Statements _____

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Disposal of subsidiaries (Continued)

2018

Summary of effect of disposal of 6 subsidiaries

	SMRSS RM'000	SMRGL RM'000	SMRHS RM'000	APSMRTS RM'000	SMRV RM'000	SMRP RM'000	Total RM'000
Assets							
- receivables	11	-	1	1	-	61	74
- goodwill	-	-	-	9	-	-	9
- cash and cash equivalents	#	#	#	#	#	#	#
	11	-	1	10	-	61	83
Liabilities							
- deferred taxation	-	-	-	1	-	-	1
	-	-	-	1	-	-	1
Total net assets	11	-	1	9	-	61	82
Loss on disposal of subsidiary	(11)	#	(1)	(9)	#	(61)	(82)
Total consideration	#	#	#	#	#	#	#
Less: Non-cash consideration	-	-	-	-	-	-	-
Add: Cash and cash equivalents of subsidiary disposed	#	#	#	#	#	#	1
Disposal of subsidiary, net of, cash and cash equivalents disposed	-	-	-	-	-	-	1

Amount less than RM1,000

Summary of effect of dissolution of SMR Gulf Will

	Group 2018 RM'000
Net assets of the subsidiary derecognised	4,097
NCI derecognised	(218)
Reclassification of parent's share of the loss in OCI	
- Capital reserve	(104)
- Exchange reserve	(2,515)
Loss on disposal of the subsidiary attributed to the parent	1,260

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Non-controlling interests in subsidiaries

The financial information of the Group's subsidiaries that have material non-controlling interests are as follows:

Equity interest held by non-controlling interests:

Name of company	Principal place of business/ Country of incorporation	Ownership interest	
		2019 %	2018 %
Minda Global Berhad ("MGB")	Malaysia	43	43
N'osairis Technology Solutions Sdn. Bhd.	Malaysia	36	36
Talentoz Sdn. Bhd.	Malaysia	45	-

Carrying amount of material non-controlling interests:

Name of company	2019 RM'000	2018 RM'000
Minda Global Berhad ("MGB")	73,809	86,892
N'osairis Technology Solutions Sdn. Bhd.	7,591	7,324

Profit or loss allocated to material non-controlling interests:

Name of company	2019 RM'000	2018 RM'000
Minda Global Berhad ("MGB")	(12,338)	(4,941)
N'osairis Technology Solutions Sdn. Bhd.	2,446	2,212

Notes to the Financial Statements _____

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Non-controlling interests in subsidiaries (Continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	MGB RM	N'osairis RM
Summarised statements of financial position		
As at 31 December 2019		
Non-current assets	400,048	1,640
Current assets	76,165	29,928
Non-current liabilities	(196,033)	-
Current liabilities	(86,644)	(10,760)
Net asset	193,536	20,808
Summarised statement of comprehensive income		
Financial year ended 31 December 2019		
Revenue	97,501	40,546
(Loss)/Profit for the financial year	(37,783)	6,728
Total comprehensive (loss)/income	(37,783)	6,753
Summarised cash flow information		
Financial year ended 31 December 2019		
Cash flows (used in)/from operating activities	(2,350)	10,773
Cash flows from/(used in) investing activities	19,371	(1,176)
Cash flows (used in)/ from financing activities	(16,972)	198
Net increase in cash and cash equivalents	49	9,795

Notes to the Financial Statements

(Continued)

8. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Non-controlling interests in subsidiaries (Continued)

The summarised financial information (before intra-group elimination) of the Group's subsidiaries that have material non-controlling interests are as follows:

	MGB RM'000	N'osairis RM'000
Summarised statements of financial position		
As at 31 December 2018		
Non-current assets	267,090	1,117
Current assets	61,209	27,869
Non-current liabilities	(38,258)	-
Current liabilities	(54,580)	(14,668)
Net asset	235,461	14,318
Summarised statement of comprehensive income		
Financial year ended 31 December 2018		
Revenue	87,277	39,850
(Loss)/Profit for the financial year	(10,978)	6,385
Total comprehensive (loss)/income	(10,978)	6,385
Summarised cash flow information		
Financial year ended 31 December 2018		
Cash flows from operating activities	6,137	682
Cash flows used in investing activities	(33,764)	(188)
Cash flows from/(used in) financing activities	27,957	(2,400)
Net increase/(decrease) in cash and cash equivalents	330	(1,906)
Dividends paid to non-controlling interests	-	864

Notes to the Financial Statements

(Continued)

9. INVESTMENT IN ASSOCIATES

		Group	
		2019 RM'000	2018 RM'000
At cost			
Quoted shares		-	129,086
Transfer to investment in subsidiary	(a)	-	(129,086)
		-	-
Share of post-acquisition reserves		-	(1,038)
Less: Effect of cessation as associate		-	1,038
		-	-
Unquoted shares		73	73
Share of post-acquisition reserves		(24)	(31)
		49	42
Carrying value		49	42
Market value			
- Quoted shares		-	-
		Company	
		2019 RM'000	2018 RM'000
At cost			
Quoted shares		-	55,202
Disposal of an associate		-	(55,202)
		-	-
Less: Impairment Losses			
At 1 January		-	-
Impairment during the financial year		-	445
Disposal of an associate		-	(445)
At 31 December		-	-
Unquoted shares in Malaysia			
Reclassification of equity investment (Note 7(a))		100	100
Carrying value		100	100

Notes to the Financial Statements _____

(Continued)

9. INVESTMENT IN ASSOCIATES (CONTINUED)

- (a) As at 1 January 2018, the Group had no control in Minda Global Berhad ("MGB") even though it held 57% of its equity interest. This is due to the contractual arrangement entered into with Arenga Pinnata Sdn. Bhd. ("Arenga"), a subsidiary of Creador II and a corporate shareholder of MGB in the previous financial years resulting in the Group not having control over the decision in financial and operating policies in MGB.

On 1 March 2018, the Collaboration Agreement was terminated between the Group and Arenga. As a result, the Group gained control of MGB and it ceased to be an associate of the Group.

- (b) Details of the associates are as follows:

Name of associate	Principal place of business/ Country of incorporation	Ownership interest		Nature of relationship
		2019 %	2018 %	
SMR Education Solutions Sdn. Bhd. ("SMRES")	Malaysia	10	10	Dormant.
Held by N'osairis Technology Solutions Sdn. Bhd.				
Nosairis Philippines Corporation ("NPC")	Philippines	36	36	Provision of IT solutions related to telecommunications.

Notes to the Financial Statements

(Continued)

9. INVESTMENT IN ASSOCIATES (CONTINUED)

(c) The following table illustrates the summarised financial information of the Group's material associates:

Group

	SMRES RM'000	Other individually immaterial associates RM'000	Total RM'000
2019			
Reconciliation of net assets to carrying amount:			
Share of the net assets at the acquisition date	#	-	-
Fair value adjustments	100	-	100
Cost of investment	100	-	100
Share of post-acquisition loss	(51)	-	(51)
Carrying amount in the statements of financial position	49	-	49
Group's share of results:			
Group's share of profit or loss	-	-	-
Group's share of other comprehensive income	-	-	-
Group's share of total comprehensive income	-	-	-

	AEGB RM'000	SMRES RM'000	Other individually immaterial associates RM'000	Total RM'000
2018				
Reconciliation of net assets to carrying amount:				
Share of the net assets at the acquisition date	-	#	48	48
Fair value adjustments	-	100	-	100
Cost of investment	-	100	48	148
Share of post-acquisition loss	-	(51)	(55)	(106)
Carrying amount in the statements of financial position	-	49	(7)	42
Group's share of results:				
Group's share of profit or loss	(1,039)	-	(30)	(1,069)
Group's share of other comprehensive income	-	-	-	-
Group's share of total comprehensive income	(1,039)	-	(30)	(1,069)

Represents RM2

Notes to the Financial Statements _____

(Continued)

10. GOODWILL ON CONSOLIDATION

	Education unit RM'000	Technology unit RM'000	Others RM'000	Total RM'000
Group 2019				
Costs				
At 1 January / 31 December	35,177	9,456	-	44,633
Less: Impairment loss				
At 1 January	-	6,634	-	6,634
Impairment during the financial year	3,505	-	-	3,505
At 31 December	3,505	6,634	-	10,139
Carrying Amount				
At 31 December	31,672	2,822	-	34,494
2018				
Costs				
At 1 January	-	9,456	44	9,500
Acquisition of subsidiary (Note 8)	35,177	-	-	35,177
Disposal of subsidiary	-	-	(44)	(44)
At 31 December	35,177	9,456	-	44,633
Less: Impairment loss				
At 1 January	-	6,634	15	6,649
Disposal of subsidiary	-	-	(15)	(15)
At 31 December	-	6,634	-	6,634
Carrying Amount				
At 31 December	35,177	2,822	-	37,999

Notes to the Financial Statements _____

(Continued)

10. GOODWILL ON CONSOLIDATION (CONTINUED)

Goodwill is assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount with the recoverable amount of each cash generating units ("CGUs").

The recoverable amount of CGUs has been determined based on value-in-use calculations using cash flows projection from forecasts approved by the Group covering a five-year period. The same method has been used in the previous financial year.

Technology unit

The calculation of value-in-use for the CGU is most sensitive to the following key assumptions:

- Cash flows were projected over 5 years based on past experience and actual operating results;
- Revenue are projected based on existing and future expected sales of hardware and maintenance contracts; and
- The 16% (2018: 16%) pre-tax discount rate is the weighted average cost of capital which reflects the risk relating to the information technology business.

Education unit

The calculation of value-in-use for the CGU is most sensitive to the following key assumptions:

- Cash flows were projected based on past experience and actual operating results and management's plans. The Group believes that the 5 years forecast period together with its estimated terminal value was justified due to the long-term nature of the education business;
- Revenue growth rates are based on several strategies in place such as increase in students' number;
- The growth rate used in determining the terminal value is 1% (2018: 2%) which is based on the country headline inflation rate; and
- The 14% (2018: 13%) pre-tax discount rate is the weighted average cost of capital which reflects the risk relating to the education business.

The values assigned to the above key assumptions represent the Group's assessment of future trends in the industry and are based on both external sources and internal sources of information.

