

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.**

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in SEG International Bhd (*formerly known as Systematic Education Group Berhad*), you should at once hand this Circular together with the accompanying Notice of Extraordinary General Meeting and Form of Proxy immediately to the purchaser or the transferee or to the stockbroker or agent through whom the sale was effected for onward transmission to the purchaser or the transferee.

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*(formerly known as Systematic Education Group Berhad)*  
*(145998-U)*  
*(Incorporated in Malaysia)*

**CIRCULAR TO SHAREHOLDERS**

In relation to the

**PART A**

**PROPOSAL TO VARY THE TERMS OF THE PROFIT GUARANTEE GIVEN BY  
KUMPULAN EMAS BERHAD TO SEG INTERNATIONAL BHD  
IN RELATION TO THE ACQUISITIONS OF  
BERRINGTON BAY CORPORATION SDN BHD,  
SUMMIT EDUCATION SDN BHD AND  
SUMMIT EARLY CHILDHOOD EDU-CARE SDN BHD  
(FORMERLY KNOWN AS SUMMIT MONTESSORI EDU-CARE SDN BHD)**

*Adviser*



**ALLIANCE MERCHANT BANK**

**Alliance Merchant Bank Berhad** (21605-D)

**PART B**

**INDEPENDENT ADVICE LETTER TO THE MINORITY SHAREHOLDERS OF  
SEG INTERNATIONAL BHD IN RELATION TO THE PROPOSED VARIATIONS**

*Independent Adviser*



**SOUTHERN  
Investment Bank**

Southern Investment Bank Berhad (169955-T)

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

Notice of the Extraordinary General Meeting, which will be held at Pahlawan 2, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on 24 January 2003 at 10.30 a.m., together with the Form of Proxy are set out in this Circular. Please complete and return the attached Form of Proxy in accordance with the instructions thereon as soon as possible. Your Form of Proxy should reach the Company's Registered Office at 10<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not later than 48 hours before the time of the meeting. The lodging of a completed Form of Proxy will not preclude you from attending and voting in person at the meeting should you subsequently wish to do so.

Last date and time for lodging Form of Proxy : 22 January 2003 at 10.30 a.m.

Date and time of the EGM : 24 January 2003 at 10.30 a.m.

This Circular is dated 9 January 2003

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## DEFINITIONS

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**In this Circular, unless otherwise stated, the following abbreviations shall have the following meanings:**

“Acquisitions”	:	Acquisitions by the Company from KEB and other vendors, of the following:-  (i) 100% equity interest in BBC;  (ii) 98.51% equity interest in SES; and  (iii) 100% equity interest in SECE,  pursuant to the sale and purchase agreements dated 22 October 1999, which were supplemented by supplemental sale and purchase agreements dated 16 February 2000
“Alliance”	:	Alliance Merchant Bank Berhad (21605-D)
“BBC”	:	Berrington Bay Corporation Sdn Bhd (409407-H)
“BBC Group”	:	BBC and its subsidiary and associate companies, collectively
“BBC Guaranteed Profit”	:	Aggregate PBT of not less than RM23,700,000 for the BBC Group over the Guaranteed Period
“BBC Shortfall”	:	The difference as determined by the Stakeholder between the Minimum BBC Guaranteed Profit and the audited consolidated PBT of the BBC Group in a guaranteed year; and at the end of the Guaranteed Period, the difference as determined by the Stakeholder between the BBC Guaranteed Profit and the accumulated audited profits for the BBC Group for the Guaranteed Period (taking into account the shortfall differences topped up by the Guarantor in the guaranteed year)
“Board”	:	Board of Directors of SEGi
“Datin Mah”	:	Datin Mah Ming Yuet
“EGM”	:	Extraordinary General Meeting
“Guaranteed Period”	:	Three (3) calendar years commencing from 1 January 2001 and ending on 31 December 2003
“Guaranteed Profits”	:	BBC Guaranteed Profit and SES/SECE Guaranteed Profit, collectively
“KEB” or “Guarantor”	:	Kumpulan Emas Berhad (15379-V)
“KLSE”	:	Kuala Lumpur Stock Exchange
“Ladang MOCCIS”	:	Ladang MOCCIS Sdn Bhd (20883-X)
“Margin”	:	(a) in relation to the BBC Group, the aggregate value of the Security Shares shall not be less than RM8,000,000; and  (b) in relation to the SES Group and SECE Group, the aggregate value of the Security Shares shall not be less than RM4,500,000,  in respect of the Security Shares placed with the Stakeholder

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**DEFINITIONS (Cont'd)**

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“Market Day”	:	A day on which the stock market of the KLSE is open for trading in securities
“Minimum Guaranteed Profits”	:	Minimum BBC Guaranteed Profit and Minimum SES/SECE Guaranteed Profit, collectively
“Minimum BBC Guaranteed Profit”	:	The minimum PBT guaranteed for the BBC Group of RM4,000,000 for each year of the Guaranteed Period
“Minimum SES/SECE Guaranteed Profit”	:	The minimum PBT guaranteed for the SES Group and SECE Group of RM1,800,000 for each year of the Guaranteed Period
“MOCCIS”	:	Koperasi Pegawai-Pegawai Melayu Malaysia Berhad
“New Guaranteed Years”	:	The calendar years ending 31 December 2003, 31 December 2004, 31 December 2005 and 31 December 2006
“New Guaranteed Period”	:	Four (4) calendar years commencing from 1 January 2003 and ending on 31 December 2006
“New Margin”	:	SEGi and the Guarantor agree that the aggregate value of the Security Shares placed with the Stakeholder shall be not less than such value as may be determined from time to time by the Board, at their sole discretion after consultation with the Stakeholder, to be fair and equitable to secure any shortfalls in the New Total Guaranteed Profits and the margin value as agreed by the Board is RM8,333,333 only
“New Shortfall”	:	The difference as determined by the Stakeholder between the Revised Aggregate Minimum Guaranteed Profits and the total aggregated audited PBT of the BBC Group, SES Group and SECE Group in a New Guaranteed Year; and at the end of the New Guaranteed Period, the difference as determined by the Stakeholder between the New Total Guaranteed Profits and the total aggregated and accumulated audited PBT of BBC Group, SES Group and SECE Group taken over the entire New Guaranteed Period (taking into account the shortfall differences topped up by the Guarantor in any New Guaranteed Year)
“New Total Guaranteed Profits”	:	Aggregate consolidated PBT of not less than RM27,686,000 for the BBC Group, SES Group and SECE Group which shall be met over the New Guaranteed Period
“NTA”	:	Net tangible assets
“PAT”	:	Profit after taxation
“PBT”	:	Profit before taxation
“PGA”	:	Profit guarantee agreement dated 22 October 1999 as amended by the supplemental agreement dated 17 October 2000 entered into by SEGi with the Guarantor and Datin Mah and Kee Shih-Lene as indemnifying parties and pursuant thereto the Stakeholder Agreement dated 12 April 2002 entered into by SEGi, KEB and AMTB

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## DEFINITIONS *(Cont'd)*

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“Profit Guarantee”	:	Profit guarantee provided by KEB in relation to the Acquisitions to guarantee the PBT of BBC Group, SES Group and SECE Group over the Guaranteed Period pursuant to the PGA
“Proposed Variations”	:	Proposal to vary the terms of the Profit Guarantee, as detailed in Section 3 of this Circular
“Revised Aggregate Minimum Guaranteed Profits”	:	Proposed revision to the aggregate Minimum Guaranteed Profits for each New Guaranteed Year. The revised minimum guaranteed profits shall be RM6,350,000 for the financial year ending 31 December 2003 and RM7,112,000 for each of the financial years ending 31 December 2004 to 2006
“RM and sen”	:	Ringgit Malaysia and sen, respectively
“2 <sup>nd</sup> Supplemental Agreement”	:	The second supplemental agreement to the PGA to be entered into between SEGi, the Guarantor and the Stakeholder, pursuant to the Proposed Variations
“SECE”	:	Summit Early Childhood Edu-Care Sdn Bhd ( <i>formerly known as Summit Montessori Edu-Care Sdn Bhd</i> ) (377348-T)
“SECE Group”	:	SECE and its subsidiary companies, collectively
“Security Shares”	:	(a) in relation to the BBC Group, 5,333,333 SEGi Shares; and (b) in relation to the SES Group and SECE Group, 3,000,000 SEGi Shares,  placed by the Guarantor with the Stakeholder and shall include such additional quoted shares as shall be placed with the Stakeholder from time to time
“SEGi” or “Company”	:	SEG International Bhd ( <i>formerly known as Systematic Education Group Berhad</i> ) (145998-U)
“SEGi Group” or “Group”	:	SEGi and its subsidiary and associate companies, collectively
“SEGi Shares”	:	Ordinary shares of RM1.00 each in SEGi
“SES”	:	Summit Education Sdn Bhd (129928-K)
“SES Group”	:	SES and its subsidiary companies, collectively
“SES/SECE Guaranteed Profit”	:	Aggregate PBT of not less than RM13,300,000 for the SES Group and SECE Group over the Guaranteed Period
“SES/SECE Shortfall”	:	The difference as determined by the Stakeholder between the Minimum SES/SECE Guaranteed Profit and the audited consolidated PBT of the SES Group and SECE Group in a guaranteed year; and at the end of the Guaranteed Period, the difference as determined by the Stakeholder between the SES/SECE Guaranteed Profit and the accumulated audited profits for the SES Group and SECE Group for the Guaranteed Period (taking into account the shortfall differences topped up by the Guarantor in the guaranteed year)

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**DEFINITIONS (Cont'd)**

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“SIBB”	:	Southern Investment Bank Berhad (169955-T)
“Stakeholder” or “AMTB”	:	AmTrustee Berhad ( <i>formerly known as Arab-Malaysian Trustee Berhad</i> ) (163032-V)
“Stakeholder Agreement”	:	Stakeholder agreement dated 12 April 2002 entered into between SEGi, KEB and AMTB whereby SEGi had appointed AMTB to be the stakeholder in respect of the shares placed as security pursuant to the PGA