Notes to the Financial Statements

(Continued)

11. OTHER INTANGIBLE ASSETS

	Education licenses RM'000	Trademark RM'000	Development costs RM'000	Intellectual rights RM'000	Softwares RM'000	Franchise fee RM'000	Total RM'000
Group 2019							
Costs							
At 1 January/ Addition	91,715	1,500	20,701	985	992	-	115,893
- acquired separately	-	-	-	90	-	53	143
At 31 December	91,715	1,500	20,701	1,075	992	53	116,036
Accumulated amortisation							
At 1 January	-	-	12,774	985	201	-	13,960
Amortisation for the financial year	-	-	22	-	202	-	224
At 31 December	-	-	12,796	985	403	-	14,184
Accumulated allowance for impairment							
At 1 January	-	-	7,767	-	-	-	7,767
At 31 December	-	-	7,767	-	-	-	7,767
Carrying Amount							
At 31 December	91,715	1,500	138	90	589	53	94,085
Group 2018							
Costs							
At 1 January	-	1,500	20,519	982	-	-	23,001
Acquisition of subsidiaries	91,715	-	182	3	992	-	92,892
At 31 December	91,715	1,500	20,701	985	992	-	115,893

Notes to the Financial Statements _____

(Continued)

11. OTHER INTANGIBLE ASSETS (CONTINUED)

	Education licenses RM'000	Trademark RM'000	Development costs RM'000	Intellectual rights RM'000	Softwares RM'000	Total RM'000
Group						
2018						
Accumulated amortisation						
At 1 January	-	-	12,751	982	-	13,733
Amortisation for the financial year	-	-	23	3	201	227
At 31 December	-	-	12,774	985	201	13,960
Accumulated allowance for impairment						
At 1 January	-	-	7,767	-	-	7,767
At 31 December	-	-	7,767	-	-	7,767
Carrying Amount						
At 31 December	91,715	1,500	160	-	791	94,166

- (a) The amortisation of development costs of the Group is included in cost of sales. The amortisation of software and intellectual rights of the Group is included in administrative expenses.

(b) **Development cost**

Development costs represent software under development and yet to be commercialised. It is reasonably anticipated that the costs will be recovered through future commercial activities.

(c) **Trademark**

Trademark represents the rights to use the Asia HRD Congress brand which the Group have assessed to have indefinite useful life. Trademark is assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount to its recoverable amount. The recoverable amount of trademarks has been determined based on value-in-use calculations using cash flows projection from forecast approved by the Group covering five-year period. Calculation of value-in-use for the trademarks is most sensitive to the revenue projected and discount rate used.

Notes to the Financial Statements _____

(Continued)

11. OTHER INTANGIBLE ASSETS (CONTINUED)

(d) Education licenses

Education licenses to conduct the Bachelor of Medicine and Bachelor of Surgery ("MBBS") programme in universities are allocated to the education segment that generates revenue from MBBS programme. The useful life of these licenses are estimated to be indefinite.

Education licenses are assessed at each reporting date regardless of any indication of impairment by comparing the carrying amount with the recoverable amount of the CGUs.

The recoverable amount of the CGUs has been determined based on value-in-use calculations using cash flows projection from forecasts approved by management covering a five-year period.

The calculation of value-in-use for the CGUs are most sensitive to the following key assumptions:

- Cash flows were projected based on past experience, actual operating results and management's plans. The Group believes that the 5 years forecasts period together with its estimated terminal value was justified due to the long-term nature of the education business;
- Revenue growth rates are based on several strategies in place such as increase in students' number;
- The growth rate used in determining the terminal value is 1% (2018: 2%) which is based on the country headline inflation rate; and
- The 14% (2018: 13%) pre-tax discount rate is the weighted average cost of capital which reflects the risk relating to the education business.

The values assigned to the above key assumptions represent the Group's assessment of future trends in the industry and are based on both external sources and internal sources of information.

Based on the sensitivity analysis performed, the Group believes that no reasonably possible change in base case key assumptions would cause the carrying value of the cash-generating unit ("CGU") to exceed its recoverable amount.

Notes to the Financial Statements

(Continued)

12. DEFERRED TAX ASSETS/(LIABILITIES)

	Group	
	2019 RM'000	2018 RM'000
At 1 January	(27,659)	4
Acquisition of subsidiary	-	(30,428)
Disposal of subsidiaries	-	1
Transfer to profit or loss (Note 33)	5,641	2,764
At 31 December	(22,018)	(27,659)

Deferred tax assets and deferred tax liabilities presented after appropriate offsetting as follows:

	Group	
	2019 RM'000	2018 RM'000
Deferred tax assets	5,831	2,660
Deferred tax liabilities	(27,849)	(30,319)
	(22,018)	(27,659)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	As at 1 January 2019 RM'000	Recognised in profit or loss RM'000	As at 31 December 2019 RM'000
Group			
Deferred tax assets			
Other deductible temporary differences	1,951	784	2,735
Unutilised tax losses	-	223	223
Unabsorbed capital allowances	-	1,266	1,266
Deferred income	709	(22)	687
Right-of-use assets	-	920	920
	2,660	3,171	5,831
Deferred tax liabilities			
Education licenses	(22,012)	22,012	-
Property and equipment	(8,307)	(19,542)	(27,849)
	(30,319)	2,470	(27,849)
	(27,659)	5,641	(22,018)

Notes to the Financial Statements

(Continued)

12. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows: (Continued)

	As at 1 January 2018 RM'000	Acquisition of subsidiary RM'000	Recognised in profit or loss RM'000	As at 31 December 2018 RM'000
Group				
Deferred tax assets				
Other deductible temporary differences	5	-	1,946	1,951
Deferred income	-	-	709	709
	<u>5</u>	<u>-</u>	<u>2,655</u>	<u>2,660</u>
Deferred tax liabilities				
Education licenses	(1)	(22,120)	109	(22,012)
Property, plant and equipment	-	(8,307)	-	(8,307)
	<u>(1)</u>	<u>(30,427)</u>	<u>109</u>	<u>(30,319)</u>
	<u>4</u>	<u>(30,427)</u>	<u>2,764</u>	<u>(27,659)</u>

The directors are of the opinion that the subsidiary will have sufficient future taxable profit to offset against the deductible temporary differences based on increase in the number of students and cost structure together with understanding that the recent years' losses are aberration.

13. INVENTORIES

	2019 RM'000	Group 2018 RM'000 Restated	1.1.2018 RM'000 Restated
At cost			
Consumable inventories	<u>1,378</u>	<u>11,947</u>	<u>703</u>

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM20,391,758 (2018: RM21,212,309).

Notes to the Financial Statements

(Continued)

14. TRADE AND OTHER RECEIVABLES

		2019 RM'000	Group 2018 RM'000 Restated	1.1.2018 RM'000 Restated	Company 2019 RM'000	2018 RM'000
	Note					
Trade receivables	(a)	80,335	87,459	16,961	-	-
Less: Impairment losses for trade receivables		(53,683)	(56,395)	(4,137)	-	-
		<u>26,652</u>	<u>31,064</u>	<u>12,824</u>	<u>-</u>	<u>-</u>
Other receivables	(b)	5,151	4,301	43,981	-	-
Less: Impairment losses for other receivables		(112)	(530)	(450)	-	-
		<u>5,039</u>	<u>3,771</u>	<u>43,531</u>	<u>-</u>	<u>-</u>
Prepayments		1,113	869	488	91	56
Deposits		8,232	9,969	985	33	-
GST refundable		1,320	1,445	260	-	-
		<u>42,356</u>	<u>47,118</u>	<u>58,088</u>	<u>124</u>	<u>56</u>

(a) Trade Receivables

Trade receivables are non-interest bearing and normal credit terms offered by the Group ranging from 30 to 90 days (2018: 30 to 90 days) from date of invoices. Other credit terms are assessed and approved on a case-by-case basis.

Included in trade receivable of the Group is an amount of RM Nil (2018: RM137,166) which is due from a foundation in which a director of the Company is the founder and director.

Notes to the Financial Statements _____

(Continued)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade Receivables (Continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of movement in the impairment of trade receivables are as follows:

	2019 RM'000	Group 2018 RM'000 Restated	1.1.2018 RM'000 Restated
At 1 January	56,395	4,137	4,137
Acquisition of subsidiary	-	49,493	-
Effect of adoption of MFRS 9	-	(27)	-
	<u>56,395</u>	<u>53,603</u>	<u>4,137</u>
Charge for the financial year			
- individually assessed	3,684	27	-
- collectively assessed	-	6,902	-
Reversal of impairment losses	(2,746)	-	-
Written off	-	(4,137)	-
Disposal of subsidiary	(3,650)	-	-
At 31 December	<u>53,683</u>	<u>56,395</u>	<u>4,137</u>

Trade receivables that are individually determined to be credit impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments.

The information about the credit exposures are disclosed in Note 38(i) to the financial statements.

Notes to the Financial Statements _____

(Continued)

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade Receivables (Continued)

Trade receivables of the Company in the previous financial year represent dividend income receivable from SMR Education Sdn. Bhd. and CUCMS Education Sdn. Bhd.

Currency exposure profile

The Group's currency exposure profiles on trade receivables are as follows:

	Group			Company	
	2019 RM'000	2018 RM'000 Restated	1.1.2018 RM'000 Restated	2019 RM'000	2018 RM'000
Ringgit Malaysia	79,955	76,928	13,194	-	-
United States Dollar	32	6	552	-	-
Indian Rupee	19	1,159	-	-	-
Oman Dollar	96	30	-	-	-
Euro	-	9,336	3,098	-	-
Indonesian Rupiah	233	-	117	-	-
	80,335	87,459	16,961	-	-

(b) Other Receivables

The movement of the allowance accounts used to record the impairment are as follows:

	Group	
	2019 RM'000	2018 RM'000
At 1 January	530	450
Impairment loss	112	80
Reversal of impairment loss no longer required	(530)	-
At 31 December	112	530

Notes to the Financial Statements

(Continued)

15. AMOUNT DUE FROM/(TO) SUBSIDIARIES

	Company	
	2019	2018
	RM'000	RM'000
Amount due from subsidiaries	15,054	61,766
Less: Impairment losses	(1,153)	(32,631)
	<u>13,901</u>	<u>29,135</u>
Amount due to subsidiaries	<u>(27,030)</u>	<u>(24,149)</u>

The amount due from/(to) subsidiaries are non-trade in nature, unsecured, interest free and repayable on demand and is expected to be settled in cash.

16. FIXED DEPOSIT

The deposits placed with licensed banks of the Group amounting to RM2,314,129 (2018: RM1,311,067) are pledged to certain banks to secure banking facilities granted to the Group as disclosed in Note 24 to the financial statement.

The effective interest rates of the deposits placed with licensed banks of the Group range from 3.05% to 3.35% (2018: 2.95% to 3.35%) per annum at the end of the reporting period. All deposits have maturity period of 30 to 365 days (2018: 30 to 365 days).