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## CONTENTS

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### PART A

#### LETTER FROM THE BOARD TO THE SHAREHOLDERS OF SEGi RELATING TO THE PROPOSED VARIATIONS

	<b>Page</b>
1. Introduction	1
2. Details on the Profit Guarantee	3
3. Details of the Proposed Variations	5
4. Salient terms of the 2 <sup>nd</sup> Supplemental Agreement	6
5. Rationale for the Proposed Variations	7
6. Risk Factor	7
7. Financial effects of the Proposed Variations	8
8. Approvals required	8
9. Directors' and Major Shareholders' interests	8
10. Independent Adviser	10
11. Directors' recommendation	10
12. Extraordinary General Meeting	10
13. Further information	11

### PART B

#### INDEPENDENT ADVICE LETTER FROM SOUTHERN INVESTMENT BANK BERHAD TO THE MINORITY SHAREHOLDERS OF SEGi RELATING TO THE PROPOSED VARIATIONS

#### APPENDIX

Appendix I - Further information

Notice of EGM **Enclosed**

Form of Proxy **Enclosed**



(formerly known as Systematic Education Group Berhad) (145998-U)  
(Incorporated in Malaysia)

**Registered Office:-**

10<sup>th</sup> Floor, Menara Summit  
Persiaran Kewajipan, USJ 1  
47600 UEP Subang Jaya  
Selangor Darul Ehsan

9 January 2003

**Board of Directors:**

Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub (*Chairman/ Non-Executive Director*)  
Dr Teoh Seng Foo (*President/ Executive Director*)  
Hii Chii Kok @ Hii Chee Kok (*Chief Executive Officer/ Executive Director*)  
Kee Lian Yong (*Executive Director*)  
Dato' Pahamin A. Rajab (*Non- Executive Director*)  
Datin Fadzilah bte Saad (*Non- Executive Director*)  
Dato' Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas (*Independent Non- Executive Director*)  
Siew Boon Yeong (*Independent Non-Executive Director*)  
Hue Fook Chuan (*Independent Non-Executive Director*)  
Haji Mohd Razi bin Yaacob (*Alternate Director to Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub*)

**To: The shareholders of SEG International Bhd**

Dear Sir/Madam

**PROPOSAL TO VARY THE TERMS OF THE PROFIT GUARANTEE IN RELATION TO THE ACQUISITIONS OF BERRINGTON BAY CORPORATION SDN BHD, SUMMIT EDUCATION SDN BHD AND SUMMIT EARLY CHILDHOOD EDU-CARE SDN BHD (FORMERLY KNOWN AS SUMMIT MONTESSORI EDU-CARE SDN BHD)**

**1. INTRODUCTION**

- 1.1 On 25 October 1999, Alliance, on behalf of the Board of SEGi, had announced that SEGi had, inter alia, entered into sale and purchase agreements dated 22 October 1999, which were supplemented by supplemental sale and purchase agreements dated 16 February 2000 (announced on even date), for the acquisitions from KEB and other vendors, amongst others, 100% equity interest in BBC, 98.51% equity interest in SES and 100% equity interest in SECE. The Acquisitions were completed on 2 February 2001.
- 1.2 Pursuant to the Acquisitions, SEGi had also entered into a profit guarantee agreement on 22 October 1999 which was varied by a supplemental agreement on 17 October 2000. Further, on 12 April 2002, SEGi, KEB and AMTB had entered into a stakeholder agreement whereby SEGi had appointed AMTB to be the stakeholder in respect of the shares placed as security pursuant to the PGA. Under the PGA, KEB as guarantor, guarantees:-

- (a) that the aggregate PBT of the BBC Group shall not be less than RM23,700,000;
- (b) that the aggregate PBT of SES Group and SECE Group shall not be less than RM13,300,000; and
- (c) that the Minimum BBC Guaranteed Profit and the Minimum SES/SECE Guaranteed Profit for each year of the Guaranteed Period shall not be less than RM4,000,000 and RM1,800,000, respectively.

The Guaranteed Profits were for the three (3) calendar years commencing from 1 January 2001 and ending on 31 December 2003.

In each of the guaranteed year of the Guaranteed Period, the Guarantor shall within fourteen (14) days from the receipt of the certificate, certifying the BBC Shortfall and SES/SECE Shortfall in each guaranteed year of the Guaranteed Period from the Stakeholder, pay to the Company the BBC Shortfall and/ or the SES/SECE Shortfall, as the case may be.

In the event that the actual aggregate PBT of the BBC Group and SES Group/SECE Group at the end of the Guaranteed Period is less than the Guaranteed Profits, the Guarantor shall pay to the Company such amount as shall be sufficient to cover the said shortfall. If the Guarantor fails to pay the shortfall of the BBC Group and/ or SES Group/SECE Group, the Stakeholder shall sell and realise all or any portion of the Security Shares in order to cover the amount of the shortfall. If there is a further shortfall after the sale of the said Security Shares, the Guarantor shall be liable to pay the shortfall.

The salient terms and conditions of the said PGA are set out in Section 2.1 of this Circular.

- 1.3 For the financial year ended 31 December 2001, the audited PBT of the BBC Group and SES Group/SECE Group were RM2.785 million and RM(25,000), respectively. The shortfall in the Minimum Guaranteed Profits was made good by Datin Mah and Kee Shih-Lene as indemnifying parties, pursuant to the settlement agreement dated 15 April 2002 amongst SEGi, KEB, Datin Mah and Kee Shih-Lene, by the amount of RM1.25 million for the BBC Group and RM2.0 million for the SES/ SECE Group.
- 1.4 In light of the changes in the economic and regulatory conditions, KEB had on 1 November 2002 submitted to SEGi a proposal to vary the terms of the PGA. Details on the Proposed Variations are set out in Section 3 of this Circular. Pursuant to the Proposed Variations, SEGi and KEB have agreed to enter into a 2<sup>nd</sup> Supplemental Agreement to vary the relevant terms of the PGA. The material terms and conditions of the 2<sup>nd</sup> Supplemental Agreement to be executed, were agreed upon between SEGi and KEB on 21 November 2002 and the salient terms are set out in Section 4 of this Circular.
- 1.5 The Profit Guarantee was given voluntarily by KEB pursuant to the Acquisitions and was not a condition that was imposed by the Securities Commission ("SC") in relation to its approval for the Acquisitions. Therefore, the Proposed Variations do not require the prior approval of the SC or any other regulatory bodies, so long as there is mutual consent of the parties to the PGA and the approval of the shareholders of SEGi has been obtained.
- 1.6 KEB, being the Guarantor, is a major shareholder of SEGi with an equity interest of 31.28% in SEGi. Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong, directors of SEGi, are also directors of KEB. As such, pursuant to Part E, Chapter 10.08 of the Listing Requirements of the KLSE, the Proposed Variations are considered a related party transaction. In compliance with Chapter 10.08 of the Listing Requirements, SEGi has appointed SIBB on 8 November 2002 as the Independent Adviser to the minority shareholders of SEGi for the Proposed Variations.

The eligibility of SIBB to act as the Independent Adviser for the Proposed Variations was confirmed to the KLSE on 12 November 2002. The Independent Advice Letter from SIBB containing its evaluation and recommendation on the Proposed Variations is set out in Part B of this Circular.



- 1.7 The purpose of the Circular is to provide you with relevant information on the Proposed Variations and to seek your approval for the ordinary resolution in relation to the Proposed Variations to be tabled at the forthcoming EGM of the Company. The Notice of the EGM together with the Form of Proxy is enclosed in this Circular.

**SHAREHOLDERS OF SEGI ARE ADVISED TO READ AND CONSIDER CAREFULLY THE CONTENTS OF PART A AND PART B OF THIS CIRCULAR BEFORE VOTING ON THE ORDINARY RESOLUTION TO GIVE EFFECT TO THE PROPOSED VARIATIONS AT THE FORTHCOMING EGM.**

## **2. DETAILS ON THE PROFIT GUARANTEE**

### **2.1 Details of the PGA**

#### **2.1.1 Profit Guarantee Agreement dated 22 October 1999**

The salient terms and conditions of the profit guarantee agreement dated 22 October 1999, are as follows:-

(a) The Guarantor had agreed to guarantee as follows:-

- (i) that the aggregate PBT of the BBC Group shall not be less than RM23,700,000;
- (ii) that the aggregate PBT of SES Group and SECE Group shall not be less than RM13,300,000; and
- (iii) the Minimum BBC Guaranteed Profit and Minimum SES/SECE Guaranteed Profit for each calendar year shall not be less than RM4,000,000 and RM1,800,000, respectively,

for the three (3)-year period commencing from 1 January 2000 and ending on 31 December 2002.

- (b) The BBC Guaranteed Profits and SES/SECE Guaranteed Profits shall be secured via the placement with a stakeholder to be nominated by the Guarantor and consented to by the Company, of any quoted shares acceptable to the Company which are legally and/ or beneficially owned by the Guarantor, to the mutually agreed value of RM8,000,000 and RM4,500,000, respectively.
- (c) In the event that the actual aggregate PBT of BBC Group and SES Group/SECE Group, at the end of the Guaranteed Period is less than the BBC Guaranteed Profit and SES/SECE Guaranteed Profit, the Guarantor shall pay to the Company such amount as shall be sufficient to cover the said shortfall. If the Guarantor fails to pay the shortfall to the Company as aforesaid, the stakeholder shall sell and realise the Security Shares in order to cover the amount of the shortfall. If there is a further shortfall after the sale of the Security Shares, the Guarantor shall be liable to pay the shortfall.
- (d) The Guarantor shall be deemed to have fulfilled the Profit Guarantee in the event that the actual aggregate PBTs of the BBC Group, SES Group and SECE Group at the end of the Guaranteed Period exceeds or equals to the aggregate Guaranteed Profits.
- (e) Datin Mah and Kee Shih-Lene, as indemnifying parties had agreed to irrevocably, jointly and severally undertake to indemnify the Guarantor against 42.5% of all losses, damages, claims, demands, actions and proceedings of any nature and amount whatsoever which may be brought against the Guarantor or may be suffered or incurred by the Guarantor as a result of or in connection with the Guarantor's obligation under the BBC Guaranteed Profit.

### **2.1.2 Supplemental Profit Guarantee Agreement dated 17 October 2000**

On 17 October 2000, KEB, SEGi and Datin Mah and Kee Shih-Lene, entered into a supplemental profit guarantee agreement, to vary inter-alia, certain terms of the profit guarantee agreement dated 22 October 1999, namely that the profit guarantee period shall commence for a period of three (3) years from the completion date of the Acquisitions.