17. NON-CURRENT ASSETS HELD FOR SALE

2019

- (a) On 29 August 2019, ASIAMET (M) Sdn. Bhd. ("AMSB"), a wholly-owned indirect subsidiary of the Company entered into Sale and Purchase Agreement ("SPA") with Heng Kui Heng, GNP Properties Sdn. Bhd., Wee Shin Hong and Koh Siew Bin for the disposal of nineteen units of three storey intermediate terraced shop/offices, three units of three storey end terraced shops/offices and one three storey corner terraced shops/offices for a total cash consideration of RM13,000,000 ("Proposed Building Disposal"). The Proposed Building Disposal is expected to be completed within the financial year 2020. Accordingly, leasehold premises has been classified as non-current assets held for sale.
- (b) During the financial year, an earnest deposit was received from Ascent Resource Holdings Sdn. Bhd. ("ARHSB") by ASIAMET (M) Sdn. Bhd. ("AMSB"), a wholly-owned indirect subsidiary of the Company for the disposal of institutional premises comprising fifteen contiguous units of four storey terraced shop offices/offices, a single storey auditorium, eleven units of stratified ground floor shop offices/offices, five units of stratified first floor shop offices/offices and three units of stratified second floor shop offices/offices and a car park area for a total cash consideration of RM30,000,000 ("Proposed Building Disposal"). On 25 February 2020, AMSB entered into a main sale and purchase agreement with ARHSB for the Proposed Building Disposal. The Proposed Building Disposal is expected to be completed within the financial year 2020. Accordingly, leasehold premises has been classified as non-current assets held for sale.

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17. NON-CURRENT ASSETS HELD FOR SALE (CONTINUED)

2018

- (a) On 11 December 2018, the Group entered into Sale and Purchase Agreements ("SPA") with PSI Recycling Industries Sdn. Bhd. ("the Purchaser") for the disposal of a piece of vacant land for a total cash consideration of RM2,800,000 ("Proposed Disposal"). The Proposed Land Disposal was completed on 5 April 2019. Accordingly, the leasehold land has been classified as non-current assets held for sale.
- (b) On 31 December 2018, the Group entered into eight Sale and Purchase Agreements (collectively "SPAs") with Koperasi NLFCS Berhad ("the Purchaser") for the disposal of six adjoining units of four storey intermediate terraced shops/offices and two units of four storey corner terraced shops/offices for a total cash consideration of RM14,700,000 ("Proposed Building Disposal"). The Proposed Disposal was completed on 29 March 2019. Accordingly, the leasehold premises have been classified as non-current assets held for sale.

Non-current assets held for sale relate to properties which had been pledged to licensed banks to secure credit facilities granted to the Group as disclosed in Note 24 to the financial statements.

	Group	
	2019 RM'000	2018 RM'000
Group		
Cost		
At 1 January	17,580	-
Transfer from property and equipment (Note 5)	42,210	14,080
Transfer from right-of-use assets (Note 6)	5,500	-
Transfer from investment property (Note 7)	-	3,500
Disposals	(17,580)	-
At 31 December	47,710	17,580
Accumulated depreciation and impairment loss		
At 1 January	-	-
Transfer from property and equipment (Note 5)	6,970	-
Transfer from right-of-use assets (Note 6)	146	-
At 31 December	7,116	-
Carrying Amount		
At 31 December	40,594	17,580

Notes to the Financial Statements

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18. SHARE CAPITAL

	Group and Company			
	2019		2018	
	Number of Shares Units ('000)	RM'000	Number of Shares Units ('000)	RM'000
Issued and fully paid up:				
At 1 January	407,047	84,504	361,958	76,637
Issuance of shares via:				
- Private placements	-	-	36,500	5,658
- Employee share option Schemes exercised	-	-	8,589	2,209
At 31 December	407,047	84,504	407,047	84,504

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

In previous financial year, the Company:

- (i) issued 36,500,000 new ordinary shares at a price of RM0.155 each for working capital purposes for a total cash consideration of RM5,657,500 pursuant to the private placement as disclosed in Note 38 to the financial statements.
- (ii) issued 8,589,200 new ordinary shares at an exercise price of RM0.16 each pursuant to the exercise of Employees' Share Option Scheme for a total cash consideration of RM1,374,271.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing ordinary shares of the Company.

19. TREASURY SHARES

Treasury shares relate to ordinary shares of the Company that are repurchased and held by the Company. The amount consists of the acquisition costs of treasury shares net of the proceeds received on their subsequent sale or issuance.

The shareholders of the Company, by a resolution passed in the Annual General Meeting held on 28 June 2019, renewed the approval for the Company to repurchase its own shares. The directors of the Company are committed to enhance the value of the Company for its shareholders and believe that the repurchase plan can be applied in the best interests of the Company and its shareholders.

Notes to the Financial Statements _____

(Continued)

19. TREASURY SHARES (CONTINUED)

During the financial year, the Company repurchased 1,467,000 (2018: 10,000) shares of its issued share capital from the open market. The average price paid for the share repurchased is RM0.09 (2018: RM0.17) per share including transaction costs, and the repurchase transactions were financed by internally generated funds. The shares repurchased are held as treasury shares.

In the previous financial year, the Company held as treasury shares a total of 226,100 of its 407,046,775 issued ordinary shares. Such treasury shares are held at a carrying amount of RM125,023.

As at 31 December 2019, the Company held as treasury shares a total of 1,693,100 of its 407,046,775 issued ordinary shares. Such treasury shares are held at a carrying amount of RM253,964.

20. SHARE BASED PAYMENT RESERVE

The share based payment reserve comprises the cumulative value of director and employees services received and as incentive for the employees to remain in the Group for the issue of share options. The reserve is recorded over the vesting period commencing from the grant date and is reduced by the expiry or exercise of the share options. When the option is exercised, the amount from the share option reserve is transferred to share capital. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

Share options were granted to directors and employees who had rendered services of at least 2 years and 1 year respectively. All share options granted were immediately vested except for the share options granted to employees of a subsidiary which was vested after 31 March 2017. The exercise price was fixed by on five-day volume weighted average price starting from 8 December 2016 to 15 December 2016. The contractual term of each option granted is five years. The options carry neither rights to dividends nor voting rights.

Movement of share options during the financial year

The following table illustrates the number and weighted average exercise prices ("WAEP") of, and movement in, share options:

	Group and Company			
	2019		2018	
	Number of ordinary shares Unit	Weighted average exercise RM	Number of ordinary shares Unit	Weighted average exercise RM
At 1 January				
Outstanding	30,548,500	-	39,137,700	-
- Exercised	-	-	(8,589,200)	0.160
- Lapsed	(25,318,500)	-	-	
At 31 December	<u>5,230,000</u>		<u>30,548,500</u>	
Exercisable				
At 31 December	<u>5,230,000</u>	0.160	<u>30,548,500</u>	0.160

Notes to the Financial Statements _____

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20. SHARE BASED PAYMENT RESERVE (CONTINUED)

The option outstanding at 31 December 2019 had an exercise price of RM0.16 (2018: RM0.16) and the weighted average remaining contractual life for the share options outstanding as at 31 December 2019 was 0.96 years (2018: 1.96 years).

The fair values of the share options granted were determined using a binomial option pricing model, and the inputs were:

	Granted Date
	16.12.2016
<u>Parameter and Assumptions</u>	
Share price at valuation date	RM0.175
Exercise price	RM0.160
Expected option tenure	3.95 years
Expected volatility (% p.a.)	64.62%
Dividend yield (% p.a.)	0.00%
Risk-free interest rate (% p.a.)	3.70%

The expected volatility is based on the historical share price volatility over the last 4 years.

21. REVALUATION RESERVE

	Group	
	2019	2018
	RM'000	RM'000
At 1 January	1,498	2,190
Amortisation for the financial year	-	(44)
Fair value adjustment	-	(648)
Disposal	(1,498)	-
At 31 December	<u>-</u>	<u>1,498</u>

The revaluation reserve represents surplus arising from revaluation of office suite as disclosed in Note 5 to the financial statements.

22. FOREIGN CURRENCY TRANSLATION RESERVE

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

23. STATUTORY RESERVE

In financial year ended 31 December 2017, the statutory reserve is derived from its direct subsidiary, namely SMR Gulf WLL, where under the Bahrain Commercial Companies Law, at least 10% of the profit for each year has to be transferred to the statutory reserve until such time the reserve total is 50% of the issued capital of the Company. The 50% of the issued share capital of the Company amounts to RM Nil (2018: RM Nil). The reserve is not available for distribution except in the circumstances stipulated in the Bahrain Commercial Law.

Notes to the Financial Statements

(Continued)

24. LOANS AND BORROWINGS

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Secured					
Non-current					
Term loans	(a)	-	-	-	-
Sukuk Wakalah	(b)	-	27,299	-	-
Hire purchase payables	(c)	-	441	-	-
		-	27,740	-	-
Current					
Term loans	(a)	2,011	4,130	-	-
Sukuk Wakalah	(b)	16,482	-	-	-
Hire purchase payables	(c)	-	104	-	-
Bank overdraft	(d)	429	1,740	-	-
		18,922	5,974	-	-
Total loans and borrowings		18,922	33,714	-	-

(a) Term loans

- The secured term loan consists of Bai' Bithaman Ajil Islamic financing facility bearing a yield payable of Nil (2018: 5.45%) per annum.
- The term loan is secured by legal charge over the land and buildings as disclosed in Note 5 to the financial statements.

(b) Sukuk Wakalah

CUCMS Education Sdn. Bhd. ("CESB"), a wholly-owned subsidiary of the Company on 20 April 2018 has established an Islamic Medium Term Note Programme ("IMTN Programme) under the Sukuk Wakalah of RM150,000,000 for which Asiamet (M) Sdn. Bhd., a wholly-owned indirect subsidiary of the Company has undertaken to provide a third party first legal charge in favour of Amanahraya Trustees Berhad (the Security Trustee) over certain properties of the Group as disclosed in Note 5 and 13. Certain bank accounts of AMSB and CESB also have been charged and assigned for the Sukuk Wakalah facility as disclosed in Note 12. Asiamet Education Group Sdn. Bhd. ("AEGSB"), a wholly-owned subsidiary of the Company has undertaken to channel any profit guarantee shortfall received pursuant to the Share Sale Agreement entered into on 5 December 2016 between SMRT Holdings Berhad, SMR Education Sdn. Bhd. and AEGSB to CESB in the event if there is a shortfall in the minimum required balance under the IMTN. The Company also entered into Kafalah Guarantee Agreement as guarantor for the IMTN Programme.

The Sukuk Wakalah bears a yield payable of 8.80% (2018: 8.80%) per annum.

Notes to the Financial Statements _____

(Continued)

24. LOANS AND BORROWINGS (CONTINUED)

(b) Sukuk Wakalah (Continued)

As at 31 December 2019, the CESB had not met the financial covenant of debt to equity ratio because the computation for the debt includes lease liabilities during the financial year resulted from the adoption of MFRS 16 Leases. CESB also had exceeded the limit of intercompany advances to shareholders and related companies for the Sukuk Wakalah facility under the financial covenant.

Accordingly, the non-current borrowing of RM16,481,862 has been reclassified to current liabilities as at the financial year end. Subsequent to the end of the financial year, the Group had drawdown its term loan facility to redeem the Sukuk Wakalah.

The maturity profile of borrowings (excluding hire purchase payables and bank overdraft) is as follows:

	Group	
	2019	2018
	RM'000	RM'000
Repayable within 1 year	18,493	4,130
Repayable after 2 year but not later than 3 years	-	4,817
Repayable after 3 year but not later than 4 years	-	22,482
	18,493	31,429

(c) Hire Purchase payables

	Group	
	2019	2018
	RM'000	RM'000
Future minimum hire purchase payments		
- not later than one year	-	120
- later than one year but not later than five years	-	498
	-	618
Less: Future interest charges	-	(73)
Present value of hire purchase payables	-	545
Present value of minimum lease payments receivables:		
- not later than one year	-	104
- later than one year but not later than five years	-	441
	-	545

Hire purchase payables bear interest at a rate of nil (2018: 2.51% to 3.64%) per annum.

Notes to the Financial Statements

(Continued)

24. LOANS AND BORROWINGS (CONTINUED)

(d) Bank overdraft

The bank overdraft bear interest at rates ranging from 8.52% to 8.85% (2018: 8.52% to 8.85%) per annum. The bank overdraft is secured by way of:

- (i) legal charge for office suite of the Group as disclosed in Note 5 to the financial statements;
- (ii) against existing deposits placed with licensed bank as disclose in Note 16 to the financial statements;
- (iii) an amount of RM250,000 in the previous financial year to be reduced quarterly until overdraft of RM750,000 is fully secured as disclose in Note 16 to the financial statements; and
- (iv) half yearly sinking fund of RM25,000 to be placed until the overdraft of RM495,000 (2018: RM495,000) is fully secured as disclose in Note 16 to the financial statements.

25. LEASE LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Non-current		
Lease liabilities	220,644	-
Current		
Lease liabilities	7,871	-
	<u>228,515</u>	<u>-</u>

Certain buildings, computers and motor vehicles of the Group as disclosed in Note 5 are pledged for leases. Such leases do not have terms for renewal which would give the Group an option to purchase at nominal values at the end of lease term. The interest rate implicit in the leases is 2.35% to 8.43% (2018: Nil).

	Group	
	2019 RM'000	2018 RM'000
Minimum lease payments:		
- not later than one year	26,546	-
- later than one year but not later than five years	140,921	-
- later than five years	244,617	-
	<u>412,084</u>	<u>-</u>
Less: Future interest charges	(183,569)	-
Present value of minimum lease payables	<u>228,515</u>	<u>-</u>
Present value of minimum lease payments receivables:		
- not later than one year	7,871	-
- later than one year but not later than five years	55,262	-
- later than five years	165,382	-
	<u>228,515</u>	<u>-</u>
Less: Amount due within 12 months	(7,871)	-
Amount due after 12 months	<u>220,644</u>	<u>-</u>

Notes to the Financial Statements _____

(Continued)

26. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Trade					
Trade payables	(a)	7,204	13,388	-	-
Non-trade					
Other payables	(b)	25,823	21,220	2,023	770
Deposits		5,324	4,395	-	-
Accruals		16,310	12,732	2,785	2,123
SST/GST payables		594	225	-	-
Amount due to directors	(c)	7,003	1,177	-	-
		55,054	39,749	4,808	2,893
Total trade and other payables		62,258	53,137	4,808	2,893

(a) Trade payables

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

The Group's currency exposure profile on the trade payables is as follows:

	Group	
	2019 RM'000	2018 RM'000
Ringgit Malaysia	7,120	8,693
Euro	-	4,581
United States Dollar	-	-
Indian Rupee	84	114
	7,204	13,388

(b) Other payables

(i) Included in other payables of the Group are:

- an amount of RM4,544,396 (2018: RM4,984,719) due to contractor for the renovation of new campus; and
- an amount of RM1,946,258 (2018: RM5,854,541) in respect of rental of premises.

(ii) Included in deposits are amounts of RM2,535,000 (2018: RM196,000) received from purchasers of properties of the Group.

Notes to the Financial Statements _____

(Continued)

26. TRADE AND OTHER PAYABLES (CONTINUED)

- (c) The amount due to directors is non-trade in nature, unsecured, interest free, repayable on demand and is expected to be settled in cash.

27. PROVISION

	Company RM'000
2019	
As at 1 January	2,415
Recognised in profit or loss	3,091
Utilised during the financial year	(2,415)
As at 31 December	<u>3,091</u>
2018	
As at 1 January	1,590
Recognised in profit or loss	2,415
Utilised during the financial year	(1,590)
As at 31 December	<u>2,415</u>

Provision relates to the profit guarantee compensation payable arising from the disposal of CUCMS Education Sdn. Bhd. to Asiamet Education Group Sdn. Bhd.

28. AMOUNT DUE TO RELATED COMPANIES

The amount due to related companies are non-trade in nature, unsecured, interest free repayable on demand and is expected to be settled in cash.

29. CONTRACT LIABILITIES

	Group 2019 RM'000	2018 RM'000
Deferred income	6,004	5,818
Advances received from students	9,536	8,726
	<u>15,540</u>	<u>14,544</u>

Significant changes in contract liabilities:

	Group 2019 RM'000	2018 RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	(14,544)	-
Increases due to billing/cash received, but revenue not recognised	<u>15,540</u>	<u>14,544</u>

Notes to the Financial Statements

(Continued)

30. REVENUE

	Group		Company	
	2019 RM'000	2018 RM'000 Restated	2019 RM'000	2018 RM'000
Revenue from contract with customers:				
Tuition fee	83,466	74,838	-	-
Royalty fee	5,715	1,253	-	-
Training, event and recruitment	920	1,188	-	-
Software consultancy and development	499	147	-	-
IT solutions	40,547	41,303	-	-
Consultancy fee	620	18	-	-
Others	4,376	5,131	-	-
	136,143	123,878	-	-
Revenue from other sources:				
Hostel rental	4,816	4,602	-	-
Dividend income	-	-	2,093	1,536
	140,959	128,480	2,093	1,536

(a) Disaggregation of revenue

The Group reports the following major segments: education, training, technology and other non-reportable segments comprise operation related to investment holding and non-active companies in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into primary, major goods or services and timing of revenue recognition.

	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Total RM'000
Group					
2019					
Revenue from contract with customers:					
Tuition fee	83,466	-	-	-	83,466
Royalty fee	5,715	-	-	-	5,715
Training, event and recruitment	-	920	-	-	920
Software consultancy and development	-	-	499	-	499
Consultancy fee	-	620	-	-	620
IT solution	-	-	40,547	-	40,547
Others	4,376	-	-	-	4,376
	93,557	1,540	41,046	-	136,143

Notes to the Financial Statements

(Continued)

30. REVENUE (CONTINUED)

(a) Disaggregation of revenue (Continued)

	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Total RM'000
Group					
2019					
<i>Timing of revenue recognition:</i>					
At a point in time	4,376	1,540	41,046	-	46,962
Over time	89,181	-	-	-	89,181
	<u>93,557</u>	<u>1,540</u>	<u>41,046</u>	<u>-</u>	<u>136,143</u>
	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Total RM'000
Group					
2018					
<i>Revenue from contract with customers:</i>					
Tuition fee	74,838	-	-	-	74,838
Royalty fee	1,253	-	-	-	1,253
Training, event and recruitment	-	1,188	-	-	1,188
Software consultancy and development	-	-	147	-	147
Consultancy fee	-	18	-	-	18
IT solution	-	-	41,303	-	41,303
Others	5,131	-	-	-	5,131
	<u>81,222</u>	<u>1,206</u>	<u>41,450</u>	<u>-</u>	<u>123,878</u>
<i>Timing of revenue recognition:</i>					
At a point in time	5,131	1,206	41,450	-	47,787
Over time	76,091	-	-	-	76,091
	<u>81,222</u>	<u>1,206</u>	<u>41,450</u>	<u>-</u>	<u>123,878</u>

Notes to the Financial Statements _____

(Continued)

31. FINANCE COSTS

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest expenses				
- borrowings	2,464	1,612	-	3
- hire purchase payables	-	43	-	-
- bank overdraft	76	158	-	-
- lease liabilities	21,059	-	-	-
	23,599	1,813	-	3

Notes to the Financial Statements

(Continued)

32. LOSS/(PROFIT) BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration				
- statutory				
- current year	674	523	120	78
- prior year	189	14	12	8
- non-statutory	16	16	10	10
Impairment loss for:				
- investment in subsidiaries	-	-	16,862	2,851
- investment in an associate	-	-	-	445
- trade receivables	3,684	3,292	-	-
- other receivables	112	142	-	-
- property, plant and equipment	6,202	-	-	-
- right-of-use assets	9,029	-	-	-
- goodwill on consolidation	3,505	-	-	-
Amortisation of:				
- contract cost	1,642	945	-	-
- intangible assets	224	226	-	-
Depreciation of:				
- property, plant and equipment	9,600	8,432	4	-
- investment properties	-	1,013	-	-
- right-of-use assets	18,040	-	-	-
Loss on disposal of				
- investment in subsidiaries	1,085	111	8,269	879
- property, plant and equipment	515	-	-	-
- non-current assets held for sale	942	-	-	-
Written off for:				
- property, plant and equipment	-	695	1	-
- inventories	120	-	-	-
- trade receivables	104	-	-	-
Realised loss on foreign exchange	60	166	1	3
Unrealised loss on foreign exchange	-	13	-	11
Expenses relating to short term lease	760	-	-	-
Rental of:				
- office	-	282	-	-
- premises	-	18,369	-	-
- office equipment	-	11	1	-
Staff costs:				
- salary, wages, allowances and bonus	50,157	61,993	1,254	-
- Employees' Provident Fund and SOCSO	4,513	5,877	93	-
- other staff related expenses	133	797	54	-
Share based payment expenses	-	1,069	-	-
Loss on dissolution of subsidiary	-	1,260	-	-

Notes to the Financial Statements

(Continued)

32. LOSS/(PROFIT) BEFORE TAX (CONTINUED)

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at (loss)/profit before tax (Continued):

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dividend income	-	-	(2,093)	(1,536)
Gain on disposal of:				
- property, plant and equipment	(676)	(144)	-	-
Gain on remeasurement of investment	-	(24,232)	-	(9,156)
Bargain purchase of acquisition of subsidiary	(51)	-	-	-
Realised gain on foreign exchange	#	(5)	-	-
Unrealised gain on foreign exchange	(13)	(55)	(11)	-
Interest income	(79)	(51)	-	(1)
Rental income	(3,151)	(1,228)	-	-
Reversal of impairment loss no longer required for:				
- trade receivables	(2,746)	-	-	-
- other receivables	(530)	(128)	-	-
- investment in subsidiaries	-	-	(4,923)	(579)
- property, plant and equipment	-	(153)	-	-

Represents amount less than RM1,000

33. TAXATION

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Statements of comprehensive income				
Current income tax:				
- current year	232	72	-	-
- prior years	(592)	31	-	(7)
	(360)	103	-	(7)
Real property gain tax	45	-	-	-
Deferred tax (Note 12)				
- current year	(5,264)	(1,585)	-	-
- prior years	(377)	(1,179)	-	-
	(5,641)	(2,764)	-	-
Income tax expense recognised in profit or loss	(5,956)	(2,661)	-	(7)

Notes to the Financial Statements

(Continued)

33. TAXATION (CONTINUED)

Domestic income tax is calculated at the Malaysian statutory rate of 24% (2018: 24%) of the estimated assessable (loss)/profit for the financial year.