### **2.1.3 Stakeholder Agreement**

Further thereto and pursuant to the PGA, SEGi, KEB and AMTB had on 12 April 2002 entered into a Stakeholder Agreement for the Profit Guarantee, wherein AMTB was appointed as the Stakeholder. The salient terms of the Stakeholder Agreement are as follows:-

- (a) The Guaranteed Period shall commence from 1 January 2001 and shall end on 31 December 2003.
- (b) The Guarantor shall make payments to the Company of a sum equivalent to the BBC Shortfall and/ or SES/SECE Shortfall within fourteen (14) days of being notified by the Stakeholder of the BBC Shortfall and/ or SES/SECE Shortfall.
- (c) The Guarantor also unconditionally and irrevocably undertakes to the Company that for so long as the Stakeholder Agreement is in force:-
  - (i) the aggregate value of the Security Shares placed by the Guarantor at the commencement of the Guaranteed Period shall be not less than the margin of RM8,000,000 and RM4,500,000 in relation to the BBC Group and the SECE and SES Group respectively, for the Guaranteed Period; and
  - (ii) the aggregate value of the Security Shares placed by the Guarantor shall be maintained at all relevant times thereafter, at not less than the Margin.

For the purposes of the Stakeholder Agreement, the aggregate value of the Security Shares shall be calculated by multiplying the price per Security Share with the number of Security Shares placed with the Stakeholder.

- (d) Subject to Section 2.1.3 (e) below, for the purpose of determining the aggregate value of the Security Shares pursuant to Section 2.1.3 (c) above, the price of Security Share:-
  - (i) at the commencement of the Guaranteed Period shall be Ringgit Malaysia One and Sen Fifty (RM1.50) only per Share;
  - (ii) at the commencement of each of the subsequent guaranteed years, shall be the market price of the Security Shares based on the five (5) days average closing price quoted on the KLSE on the Market Days immediately preceding such commencement day; and
  - (iii) at each other date<sup>1</sup> on which the value of the Security Shares is to be determined, shall be the market price of the Security Shares based on the five (5) days average closing price quoted on the KLSE on the Market Days immediately preceding the day on which the value is required to be determined.
- (e) If the Stakeholder shall determine that the aggregate value of the Security Shares as stated in Section 2.1.3 (c) above, has diminished due to price movements or for any other reason whatsoever including but not limited to a sale by the Stakeholder, the Guarantor shall, within fourteen (14) days from the date of a written notice given by the Stakeholder, deposit or cause to be deposited such additional Security Shares as are requested by the Stakeholder in order to maintain the Margin.

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<sup>1</sup> as and when the need arises as determined by the Stakeholder.

(f) In each of the guaranteed year of the Guaranteed Period, the Guarantor shall within fourteen (14) days from the receipt of the certificate, certifying the BBC Shortfall and SES/SECE Shortfall from the Stakeholder, pay to the Company the BBC Shortfall and/ or the SES/SECE Shortfall, as the case may be:-

- (i) if in cash, by way of telegraphic transfer into the Company's account, a banker's cheque issued in favour of the Company or any other equivalent method acceptable to the Company; or
- (ii) if by way of quoted shares, by transfer of such shares which are acceptable to the Company to such securities account as may be designated by the Company and the value of such shares shall be the five (5) days average closing price as quoted on the KLSE on the market days immediately after the receipt by the Guarantor of the certificate,

failing which, the Guarantor shall be liable to pay interest at the rate of eight per centum (8%) per annum on the BBC Shortfall and/or the SES/SECE Shortfall, as the case may be, to be calculated on a daily rest basis from the expiry of the said fourteen (14) days until the date of full payment of the said shortfall by cash or by shares in the aforesaid manner.

(g) For the purposes of making good either the BBC Shortfall or the SES/SECE Shortfall (if any) in any of the guaranteed year of the Guaranteed Period, the Company agrees that:-

- (i) in the event the PBT of BBC Group exceeds the Minimum BBC Guaranteed Profit for a particular guaranteed year of the Guaranteed Period, the amount of such excess shall be taken into account as profits of SES Group and SECE Group and shall be utilised to set off against the SES/SECE Shortfall; or
- (ii) in the event the PBT of SES/SECE Group exceeds the Minimum SES/SECE Guaranteed Profit for a particular guaranteed year of the Guaranteed Period, the amount of such excess shall be taken into account as profits of BBC Group and shall be utilised to set off against the BBC Shortfall;

and the Guarantor shall in either case only be obliged to pay the balance (if any) in either the BBC Shortfall or SES/SECE Shortfall, as the case may be.

(h) For the avoidance of doubt and notwithstanding anything herein contained to the contrary, the Guarantor shall be deemed to have fulfilled the Guaranteed Profits in the event that the aggregate total of the audited profits of the BBC Group, SES Group and SECE Group at the end of the Guaranteed Period and all monies paid by the Guarantor to the Company to meet the BBC Shortfall and/ or SES/SECE Shortfall in each of the guaranteed year during the Guaranteed Period exceeds or equals to the total aggregate of the Guaranteed Profits.

## **2.2 Settlement Agreement dated 15 April 2002**

On 15 April 2002, SEGi, KEB, Datin Mah and Kee Shih-Lene entered into a settlement agreement whereby KEB, being the Guarantor, agreed to release Datin Mah and Kee Shih-Lene, being the indemnifying parties, from their further obligations pursuant to the PGA whereby Datin Mah and Kee Shih-Lene, jointly and severally, agreed to solely bear the shortfall in the Guaranteed Profits for the guaranteed year ended 31 December 2001.

## **3. DETAILS OF THE PROPOSED VARIATIONS**

3.1 For the financial year ended 31 December 2001, the audited PBT of BBC Group and SES Group/ SECE Group were RM2.875 million and RM(25,000), respectively. The shortfall in the Minimum Guaranteed Profits was made good by Datin Mah and Kee Shih-Lene as indemnifying parties, pursuant to the settlement agreement dated 15 April 2002 amongst SEGi, KEB, Datin Mah and Kee Shih-Lene,

by the amount of RM1.25 million for the BBC Group and RM2.0 million for the SES/ SECE Group. As such, the Minimum Guaranteed Profits of the BBC Group and SES Group together with SECE Group of RM5,800,000 have been fulfilled.

3.2 KEB proposes to vary inter-alia, the terms to the PGA, in the manner as set out as follows:-

- (a) proposed extension of time for the fulfilment of the Guaranteed Profits which shall be over a period of six (6) years from 1 January 2001 and ending on 31 December 2006, as opposed to the original term of three (3) years pursuant to the PGA; and
- (b) proposed increase in the quantum of the aggregate Guaranteed Profits by a sum of RM2,286,000 ("Proposed Increase in Guaranteed Profits"); and
- (c) proposed revision to the aggregate Minimum Guaranteed Profits for each guaranteed year in the New Guaranteed Period, to reflect the Proposed Increase in Guaranteed Profits. The Revised Aggregate Minimum Guaranteed Profits shall be RM6,350,000 for the financial year ending 31 December 2003 and RM7,112,000 for each of the financial years ending 31 December 2004 to 2006.

3.3 The Proposed Variations are to commence from 1 January 2003 and to end on 31 December 2006.

#### 4. SALIENT TERMS OF THE 2<sup>ND</sup> SUPPLEMENTAL AGREEMENT

Taking into consideration of the Proposed Variations, the salient terms of the 2<sup>nd</sup> Supplemental Agreement to be executed are as follows:-

- 4.1 The Company and the Guarantor hereby agree, and the Stakeholders hereby acknowledges, that the separate profit guarantee arrangements in respect of the BBC Group, SES Group and SECE Group shall in respect of financial year ended 31 December 2003 onwards, be consolidated and considered only as the Revised Aggregate Minimum Guaranteed Profits and the New Total Guaranteed Profits.
- 4.2 In consideration of the Company, at the request of the Guarantor, agreeing to defer and re-structure the Guarantor's obligations in respect of the BBC Guaranteed Profit, SES/SECE Guaranteed Profit and Minimum Guaranteed Profits, the Guarantor agrees to increase the quantum of the Guaranteed Profit by an agreed sum of RM2,286,000. The New Total Guaranteed Profits are proposed to be fulfilled in the following manner:-

Financial Year	RM
2003	6,350,000
2004	7,112,000
2005	7,112,000
2006	7,112,000
<b>New Total Guaranteed Profits</b>	<b>27,686,000</b>

The Guarantor also irrevocably guarantees to the Company that:-

- (a) the total aggregate audited PBT of the BBC Group, SES Group and SECE Group in each of the New Guaranteed Years shall be not less that the Revised Aggregate Minimum Guaranteed Profits; and
  - (b) the aggregate audited PBT of the BBC Group, SES Group and SECE Group for the New Guaranteed Period shall be not less than the New Total Guaranteed Profits.
- 4.3 In the event the aggregate total of the actual audited PBT of the BBC Group and SES Group/ SECE Group for the financial year ended 31 December 2002 is higher than the aggregate total of both the Minimum BBC Guaranteed Profit and the Minimum SES/SECE Guaranteed Profit for the financial year ended 31 December 2002 then the said difference shall be carried forward to the New Guaranteed

Period towards meeting the Revised Aggregate Minimum Guaranteed Profits and the New Total Guaranteed Profits.