The reconciliation from the tax amounts at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit before tax	(55,997)	(3,584)	(27,355)	963
Tax at Malaysian statutory income tax rate of 24% (2018: 24%)	(13,439)	(860)	(6,565)	231
Different tax rates in other countries	-	(2)	-	-
Adjustments:				
- non-deductible expenses	10,323	4,188	8,251	(231)
- income not subject to tax	(1,892)	(6,928)	(1,686)	-
- Tax exempt income	(2,430)	(1,276)	-	-
- deferred tax assts not recognised during the financial year	2,514	3,365	-	-
- tax effect arising from real property gains tax	(63)	-	-	-
- prior years	(969)	(1,148)	-	(7)
Income tax expense	(5,956)	(2,661)	-	(7)

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

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Property and equipment	(17,831)	696	-	-
Deductible temporary differences	53,142	41,672	-	-
Unabsorbed capital allowances	87,426	78,736	-	-
Unutilised investment tax allowance	90,466	90,466	-	-
Unutilised tax losses	142,930	129,627	98	98
	356,133	341,197	98	98
Potential deferred tax assets not recognised at 24% (2018: 24%)	85,472	81,887	24	24

The unutilised tax losses are available for offset against future taxable profits of the subsidiaries which will expire in the following financial years:

	Group
	2019
	RM'000
2025	132,348
2026	10,582
	142,930

Notes to the Financial Statements _____

(Continued)

34. (LOSS)/EARNINGS PER SHARE

(a) Basic (loss)/earnings per ordinary shares

Basic (loss)/earnings per share is calculated by dividing the (loss)/profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year, calculated as follows:

	Group	
	2019	2018
	RM'000	RM'000
(Loss)/Profit attributable to owners of the Company	(39,960)	3,115
	Number of Shares	Number of Shares
	Unit ('000)	Unit ('000)
Weighted average number of ordinary shares in issue		
At 1 January	407,047	361,958
Add: Effect of issuance of shares	-	27,100
Less: Effect of treasury shares held	(170)	(6)
At 31 December	406,877	389,052
Basic (loss)/earnings per share (sen)	(9.82)	0.80

(b) Diluted earnings per ordinary shares

Diluted earnings per share are based on the profit for the financial year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares, calculated as follows:

	Group
	2018
	RM'000
Profit attributable to owners of the Company	3,115
Weighted average number of ordinary shares in issue	389,052
Effect of dilution for:	
Employee Share Option Scheme	30,549
Adjusted weighted average number of ordinary shares in issue and issuable	419,601
Diluted (loss)/earnings per share (sen)	0.74

The diluted earnings per ordinary share is the same as the basic earnings per ordinary share for the financial year ended 31 December 2019 as the potential ordinary shares are anti-dilutive.

Notes to the Financial Statements

(Continued)

35. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Subsidiaries;
- (ii) Associate;
- (iii) Entities in which directors have substantial financial interests; and
- (iv) Key management personnel of the Group and the Company comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Dividend Income				
Subsidiaries	-	-	2,093	-
Rental Expenses				
Entities in which directors have substantial interests	-	125	-	-
Management Fee				
Associate	-	750	-	-
Revenue				
Tuition fee from an entity in which a director have substantial interest	75	1,317	-	-
Software maintenance from an entities in which directors have substantial interests	1,405	-	-	-
Contingent consideration				
Subsidiaries	-	-	3,091	2,415

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Note 15 and Note 28 to the financial statements.

Notes to the Financial Statements _____

(Continued)

35. RELATED PARTIES (CONTINUED)

(c) Key management personnel compensation

The details of key management personnel compensation during the financial year are as follows:

	Group		Company	
	2019	2018	2019	2018
	RM'000	RM'000	RM'000	RM'000
Directors				
Salaries and allowances	3,400	2,368	1,169	753
Fees	713	574	227	170
Employees' Provident Fund and SOCSO	297	293	92	97
Other emoluments	89	547	116	95
	<u>4,499</u>	<u>3,782</u>	<u>1,604</u>	<u>1,115</u>
Other key management personnel				
Salaries and allowances	1,784	1,227	-	-
Contribution to Employees' Provident Fund	155	136	-	-
	<u>6,438</u>	<u>5,145</u>	<u>1,604</u>	<u>1,115</u>
	<u>10,937</u>	<u>8,927</u>	<u>3,208</u>	<u>2,230</u>

36. SEGMENTAL INFORMATION

The Group has 3 reportable segments, as described below, which are the Group's strategic business units. The following summary describes the operations in each of the Group's reportable segments:

- (a) Education: Business of operating educational institutions and provisions educational management services
- (b) Training: Provide Human Resources or Human Resources Development training, consulting, outsourcing, events, learning resources and advisory support services.
- (c) Technology: Provide software consultancy and development and its related services.

Other non-reportable segments comprise operations related to investment holding and non-active companies.

Notes to the Financial Statements

(Continued)

36. SEGMENTAL INFORMATION (CONTINUED)

	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Eliminations and adjustments RM'000	Consolidated RM'000	Note
2019							
Revenue:							
Sales to external customers	98,373	1,540	41,046	-	-	140,959	A
Dividend income	-	-	-	2,093	(2,093)	-	
	<u>98,373</u>	<u>1,540</u>	<u>41,046</u>	<u>2,093</u>	<u>(2,093)</u>	<u>140,959</u>	
Results:							
<i>Included in the measure of segment (loss)/profit</i>							
Interest income	25	24	30	-	-	79	
Interest expense	(20,086)	(62)	(107)	(10,785)	7,441	(23,599)	
Depreciation of:							
- property, plant and equipment	(8,881)	(134)	(600)	(73)	(542)	(10,230)	
- right-of-use assets	(14,633)	(123)	(317)	(8,367)	5,773	(17,667)	
(Impairment loss)/Reversal of:							
- trade receivables	(970)	(5)	-	-	-	(975)	
Amortisation of intangible assets	(224)	-	-	-	-	(224)	
Other non cash (income)/expenses	(23,902)	141	(405)	630	-	(23,536)	B
	<u>(32,757)</u>	<u>524</u>	<u>15,370</u>	<u>(39,134)</u>	<u>-</u>	<u>(55,997)</u>	
(Loss)/Profit before tax	5,298	519	139	-	-	5,956	
Income tax expenses/(recoverable)	<u>(27,459)</u>	<u>1,043</u>	<u>15,509</u>	<u>(39,134)</u>	<u>-</u>	<u>(50,041)</u>	
Segment profit/(loss)							

Notes to the Financial Statements

(Continued)

36. SEGMENTAL INFORMATION (CONTINUED)

	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Eliminations and adjustments RM'000	Consolidated RM'000	Note
2019							
Assets:							
Segments assets	465,584	2,651	32,327	324,311	(282,763)	542,110	
Deferred tax assets	7,089	-	171	-	(1,429)	5,831	
Current tax assets	496	18	5	-	-	519	
Total assets	473,169	2,669	32,503	324,311	(284,192)	548,460	
Liabilities:							
Segment liabilities	270,591	1,048	11,382	183,342	(139,952)	326,411	
Deferred tax liabilities	11,959	-	-	8	15,882	27,849	
Current tax liabilities	126	2	-	62	-	190	
Total liabilities	282,676	1,050	11,382	183,412	(124,070)	354,450	

Notes to the Financial Statements

(Continued)

36. SEGMENTAL INFORMATION (CONTINUED)

	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Eliminations and adjustments RM'000	Consolidated RM'000	Note
2018							
Revenue:							
Sales to external customers	85,824	1,206	41,450	-	-	128,480	
Dividend income	-	-	-	1,536	(1,536)	-	A
	85,824	1,206	41,450	1,536	(1,536)	128,480	
Results:							
<i>Included in the measure of segment (loss)/profit</i>							
Interest income	36	-	13	1	-	50	
Interest expense	(1,547)	(64)	(125)	(96)	-	(1,832)	
Depreciation of:							
- property, plant and equipment	(8,963)	(160)	(452)	(118)	-	(9,693)	
Reversal/(Impairment loss) of:							
- property, plant and equipment	153	-	-	-	-	153	
- trade receivables	(3,248)	-	(44)	-	-	(3,292)	
Amortisation of intangible assets	-	-	(61)	-	-	(61)	
Other non cash expenses/(income)	2,723	-	(119)	19,089	-	21,693	B
Share of results of associates	(1,038)	-	(30)	-	-	(1,068)	
(Loss)/Profit before tax	(13,475)	(872)	7,152	4,151	-	(3,044)	
Income tax expenses/(recoverable)	2,717	(540)	7	(63)	-	2,121	
Segment (loss)/profit	(10,758)	(1,412)	7,159	4,088	-	(923)	

Notes to the Financial Statements

(Continued)

36. SEGMENTAL INFORMATION (CONTINUED)

2018	Education RM'000	Training RM'000	Technology RM'000	Investment holding/ others RM'000	Eliminations and adjustments RM'000	Consolidated RM'000	Note
Assets:							
Segments assets	310,201	2,616	32,567	4,428	22,558	372,370	
Deferred tax assets	2,636	-	24	-	-	2,660	
Current tax assets	966	824	160	-	-	1,950	
Total assets	313,803	3,440	32,751	4,428	22,558	376,980	
Liabilities:							
Segment liabilities	77,446	1,254	17,106	5,176	413	101,395	
Deferred tax liabilities	11,959	-	-	18,360	-	30,319	
Current tax liabilities	-	-	1	62	-	63	
Total liabilities	89,405	1,254	17,107	23,598	413	131,777	

Note: Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements

Notes to the Financial Statements

(Continued)

36. SEGMENTAL INFORMATION (CONTINUED)

- (A) Inter-segment revenues are eliminated on consolidation.
- (B) Other non-cash expenses consist of the following items as presented in the respective notes to the financial statements:

	Group	
	2019 RM'000	2018 RM'000
Impairment loss for:		
- trade receivables	(3,689)	(3,292)
- other receivables	(112)	142
- goodwill	(3,505)	-
- right-of-use assets	(9,029)	-
- property, plant and equipment	(6,020)	-
Gain/(Loss) on disposal of:		
- property, plant and equipment	(515)	(144)
- investment in subsidiaries	(1,045)	111
Written off for:		
- property, plant and equipment	-	695
- trade receivables	(104)	-
Realised forex exchange loss	(60)	(166)
Unrealised forex exchange gain/(loss)	13	(13)
Reversal of impairment loss no longer required		
- other receivables	530	128
Gain on remeasurement of investment	-	24,232
	(23,536)	21,693

Segment profit or loss is measured based on segment (loss)/profit before tax that are reviewed by the Chairman. There are no significant changes from prior financial year in the measurement methods used to determine reported segment profit or loss.