- 4.4 In the event the aggregate total of the audited PBT of both the BBC Group and SES Group/SECE Group in any of the New Guaranteed Years (taking into account any amount carried forward pursuant hereto) is higher than the Revised Aggregate Minimum Guaranteed Profits for such New Guaranteed Year, then the said difference shall be carried forward to the next following New Guaranteed Year towards meeting the Revised Aggregate Minimum Guaranteed Profits for that following year and shall also be accumulated towards meeting the New Total Guaranteed Profits.
- 4.5 In the event the aggregate total of the actual audited PBT of the BBC Group and SES Group/ SECE Group for the financial year ended 31 December 2002 is lower than the aggregate total of both the BBC Minimum Guaranteed Profit and the SES/SECE Minimum Guaranteed Profit for the financial year ended 31 December 2002, such shortfall shall be recoverable in accordance with the provisions of the PGA and the Stakeholder Agreement.
- 4.6 In place of the provisions in the PGA relating to the shares placed or to be placed as security for each of the BBC Guaranteed Profit and the SES/SECE Guaranteed Profit respectively, the parties now agree that the aggregate value of the Security Shares placed with the Stakeholder shall be not less than such value as may be determined from time to time by the Board, at their sole discretion after consultation with the Stakeholder, to be fair and equitable to secure any shortfalls in the New Total Guaranteed Profit and the margin value as agreed by the Board is RM8,333,333 only.
- 4.7 No amendment, modification or waiver of any provisions of this Agreement shall be effective unless the same shall be in writing and mutually agreed upon by the parties.
- 4.8 Subject only to the variations and modifications herein contained and such other alterations, if any, as may be necessary to make the PGA and the Stakeholder Agreement consistent with the 2<sup>nd</sup> Supplemental Agreement, the PGA and the Stakeholder Agreement remain in full force and effect and shall be read and construed and be enforceable as if the terms of the 2<sup>nd</sup> Supplemental Agreement were incorporated therein.

## **5. RATIONALE FOR THE PROPOSED VARIATIONS**

The Proposed Variations were contemplated by the Guarantor after taking into consideration the changes in the prevailing economic and regulatory environment in respect of the education industry, which the BBC Group, SES Group and SECE Group operate within. Changes in regulatory policies, coupled with changes in the terms and regulations of certain franchise arrangements affected the businesses of these Groups. Extensive research and development have been carried out to develop new courses and the benefits from these courses will be seen in the next few years.

## **6. RISK FACTOR**

### **Risk of non-repayment of the Shortfall**

There is no guarantee that the Guarantor will not default on the repayment of any shortfall over the New Guaranteed Period. The ability to fulfil the obligation under the Proposed Variations would depend on the financial position of the Guarantor as and when the shortfall in the Revised Aggregate Minimum Guaranteed Profits and/ or the New Total Guaranteed Profits are due. Accordingly, there is no certainty that the Guarantor would be able to meet its obligation on the payment of the shortfall in the Revised Aggregate Minimum Guaranteed Profits and/ or the New Total Guaranteed Profits under the Proposed Variations as and when due.

In the event that the Guarantor is unable to pay the shortfall, the Company can enforce its rights under the Stakeholder Agreement, whereby the Guarantor is liable to pay interest at the rate of eight percentum (8%) per annum on the shortfall, as the case may be, to be calculated on a daily rest, from

the expiry of the fourteen (14) days from the receipt of the certificate from the Stakeholder on the shortfall in the Revised Aggregate Minimum Guaranteed Profits in each guaranteed year of the New Guaranteed Period and/ or the New Total Guaranteed Profits at the end of the New Guaranteed Period until the date of payment of the said shortfall. In such circumstances, with the Company's written consent and approval, the Stakeholder can also exercise its power to sell or otherwise dispose all or any of the Security Shares deposited with the Stakeholder at such times and in such manner and for such consideration the Stakeholder may at its absolute discretion deem fit.

## 7. FINANCIAL EFFECTS OF THE PROPOSED VARIATIONS

### 7.1 Issued and paid-up share capital and shareholding structure

The Proposed Variations have no effect on the issued and paid-up share capital and shareholding structure of SEGi.

### 7.2 Net Tangible Assets

The Proposed Variations are merely an extension of the existing Guaranteed Period pursuant to the PGA, commencing on 1 January 2003 and ending on 31 December 2006, and does not form a material variation in the profit guarantee provided by the Guarantor. The Proposed Variations will not have any effect on the NTA and NTA per share of SEGi Group for the financial year ended 31 December 2002. In any case, the effect of the Proposed Variations on the NTA and NTA per share of SEGi Group during the New Guaranteed Period can only be determined at the end of each New Guaranteed Year.

### 7.3 Earnings

The Proposed Variations are merely an extension of the existing Guaranteed Period pursuant to the PGA, commencing on 1 January 2003 and ending on 31 December 2006, and does not form a material variation in the Profit Guarantee provided by the Guarantor. The Proposed Variations will not have any effect on the earnings and earnings per share of SEGi Group for the financial year ended 31 December 2002. Any effect on the earnings of the SEGi Group on the New Guaranteed Period would depend on the actual results to be achieved by the BBC Group, SES Group and SECE Group, which can only be determined at the end of each New Guaranteed Year.

## 8. APPROVALS REQUIRED

The Proposed Variations are conditional upon approval being obtained from the shareholders of SEGi at the forthcoming EGM to be convened.

## 9. DIRECTORS' AND MAJOR SHAREHOLDERS' INTERESTS

Details of the Directors and major shareholders of SEGi (having an interest of 5% or more in the share capital of SEGi) and their respective direct and indirect shareholdings in SEGi as at 31 December 2002 are as set out below:-

Directors	< -----Direct----- >		< -----Indirect----- >	
	No. of SEGi Shares	%	No. of SEGi Shares	%
Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub	11,200	0.01	19,287,478 <sup>†</sup>	24.37
Dr Teoh Seng Foo	-	-	24,755,025 *	31.28
Kee Lian Yong	-	-	-	-
Hii Chii Kok @ Hii Chee Kok	556,000	0.70	-	-

<b>Directors</b>	<b>&lt;-----Direct-----&gt;</b>		<b>&lt;-----Indirect-----&gt;</b>	
	<b>No. of SEGi Shares</b>	<b>%</b>	<b>No. of SEGi Shares</b>	<b>%</b>
Dato' Pahamin A. Rajab	-	-	-	-
Datin Fadzilah bte Saad	-	-	-	-
Dato' Megat Najmuddin bin Datuk Seri Dr Haji Megat Khas	297	@	-	-
Siew Boon Yeong	-	-	-	-
Hue Fook Chuan	-	-	-	-
Haji Mohd Razi bin Yaacob (Alternate Director to Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub)	-	-	15,226,865^	19.24

Note:

+ Deemed interest held through MOCCIS and Ladang MOCCIS

\* Deemed interest by virtue of his direct interest in KEB and indirect interest in KEB, through Meda Capital Sdn Bhd

^ Deemed interest held through MOCCIS

@ Negligible

<b>Major Shareholders</b>	<b>&lt;-----Direct-----&gt;</b>		<b>&lt;-----Indirect-----&gt;</b>	
	<b>No. of SEGi Shares</b>	<b>%</b>	<b>No. of SEGi Shares</b>	<b>%</b>
MOCCIS	15,226,865	19.24	-	-
KEB	24,755,025	31.28	-	-
Ladang MOCCIS	4,060,613	5.13	-	-
Datin Mah Ming Yuet	6,261,983	7.91	1,018,531 <sup>++</sup>	1.29
Meda Capital Sdn Bhd	-	-	24,755,025 <sup>^^</sup>	31.28
Dr Teoh Seng Foo	-	-	24,755,025 <sup>+++</sup>	31.28
Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub	-	-	19,287,478 <sup>^^^</sup>	24.37
Haji Mohd Razi bin Yaacob	-	-	15,226,865 <sup>@</sup>	19.24

Note:

<sup>++</sup> Deemed interest held through her children, Kee Ju-Hun and Kee Shih-Lene

<sup>^^</sup> Deemed interest held through KEB

<sup>+++</sup> Deemed interest by virtue of his direct interest in KEB and indirect interest in KEB through Meda Capital Sdn Bhd

<sup>^^^</sup> Deemed interest held through MOCCIS and Ladang MOCCIS

<sup>@</sup> Deemed interest held through MOCCIS

KEB, being the Guarantor, is a major shareholder of SEGi with a direct equity interest of 31.28% in SEGi. Hence, KEB is deemed interested in the Proposed Variations.

Accordingly, KEB shall abstain from voting in respect of its direct shareholding in SEGi at the forthcoming EGM to approve the Proposed Variations.

Dr Teoh Seng Foo is a director of SEGi and also KEB. He is also deemed a major shareholder of SEGi by virtue of his direct interest in KEB and indirect interest in KEB, through Meda Capital Sdn Bhd. Kee Lian Yong and Siew Boon Yeong are directors of SEGi and KEB.

Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong are deemed to be interested in the Proposed Variations and have abstained and will continue to abstain from participating in all SEGi's Board

deliberations on the Proposed Variations. Dr Teoh Seng Foo shall also abstain from voting in respect of his indirect shareholdings in SEGi at the forthcoming EGM to approve the Proposed Variations.

Save as disclosed above, there are no directors, major shareholders or persons connected to them that has any interest, direct or indirect, in the Proposed Variations.

#### **10. INDEPENDENT ADVISER**

The Proposed Variations represent a related party transaction under the definition of Chapter 10 of the Listing Requirements of the KLSE. As such, SEGi has appointed SIBB as the Independent Adviser to advise the minority shareholders of SEGi on the fairness and reasonableness of the terms and conditions of the Proposed Variations.

Shareholders of SEGi are advised to read and consider carefully this Circular and the Independent Advice Letter contained in Part B of this Circular before voting on the ordinary resolution to give effect to the Proposed Variations at the forthcoming EGM.

#### **11. DIRECTORS' RECOMMENDATION**

The Board, after due consideration of all aspects of the Proposed Variations and the advice of Alliance, is of the opinion that the terms of the Proposed Variations are fair and reasonable and that the Proposed Variations are in the best interest of SEGi and its shareholders.

Accordingly, the Board (save for Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong who have abstained and will continue to abstain in all SEGi's Board deliberations on the Proposed Variations) recommends that shareholders vote in favour of the ordinary resolution to be tabled at the forthcoming EGM.

#### **12. EXTRAORDINARY GENERAL MEETING**

An EGM, the notice of which is enclosed in this Circular, will be held at Pahlawan 2, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on 24 January 2003 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the ordinary resolution to authorise the Directors to establish, administer and give effect to the Proposed Variations.

If you are unable to attend and vote in person at the EGM, please complete, sign and return the attached Form of Proxy in accordance with the instructions printed thereon as soon as possible and in any event, so as to arrive at the Company's Registered Office at 10<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not later than forty-eight (48) hours before the time set for the holding of the EGM or any adjournment thereof. The completion and lodgement of the Form of Proxy will not preclude you from attending and voting in person at the EGM should you subsequently wish to do so.



**13. FURTHER INFORMATION**

Shareholders are requested to refer to the attached appendix for further information.

Yours faithfully

For and on behalf of the

Board of Directors of

**SEG INTERNATIONAL BERHAD**

**Senator Tan Sri Dato' Seri (Dr) Abdullah bin Ayub**

Chairman/ Non-Executive Director

**Part B: Independent advice letter from Southern Investment Bank Berhad**



**SOUTHERN  
Investment Bank**

9 January 2003

To: The Minority Shareholders of SEG International Bhd

Dear Sir/Madam

**Proposal to vary the terms of the profit guarantee given by Kumpulan Emas Berhad to SEG International Bhd in relation to the acquisitions of Berrington Bay Corporation Sdn Bhd, Summit Education Sdn Bhd and Summit Early Childhood Edu-Care Sdn Bhd (formerly known as Summit Montessori Edu-Care Sdn Bhd) (Proposed Variations)**

In this Independent Advice Letter (IAL), we have adopted the same abbreviations, unless otherwise indicated, as the definitions used in this Circular.

**Executive Summary**

This Executive Summary is intended to be only a brief summary of the IAL. We advise the minority shareholders of SEGi to read this IAL together with the Circular before voting on the resolution pertaining to the Proposed Variations at the forthcoming EGM.

**Reference /  
Section in the  
IAL**

**A. Proposed Variations**

KEB proposes to vary, inter-alia, the terms to the PGA, in the manner set out as follows:

- (a) proposed extension of time for the fulfilment of the Guaranteed Profits which shall be over a period of six (6) years as opposed to the original term of three (3) years pursuant to the PGA;
- (b) proposed increase in the quantum of the aggregate Guaranteed Profits by a sum of RM2,286,000 to be fulfilled on an equal basis over the three (3) financial years ending 31 December 2004 until 31 December 2006 (Proposed Increase in Guaranteed Profits); and
- (c) proposed revision to the aggregate Minimum Guaranteed Profits for each guaranteed year in the New Guaranteed Period, to reflect the Proposed Increase in Guaranteed Profits. The Revised Aggregate Minimum Guaranteed Profits shall be RM6,350,000 for the financial year ending 31 December 2003 and RM7,112,000 for each of the financial years ending 31 December 2004 to 2006.

**B. The rationale**

Section 5 of Part A of the Circular states that the rationale for the Proposed Variations is as follows:

“The Proposed Variations were contemplated by the Guarantor after taking into consideration the changes in the prevailing economic and regulatory environment in respect of the education industry, which the BBC Group, SES Group and SECE Group operate within. Changes in regulatory policies, coupled with changes in the terms and regulations of certain franchise arrangements affected the businesses of these groups. Extensive research and development have been carried out to develop new courses and the benefits from these courses will be seen in the next few years.”

**C. The related parties**

1.6

KEB, Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong are deemed interested in the Proposed Variations. Hence, the Proposed Variations are regarded as related party transactions pursuant to the Listing Requirements of KLSE.

Accordingly, SIBB has been appointed as the independent adviser to the minority shareholders of SEGi on the Proposed Variations. SIBB had, on 12 November 2002, confirmed to the KLSE on its eligibility to act as the independent adviser to the minority shareholders of SEGi on the Proposed Variations.

**D. SIBB's evaluation**

2

In carrying out the evaluation of the Proposed Variations, SIBB had considered the following factors, which we believe are of general concern to the minority shareholders of SEGi:

- Rationale for the Proposed Variations;
- Financial effects of the Proposed Variations; and
- Industry overview and future prospects.

**E. SIBB's opinion and recommendation**

3

Based on our evaluation, we are of the opinion that the Proposed Variations are fair and reasonable, and not detrimental to the minority shareholders of SEGi. Accordingly, we recommend that you **vote in favour** of the resolution pertaining to the Proposed Variations to be tabled at the forthcoming EGM of SEGi.

We advise the minority shareholders to consider both this IAL and the letter from the Board of SEGi carefully before voting on the resolution pertaining to the Proposed Variations at the forthcoming EGM.

## 1. Introduction

1.1 On 25 October 1999, Alliance, on behalf of the Board of SEGi, had announced that SEGi had, inter alia, entered into sale and purchase agreements dated 22 October 1999, which were supplemented by supplemental sale and purchase agreements dated 16 February 2000 (announced on even date), for the acquisitions from KEB and other vendors, amongst others, 100% equity interest in BBC, 98.51% equity interest in SES and 100% equity interest in SECE. The Acquisitions were completed on 2 February 2001.

1.2 Pursuant to the Acquisitions, SEGi had also entered into a profit guarantee agreement on 22 October 1999 which was varied by a supplemental agreement on 17 October 2000. Further, on 12 April 2002, SEGi, KEB and AMTB had entered into a stakeholder agreement whereby SEGi had appointed AMTB to be the stakeholder in respect of the shares placed as security pursuant to the PGA. Under the PGA, KEB as guarantor, guarantees that:

- (a) the aggregate PBT of the BBC Group shall not be less than RM23,700,000;
- (b) the aggregate PBT of SES Group and SECE Group shall not be less than RM13,300,000; and
- (c) the Minimum BBC Guaranteed Profit and the Minimum SES/SECE Guaranteed Profit for each year of the Guaranteed Period shall not be less than RM4,000,000 and RM1,800,000, respectively.

The Guaranteed Profits were for the three (3) calendar years commencing from 1 January 2001 and ending on 31 December 2003.

In each of the guaranteed year of the Guaranteed Period, the Guarantor shall within fourteen (14) days from the receipt of the certificate, certifying the BBC Shortfall and SES/SECE Shortfall in each guaranteed year of the Guaranteed Period from the Stakeholder, pay to the Company the BBC Shortfall and/or the SES/SECE Shortfall, as the case may be.

In the event that the actual aggregate PBT of the BBC Group and SES Group/SECE Group at the end of the Guaranteed Period is less than the Guaranteed Profits, the Guarantor shall pay to the Company such amount as shall be sufficient to cover the said shortfall. If the Guarantor fails to pay the shortfall of the BBC Group and/or SES Group/SECE Group, the Stakeholder shall sell and realise all or any portion of the Security Shares in order to cover the amount of the shortfall. If there is a further shortfall after the sale of the said Security Shares, the Guarantor shall be liable to pay the shortfall.

The salient terms and conditions of the said PGA are set out in Section 2.1 of Part A of this Circular.

1.3 For the financial year ended 31 December 2001, the audited PBT and loss before taxation of the BBC Group and SES Group/SECE Group were RM2.785 million and RM25,000, respectively. Accordingly, the shortfall was made good by Datin Mah and Kee Shih-Lene as indemnifying parties, pursuant to the settlement agreement dated 15 April 2002, by the amount of RM1.25 million for the BBC Group and RM2.0 million for the SES/ SECE Group.

1.4 In light of the changes in the economic and regulatory conditions, KEB had on 1 November 2002 submitted to SEGi a proposal to vary the terms of the PGA. Further information on the Proposed Variations are set out in Section 3 of Part A of this Circular. Pursuant to the Proposed Variations, SEGi and KEB have agreed to enter into a 2<sup>nd</sup> Supplemental Agreement to vary the relevant terms of the PGA. The terms and conditions of the 2<sup>nd</sup> Supplemental Agreement to be executed, were agreed upon between SEGi and KEB on 21 November 2002 and the salient terms are set out in Section 4 of Part A of this Circular.

- 1.5 The Profit Guarantee was given voluntarily by KEB pursuant to the Acquisitions and was not a condition that was imposed by the Securities Commission (SC) in relation to its approval for the Acquisitions. Therefore, the Proposed Variations do not require prior approval of the SC or any other regulatory bodies, so long as there is mutual consent of the parties to the PGA and the approval of the shareholders of SEGi has been obtained.
- 1.6 KEB, being the Guarantor, is a major shareholder of SEGi with an equity interest of 31.28% in SEGi. Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong, directors of SEGi, are also directors of KEB. As such, pursuant to Part E, Chapter 10.08 of the Listing Requirements of KLSE, the Proposed Variations are considered related party transactions. In compliance with Chapter 10.08 of the Listing Requirements of KLSE, SEGi has appointed SIBB on 8 November 2002 as the independent adviser to the minority shareholders of SEGi for the Proposed Variations. SIBB confirmed its eligibility to act as the independent adviser for the Proposed Variations to the KLSE on 12 November 2002.
- 1.7 This IAL is to provide the minority shareholders of SEGi with our independent evaluation of the Proposed Variations as to whether they are fair and reasonable so far as the minority shareholders of SEGi are concerned and whether the Proposed Variations are to the detriment of the minority shareholders of SEGi. This IAL also contains our recommendation in relation to the resolution pertaining to the Proposed Variations to be tabled at the forthcoming EGM of SEGi.

The KLSE cleared the contents and circulation of this IAL via its letter dated 8 January 2003. The clearance by the KLSE does not imply that the KLSE concurs with SIBB's views and recommendations.

This IAL is solely for the use of the minority shareholders of SEGi for the purpose of considering the Proposed Variations and should not be used or relied upon by any other party.

**We advise the minority shareholders to consider both this IAL and the letter from the Board of SEGi carefully before voting on the resolution pertaining to the Proposed Variations at the forthcoming EGM of SEGi.**

## **2. Evaluation of the Proposed Variations**

SIBB was not involved in the negotiations pertaining to the Proposed Variations. Our role as the independent adviser does not extend to expressing an opinion on the commercial viability of the Proposed Variations and this remains the sole responsibility of the Board of SEGi. Our terms of reference do not include us rendering an expert opinion on legal, accounting and taxation issues relating to the Proposed Variations.

Our appointment as the independent adviser does not require us to consider the specific investment objectives, financial situation and particular needs of any individual shareholder or any group of shareholders of SEGi. We recommend that any individual shareholder or any specific group of shareholders who require specific advice in relation to the Proposed Variations in the context of their individual investment objectives, financial situation or particular needs, to consult their respective professional advisers. We shall not be liable for any damage or loss of any kind sustained or suffered by any individual shareholder or any group of shareholders relying on the evaluation as set out in this IAL for any purpose whatsoever which is particular to any individual shareholder or any group of shareholders.

In evaluating the Proposed Variations, we have relied on the accuracy of the information from the following sources:

- information contained in the Circular;
- information furnished to us by SEGi and its main adviser, Alliance; and
- publicly available information.