The activities of the Group are carried out mainly in Malaysia and as such, segmental reporting by geographical locations is not presented.

Information about major customers

Major customers' information represents revenues from transactions with a single external customer amount to ten percent or more of the Group revenue. A group of entities known to a reporting entity to be under common control shall be considered a single customer and a government and entities known to the reporting entity to be under the control of that government shall be considered a single customer.

The Group has a major customer with revenue equal or more than 19% (2018: 10%) of the Group revenue from the technology segment contributing total revenue of RM26,973,063 (2018: RM23,148,191).

Notes to the Financial Statements _____

(Continued)

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

(i) Amortised cost

	Amortised cost RM'000	Total RM'000
Group		
2019		
Financial assets		
Trade and other receivables *	39,923	39,923
Deposits placed with licensed banks	2,314	2,314
Cash and bank balances	14,728	14,728
	56,965	56,965
Financial liabilities		
Trade and other payables #	61,664	61,664
Loans and borrowings	18,922	18,922
	80,586	80,586
2018		
Financial assets		
Trade and other receivables *	44,804	44,804
Deposits placed with licensed banks	1,311	1,311
Cash and bank balances	5,399	5,399
	51,514	51,514
Financial liabilities		
Trade and other payables #	52,912	52,912
Loans and borrowings	33,714	33,714
	86,626	86,626

Notes to the Financial Statements _____

(Continued)

37. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (Continued)

	Amortised cost RM'000	Total RM'000
Company		
2019		
Financial assets		
Trade and other receivables *	33	33
Amount due from subsidiaries	13,352	13,352
Cash and bank balances	86	86
	<hr/> 13,471	<hr/> 13,471
Financial liabilities		
Other payables and accruals	4,808	4,808
Amount due to subsidiaries	26,481	26,481
	<hr/> 31,289	<hr/> 31,289
2018		
Financial assets		
Amount due from subsidiaries	29,135	29,135
Cash and bank balances	^	^
	<hr/> 29,135	<hr/> 29,135
Financial liabilities		
Other payables and accruals	2,893	2,893
Amount due to subsidiaries	24,149	24,149
	<hr/> 27,042	<hr/> 27,042

* The amount excludes prepayments and GST refundable.

The amount excludes deferred income and GST payables.

^ Representing RM215

(b) Fair values

(i) Determination of Fair Value

The carrying amounts of cash and bank balances, trade and other receivables, trade and other payables and short-term borrowings, are reasonable approximation of fair value due to the relatively short-term nature of these financial instruments.

In respect of the long-term borrowings with variable interest rates, the carrying amounts approximate fair values as they are repriced to market interest rates for liabilities with similar risk profiles.

Notes to the Financial Statements _____

(Continued)

37. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Fair values (Continued)

(ii) Fair Value Hierarchy

The Group classifies fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value of financial instruments not carried at fair value				Total fair value	Carrying amount
	Level 1	Level 2	Level 3	Total		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group						
2019						
Financial liabilities						
Loans and borrowings						
Group						
- 2018	-	-	33,714	33,714	33,714	33,714

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES

The Group's and the Company's activities are exposed to a variety of financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk, interest rate risk and market price risk. The Group's and the Company's overall financial risk management objective is to optimise value for their shareholders. The Group and the Company do not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management. The audit committee provides independent oversight to the effectiveness of the risk management process.

Notes to the Financial Statements _____

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(i) Credit risk

Credit risk is the risk of financial loss to the Group and the Company that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group and the Company are exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group and the Company have a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group and the Company consider any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group and the Company have adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determines the credit risk concentration of its trade receivables by industry sector profile on an ongoing basis. The credit risk concentration profile of the Group's trade receivables and contract assets at the reporting date are as follows:

	Group			
	2019		2018	
	RM'000	% of total	RM'000	% of total
Education	11,042	41%	15,596	50%
Training	251	1%	49	0%
Technology	14,400	54%	15,419	50%
Investment holding/ others	959	4%	-	0%
	26,652	100%	31,064	100%

The Group and the Company applied the simplified approach to providing for impairment losses prescribed by MFRS 9, which permits the use of the lifetime expected credit loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The impairment losses also incorporate forward looking information.

Notes to the Financial Statements

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(i) Credit risk (Continued)

Trade receivables and contract assets (Continued)

The information about the credit risk exposure on the Group's and Company's trade receivables and contract assets using provision matrix are as follows:

Group	ECL rate %	Gross carrying amount RM'000	ECL allowance RM'000	Net balance RM'000
2019				
1 to 30 days past due	1% to 4%	3,972	(23)	3,949
> 30 days past due	2% to 6%	1,280	(41)	1,239
> 60 days past due	3% to 6%	1,593	(56)	1,537
> 90 days past due	4% to 10%	2,634	(102)	2,532
> 120 days past due	6% to 100%	21,958	(4,563)	17,395
Credit impaired:				
- individually impaired	100%	48,898	(48,898)	-
		80,335	(53,683)	26,652
2018				
1 to 30 days past due	2%	11,499	(14)	11,485
> 30 days past due	4%	2,517	(23)	2,494
> 60 days past due	6%	3,531	(192)	3,339
> 90 days past due	6% to 8%	2,643	(141)	2,502
> 120 days past due	6% to 100%	18,372	(7,128)	11,244
Credit impaired:				
- individually impaired	100%	48,897	(48,897)	-
		87,459	(56,395)	31,064

The significant changes in the gross amount of trade receivables do not contribute to the changes in impairment loss during the financial year:

Other receivables and other financial assets

For other receivables and other financial assets (including fixed deposits placed with licensed banks, cash and balance balances, and related company balance), the Group and the Company minimise credit risk by dealing with credit worthy counterparties. At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

Notes to the Financial Statements _____

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(i) Credit risk (Continued)

Other receivables and other financial assets (Continued)

The Group and the Company consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group and the Company compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

Refer to Note 3(m)(i) to the financial statements for the Group's and the Company's other accounting policies for impairment of financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group and the Company will encounter difficulty in meeting financial obligations when they fall due. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's and the Company's exposure to liquidity risk arises principally from trade and other payables, loans and borrowings.

The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group and the Company maintain sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group and the Company will ensure that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

As at 31 December 2019, the Group's current liabilities exceeded its current assets by RM2,334,000 and the Group had short-term payables and borrowings of RM62,258,000 and RM18,922,000 respectively.

The Group has taken new banking facilities in which the Group is able to utilise these facilities to finance its capital expenditure, working capital and/or other funding requirements. Subsequent to the end of the financial year, the Group had drawdown the term loan to redeem its Sukuk Wakalah.

Notes to the Financial Statements _____

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(ii) Liquidity risk (Continued)

The Group has prepared a cash flow forecast to consider the availability of cash and unutilised funding facilities in supporting the management of liquidity risk that the Group will have sufficient financial resources for a period of at least 12 months from the end of the financial year. Significant assumption and judgements are used in the preparation of the cashflow forecast.

Maturity analysis

The maturity analysis of the Group's and the Company's financial liabilities based on contractual undiscounted repayment at the reporting date are as follows:

	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	On demand or within 1 year RM'000	1 to 5 years RM'000	Total RM'000
Financial liabilities					
Group					
2019					
Trade and other payables #	61,664	61,664	61,664	-	61,664
Loans and borrowings	18,922	-	-	-	-
	<u>80,586</u>	<u>61,664</u>	<u>61,664</u>	<u>-</u>	<u>61,664</u>
2018					
Trade and other payables #	51,735	51,735	51,735	-	51,735
Loans and borrowings	33,714	42,142	8,318	33,824	42,142
	<u>85,449</u>	<u>93,877</u>	<u>60,053</u>	<u>33,824</u>	<u>93,877</u>
Company					
2019					
Other payables and accruals	4,808	4,808	4,808	-	4,808
Amount due to subsidiaries	26,481	26,481	26,481	-	26,481
	<u>31,289</u>	<u>31,289</u>	<u>31,289</u>	<u>-</u>	<u>31,289</u>
2018					
Other payables and accruals	2,893	2,893	2,893	-	2,893
Amount due to subsidiaries	22,559	22,559	22,559	-	22,559
	<u>25,452</u>	<u>25,452</u>	<u>25,452</u>	<u>-</u>	<u>25,452</u>

The amount exclude SST and GST payables.

Notes to the Financial Statements _____

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(iii) Interest rate risk

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

The Group manages the net exposure to interest rate risks by maintaining sufficient lines of credit to obtain acceptable lending costs and by monitoring the exposure to such risks on an ongoing basis. The Group do not enter into interest rate hedging transactions as the cost of such instruments outweighs the potential risk of interest rate fluctuation.

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's and the Company's financial instruments as a result of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

	Effective interest rate %	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
Group				
2019				
Fixed Rate				
Financial Asset				
Deposits placed with licensed banks	3.05 - 3.35	2,314	-	2,314
Financial Liability				
Sukuk Wakalah	8.80	16,482	-	16,482
Financial Liabilities				
Term loans	5.75	2,011	-	2,011
Bank overdraft	8.80	429	-	429

Notes to the Financial Statements

(Continued)

38. FINANCIAL RISK MANAGEMENT OBJECTIVE AND POLICIES (CONTINUED)

(iii) Interest rate risk (Continued)

	Effective interest rate %	Within 1 year RM'000	1 to 5 years RM'000	Total RM'000
Group				
2018				
Fixed Rate				
Financial Asset				
Deposits placed with licensed banks	2.95 - 3.35	1,311	-	1,311
Financial Liability				
Sukuk Wakalah	8.80	-	27,299	27,299
Floating Rate				
Financial Liabilities				
Term loans	5.45 - 6.50	4,130	-	4,130
Hire purchase payables	2.51 - 3.64	104	441	545
Bank overdraft	8.52 - 8.85	1,740	-	1,740

Sensitivity analysis for interest rate risk

A change in 1% in interest rate at the end of the reporting period would have immaterial impact to the Group's and the Company's (loss)/profit before tax.

(iv) Foreign Currency Risk

Foreign currency risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in foreign exchange rates.

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities. The foreign currencies in which these transactions are denominated are mainly Euro and United States Dollar. The Group's trade receivables and trade payables balance at the reporting date have similar exposure.

Sensitivity analysis for foreign currency risk

A 10% strengthening/weakening of the RM against respective foreign currencies as at the end of the reporting period would have immaterial impact on profit before tax.