We have not independently verified such information. We have obtained confirmation from the Board of SEGi that they collectively and individually accept full responsibility for the accuracy of the information given to us and that all information relevant to our evaluation of the Proposed Variations have been disclosed to us and there are no material facts, the omission of which would make any information provided to us incomplete, misleading or inaccurate.

In our evaluation of the Proposed Variations, we have considered the following factors:

- Rationale for the Proposed Variations;
- Financial effects of the Proposed Variations; and
- Industry overview and future prospects.

## **2.1 Rationale for the Proposed Variations**

The rationale for the Proposed Variations, as extracted from Section 5 of Part A of the Circular, is as follows:

*“The Proposed Variations were contemplated by the Guarantor after taking into consideration the changes in the prevailing economic and regulatory environment in respect of the education industry, which the BBC Group, SES Group and SECE Group operate within. Changes in regulatory policies, coupled with changes in the terms and regulations of certain franchise arrangements affected the businesses of these groups. Extensive research and development have been carried out to develop new courses and the benefits from these courses will be seen in the next few years.”*

The changes in the prevailing economic and regulatory environment, amongst others, are expected to result in the BBC Shortfall and the SES/SECE Shortfall. Given the expected shortfall in both the BBC Guaranteed Profit and the SES/SECE Guaranteed Profit, KEB and SEGi have entered into negotiations to arrive at a mutually acceptable resolution in relation to the impending shortfall and have now agreed to vary the terms and conditions of the PGA in relation to the existing BBC Guaranteed Profit and the SES/SECE Guaranteed Profit, as set in Section 3 of Part A of this Circular.

The Proposed Variations have taken into consideration the constraints of meeting the obligations under the PGA in light of the abovementioned changes in the economic and regulatory environment. In seeking the shareholders' approval for the Proposed Variations, the Guarantor does not intend to extinguish its obligation for the Guaranteed Profits under the PGA but is merely extending the timeframe for the fulfilment of the Guaranteed Profits. In consideration of the Company, at the request of the Guarantor, agreeing to defer and restructure the Guarantor's obligations in respect of the Guaranteed Profits, the Guarantor will be increasing the quantum of the Guaranteed Profits by an agreed sum of RM2,286,000 from RM37,000,000 to RM39,286,000, which is an increase of approximately 6.2% over the initial Guaranteed Profits. The increase of 6.2% was agreed upon based on negotiations.

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For illustrative purposes, the Minimum Guaranteed Profits / Revised Aggregate Minimum Guaranteed Profits is as follows:

Financial year ended / ending 31 December	2001	2002	2003	2004	2005	2006	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Minimum Guaranteed Profits / Revised Aggregate Minimum Guaranteed Profits	5,800 <sup>1</sup>	5,800 <sup>2</sup>	6,350	7,112	7,112	7,112	39,286
Guaranteed Profits							37,000
Proposed Increase in Guaranteed Profits							2,286

Notes:

<sup>1</sup> As at 31 December 2001, the Minimum Guaranteed Profits in respect of the PGA have been fulfilled.

<sup>2</sup> As at 31 December 2002, the Minimum Guaranteed Profits in respect of the PGA is to be fulfilled.

Further, in the event the Guarantor fails to pay the Company the BBC Shortfall and/or the SES/SECE Shortfall within the fourteen (14) days from the receipt of the certificate from the Stakeholder certifying the New Shortfall in each New Guaranteed Year, the Guarantor shall be liable to pay interest at the rate of 8% per annum on the BBC Shortfall and/or the SES/SECE Shortfall, as the case may be, to be calculated on a daily basis from the expiry of the said fourteen (14) days until the date of full payment of the said shortfall.

In the event the Guarantor is unable to pay the New Shortfall to the Company, the Stakeholder, with the Company's written consent and approval, may exercise its power to sell and realise the Security Shares deposited with the Stakeholder, in order to cover the New Shortfall. If there is a further shortfall after the sale of the said Security Shares, the Guarantor shall be liable to pay the shortfall.

We have also considered the underlying rationale of the Proposed Variations that is premised on "*Changes in regulatory policies, coupled with changes in the terms and regulations of certain franchise arrangements affected the businesses of these groups.*", which were beyond the control of the Guarantor, also affected the performance of the BBC Group, SES Group and SECE Group for the financial year ended 31 December 2002.

Although a promising growth sector of the economy, the education sector was also affected by the slow recovery of the economy. Uncertainties about the direction of the economy have, to an extent, affected the choice of higher education where, for example, students may opt to pursue comparatively less expensive courses resulting in lower margins for the colleges. Hence, in order to remain competitive, SEGi similar to other players in the industry would need to continuously review the range of courses offered. Generally, private educational institutions require the approval of the Ministry of Education (MOE) with the recommendation of the National Accreditation Board (LAN) prior to the introduction of new courses. Extensive research and development costs may, however, be incurred in developing new courses which may only be recoverable at a later stage after securing the approval of LAN and MOE to run the new courses.

Further, we note that for the financial year ending 31 December 2003, the New Margin in respect of the Security Shares placed with the Stakeholder is at 131.2% over the Revised Aggregate Minimum Guaranteed Profits and for the financial years ending 31 December 2004 to 2006, the said New Margin is at 117.2% over the Revised Aggregate Minimum Guaranteed Profits as follows:

Financial years ending 31 December	2003	2004 - 2006
New Margin (RM)	8,333,333	8,333,333
Revised Aggregate Minimum Guaranteed Profits (RM)	6,350,000	7,112,000
New Margin maintained over the Revised Aggregate Minimum Guaranteed Profits (%)	131.2	117.2

As the Profit Guarantee was given voluntarily by KEB pursuant to the Acquisitions, the Proposed Variations do not fall within the SC's requirement under the Policies and Guidelines on Issue/Offer of Securities (SC Guidelines). Hence, we note that the Guarantors are not required to maintain a minimum security margin of 120% at all times until they have fully discharged their Profit Guarantee obligations as provided for under the SC Guidelines. Notwithstanding the above, however, the New Margin for the financial year ending 31 December 2003 is at 131.2% whilst the New Margin for the financial years ending 31 December 2004 to 2006 is only marginally lower at 117.2%.

## 2.2 Financial Effects of the Proposed Variations

As stated in Section 7 of Part A of this Circular, the financial effects of the Proposed Variations are as follows:

### 2.2.1 Issued and paid-up share capital and shareholding structure

The Proposed Variations have no effect on the issued and paid-up share capital and shareholding structure of SEGi.

### 2.2.2 NTA

The Proposed Variations are merely an extension of the existing Guaranteed Period pursuant to the PGA, commencing on 1 January 2003 and ending on 31 December 2006, and do not form a material variation in the Profit Guarantee provided by the Guarantor. The Proposed Variations will not have any effect on the NTA and NTA per share of the SEGi Group for the financial year ended 31 December 2002. In any case, the effect of the Proposed Variations on the NTA and NTA per share of the SEGi Group during the New Guaranteed Period can only be determined at the end of each New Guaranteed Year.

### 2.2.3 Earnings

As mentioned above, the Proposed Variations are merely an extension of the existing Guaranteed Period pursuant to the PGA, commencing on 1 January 2003 and ending on 31 December 2006, and do not form a material variation in the Profit Guarantee provided by the Guarantor. The Proposed Variations will not have any effect on the earnings and earnings per share of the SEGi Group for the financial year ended 31 December 2002. Any effect on the earnings of the SEGi Group during the New Guaranteed Period would depend on the actual results to be achieved by the BBC Group, SES Group and SECE Group, which can only be determined at the end of each New Guaranteed Year.

## 2.3 Industry Overview and Future Prospects

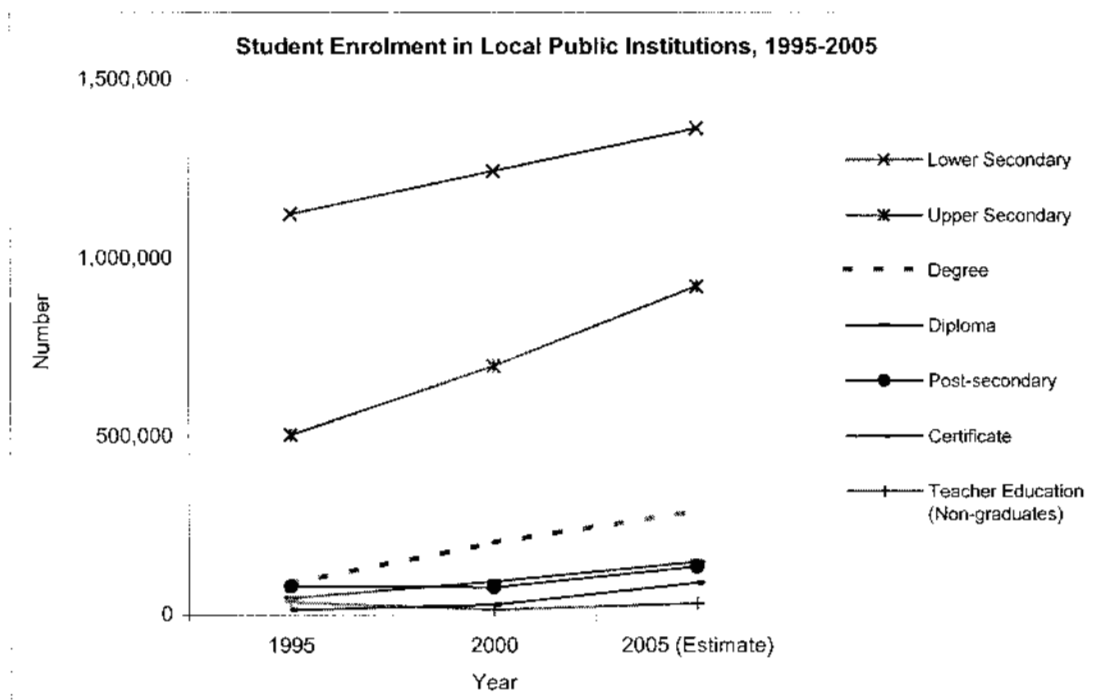
### 2.3.1 Education Industry Overview

During the mid 1990s, the Malaysian government initiated major educational reforms by introducing new legislations on education, such as the Education Act 1996, Private Higher Educational Institutions Act 1996, National Council on Higher Education Act 1996, National Accreditation Board Act 1996, Universities and University Colleges (Amendment) Act 1996 and National Higher Education Fund Board Act 1997. Tertiary education institutions were expanded to meet the increasing demand as well as to develop education as an export industry of Malaysia.