Notes to the Financial Statements _____

(Continued)

39. **SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

(a) The Company had on 11 November 2019 entered into a share sale agreement ("SSA") with Minda Global Berhad ("MGB" or "Purchaser"), a partially owned subsidiary of the Company, for the proposed disposal of 20,786,000 ordinary shares in SMR HR Group Sdn Bhd ("SMR HRG") ("Sale Shares"), representing the entire equity interest in SMR HRG for a consideration of RM5,230,000 ("Sale Consideration") ("Proposed Disposal"). On 18 February 2020, the Proposed Disposal was completed. Consequently, SMR HRG ceased to be a wholly-owned subsidiary of the Company.

(b) Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus ("Covid-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("MCO") starting from 18 March 2020 to curb the spread of the Covid-19 outbreak in Malaysia. The Covid-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the Covid-19 outbreak since early 2020 has brought significant economic uncertainties in Malaysia and markets in which the Group and the Company operate.

For the Group's and the Company's financial statements for the financial year ended 31 December 2019, the Covid-19 outbreak and the related impacts are considered non-adjusting events in accordance with MFRS 110 Events after the Reporting Period. Consequently, there is no impact on the recognition and measurement of assets and liabilities as at 31 December 2019.

The Group and the Company are unable to reasonably estimate the financial impact of Covid-19 for the financial year ending 31 December 2020 to be disclosed in the financial statements as the situation is still evolving and the uncertainty of the outcome of the current events. It is however certain that the local and worldwide measures against the spread of the Covid-19 will have adverse effects on the Group's and the Company's sales, operations and supply chains. The Group and the Company will continuously monitor the impact of Covid-19 on its operations and its financial performance. The Company will also be taking appropriate and timely measures to minimise the impact of the outbreak on the Group's and Company's operations.

Notes to the Financial Statements _____

(Continued)

40. COMMITMENTS

	Group 2019 RM'000	2018 RM'000
Capital commitments:		
Property and equipment contracted but not provided for	-	3,143
Operating lease commitment – Lessee		
		Group 2018 RM'000
Non-cancellable operating lease commitments:		
- Not later than one year		21,849
- Later than one year but not later than five years		105,651
- Later than five years		250,993
		378,493

The Group leases number of campus, hostel and equipment under operating leases for average lease term between 2 to 25 years, with option to renew the lease at the end of the lease term for the equipment.

41. CAPITAL MANAGEMENT

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investors, creditors and market confidence and to sustain future development of the business. The directors monitor and are determined to maintain an optimal debt-to-equity ratio that complies with debt covenants and regulatory requirements, if any. There were no changes in the Group's approach to capital management during the financial year.

The Group and the Company do not have any externally imposed capital requirement other than debt to equity ratio of a subsidiary in respect of Sukuk Wakalah facility.

Notes to the Financial Statements

(Continued)

41. CAPITAL MANAGEMENT (CONTINUED)

The debt-to-equity ratios at 31 December 2019 and 31 December 2018 are as follows:

	Group		Company	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Loans and borrowings	18,922	33,714	-	-
Less : Cash and bank balances	(17,042)	(6,710)	(86)	#
Net debts	1,880	27,004	(86)	-
Total equity attributable to the owners of the Company	115,684	155,709	66,832	94,316
Total equity plus net debts	117,564	182,713	66,746	94,316
Gearing ratio	1.63%	17.34%	-	-

Amount less than RM1,000

42. COMPARATIVE FIGURES

Comparative figures have been restated due to the following:

- (i) Under-recognition of revenue due to omission of retention sums in prior years;
- (ii) Over-recognition of cost of sales arising from inventories erroneously charged out in prior years; and
- (iii) Over-recognition of reversal in impairment of property, plant and equipment.

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Group			
As at 31 December 2018			
Statements of Financial Position			
Property, plant and equipment	157,472	(3,045)	154,427
Trade and other receivables	45,665	1,453	47,118
Inventories	10,258	1,689	11,947
Retained earnings	65,015	275	65,290
Non-controlling interest	91,408	(178)	91,230

Notes to the Financial Statements _____

(Continued)

42. COMPARATIVE FIGURES (CONTINUED)

	As previously stated RM'000	Adjustments RM'000	As restated RM'000
Group			
Financial year ended 31 December 2018			
Statement of Comprehensive Income			
Revenue	127,027	1,453	128,480
Cost of sales	(93,051)	1,689	(91,362)
Other income	35,519	(3,045)	32,474
(Loss)/Profit for the financial year	(1,020)	97	(923)
Total comprehensive income	(3,017)	97	(2,920)
(Loss)/Profit attributable to:			
Owners of the Company	2,840	275	3,115
Non-controlling interest	(3,860)	(178)	(4,038)
	(1,020)	97	(923)
Total comprehensive (loss)/ income attributable to:			
Owners of the Company	843	3,142	3,985
Non-controlling interest	(3,860)	1,131	(2,729)
	(3,017)	4,273	1,256
Earnings per share attributable to Owners of the Company (sen):			
Basic earnings per ordinary share	0.73	0.07	0.80
Diluted earnings per ordinary share	0.68	0.06	0.74

Statement by Directors _____

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

We, **TAN SRI DATO' DR. PALANIAPPAN A/L RAMANATHAN CHETTIAR** and **MALAYANDI @ KALAIARASU**, being two of the directors of **SMRT HOLDINGS BERHAD**, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 78 to 193 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

.....
**TAN SRI DATO' DR. PALANIAPPAN
A/L RAMANATHAN CHETTIAR**
Director

.....
MALAYANDI @ KALAIARASU
Director

Date: 29 June 2020

Statutory Declaration _____

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

I, **CHU KHEH WEE**, being the director primarily responsible for the financial management of **SMRT HOLDINGS BERHAD**, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements set out on pages 78 to 193 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

.....
CHU KHEH WEE

MIA Membership No.: CA 15220

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on 29 June 2020.

Before me,

.....
Commissioner for Oaths

Independent Auditors' Report _____

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SMRT HOLDINGS BERHAD (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of SMRT Holdings Berhad, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Company, and the statements of other comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and notes to financial statements, including a summary of significant accounting policies, as set out on pages 78 to 193.

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

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Auditors' Report _____

(Continued)

Key Audit Matters

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

Group

Goodwill (Note 4(ii) and Note 10 to the financial statements)

Other intangible assets (Note 4(ii) and Note 11 to the financial statements)

The Group has significant balances of goodwill and education licenses arising from the acquisition of Minda Global Berhad. The goodwill and education licenses are tested for impairment annually. We focused on this area because these assessments requires significant judgements by the directors on the discount rates applied in the recoverable amount calculation and assumptions supporting the underlying cash flow projections.

Our response:

Our audit procedures included, among others:

- assessing the valuation methodology adopted by the Group;
- comparing the actual results with previous budget;
- comparing the Group's assumptions to our understanding obtained during our audit in relation to key assumptions; and
- testing the mathematical accuracy of the impairment assessment.

Independent Auditors' Report _____

(Continued)

Key Audit Matters (continued)

Group (continued)

Right-of-use assets and lease liabilities (Note 4(i), Note 6 and Note 25 to the financial statements)

During the financial year, the Group adopted MFRS 16 *Leases* and has recognised right-of-use ("ROU") assets and lease liabilities on the date of initial application. We focused on this area because the measurement of the right-of-use assets and lease liabilities requires the application of significant judgement by the Group in determining the lease term, lease payment and incremental borrowing rate.

Our response:

Our audit procedures included, among others,

- evaluating the Group's assessment on the MFRS 16 impact arising from initial application;
- reading the salient terms of the agreements;
- obtaining an understanding on the judgement and estimates made by the Group on key inputs in the computation of ROU assets and lease liabilities; and
- testing the mathematical accuracy of the computation of the ROU assets and lease liabilities

Trade receivables (Note 4(iv) and Note 14 to the financial statements)

The Group has significant trade receivables as at 31 December 2019 which include certain amounts which are long outstanding. We focused on this area because the directors made significant judgements over assumptions about risk of default and expected loss rate. In making the assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history and existing market conditions at the end of the reporting period.

Our response:

Our audit procedures included, among others,

- understanding the design and implementation of controls associated with monitoring and impairment assessment of trade receivables that were either in default or significantly overdue;
- understanding of the calculation of provision matrix and significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports;
- review of significant component auditors' working papers; and
- reviewing receipts subsequent to the financial year.

Independent Auditors' Report _____

(Continued)

Key Audit Matters (Continued)

Group (Continued)

Funding requirement and ability to meet short term obligations (Note 38(ii) to the financial statements)

As at 31 December 2019, included in the Group's current liabilities are short-term payables of RM62,258,000 and short-term borrowings of RM18,922,000. We focus on this due to the significant amount of short-term liabilities, which resulted in the Group's current liabilities exceeding its current assets by RM2,334,000.

The Group's policies and processes for the management of liquidity risk is disclosed in Note 38(ii) to the financial statements.

Our response:

Our audit procedures included, among others:

- assessing the cash flow forecast over the next 12 months;
- comparing the actual result with previous budget to assess the performance of the business;
- comparing the Group's assumption in the cash flow forecast to our understanding obtained during our audit in relation to key assumptions;
- testing the mathematical accuracy of the cash flow forecast calculation;
- performing stress tests for a range of possible scenarios; and
- assessing the sources of financing and uses of funds.

Company

Investment in subsidiaries (Note 4(iii) and Note 8 to the financial statements)

The Company has significant balance of investment in subsidiaries. At the end of the financial year, the Company determined whether there is any indication of impairment in investment in subsidiaries.

We focused on this area because the directors' assessment of the recoverable amount involved significant judgement. The recoverable amount of the identified investment in the subsidiaries was determined based on value-in-use which includes the discount rate applied in the recoverable amount calculation and the assumption supporting the underlying cash flow projections which include future revenue, gross profit margin and operating expenses.

Our response:

Our audit procedures included, among others:

- comparing the actual results with previous budget;
- comparing the Group's assumptions to our understanding obtained during our audit in relation to key assumptions; and
- testing the mathematical accuracy of the impairment assessment.

Independent Auditors' Report _____

(Continued)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

Independent Auditors' Report _____

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

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

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

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

Independent Auditors' Report _____

(Continued)

Auditors' Responsibilities for the Audit of the Financial Statements (Continued)

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

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 8 to the financial statements.