At present, there are fourteen (14) local public universities, which are fully funded by the Malaysian government, and one (1) international university providing undergraduate and postgraduate studies. Total enrolment at the tertiary level in public institutions is expected to increase from 321,729 in year 2000 to 526,679 in year 2005 (Source: *Eighth Malaysia Plan, 2001-2005*). In year 2000, the number of student enrolment in the upper secondary and post-secondary public institutions was 773,978 whereas the student enrolment for the first degree and post-graduate levels was only 201,271 (Source: *Eighth Malaysia Plan, 2001-2005*). On this basis, the absorptive capacity of public institutions of about 3.8 to 1 was considered relatively small compared with the number of qualified candidates. Clearly, local public tertiary institutions with their limited resources are unable to cope with the increasing demand for higher education.

The table below sets out the student enrolment in local public institutions from 1995 to 2005.



With the implementation of the Private Higher Education Institutions Act 1996, which promotes liberalisation of higher education in the country, and coupled with an upsurge in demand for tertiary education, the private sector has also increased its involvement in the provision of tertiary education. Private education in Malaysia is owned, managed and financed by the private sector. All private educational institutions must register themselves with the Malaysian Ministry of Education before they can register with the Companies Commission of Malaysia.

Currently, there are over 650 private colleges, ten (10) private universities and four (4) foreign university branch campuses with a student population of approximately 232,000 (Source: <http://www.studymalaysia.com/is/education11.shtml>). This indicates a significant shift in the education sector with private colleges becoming more prominent in the tertiary education sector. With the growing education sector, many courses, such as professional courses, credit transfer courses, twinning programmes, external degree programmes and distance learning, can now be attained from local private colleges. The courses offered at local private colleges in Malaysia are well diversified and covers a range of fields including information technology, medical, science, engineering, business administration, commerce, lingual, hospitality, mass communication and other skill related and industry specific training courses. With continuous effort on the part of the private institutions, local students are now able to graduate from renowned universities around the globe.

According to the Eighth Malaysia Plan, 2001-2005, public and private institutions will continue to be allowed to establish franchise agreements to increase the number of places offered at the tertiary level. These arrangements will provide additional 45,000 places of which 25% will be at degree level and 75% at diploma level (*Source: Eighth Malaysia Plan, 2001-2005*). To further promote the development of a knowledge-based economy, the government is prepared to allow foreign lecturers and teachers in the field of computer software, contents, computer animations, 3D simulation and others to teach in private institutions that provide education and training for local and foreign students (*Source: The 2003 Budget Speech*). In the budget allocation for year 2003, the government has proposed to allocate 27% or RM29.6 billion of the total Budget 2003 to the education sector (*Source: The 2003 Budget Speech*).

### **2.3.2 Future Prospects of the SEGi Group**

Education is emerging to be a promising growth sector of the economy in the country. The growing population, rising number of the population with higher education and the greater Asian emphasis on continuing education are expected to result in a greater demand for tertiary education in the future.

In addition to the above, the government is set on promoting the development of a knowledge-based economy and establishing the country into a regional centre of education excellence. The National Accreditation Board has been set up to ensure that high standards are kept by private colleges to ensure that the quality of courses offered are compatible to those offered in the public institutions. Thus, private institutions, such as the colleges under the SEGi Group, namely PRIME Colleges, Systematic Colleges, Summit International College, MSC International College and IBMS College, are able to play a more effective role in reducing the outflows of educational funding in the balance of payments accounts by providing an avenue for Malaysian youth looking to attain higher education, including foreign degrees, in Malaysia as well as potentially attracting capital inflows through foreign students undertaking courses in Malaysia.

The competition amongst the private education providers remains keen with over 650 registered private institutions of higher learning in Malaysia. Many of the small players in the industry are aggressively marketing themselves to gain a greater market share. With such open competition, SEGi Group is positioning itself to face these challenges by looking into the prospects of expanding education services over the Malaysian borders to countries such as China and Indonesia. The number of foreign students, mainly from China, in these colleges have increased. The Group is currently working on certain collaborative arrangements with potentially long term partners in these countries as well as other Asian countries to export the Group's expertise to them. Further, the colleges under SEGi Group, namely PRIME Colleges, Systematic Colleges, Summit International College, MSC International College and IBMS College have recently received an approval from the Ministry of Education for a number of new courses. Many of the colleges have also been approved as provider for vocational courses under the Ministry of Human Resources.

Further, the Group is diversifying its course mix by offering vocational training programmes under the Majlis Latihan Vokasional Kebangsaan and postgraduate courses which enable the Group to have a wider market segment.

In view of the above, the prospects of the SEGi Group are expected to be favourable.

### 3. Conclusion and recommendation

We have in the foregoing sections, set out our evaluation of the Proposed Variations. We summarise our evaluation below:

<b>Factors</b>	<b>Evaluation summary</b>
<b>Rationale</b>	<p>The Proposed Variations take into consideration the following:</p> <ul style="list-style-type: none"><li>(a) The underlying rationale of the Proposed Variations that is premised on "<i>Changes in regulatory policies, coupled with changes in the terms and regulations of certain franchise arrangements affected the businesses of these groups.</i>", which were beyond the control of the Guarantor;</li><li>(b) In seeking the shareholders' approval for the Proposed Variations, the Guarantor does not intend to extinguish its obligation for the Guaranteed Profits under the PGA but is merely extending the timeframe for the fulfilment of the Guaranteed Profits;</li><li>(c) The Guarantor will be increasing the quantum of the Guaranteed Profits by an agreed sum of RM2,286,000 from RM37,000,000 to RM39,286,000, which is a an increase of approximately 6.2% over the initial Guaranteed Profits. The increase of 6.2% was agreed upon based on negotiations;</li><li>(d) In the event the Guarantor fails to pay the Company the BBC Shortfall and/or the SES/SECE Shortfall within the fourteen (14) days from the receipt of the certificate from the Stakeholder certifying the New Shortfall in each New Guaranteed Year, the Guarantor shall be liable to pay interest at the rate of 8% per annum on the BBC Shortfall and/or the SES/SECE Shortfall, as the case may be, to be calculated on a daily basis from the expiry of the said fourteen (14) days until the date of full payment of the said shortfall;</li><li>(e) In the event the Guarantor is unable to pay the New Shortfall to the Company, the Stakeholder, with the Company's written consent and approval, may exercise its power to sell and realise the Security Shares deposited with the Stakeholder, in order to cover the New Shortfall. If there is a further shortfall after the sale of the said Security Shares, the Guarantor shall be liable to pay the shortfall; and</li><li>(f) For the financial year ending 31 December 2003, the New Margin is at 131.2% over the Revised Aggregate Minimum Guaranteed Profits and for the financial years ending 31 December 2004 to 2006, the New Margin is at 117.2% over the Revised Aggregate Minimum Guaranteed Profits.</li></ul> <p>In view of the above, the rationale is fair and reasonable.</p>
<b>Financial Effects of the Proposed Variations</b>	<p>The Proposed Variations have no effect on the issued and paid-up share capital and shareholding structure of SEGi and will have no effect on the NTA and NTA per share as well as earnings and earnings per share of the SEGi Group for the financial year ended 31 December 2002. Any effect on the NTA and earnings of the SEGi Group during the New Guaranteed Period would depend on the actual results to be achieved by the BBC Group, SES Group and SECE Group, which can only be determined at the end of each New Guaranteed Year.</p>

<b>Factors</b>	<b>Evaluation summary</b>
<b>Future Prospects of the SEGi Group</b>	<p>The prospects of the SEGi Group are expected to be favourable with the following:</p> <ul style="list-style-type: none"> <li>(a) The growing population, rising number of the population with higher education and the greater Asian emphasis on continuing education;</li> <li>(b) The government is set on promoting the development of a knowledge-based economy and establishing the country into a regional centre of education excellence;</li> <li>(c) The Group's intention to expand its education services internationally; and</li> <li>(d) The Group is diversifying its course mix by offering vocational training programmes under the Majlis Latihan Vokasional Kebangsaan and postgraduate courses.</li> </ul>

The shareholders of SEGi should note that your Directors, as stated in Section 11 of Part A of this Circular, have considered all aspects of the Proposed Variations and are of the opinion that the terms of the Proposed Variations are fair and reasonable and are in the best interest of SEGi. Accordingly, your Board (other than Dr Teoh Seng Foo, Kee Lian Yong and Siew Boon Yeong who have abstained from expressing any recommendation in relation to the Proposed Variations) recommends that you vote in favour of the resolution in relation to the Proposed Variations to be tabled at the forthcoming EGM of SEGi.

Based on our evaluation of the Proposed Variations, subject to factors that cannot be predicted with certainty, we are of the opinion that the Proposed Variations are fair and reasonable, and not detrimental to the minority shareholders of SEGi.

Accordingly, we recommend that you **vote in favour** of the resolution relating to the Proposed Variations to be tabled at the forthcoming EGM of SEGi.

Yours faithfully  
For and on behalf of  
**Southern Investment Bank Berhad**

**Yap Fat**  
Acting Chief Executive Officer

**Rozana Makhzan**  
Head – Director  
Corporate Finance

## FURTHER INFORMATION

### 1. Responsibility Statement

This Circular has been seen and approved by the Directors of SEGi and they collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm that after having made all reasonable enquiries, as were reasonable in the circumstances and to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in this Circular misleading.

### 2. Consent

The written consent of Alliance and SIBB to the inclusion in this Circular of their names and references in the form and context in which they appear have been granted prior to the issue of this Circular and have not subsequently been withdrawn.

### 3. Material litigation

SEGi and its subsidiary companies are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant as at the date of this Circular and the Directors of SEGi do not have any knowledge of any proceedings pending or threatened against SEGi or its subsidiary companies or of any facts likely to give rise to any proceedings which may materially affect the financial position or business of SEGi and its subsidiary companies.