Other Matters

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

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
03264/04/2021 J
Chartered Accountant

Kuala Lumpur

Date: 29 June 2020

Notice of Sixteenth Annual General Meeting

(Continued)

NOTICE IS HEREBY GIVEN THAT the Sixteenth Annual General Meeting of SMRT Holdings Berhad (“**SMRT**” or “**Company**”) will be held at Lecture Hall 3, Level 4, Academic Block, University of Cyberjaya Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.00 a.m. for the following purposes :

AGENDA

ORDINARY BUSINESS :

1.	To receive the Audited Financial Statements for the financial year ended 31 December 2019 together with the Reports of the Directors and Auditors thereon.	Please refer to Explanatory Note 1
2.	To approve the payment of Directors’ fees to be paid to Non-Executive Directors and meeting allowances to be paid to Directors from 31 July 2020 until the conclusion of the next Annual General Meeting.	Resolution 1 Please refer to Explanatory Note 2
3.	To re-elect Ms Soh Eng Hooi who retires by rotation pursuant to Clause 97 of the Company’s Constitution and being eligible, offers herself for re-election.	Resolution 2
4.	To re-elect Mr Leow Nan Chye who retires by rotation pursuant to Clause 97 of the Company’s Constitution and being eligible, offers himself for re-election.	Resolution 3
5.	To re-elect Datuk Mohd Radzif Bin Mohd Yunus who retires by casual vacancy pursuant to Clause 104 of the Company’s Constitution and being eligible, offers himself for re-election.	Resolution 4
6.	To re-elect Mr Chu Kheh Wee who retires by casual vacancy pursuant to Clause 104 of the Company’s Constitution and being eligible, offers himself for re-election.	Resolution 5
7.	To re-elect Ms Lim Kwee Yong who retires by casual vacancy pursuant to Clause 104 of the Company’s Constitution and being eligible, offers herself for re-election.	Resolution 6
8.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.	Resolution 7

SPECIAL BUSINESS :

To consider and, if thought fit, to pass with or without modifications, the following resolutions :

9.	ORDINARY RESOLUTION	
	AUTHORITY TO ISSUE SHARES PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT, 2016	Resolution 8 Please refer to Explanatory Note 3
	<p>“THAT subject to Sections 75 and 76 of the Companies Act, 2016 and the approvals of the relevant governmental/regulatory authorities, the Directors be and are hereby empowered to issue shares in the Company at any time and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this Resolution in any one financial year does not exceed ten per cent (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being.</p> <p>AND THAT such authority shall commence immediately upon passing of this Resolution and continue to be in force until the conclusion of the next Annual General Meeting of the Company.”</p>	

Notice of Sixteenth Annual General Meeting

(Continued)

10. ORDINARY RESOLUTION

RETENTION OF INDEPENDENT DIRECTOR PURSUANT TO PRACTICE 4.2 OF THE MALAYSIAN CODE ON CORPORATE GOVERNANCE

Resolution 9
Please refer to
Explanatory Note 4

“**THAT** subject to the passing of Resolution 3 and pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, Mr Leow Nan Chye be and is hereby retained as Independent Non-Executive Director of the Company and he shall continue to act as Independent Non-Executive Director notwithstanding that he has been on the Board of Directors of the Company for a cumulative term of more than twelve (12) years since 5 October 2005.”

ANY OTHER BUSINESS :

11. To transact any other business for which due notice shall have been given in accordance with the Company's Constitution and the Companies Act, 2016.

BY ORDER OF THE BOARD

WONG YOUN KIM (MAICSA 7018778)
PRACTICING CERTIFICATE NO. 201908000410
YIP SIEW CHENG (MAICSA 7006780)
PRACTICING CERTIFICATE NO. 202008001527
Company Secretaries

Kuala Lumpur
Dated : 30 June 2020

NOTES :

1. A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.
2. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.
3. The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.
4. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) as defined under the Securities Industry (Central Depositories) Act 1991, there is 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 and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 8, Tower Block, CUCMS Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.
6. Only members whose names appear in the Record of Depositors on 24 July 2020 shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.

EXPLANATORY NOTES :

1. Audited Financial Statements

This item of the Agenda is meant for discussion only. The provisions of Section 340(1) of the Companies Act, 2016 require the Audited Financial Statements and the Reports of the Directors and Auditors thereon be laid before the Company at its Annual General Meeting. As such, this item of the Agenda is not a business which requires a resolution to be put to vote by shareholders.

2. Directors' Remuneration

Section 230(1) of the Companies Act, 2016 provides amongst others that the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting.

In this respect, the Board wishes to seek shareholders' approval for the proposed Ordinary Resolution 1 for payment of Directors' fees to be paid to Non-Executive Directors and meeting allowances to be paid to Directors from 31 July 2020 until the conclusion of the next Annual General Meeting of the Company comprising the following, with or without modifications :

		Directors' Fees (Per Director) RM	Meeting Allowance (Per Meeting) RM
Board of Directors	Non-Executive Directors	Up to 4,000 per month	500
Audit and Risk Management Committee	Chairman	-	1,000
	Member		500
Nomination and Remuneration Committees	Chairman	-	1,000
	Member		500

3. Authority to Issue Shares

The proposed **Ordinary Resolution 8** is a renewal of the previous year's mandate and if passed, will authorise the Directors of the Company to issue new shares up to an amount not exceeding in total 10% of the total number of issued shares of the Company (excluding treasury shares) at the time of issue, for such purposes as the Directors consider would be in the best interest of the Company. This authority, unless revoked or varied by the shareholders of the Company in general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

As at the date of notice of meeting, no shares have been issued pursuant to the general mandate granted at the last Annual General Meeting of the Company.

This mandate is to provide flexibility to the Company to issue new shares without the need to convene a separate general meeting to obtain shareholders' approval so as to avoid incurring additional cost and time. This mandate is also meant for any possible fund raising exercises including but not limited to further placement of shares, for purpose of funding current and/or future investments, working capital and/or acquisitions.

4. Retention of Independent Director

The proposed **Ordinary Resolution 9** is to seek shareholders' approval to retain Mr Leow Nan Chye as Independent Non-Executive Director of the Company. Mr Leow Nan Chye has served the Company as Independent Non-Executive Director for 15 years since 5 October 2005 and he has expressed his intention to seek re-appointment as Independent Non-Executive Director of the Company. If the Board continues to retain independent director after 12 years pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance, the Board should provide justification and seek annual shareholders' approval through a two-tier voting process.

The Nomination Committee had assessed the independence of Mr Leow Nan Chye and recommended to the Board that he be retained as Independent Non-Executive Director of the Company based on his ability to maintain independent judgement and to express unbiased views without any influence. He is familiar with the Group's business operations and has devoted time and commitment and has exercised due care in discharging his duties and responsibilities as Independent Non-Executive Director. He has fulfilled the criteria under the definition of Independent Director as defined in the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Statement Accompanying Notice of Sixteenth Annual General Meeting _____

(Pursuant to Rule 8.29(2) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad)

The Directors seeking re-election at the Sixteenth Annual General Meeting of the Company are as follows:

1. Pursuant to Clause 97 of the Company's Constitution:
 - (i) Ms Soh Eng Hooi
 - (ii) Mr Leow Nan Chye
2. Pursuant to Clause 104 of the Company's Constitution :
 - (i) Datuk Mohd Radzif Bin Mohd Yunus
 - (ii) Mr Chu Kheh Wee
 - (iii) Ms Lim Kwee Yong

The profiles of the Directors who are seeking for re-election at the Sixteenth Annual General Meeting of the Company are set out in "Profile of Directors" section on pages 5 to 11 of the Company's Annual Report 2019.

The details of any interest in securities held by the said Directors are set out in "Directors' Report" section on pages 59 to 65 of the Company's Annual Report 2019.

SMRT

HOLDINGS BERHAD
(Company No : 659523-T)
(Incorporated in Malaysia)

FORM OF PROXY

*I/We..... *NRIC/Company No
(Block Letters)

of

being a member/members of the abovenamed Company, hereby appoint

of

or failing *him/her,

of

or failing *him/her, the CHAIRMAN of the meeting, as *my/our proxy to vote for *me/us on *my/our behalf at the Sixteenth Annual General Meeting of the Company to be held at Lecture Hall 3, Level 4, Academic Block, University of Cyberjaya Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan on Thursday, 30 July 2020 at 10.00 a.m. and at any adjournment thereof in the manner indicated below :

No.	Resolutions	For	Against
ORDINARY BUSINESS			
1.	To approve the payment of Directors' fees to be paid to Non-Executive Directors and meeting allowances to be paid to Directors from 31 July 2020 until the conclusion of the next Annual General Meeting.		
2.	To re-elect Ms Soh Eng Hooi who retires by rotation pursuant to Clause 97 of the Company's Constitution and being eligible, offers herself for re-election.		
3.	To re-elect Mr Leow Nan Chye who retires by rotation pursuant to Clause 97 of the Company's Constitution and being eligible, offers himself for re-election.		
4.	To re-elect Datuk Mohd Radzif Bin Mohd Yunus who retires by casual vacancy pursuant to Clause 104 of the Company's Constitution and being eligible, offers himself for re-election.		
5.	To re-elect Mr Chu Kheh Wee who retires by casual vacancy pursuant to Clause 104 of the Company's Constitution and being eligible, offers himself for re-election.		
6.	To re-elect Ms Lim Kwee Yong who retires by casual vacancy pursuant to Clause 104 of the Company's Constitution and being eligible, offers herself for re-election.		
7.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as Auditors of the Company for the ensuing year and to authorise the Directors to fix their remuneration.		
8.	Authority to Issue Shares pursuant to Sections 75 and 76 of the Companies Act, 2016.		
9.	Retention of Independent Director pursuant to Practice 4.2 of the Malaysian Code on Corporate Governance – Mr Leow Nan Chye.		

Please indicate with an "X" in the appropriate box against the resolution on how you wish your proxy to vote. If no specific instruction as to voting is given, the proxy will vote at *his/her discretion.

Number of Shares	
CDS Account No	
Date	

.....
Signature

Fold This Flap For Sealing

1. *A member of the Company entitled to attend and vote at the meeting may appoint one or more proxies (or being a corporate member, a corporate representative) to attend and vote in his/her stead. A proxy may but need not be a member of the Company.*
2. *Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he/she specifies the proportions of his/her shareholdings to be represented by each proxy.*
3. *The instrument appointing a proxy in the case of an individual shall be signed by the appointer or his/her attorney or in the case of a corporation executed under its common seal or signed on behalf of the corporation by its attorney or by an officer duly authorised.*
4. *Where a Member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act 1991, there is 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 and the power of attorney or other authority, if any, under which it is signed or executed must be deposited at the Registered Office of the Company at Level 8, Tower Block, CUCMS Campus, Persiaran Bestari, Cyber 11, 63000 Cyberjaya, Selangor Darul Ehsan not less than 24 hours before the time appointed for holding the meeting or any adjournment thereof.*
6. *Only members whose names appear in the Record of Depositors on 24 July 2020 shall be entitled to attend, speak and vote at the meeting or appoint proxy(ies) to attend, speak and vote on his/her behalf.*

**Delete where inapplicable*

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Affix
Stamp
here

SMRT Holdings Berhad (659523-T)

Level 8, Tower Block,
University of Cyberjaya (UoC) Campus,
Persiaran Bestari, Cyber 11
63000 Cyberjaya
Selangor Darul Ehsan
Malaysia

Fold Here

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