### 4. Material Contracts

Save as disclosed below, there are no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by the Company or its subsidiary companies within the two (2) years immediately preceding the date of this Circular:

- (a) Sale and purchase agreement dated 19 February 2001 between Asbright Sdn Bhd, Lorita Forance and BBC for the acquisition of 70% of the issued and paid-up share capital of IPPP Batu Lintang Sdn Bhd, comprising 350,000 ordinary shares of RM1.00 each for a cash consideration of RM2,450,000;
- (b) Sale and purchase agreement dated 16 April 2001 between IPPP Batu Lintang Sdn Bhd and Hipp Tatt Sdn Bhd for the acquisition of four (4) 6-storey shophouses situated at Bukit Mata Kuching and erected on Grant of States known as LA Nos. 208, 209, 210 and 211, all of Section 47, Kuching Town Land District for a purchase consideration of RM5,500,000 to be satisfied by cash and through bank borrowings;
- (c) Deed of Revocation dated 3 May 2001 between SES and Chung Chen Sun Art and Design Group Sdn Bhd ("CCS") to revoke the conditional share sale agreement dated 31 December 1999 between SES and CCS upon the terms and conditions stated therein;
- (d) Joint venture agreement dated 11 June 2001 between BBC and Chan Wan Siew and Lee Oi Lan in respect of IFPA Resources Sdn Bhd ("IFPA") whereby BBC has agreed to subscribe for 150,000 new ordinary shares of RM1.00 each in IFPA at par value in cash, representing 60% equity interest therein;
- (e) Sale and purchase agreement dated 1 October 2001 between Kenn Kenn Auto Accessories & Services Sdn Bhd and Systematic Business Training Centre (P.J.) Sdn Bhd for the acquisition

of a piece of property comprising of a unit of 3 ½ storey shophouse situated at No. 12, Jalan SS2.61, 46000 Petaling Jaya for a purchase consideration of RM2,000,000;

- (f) Stakeholder agreement dated 12 April 2002 between SEGi, KEB and AMTB whereby KEB and SEGi had appointed AMTB to be the stakeholder in respect of the SEGi Shares placed as security pursuant to the PGA;
- (g) Settlement agreement dated 15 April 2002 between SEGi, KEB, Datin Mah and Kee Shih-Lene whereby KEB, being the Guarantor, agreed to release Datin Mah and Kee Shih-Lene (being the Indemnifying Parties) from their further obligations pursuant to a profit guarantee agreement dated 22 October 1999 as amended by a supplementary agreement dated 17 October 2000 ("PGA") entered into between the parties in consideration of the Indemnifying Parties agreeing to jointly and severally bear the shortfall of the guaranteed profits for the guaranteed year ended 31 December 2001 pursuant to the PGA; and
- (h) Sale and purchase agreement ("Agreement") dated 5 June 2002 entered between Mutu Unggul Sdn Bhd ("MUSB"), a subsidiary of SEGi and Malaysia National Insurance Berhad for the acquisition of Lot 9057 of Section 64 Kuching Town ("Lot 9057") Land District for a purchase consideration of RM6.1 million. Concurrently, MUSB entered into a Deed of Assignment to assign all rights, estates, interests and liabilities in the Agreement to Yesmega Sdn Bhd ("YSB").

Subsequently, YSB entered into Memorandum of Agreement and a Memorandum of Sublease with MUSB to sublease part of Lot 9057 for a period of four (4) years.

## **5. Documents for inspection**

Copies of the following documents are available for inspection at the Registered Office of SEGi at 10<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan during office hours and on Mondays to Fridays (public holidays excepted) from the date of this Circular up to and including the date of the forthcoming EGM:-

- (i) The Company's Memorandum and Articles of Association;
- (ii) The profit guarantee agreement entered into between SEGi, the Guarantor and Datin Mah and Kee Shih-Lene as indemnifying parties dated 22 October 1999;
- (iii) The supplemental profit guarantee agreement entered into between SEGi, the Guarantor and Datin Mah and Kee Shih-Lene as indemnifying parties dated 17 October 2000;
- (iv) The stakeholder agreement entered into between SEGi, KEB and AMTB dated 12 April 2002;
- (v) Draft 2<sup>nd</sup> Supplemental Agreement;
- (vi) The letters of consent referred to in Part 2 above;
- (vii) The material contracts referred to in Part 4 above; and
- (viii) Audited accounts of SEGi for the past two financial years ended 31 December 2000 and 2001, and the unaudited results for the past nine (9) months ended 30 September 2002.



*(formerly known as Systematic Education Group Berhad)*  
(145998-U)  
(Incorporated in Malaysia)

## NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of the Company will be held at Pahlawan 2, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on 24 January 2003 at 10.30 a.m. for the purpose of considering and, if thought fit, passing the following Ordinary Resolution:-

### ORDINARY RESOLUTION

**Proposed variations to the terms of the Profit Guarantee Agreement dated 22 October 1999 and supplemented by a supplemental agreement dated 17 October 2000 ("Proposed Variations") in relation to the acquisitions of Berrington Bay Corporation Sdn Bhd ("BBC"), Summit Education Sdn Bhd ("SES") and Summit Early Childhood Edu-Care Sdn Bhd ("SECE") (formerly known as Summit Montessori Edu-Care Sdn Bhd)**

"THAT, approval be and is hereby given to the Company to the revision of the terms and conditions of the profit guarantee agreement entered into among the Company and Kumpulan Emas Berhad ("KEB" or "Guarantor"), Datin Mah Ming Yuet and Kee Shih-Lene dated 22 October 1999 and supplemented by a supplemental agreement dated 17 October 2000 ("hereinafter collectively referred to as the Profit Guarantee Agreement"), and terms and conditions of the stakeholder agreement entered among the Company, KEB and AmTrustee Berhad (formerly known as Arab-Malaysian Trustee Berhad) as stakeholder dated 12 April 2002 ("Stakeholder Agreement") in the terms of the Proposed Variations and that approval be and is hereby given for the Proposed Variations to be reflected in a second Supplemental Agreement ("SA") to be entered into by SEGi, KEB and the said stakeholder. The salient terms of the SA are to be as follows:-

- (a) that the total guaranteed aggregate profit before taxation ("PBT") of BBC Group of RM23,700,000 and the total guaranteed aggregate PBT of SES Group and SECE Group of RM13,300,000 (collectively referred to as "Guaranteed Profits") under the terms of the Profit Guarantee Agreement be consolidated and increased by an agreed sum of RM2,286,000;
- (b) the aggregate of the outstanding Guaranteed Profits and the said agreed sum of RM2,286,000 totalling RM27,686,000 which shall be fulfilled over the four (4) financial years beginning financial year ending 31 December 2003 until 31 December 2006; and
- (c) that the aggregate minimum guaranteed profits for each such guaranteed year shall be revised as follows:-
  - (i) to RM6,350,000 for the financial year ending 31 December 2003; and
  - (ii) RM7,112,000 for each of the financial years ending 31 December 2004 to 2006,

AND THAT authority be and is hereby given to the Directors of the Company to hereafter take such steps and make such decisions as may be required to give effect to and to implement the terms of the Profit Guarantee Agreement and Stakeholder Agreement as varied in accordance with and pursuant to the terms of the SA (as hereinbefore defined) in such manner as they deem fit AND THAT the Directors of the Company be and are further authorised to form such decisions, do all such acts, deeds and things and execute and sign on behalf of the Company all such documents as may be necessary to give effect to, implement and/or complete the terms of the Profit Guarantee Agreement and Stakeholder Agreement as varied in accordance with and pursuant to the terms of the SA.

By Order of the Board

Lysia Lim Yew Nee (MAICSA: 7006382)  
Company Secretary  
Subang Jaya, Selangor Darul Ehsan  
9 January 2003

Notes:-

*A member entitled to attend and vote at the meeting is entitled to appoint a proxy but not more than two proxies to attend and vote in his/her stead. Where a member appoints two (2) or more proxies, the appointment shall be invalid unless he/ she specifies the proportions of his/ her holdings to be represented by each proxy. A proxy may but need not be a member of the Company. A member may appoint any other person to be his/ her proxy without limitation and the provision of Section 149 (1)(b) of the Companies Act, 1965, shall not apply to the Company.*

*The Form of Proxy must be deposited at the registered office of the Company at 10<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than forty eight (48) hours before the time appointed for holding the meeting or adjournment meeting.*





**(formerly known as Systematic Education Group Berhad)**  
**(145998-U)**  
**(Incorporated in Malaysia)**

**FORM OF PROXY**

No. of Ordinary Shares Held

I/We, \_\_\_\_\_  
(FULL NAME IN BLOCK LETTER)

of \_\_\_\_\_  
(FULL ADDRESS)

being a member/members of the above Company, hereby appoint \_\_\_\_\_

\_\_\_\_\_

(FULL NAME IN BLOCK LETTERS)

or failing him/her \_\_\_\_\_

(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_

(FULL ADDRESS)

or failing him/her, the Chairman of the Meeting as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Pahlawan 2, Level 5, The Summit Hotel, Subang USJ, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan on 24 January 2003 at 10.30 a.m., and at any adjournment thereof.

My/ Our proxy is to vote either in a show of hands or on a poll as indicated below with an "X":-

ORDINARY RESOLUTION	FOR	AGAINST
Proposed Variations		

Dated this ..... day of .....2003

.....  
 Signature of Member(s)

Notes:-

- If you wish to appoint other person(s) to be your proxy, delete the words "the Chairman of the meeting" and insert the name(s) and address(es) of the person(s) desired in the space so provided.*
- If there is no indication as to how you wish your vote(s) to be cast, the proxy will vote or abstain from voting at his/ her discretion.*
- A proxy may but need not be a member of the Company and the provision of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company.*
- A member shall not be entitled to appoint more than two proxies to attend and vote at the same meeting. Where two proxies are appointed, the proportions of shareholdings to be represented by each proxy must be specified in order for the appointments to be valid.*
- In the case where a member is a corporation, this Form of Proxy must be executed under its Common Seal or under the hand of its attorney.*
- All Forms of Proxy must be duly executed and deposited at the Registered Office of the Company at 10<sup>th</sup> Floor, Menara Summit, Persiaran Kewajipan, USJ 1, 47600 UEP Subang Jaya, Selangor Darul Ehsan not less than 48 hours before the time for holding the meeting or adjourned meeting.*

